

FINANCIAL AUTONOMY IN UNIVERSITIES AROUND THE WORLD MANAGEMENT IMPLICATIONS FOR VIETNAM

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ABSTRACT

This study presents the experience of implementing financial autonomy mechanism in a number of universities in Europe, America, and Asia; it analyses the strengths, weaknesses, support resources to carry out financial autonomy at universities, in which emphasis is placed on public universities of arts and sports. From this, we may learn lessons and apply the model of the autonomous university in Vietnam.

Keywords: University autonomy; financial autonomy; University education.

1.0 INTRODUCTION

Resolution No. 77/NQ-CP dated October 24th, 2014 of the Prime Minister has decided to pilot the renewal of the mechanism for 23 public higher education institutions under central ministries and branches. The pilot model of autonomy mechanism at higher education institutions initially brought positive results. However, although there have been many documents to “untie” universities to pilot autonomy, the legislation on university autonomy is still uncertain and inconsistent due to the compliance with the Law on Higher Education 2012, the Law on Public Investment, the Law on Science and Technology... Some regulatory documents lack specificity and clarity, leading to difficulties in implementation.

Therefore, the amendment and supplementation of the Law on Higher Education 2012 has the objective of concretizing the guidelines and policies of the Party and the State on higher education, creating unity and synchronization with other legal documents, especially creating a legal basis for university autonomy, promoting the achieved results and overcoming limitations and shortcomings of the pilot process of public university autonomy according to Resolution No. 77 /NQ-CP of the Government. The Law amending and supplementing a number of articles of the Law on Higher Education was approved by the National Assembly on November 19th, 2018, effective from July 01st, 2019, with four groups of policies which are: (i) Expanding the scope and improving the efficiency of university autonomy; (ii) Renovating university management; (iii) Renovating training management; (iv) Renovating the state management of higher education.

Currently, all countries consider the education and training of human resources to protect and preserve the national cultural identity as the vital task of each country. As a country with a rich and very unique art treasure, Vietnam is facing great challenges in education and training in order to preserve traditional values and promote cultural diversity while prioritizing the development of economic sectors.

2.0 SOME EXPERIENCES IN BUILDING FINANCIAL AUTONOMY MECHANISMS IN HIGHER EDUCATION IN COUNTRIES AROUND THE WORLD

2.1. In Europe

In Europe, the financial autonomy of universities is one of the rights that is respected by all countries. Educational development policies in European countries tend to increase public budgets for higher education, ensure greater financial autonomy, develop connections between funding and outcomes, encourage diversification of funding sources and partnerships, and reduce the role of state management.

The European University Association (EUA) is the representative organization of universities and national rector conferences in 47 European countries. The association has the task of assessing the performance of universities in member states in terms of organizational, academic, and financial autonomy. To assess the level of autonomy performance among universities in the countries, EUA has developed a framework focusing on four areas of organizational, academic, human resources, and financial autonomy. In 2010, EUA announced the results of an investigation into the current status of the autonomy mechanism implementation of 29 European countries, including Austria, Brandenburg, Cyprus, Czech Republic, Denmark, Estonia, Flanders, Finland, France, Greece, Hesse, Hungary, Iceland, Ireland, Italy, Latvia, Lithuania, Luxembourg, Netherlands, North Rhine -Westphalia, Norway, Poland, Portugal, Slovakia, Spain, Sweden, Switzerland, Turkey, and the United Kingdom.

Reports show that European universities receive a significant proportion of their funds from state funding. "Arts Education Monitoring System (AEMS) Final Report (produced by the Institute of Cultural Policy and Cultural Management (EDUCULT) with funding from the European Union, published in 2013) shows that state funding (at government and local levels) accounts for a very large proportion in the development of arts education at all levels in Austria, Hungary, Germany, Spain, and United Kingdom. All EU member states offer sports sponsorship at different levels (national, regional, local/city) and, maybe, different forms. Typically, central government spending on sport is lower than what comes from regional and local authorities, most of which are sponsorships for local sports facilities. While some sports organizations are completely autonomous, for most of the remaining universities, it is necessary to receive support from the state. When providing financial support to the EU, member states are required to comply with EU aid rules.

