

of increased access for the poor? Will it be consistent with raising their participation in higher education? The available evidence for HECS is not encouraging. True, there is no evidence of a fall in the proportion of lower socioeconomic status groups enrolling in university studies since HECS was introduced. But while not damaging the prospects of the poor for enrolling in tertiary education, HECS has done little positively to promote their access.

In sum, under the new TICAL scheme the aim of facilitating cost recovery is of central concern, displacing the more direct social objectives of broader access to higher education for the poor that were dominant under the old scheme. ■

## Austria's *Fachhochschulen* and the Market-Based Model

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In the international context, the higher education system of the Republic of Austria entered the road to institutional differentiation very late (in the 1990s), with the creation of a nonuniversity sector of higher education. During the gradual process of liberalization, universities, previously administered directly by the federal Ministry of Education, evolved into state-controlled institutions. Privately run *Fachhochschulen* were introduced in 1993 and private universities in 1999. (*Fachhochschulen* are similar to the former polytechnics in Britain and now call themselves universities for applied sciences.) In 2002, the existing public (i.e., state) universities became autonomous institutions. The leading ideas underlying these reforms were the concepts of neoliberalism and increased bureaucratic authority. The *Fachhochschulen* represent the first model of Austrian higher education to follow this conceptual approach.

The public universities, which are completely financed by tax revenues, constitute the dominant segment of the Austrian higher education system in terms of numbers and type. In a sign of Austria's liberal education policy, these public universities are characterized by free and unrestricted access. All prospective students with an upper-secondary-school diploma can study where, what, when, and as long as they wish. This situation led to many courses at universities being overcrowded and to many teaching staff being overburdened. Under these circumstances, a sense of responsibility or special con-

cern for students hardly exists. As a consequence, this system produces extremely high dropout rates (as high as 50 percent), long study periods (due in part to the fact that students can determine the timing of their final exams), and a lack of coordination of higher education degrees with the needs of the labor market.

As has been pointed out before, apart from the very few private universities that mostly offer only two or three degree programs, the financing of higher education, is almost exclusively derived from tax revenues. Austrians tend to regard higher education less as an investment in their own professional and life opportunities than as a largely societal activity for which the state is expected to pay. This traditional viewpoint resembles the mind-set of the public in Germany, where university fees are presently also being debated. The introduction of such fees in Austria in 2001 (approximately US\$450 per semester) still meets with strong public resistance.

The *Fachhochschulen* had been intended as a radical break from the traditional system. The foundation and the running of *Fachhochschulen* were placed fully in the hands of the private sector. During the last 10 years, more than 140 degree programs have been established at *Fachhochschulen*, presently with more than 20,000 students. The limited number of enrollments for each degree program at *Fachhochschulen* are determined based on the labor-market demands for graduates of the various programs.

The study places for each program, to which annually roughly 30 to 60 students can be accepted, are allocated by a specific selection procedure carried out by those in charge of the respective programs. The curricula are worked out in collaboration between academics and potential employers. Vocationally oriented academic training is thus being offered in close cooperation with industries. Each eight-semester program includes a practical-work semester. Undergraduate theses are usually designed in close cooperation with research and development projects of economic enterprises.

The study programs are predominantly in technical and economic subject areas, although recently more social science studies are also offered. The teaching staff include academics (for instance, some faculty at public universities hold part-time positions at *Fachhochschulen*), as well as people with vocational positions. At present only about 17 percent of *Fachhochschulen*

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teaching staff are employed full time; the others have only reduced teaching obligations on a contractual basis. In contrast to public universities where academics are civil servants and therefore in tenured positions, the personnel structure at *Fachhochschulen* results in a high degree of flexibility and adaptability to the changing requirements of the market.

Originally, the intention had been to organize *Fachhochschule* programs based on an independently financed market-based model and to create a competitive situation between *Fachhochschulen* as well as between *Fachhochschulen* and universities. The Austrian economic sector, in particular industries, which had vigorously promoted the foundation of *Fachhochschulen*, showed little interest in their continuous funding. The argument put forward by industries was that they had to pay sufficient taxes anyway. Cost-covering fees could also not be demanded from students.

A compromise called for the participation of the government in funding an agreed number of study places for each of the respective study programs. Today about US\$8,500 from tax revenues is spent on each study place. However, when students, for whatever reasons, drop out of the programs, the government funding is reduced. While students at

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*Fachhochschulen* pay the same amount of fees as those at universities, these institutions, particularly if they offer technical subjects, cannot be run on such a financial basis. In almost all cases, the states (Austria is a federally structured country) play a financial role, as well as often local communities. The downside of this financial mix consists of the fact that higher education and science policies are often entangled in a web of provincial political interests.

In conclusion, the privately run *Fachhochschulen* in Austria have very successfully developed during the first 10 years of their existence. Above all, the numerous private initiatives to establish and operate such institutions have shown the country's entrepreneurial potential. The *Fachhochschulen* nowadays represent a serious competition for the universities, despite the fact that both types of higher education institutions depend to the same extent on the public purse. While the originally envisaged market-based model has been used in the planning of programs and the adjustment of curricula to meet the demands of the labor market, in the context of funding matters these market principles have encountered a lot of mental resistance. ■

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## The Liberalization of Thai Education: Point of No Return

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The 1997 economic crisis caused Thailand to embark on higher education reforms. Neoliberalism, a commitment provided to the International Monetary Fund, was adopted as a reform strategy. The strategy is well documented and has induced competition among universities for student enrollments. For instance, one of the largest private northeastern universities saw a 20 percent decrease in new students between 2004 and 2005, the opposite trend to the public sector. This article draws upon the experiences of public and private universities in the northeast of Thailand to illustrate the events taking place elsewhere in the country. The policy constellation in the country has led to five major developments.

First, in 1997, the autonomous-university policy was introduced in the public university sector. Public universities are now given greater freedom in administrative and academic terms. Furthermore, the government, in 2004, granted autonomy of decision making to both public and private universities. In effect, all decisions now rest with university boards.

Second, the private higher education sector has recently been experiencing deregulation. Consequently, it is easier for private operators to establish private higher education institutions. The number of private universities and colleges has now increased to 54, from just 1 in 1969.

Third, privatization has followed the user-pay model, which is based on the philosophy that higher education increases the earning power of individuals who possess it, and thus individuals must pay for the cost of higher education. This philosophy also underpins the full-fee programs offered by public universities.

Fourth, students will shortly be empowered to choose a university, as they will be provided with Income Contingency Loan (ICL) vouchers. Presently, money is allocated to universities on a quota basis, with the effect that students have to follow the money. ICLs are scheduled to be implemented in 2006.

Finally, because of budget constraints, public universities now perceive they have to support themselves financially. As a result, they are increasing enrollments through expansion and diversification via regular and full-fee programs.

#### **PUBLIC UNIVERSITIES' RESPONSES**

The principal effect of liberalization is that students now constitute sources of money and power. Public universities in particular are able to employ a variety of methods in attracting students and increasing enrollments. First, open-enrollment