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**How HE governance has changed in France, looking at the recent evolution of
the public funding components: relations and effects.**

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Résumé

Le contrat quadriennal avec les établissements d'enseignement supérieur en France est une réalisation originale du changement différemment réalisé en Europe vers le pilotage public à distance et la responsabilité et autonomie du système académique. L'étude veut répondre à la question sur comment les changements récemment introduits en France dans le mode d'allocation du financement public, la création d'un organisme autonome d'évaluation et la faveur vers l'excellence dans le monde académique ont eu un impact sur le rôle du contrat. Est-ce que il représente un espace réel de flexibilité et innovation, ou la politique, avec un certain degré d'indépendance des résultats d'évaluation, peut trouver en accord avec les objectifs et les attentes des universités? Le contrat quadriennal n'a pas été conçu comme un instrument de délégation par l'Etat et, permettant aux acteurs d'essayer des trajectoires spécifiques, sur lesquelles on collecte des informations, pourrait contraster les effets cumulatives à partir des résultats comparatifs moins performants enregistrés par les indicateurs d'évaluation. L'étude utilise des documents politiques, incluant un certain nombre de contrats, autres études sur le thème et interviews sélectionnées. Les résultats sont présentés à travers des schémas qui montrent l'évolution des trois composants du financement public aux établissements d'enseignement supérieur. Le coût de la transformation en cours et ses premiers effets sont aussi pris en considération.

Abstract

A policy can be studied through its instruments, revealing many things on the relation between government and governed actors through its design and implementation. The French HE quadrennial contract is an interesting example of an original realization of the general movement towards steering at distance and accountability within academia. The study explores if the recent reorganization of the public core funding model, the creation of a national independent agency of evaluation (AERES) and the European pressure for quality and excellence has changed the role of contract and if it represents a real space of flexibility and innovation, where political choices can be affirmed, partly independently from the evaluation results of the Agency and in agreement with purposes and expectations of the universities. Recently the contracts became more linked to the new managerial duties of universities, but always keeping their medium term strategy content. French contracts were not delegation based tools and they "could" prevent cumulative negative circles to install, allowing actors try new routes and collecting information on the results. The study is based on the analysis of policy documents, including a list of contracts, available studies and on a number of selected interviews. Results are presented through synthetic schemes, showing the evolution of the three components of public funding to universities: formula funding, contract and project funding. The paper looks also to the costs of the current transformation and to the first effects.

Introduction

The paper deals with the HE policy in France in the last ten years through a specific lens – the public funding policy, its evolution and its impact on the HEI system, which is regarded under the aspect of the solution given to the trade off of variety vs excellence, i.e. « la question de la régulation de la concurrence entre établissements induite par le modèle d'allocation des moyens » (Séminaire CPU 20/09/2010).

The paper starts from the statement of Musselin and Paradise (2009, p 23) that the university configuration experienced a rather deep transformation in the 1990s and that this development was rather a very French process, scarcely influenced by European or international trends. The reform was centred on the institution of long-term contracts between each university and the ministry of education. When the steering process through contracts has been introduced in France, at the end of '80s, HE institutions and their management have been recognized as the real counterpart of the public central administration and it can be considered that the process of autonomy acquisition by universities starts from the recognized and legitimized existence of the academic institutions as such: les établissements publics d'enseignement supérieure. The negotiation realized through the contract changed the nature of the relation between State and Universities, from hierarchical to “more” equal (Musselin and Paradise, 2009), but Musselin esteemed also that it was a fragile solution, embedding a contradiction between a « mode interventionniste centralisateur » and a « mode différenciateur » giving space to the local differences.

Since the half of 2000s the implementation of the HE public funding policy has brought new deep changes, which ask for new investigations on the role of the contract within the new context (including public funding mix and university governance as well as new intermediary actors, ANR and AERES) and on the questions posed by Musselin and Paradise (2009, p.48): what degree of co-decision has been reached, how much new stakeholders impact university policy and how and how much the state has repositioned itself.

The difficulty in dealing with this issue is of two types: its complexity and the still on-going nature of the HE policy implementation, which don't allow to arrive to strong “evidence-based” conclusion. It is necessary to take into consideration that the context of the HE reform is under construction, given the lack of a strong convergence of the main actors involved.