Below, there are some examples of university autonomy performance in European countries:

United Kingdom:

According to the ranking of university autonomy of European countries, the United Kingdom ranks 1st in terms of organizational autonomy; 3rd in terms of financial autonomy; 2nd in terms of payroll and personnel autonomy, and 3rd in terms of academic autonomy. Universities in the United Kingdom are highly autonomous. The United Kingdom ranks among the top 3 countries and is part of the "high" group of the higher education system in all 4 areas of organizational autonomy. UK universities are free to decide on all aspects of

organizational autonomy, including the selection, appointment, dismissal, and term of office of the executive head, and the appointment of external membership to university governing bodies, the creation of legal entities, and the internal structure of faculties and departments.

French Republic:

France is at the top of the “middle-low” group of countries with autonomous university mechanisms in terms of organizational autonomy (ranked 17th), financial autonomy (ranked 23rd) and payroll autonomy (ranked 28th), and in the “low” group in terms of academic autonomy (ranked 29th). France practices a free admissions system for first-cycle students. For students enrolled in graduate programs, selection criteria may be established by the universities. All programs must be accredited by the authorities, and courses at the bachelor’s level can only be taught in French, although there are exceptions. French universities are entitled to freely design their own curricula. Higher education reforms having been implemented in France since 2007 have increased the universities’ rights of autonomy, providing for the development of new competencies, such as management and leadership skills, necessary for successful implementation of the university autonomy mechanism.

German Federal State of Brandenburg:

The German Federal State of Brandenburg is rated as “middle-low” in terms of organizational autonomy (ranked 16th), financial autonomy (ranked 25th), and personnel autonomy (ranked 23rd). Freedom related to academic matters is rated as “middle-high” (ranked 13th). Regulations on the recruitment of senior lecturers do exist within German universities, although the state government may issue specific regulations allowing the university president to conduct the independent recruitment process. Salaries for senior lecturers may vary between employees with contracts before and after 2002. Although Germany recognizes compulsory curricula in bachelor’s and master’s degrees, institutions are entitled to freely select a quality assurance supplier from a list of nationally recognized agencies.

The Russian Federation:

Education in the Russian Federation has undergone drastic reforms aimed at expanding the responsibility of local authorities and universities in the areas of finance, programs, establishment, and university selection. The new education system is very different from that of the Soviet era. In general, the autonomy of higher education institutions in the Russian Federation is related to decentralization and privatization. Autonomy is suggested as full autonomy or partial autonomy under the control of the federal government or the state government.

The more autonomy universities have, the more they are allowed to establish policies, programs, and use money wisely. However, with the policy of decentralization, universities may use this favor to make decisions that affect the overall policy of the country’s higher education system. The autonomy of universities is considered in the following aspects: Rectors are elected by representatives of faculties, staff, and students; Parliamentarians are a fundamental and important part of the university’s organizational structure; Some departments in the university are established in accordance with the law; Basic salary is

regulated by the government and in accordance with labour law, which may be supplemented by the university budget; Funding distribution is decided by the university.

However, there is still no re-distribution of resources such as salaries, taxes, or scholarships for students; Funding from NGOs, tuition fees, results of technology, and service transfer...; The curriculum is designed by the faculties; The number of students of state universities is determined by each state for the universities; The number of students who must pay tuition fees is regulated by each university; Entrance exams are recognized by universities; Degrees are still awarded mainly by the federation and state rather than by universities; Degrees are increasingly approaching European and North American standards.

2.2. In the North American Region

The United States of America:

The United States is a country with a complex higher education system because of the diversity of federal, state, and local policies. Like European countries, universities in the United States currently have a lot of rights in terms of organizational, payroll, personnel, academic and financial autonomy, and self-responsibility. The United States does not have a national education system except for military academies. In the United States, each state has its own public universities of varying sizes. Of more than 4,000 universities in the United States, eight prestigious private universities in the northeast known as the "Ivy League" are considered the most prestigious.

The United States government provides funding for both public and private universities. There are certain regulations on the supervision and use of this financial resource that is imposed on the universities. Both public and private universities charge tuition fees, but they vary widely from a few hundred dollars per course to \$45,000 per year at the top private universities in the United States. The budgets of universities in the United States are based on three main sources: tuition fees from students, donation funds contributed by benefactors, and budgets from federal, state, or local government. Universities play a role in state management of education, including formulating enrollment regulations, defining framework programs, and even controlling the annual quota of students each university is entitled to.