The paper firstly details the main research components included in the issue to be investigated.

In the second paragraph the evolution of the public funding mix is drawn and the “rational” behind the main instruments, in terms of variety vs excellence construction.

In the third paragraph we compare the government vision with the other main stakeholders' one: the National Research Agency (ANR), the University Presidents Conference (CPU), the Agency of Evaluation (AERES), the Cour des Comptes.

In the fourth paragraph we look at the question of “variety vs excellence” from the point of view of less favoured (small sized and young) universities, through the reports of AERES.

Finally we present some conclusion, looking also to a recent empirical literature on the European university reforms.

1.Changes in the HE public funding in France: critical aspects.

The change in the public funding allocation mode and its effects on the HE system is a puzzle from which we can extract almost four critical aspects to investigate within the French context:

- The role of performance based criteria for public funding allocation;
- The role of accountability based indicators for university project/contract building;
- The (more or less autonomous) role of the intermediary body charged of the project funding allocation and the criteria for project selection;
- The financial autonomy of university, or their capacity of freely using public funds to implement a “local strategy”, in respect of their public funders (State and local authorities);

In the following we explicit the problematic of each of the four critical aspects.

First of all, the performance based allocation criteria has been the object of many analysis, mainly within a literature looking at the Anglo-Saxon context. In particular Geuna and Martin (2003) examined the advantages and disadvantages of performance-based funding in comparison with other approaches to funding and concluded that, while initial benefits may outweigh the costs, over time such a system seems to produce diminishing returns. They distinguish between “summative “ and “formative” evaluation, used to decide funding. The assumption is that funds that are allocated after the performance is evaluated, will yield greater returns. If only performance criteria are used, the effect is to concentrate resources on successful groups (in a cumulative way, as the Matthew effect in Science demonstrate); if a political decision is more relevant, it is possible that a choice is taken of investing in building up weaker groups. This depends, among other things, on the relation between the evaluation results (indicators) and the funding allocation decisions. “The goals of evaluation tend to be defined by the evaluating agency. In the UK, this is the responsibility of the Higher Education Funding Councils (HEFCs), while in The Netherlands, evaluations are carried out by the Association of Netherlands Universities (VSNU)” (Geuna and Martin, 2003, p. 279). In my opinion, the relation of independence of the HER Ministry decisions from the National Evaluation Agency (AERES) in France could allow the usually rare event of allocating funds to support less performing units, for policy reasons. Moreover a “formative” evaluation can be present, when the aim is to assist a unit in achieving some returns, which, in my opinion, in the French context can be considered the case of quadrennial contract (QC).

The performance based public funding allocation systems, mostly applied to research activity, but now in France also to teaching and managing university activities, show both positive and negative aspects. Among the positive ones there are the meritocracy (rewarding good research); the competition for efficiency (ineffective research is identified); the emergence of a more explicit/coherent research strategy within department or institutions (which is also asked by competition); mechanism for linking university research to government policy priorities and finally the concentration of resources may enable best departments to compete at world level. Negative effects include: the homogenization of research and universities, with a decrease in variety and experimentation; to discourage more innovative and risky research while encouraging the inflation of publication or other “game” indicators (“looking better instead of doing so”); it rewards past performance and not current or future potential, reinforcing elites/status quo ; and finally may lead to excessive government influence/‘interference’ in university activity.

The analytical background we wish to refer to is M Callon (1994) discourse on the specific role of the public incentives. While a market system could bring to a reduction of heterogeneity in approaches and solutions to problems, given the reference to economic return for investment decisions, public role is that of assuming the trade-offs between short term and long term advantages, searching for more information and less uncertainty on future opportunities. Therefore

public role is properly that of reducing irreversibility path, leaving open new areas, don't cut off possible duplications.

Accountability/responsibility is the other face of the University autonomy and it is mainly based on building internal accounting services, which should realize a cost analysis of the activities and take under control the expenditures. Aspects of this activity can be to check that a threshold of financial reserves (and rotational fund) be saved allowing financial flexibility or that a balanced ratio between monetary resources and expenditures be respected and so on. The key problem is which is the driver in the relation between accounting indicators and the *établissement* project building. After the LRU (2007) and the more recent passage to the "global budget" administration by the universities, there has been a new organization of the accounting and financial services, which are now more linked to other administration services, such as "pilotage" or "contract" services. (Given the large differentiation of French universities internal organization it is difficult to identify a standard/diffused management organization within the *établissements*). These linkages should need to be closely explored; what I understand (on the basis of documentation and interviews) is that there isn't a unique best practice, but it is possible that "le pilotage financier et comptable est au service des objectifs stratégiques prioritaires" (AERES Evaluation 2010, Université de Savoie). Surely the budget building is a crucial aspect and it can be an internal « collective action », where power relations among components but also discussion on the *établissement* aims take place, even if sometimes this "*dialogue de gestion*" can be reduced to the funding allocation to the internal components. Decisions on new projects (to be co-funded) or on action of human resources management, i.e. recruitment, salary variation (which became crucial nowadays) are surely not managed solely by the accounting services on their criteria, but by other internal Directions which can involve the accounting and/or financial services at consulting level. Finally accounting indicators can be included among other "performance" indicators, in the annex of the quadrennial contract, but they are only "some among others" and they are not included in the short list of the specific targets of the QC of the *établissements*.

The public funding system in France is a quasi-dual system, because since 2005, l'Agence nationale de la recherche (ANR) has the mission of funding and promoting basic, applied and finalised research activities. When interviewed in November 2010 Mme Charline Avenel, Directrice adjointe des moyens et de l'évaluation, Cabinet de la Ministre, MESR and Mme Marie Reynier, Directrice du Pôle de contractualisation et de financement des établissements de formation et de recherche, MESR, affirmed that it was difficult to foresee the effect of the change in the relevance of the ANR role. In 2009 ANR was called to manage a very huge government fund appropriation *d'investissements d'avenir* of 18,9M € for l'enseignement supérieur et la recherche within the frame of *Grand Emprunt* by the 2010 Financial Law. At present while ANR should claim an independent role from the Ministry 's strategy and a programming activity based on its own scientific perspective and on the work of its seven disciplinary Committees, nowadays la Cour de comptes (Rapport annuel, Feb 2011) claim that its activity be regulated through a contractual agreement with Ministry. Even if the process of project selection is known, the ANR has not collect data on the impact of its activity on the scientific community. It is possible to advance the hypothesis, which asks for a check, that some disciplines and some research units can access more easily and that for the *établissements* which are weaker research players the main road for accessing are the "collaborative" incentives devoted to territorial Poles (PRES).

The last critical aspect of the change in public funding policy is the financial autonomy of the HE *établissement*, i.e. their capacity to use funds for own aims, by increasing the own resources or by devoting the received public funds to a specific local strategy. If we leave aside the project funding allocated mostly by ANR (or European bodies), there are two main public actors who sustain the University, first the State and then the local authorities. The relation with the State has been

introduced above with the “performance based” criteria allocation. Here we want to underline that the linkages with the local authorities, which is meant as the main route for laggard, weaker, smaller HE *établissements*, introduce another problem. In the absence of some form of coordination, the linkages with local political, economic or social actors could produce a fragmentation of the universities strategy, more an answer « *coup sur coup* » than a project of development and growth. The University Presidents claimed during their meeting (20/9/2010) : « il faut à la fois que l’État joue son rôle de régulateur des politiques publiques à l’échelle du territoire, via en particulier la politique contractuelle, et que les établissements inventent eux-mêmes des formes de coopération à l’échelle des sites universitaires, des régions, voire des inter-régions. Les PRES peuvent être un outil privilégié de cette coordination constructive ». Therefore, again the contract as instrument for regulating these collective agreements.

First conclusion, besides underlining again the complexity of the question “what the impact of the public funding reform for HEIs in France”, it seems that the contract is an instrument of coordination, legitimacy and building the future, which is increasing in importance. At the same time it is necessary to understand which contract is the place where all the other contracts are included. It could be the QC contract of the HE *établissement* (now evolving towards a quinquennial instrument), but there isn’t a stabilised solution.