The management structure of a university in the United States consists of the University Council, the Rector, senior managers, faculties, personnel, and students. American university is still under the strong control of the Administrative Council. In the United States, the training program is adjusted to satisfy accreditation standards. However, academic personnel is given certain powers to refresh their instructional content and they often decide this appropriately. Regarding the organization of training, in the United States, a credit-based training system has been implemented for a long time. Harvard University was the first university to allow students to have some rights of module selection in 1885. And, nowadays, the credit-based system is adopted in almost all universities in the United States.

2.3. In Asia

Among countries in Asia, Korea and Japan are emerging as leaders in university autonomy reform. It is worth mentioning that, not so long ago, these two countries were still in the group of countries whose higher education was strongly constrained by state control.

Korea:

Korea has achieved many successes in higher education development despite the country's traditional education system is tightly controlled by the state. Korean higher education investment rate reached 2.6 percent of GDP, second only to the United States (2.9 percent) among OECD countries in 2003. Especially, from 1999 to 2012, the Korean government exclusively spent \$3.4 billion for the national program "Brain Korea 21" to promote graduate training and research in universities. In 1995, Korea officially completely reformed the ask-give mechanism and centralized management mechanism to definitively grant autonomy to universities, with the following basic contents: Diversifying and specializing higher education system; Diversifying the criteria for allowing the establishment of private universities; Giving autonomy to universities to decide on enrolment quotas and university management; Creating a special support system for scientific research; Closely linking the university's quality assessment with financial support from the Government.

In order to obtain a definitive break with the former management policy, Korea carried out a reform of university institutions. Since 1982, the Korean Council for University Education (KCUE) was established. The council aims to promote research, a collaboration between universities, and quality assessment and accreditation. In 1987, along with the democratization of Korean politics, the Ministry of Education launched the University Automatization Plan.

There are two outstanding mechanisms in Korean higher education reform in order to ensure the social responsibility of universities when they are given full autonomy. The first one is linking education quality assessment (by an independent accrediting agency) with financial support from the state; the second one is clearly stipulating the establishment of the university council and charter to supervise the university's activities. Along with the expansion of universities for the masses, Korea is also trying to build elite universities, universities emphasizing scientific research. And, so far, these two universities "systems" go hand in hand and complement each other. Indeed, in later years, the Korean higher education system has been modelled almost entirely on the system of the United States. Programs such as World Class University, Humanity Korea, Social Science Korea, etc. have been implemented since the beginning of 2000 and brought many remarkable achievements as mentioned above. Regarding Korean social science research, from nearly zero, now it accounts for nearly 4% of the total number of Korean scientific publications.

Japan:

Unlike the path of building financial autonomy in Korean universities, Japan is a country with many unique ideas in developing the university autonomy mechanism. Japanese modern higher education system was formed in the late 19th century with the establishment of the University of Tokyo in 1887. Before World War II. The Japanese higher education system is characterized by an administrative - centralized (though not entirely) management system.

Since the 70s of the 20th century, the scale of Japanese higher education has increased sharply, opening the process of higher education basification. This is the most sweeping reform of education since the end of World War II. In 1984, the National Council on Educational Reform was established and then, in 1987, the University Council under the Prime Minister of Japan was established. The University Council has made recommendations on higher education reform to respond to the rapid changes of modern Japanese socio-economic life and the international environment.

In 2001, the University Council proposed the “Policies for Reforming the Structure of Public Higher Education” with the aim of enhancing the dynamism and international competitiveness of public universities with basic measures. In 2002, the revised School Education Law allowed schools to be more flexible in reforming the organizational structure and management of faculties and professional units, along with a three-party evaluation system being implemented (School - State - Social-professional organizations). Under this Law, universities have the autonomy and self-responsibility according to the Law for the granting of diplomas and certificates of training programs of the universities, reducing the direct management of the Ministry of Education and Culture, Sports, Science and Technology (MEXT) in this regard.

One of the most basic features of higher education reform in Japan in recent years, which continues in the present period, is the corporatization of public universities. This process is carried out with the objective of strengthening the independence, autonomy, and self-responsibility of public universities, applying the business model in university management.