And finally, the public funding allocation regime in France can be better defined as an hybrid system, such as Netherlands, Finland, and Denmark, where the performance criteria are accompanied by a predominant “activity” criteria- where size is a dominant (also cost reducing) , underlying criteria and the rankings are not directly linked to funding; therefore many drawbacks can be avoided.

2. The evolution of HE public funding mix

At the half of 2000s the quadrennial contract was still the main instrument of a policy of public funding allocation in France. It presented some weak aspects, that then have been “corrected” over time.

-A partial character in terms of resources on which the universities could build their strategic project. The Conference of University Presidents (CPU) and the *Mission d’évaluation et contrôle de l’Assemblée nationale* (MEC) sustained that, within the quadrennial contract, universities should have to manage the global resources. The national Audit Board (la *Cour des comptes*) esteemed also that the financial impact of the contract was low and that it was necessary to give it more space .

-The evaluation had a reduced place. All the policy actors agreed on the weakness of the evaluation devices, necessary corollary of the university autonomy. *Cour des comptes* and MEC agreed on the necessity of carrying into effect the evaluation, especially in the perspective of a “global contract”.

-The regional context also didn’t receive enough attention.

A threshold can be traced for the public funding regime, before and after 2009.

Before 2009: the four main components of the public funding were:

- An operational core funding (SAN REMO) driven by a formula which calculated the theoretic financial needs on the basis of three historical items (which were not cost items): the number of the enrolled students, the number of the administrative and technical personnel, and the surface used for teaching activity.
- The salary amount of University academic and non academic personnel, which was directly charged upon the State;
- The contract funding , which represented around 20%, out of salaries;
- Specific amounts (Enveloppes) including the university research.

Own resources can be added to all this university: after LRU (2007) they could be augmented through the creation of Foundations and a policy of linkages with local actors.

After 2009 the University public funding environment has changed:

- A core funding (SYMPA) driven by a formula, both for teaching and for research activity (dealt with separately) including Activity and Performance indicators. Activity indicators represent 80% of the total amount, including now the total salaries (the HE *établissement* adopted this new regime of *competences élargies* progressively); Performance represents the remaining 20%. This 20% allocated on performance indicators is partly (80%) on common indicators (for teaching and for research) and partly (the remaining 20%) on the contract *cibles* given by the *établissements*, for each of the four years of the contract. Also the contractual part is now allocated by criteria: 1/3 is on the respect of the contractual obligations. 1/3 on the quality of the project and 1/3 on the contribution to the national strategy. But it is difficult to distinguish within a contract the last two components. What happens is that universities include automatically within their contracts and their specific *cibles* some of the State large aims, such as professional integration, commitment to the territorial areas policy (*politique des sites*) and good management of *établissement*. The annex of a quadrennial contract include usually a first part of common indicators, calculated by various actors (HE Ministry within PAP, projet annuel de performance of the Programmes 150, OST etc,) sometimes with the support of the *établissement* and a second one on the indicators/cibles linked to the *établissement* project. On the global budget allocated to universities by the State, and including now also the whole amount of salaries, the funds allocated through the contract represent 4% of funds.
- There are then specific enveloppes not included in the contract, such as the funding on call for project, mainly devoted to research but for a minor part to teaching activities.

The public funding mix

Formula			Contract			Project funding		
% allocated by formula	Activity	Performance	%	Criteria	Details	Weight	Free: bottom up project	Goal oriented
80% including all salaries	80%.	From 3% to 20%(2009)	4% on the total	1/3 respect of contract targets, 1/3 alignment to large Government aims, 1/3 to the project quality	Separation between evaluation and fund allocation	From 850 million Euros (2006) to 22 billion Euros (2009)	50%*	50%
	Teaching	Teaching						
	Common indicator: n. of students sustaining examination at L e M	Common indicator; rate of success at the examination						
	Research	Research						
	Common indicator: N. of publishing researchers	Common indicator: the evaluation given by AERES to the lab						

In sum: the previous system of core funding allocation worked on "activity" indicators, and over time it had become complex, embedding 80 parameters; it didn't allocate fund to the research and the weight of the performance indicators was only 3%. The old mathematical model (funding formula) in 2009 is substituted by a new one (SYMPA) which includes indicators both for education and research activity and increase the weight of performance indicators_(20%), introducing a competition on the quality of education. The "activity" remains the predominant yardstick.