3.0 SOME LESSONS LEARNED FROM THE WORLD FOR VIETNAM AND VIETNAMESE CURRENT MODEL OF AUTONOMY

For many years, Vietnamese higher education has developed mainly under the model of public higher education with free or low tuition fees. However, the development of the non-public university system in the past decade has contributed significantly to the sharing of State resources for higher education according to the model of expanding private university system.

In the last few years, students have been given State loans to cover their study costs according to the model where college costs are reimbursed after the student graduates. The State is also studying the possibility of increasing university tuition fees in combination with expanding the support system for students according to the model of increasing tuition fees combined with expanding support policies.

Thus, Vietnamese higher education has been and will be implemented according to all four models mentioned above. The problem is that we should choose which model to be prioritized corresponding to each stage of development, and what issues should be paid attention to with each model so that the development is sustainable and highly effective. (Le Van Hao, “Model of university financial development” - Tia Sang Magazine on September 04th, 2008).

Considering the experience of autonomous universities in the world regarding financial autonomy mechanism building, management, and using, we find that there is a huge

difference between countries in the world in terms of rates between the public and private resources that universities receive. In Vietnam, the main financial source of universities is provided by the State, in the form of the State's support; Tuition fees and other private support resources are negligible or non-existent.

Despite of diverse capital sources, in many developed countries, the State's support resources are still the largest resources of universities. In addition, universities around the world depend on various private financial sources to finance their operations and improve the quality of their facilities and infrastructure. These financial sources include tuition fees, gifts in various forms from charities, revenues from service activities, commercialization of research conducted by the university, and support from private enterprises. The construction of a financial autonomy mechanism for universities raises many questions about the management and use of these financial sources.

Currently, it is argued that, when conducting research at universities, financial sources for the research should be segregated from financial sources for teaching, or the financial source should be provided under each project and assigned to the universities for their own decision on allocation. Another issue is whether universities should use revenue from tuition fees to pay for research and related activities, including indirect expenses for postgraduate training.

In some countries, an increasing number of research projects run by autonomous universities are being financed by private companies to share in the benefits of discoveries in basic as well as applied researches. This has the advantage of increasing financial resources for research by universities and reducing dependence on the state budget. However, this raises ethical questions regarding the right of private institutions to set research priorities at universities.

Currently, in Vietnam, the form of budget allocation mainly depends on historical/political allocation factors and financial provision depends on formulas. The form of financial allocation based on performance results is less appreciated. In addition to using financial allocation formulas, many countries provide partial state support in the form of funds that are unconditional and competitively allocated. Typical unconditional supports are funds in response to suggestions from universities or lecturers themselves, often with the aim of encouraging the university's quality or operation improvement.

The World Bank is a key force in promoting competitive funds in developing countries, particularly in South America (Argentina, Bolivia, and Chile) and Eastern Europe (Bulgaria and Hungary). The primary reason for the World Bank to promote these funds is that its manner of operation allows a much greater degree of flexibility in meeting the needs of the objectives being targeted, in comparison with traditional funding formulas or unconditional financing programs intended to help certain types of university.

Experiences from other countries show that tax issues in the use of state resources need to be given due consideration. Taxes are considered as a form of state support for higher education. Policies based on tax regulations include tax exemptions for charitable contributions to universities, tax exemptions or incentives for companies or organizations implementing research projects within the universities as well as for activities of local or national importance carried out by the universities. However, the imposition of tax policies on public

universities will likely reduce the potential for funding higher education and other non-profit organizations because the State does not collect taxes and it may create inequality between public and private universities.

Another feature of the process of building financial autonomy for universities is the satisfactory resolution of tuition fees. In most countries, tuition fees represent the largest source of private revenue for higher education. They also represent the near-direct intersection of the forces of supply and demand in the financial balance. In terms of supply, tuition fees and state budget support for universities are the two main sources of funding for public universities.

For private, non-profit universities, tuition is the primary source of revenue, along with endowment funds, sponsorship, and other service revenues as additional sources. In for-profit universities, tuition is the primary source of revenue. Therefore, tuition fees at all types of universities can be used to determine the size of the university through its ability to receive and train students.

For public universities, tuition is often a smaller source of finance than that of private universities, since in most countries state support for higher education far exceeds the revenues generated in private universities. A question raised here is what basis for the State to base on to set the tuition fee: based on a percentage of the cost per student; based on the tuition rate applied by universities of the same type and level; or based on general economic indicators, such as GDP per capita or the average income of people in the region?

There is a huge difference around the world in tuition fees between public and private universities. In most countries, public universities charge no tuition or charge very little, while changes in tuition fees in private universities tend to be associated with changes in market conditions, such as competition with public universities, the trend of other private revenue sources such as endowments or donations, and the increase in actual costs as universities increase their financial aid to students. There are some opinions that different tuition fees can lead to inequality in higher education between universities.

As is the case with tuition rates and retention, there are many different types of tuition structures. Which tuition structure will universities choose when there are 4 types of tuition structures as follow?

Traditional tuition fees: The tuition structure which is applied in most countries is that universities collect tuition fees directly from students and their families. Tuition rates may be the same for all students, and may vary by field of study or level of study (e.g. graduate students pay more than undergraduate students). However, the common feature is that the university leaders decide the rate as well as organize the collection, retention, and use of tuition fees for the universities' activities.

State-funded tuition fees: In some countries, the state pays tuition fees on behalf of students and collects this money from students through the tax system after they graduate and get a job. Australia is an example of this practice, applying such a structure since the 80s as a way to offset costs without creating tuition pressure on students when they start studying.

Parallel tuition fees: Another way where most students can pay a relatively low rate is that the state provides partial subsidies to students who do not qualify for a tuition waiver. Parallel tuition is a way for universities to get additional revenue; they withhold these revenues while the state manages the revenue of the students' tuition fees within the budget allocated to the universities. This mechanism is often applied in Eastern European countries.

Recently, there has been a tendency to develop a two-tiered tuition structure, meaning that most students will pay tuition at a largely state-subsidized rate, some other seats will pay market-based tuition. This type of tuition structure has been practiced in the United States for a long time. In other countries, foreign students pay higher tuition fees than local students. An example of this structure is the one applied in Australia, where most students' tuition is paid for by the state while all foreign students have to pay higher tuition fees and upfront each academic year.

The establishment of the university autonomy mechanism of the countries also aims to solve the problem of student support. Should, and how, universities use tuition and other fee-for-service revenues to financially support certain students? These are the questions that many universities have discussed when implementing the financial autonomy mechanism.

Usually, the issue of autonomy in using financial resources in combination with budget, tuition fees, and student support policies is paid great attention by countries. Policymakers in every country must consider whether state funding for universities and tuition fees should be uniform across universities or different between each university. What will happen to the budget allocated to accommodate the change in tuition fees, if any? When tuition fees increase, how will the support that universities receive from the state be? Concerns about the connection between higher tuition and higher student aid levels focus on three issues:

Firstly, it is necessary to rely on student credit rather than funding to deal with tuition increases.

Secondly, the support provided, whether in the form of non-refundable funding or credits, is generally not sufficient to meet the growing financial need caused by tuition increases.

Thirdly, tuition fees often increase before student aid programs can adjust in time, increasing the number of students in need and increasing their concerns about not having enough financial resources to meet the tuition increases.

4.0 CONCLUSIONS

In many countries, universities have the right to own, sell construction assets or easily use joint ventures or associations to improve the efficiency of providing quality training services. The fact that the law recognizes universities' ownership of land and properties allows to bring a great resource, ensuring the universities to be proactive in their development strategies. However, some countries with advanced education (such as European countries) still partially restrict or do not allow universities to have the right to sell their assets.

The process of building a financial autonomy mechanism in universities of countries successful with educational reform has always been closely associated with the process of

building a legal system and reforming educational institutions towards strengthening the development of industrialization, modernization, and international integration. Institutional reform of higher education in the above countries does not take place in a massive, stereotyped, or mechanical manner, but always with caution and creativity. First, a pilot model is built, then supplemented and modified to suit the situation of the country before being applied widely.

While implementing the financial autonomy mechanism, universities in advanced countries in the world simultaneously innovate the autonomy mechanism in terms of organizational structure, payroll, and tasks. The above-mentioned synchronicity in the innovation of university institutional autonomy is the fundamental reason for the success of universities, ensuring the maximum effectiveness of the financial autonomy mechanism.

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