On the global budget allocated to universities by the State, and including now also the whole amount of salaries, the funds allocated through the contract _represent 4% of total funds, and some criteria are introduced, apparently reducing its flexibility.

The separation between evaluation and allocation decision, established since the LOLF and justified on the basis that the government, entitled for the fund allocation, follows political and not only economical/efficiency principles, is granted by the contract, which represents the flexible and

dynamic part of the fund allocation. The new evaluation mechanism is entitled to a new Agency, AERES, a public body external to the Ministry. AERES principles remain close to the CNE's ones as to the *établissements* evaluation, which is developed "for accompanying the improvement of the university" (interview to M. Michel Cormier, Directeur Section établissements, Agence d'évaluation de la recherche et de l'enseignement supérieur). In fact AERES evaluations represent mostly an informative basis on which the *établissements* build their projects, more than resulting in a ranking with a direct link to public fund allocation.

The real jump in funding amount concerned the project funding (ANR); the University President Conference examining the first effects of the new allocation system in November 2010, found out that there was still a too much uniform distribution of funds, out of project funding, which doesn't represent a sufficient incentive for the important changes to which universities are called. They sustained that there cannot be excellence if there isn't a development of all the HE system; variety can be driven by two axes and both have to be supported. " Il y a deux axes indissociables de cette diversité. Le premier c'est « l'excellence » Le deuxième axe regroupe tous les programmes, les mesures, les actions qui permettent de remédier à l'échec ». They asked for : « une stabilisation des critères du modèle d'allocation des moyens, une revalorisation du contrat d'établissement, dont la visée est par essence pluriannuelle, et une procédure institutionnalisée de révision régulière de la masse salariale ».

3. The lack of alignment among the main stakeholders

- **Comité de suivi LRU**- janvier 2011: the difficulty of managing the responsibility of the *compétences élargies* in a short term can prevent the development of internal strategies ; probably the small *établissementst* should be excluded from it.
- **HE Ministry**- Janvier 2011 « Le contrat permet, sur la base d'un bilan établi par l'établissement et d'une évaluation réalisée désormais par l'AERES, de définir des objectifs répondant à la fois aux enjeux stratégiques de l'établissement et aux priorités de l'État ». The contract is the key instrument for the realisation of the HE policy.
- **CPU**: the present process of international champions building is done on a university ground which needs still to be consolidated and which is facing a complex transition. It should be necessary to give time for learning and adopting the new rules. The competition, brought by the new funding allocated by ANR can in meanwhile increase the differences.
- **ANR**: asks for keeping an independent role from the Ministry strategy, based on a scientific perspective on its own.

4. Variety vs. Excellence: what are the problems faced by weaker universities

In this paragraph I look at the problems faced by small and young HE *établissements*, which deal with building an identity and funding local supporters, within a highly competitive and complex HE environment, resulting from recent AERES (2008-2011; 2009-2012; 2010-2013)evaluation. The full text will be an Annex.

We can distinguish between internal problems (the capacity of managing the global budget, including all salaries; the capacity of building a collective project, given the persistence of faculty or components logics and the difficulty of being selective and thinking in a strategic way, the lack of a critical mass to be visible at national or international level, lack of internal research resources) and external problems (difficult relations with the large and internationally visible établissements,

which are competitors also at local level towards the same political and economic actors, search for PRES where to be recognised as founder and not an associated member without possibility of decision, competition on project funding, on personnel recruitment, on attracting resources).

What emerge from the AERES evaluation is that many weaker universities follow a voluntaristic policy, sometimes with good results, but the HE environment is changing towards very large associations of strong actors, which, even if encounter difficulties in building complex common projects, are the natural candidate to survive in a highly competitive context. The QC contract is not a sufficient instruments to assure that the variety of actors and resources will find a future, since the game for more resources is now played out of it.

Provisional conclusion

At this stage, the most important conclusion that can be drawn from the available evidence is that more research is needed to pin down the possible drivers of a “variety and excellence” combination for HE system. More autonomy and more accountability, accompanying the public funding reform, don’t seem bringing easily to a more balanced/diffused performance.

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