

# Annex A. Higher education reforms in Portugal and Finland

## Rationale and approach

This annex examines two cases of higher education (HE) systems reform within OECD countries. The OECD, European Commission and the Slovak government jointly identified Portugal and Finland as relevant comparator countries for the purpose of this project. This is due to the scale and complexity of higher education reforms both countries undertook in the past two decades, the similarity of challenges those reforms sought to address, and the nature of reforms they implemented, namely higher education institution (HEI) governance reform in Portugal and HEI landscape rationalisation in Finland, which are issues of interest for the Slovak Republic.

Finland, Portugal, and the Slovak Republic are countries with significant differences in geography, culture, history and economy. However, they are small states among the 23 European Union members that are also members of the OECD (the EU23). All three are members of the eurozone. They share challenges related to a declining working-age population and seek to increase the visibility of their higher education systems. All three have implemented, or are considering, reforms related to the governance and organisation of higher education.

As Table A A.1 highlights, the three countries have areas of commonality as well as divergence. The Slovak Republic aligns more closely with Finland, as opposed to Portugal, depending on the indicator of comparison. Points of convergence and divergence inform the comparative approach. For example, Finland is similar to the Slovak Republic in terms of population size, which has implications for the overall number of HEIs relative to population, which will be further explored with the Finland case study. Conversely, Portugal more closely aligns with the Slovak Republic in terms of the percentage of public expenditure on tertiary education and the percentage of the 25-34 year-olds with a tertiary credential. This may reflect that in both countries, mass participation in higher education is a more recent phenomenon (both Portugal and the Slovak Republic saw rapid increases in HE participation following transitions to democracy).

The approach taken to the two case studies is informed by OECD work on the political economy of reform, which highlights the importance of focusing attention not just on what type of reforms are desirable to improve policy effectiveness, but also on gaining “better understanding of the conditions which are conducive – or otherwise – to the implementation of better policies” (Tompson, 2009<sup>[1]</sup>). This OECD study examines contexts for macroeconomic and structural reform, as well as policy formulation, adoption and implementation in a systematic manner across a number of case studies in policy areas ranging from pension reform to labour-market and product-market regulation. The actors and interests involved include governments, political parties, business associations, labour organisations and non-profit organisations.

This annex examines the role of key stakeholders in higher education reform, including national ministries responsible for higher education, political leadership, HEI leadership, higher education sector organisations, academic and non-academic staff, students, employers and labour organisations.

Table A A.1. Key indicators for Finland, Portugal and the Slovak Republic (2017–19)

	Population (millions) (2018)	Youth population (15-24) (%) (2018)	Working age (15-64) population (%) (2018)	Old age dependency ratio (65 and over/15-64) (2018)	25-34 year-olds with a tertiary education (%) (2019)	Tertiary educational expenditure as a percentage of total public spending (%) (2017)	Completion rate of full-time students who entered a bachelor's programme, by the theoretical duration + 3 years (%) (2017)	Employment rates of tertiary- educated 25-34 year-olds (%) (2019)	Number of international or foreign students for every 100 national students home and abroad (2018)	Percentage of national tertiary students enrolled abroad (%) (2018)
Portugal	10.3	11	65	0.34	37	1.8	65	86	8	4
Finland	5.5	11	62	0.35	42	3.1	73	85	8	4
Slovak Republic	5.4	11	69	0.23	39	1.9	62 r	79	7	19
OECD average	a	12	65	0.26	45	2.9	m	85	6	2
EU23 average	a	m	m	m	44	2.6	m	85	10	4

Note: Symbol "m" data are not available – either missing or the indicator could not be computed due to low respondent numbers. Symbol "a" data are not applicable because the category does not apply. Symbol "r" means values are below a certain reliability threshold and should be interpreted with caution. In this case, the Slovak Republic's completion rate is derived from a cross-cohort model and is for completion rate by the theoretical duration of programme only, whereas completion rates in other countries are calculated based on a true-cohort model, and refer to the share of students from a specific cohort who graduate within the theoretical duration of the programme in which they entered plus three years.

The EU23 average refers to the average of 23 EU countries that were also members of OECD as of the end of 2019, namely: Austria, Belgium, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, the Netherlands, Poland, Portugal, the Slovak Republic, Slovenia, Spain, Sweden and the United Kingdom.

Sources: OECD (2019<sup>[2]</sup>), *Education at a Glance 2019: OECD Indicators*, <https://doi.org/10.1787/f8d7880d-en>; OECD (2020<sup>[3]</sup>), *Education at a Glance 2020: OECD Indicators*, <https://doi.org/10.1787/69096873-en>; OECD (2021<sup>[4]</sup>), *Historical Population* (database), <https://stats.oecd.org/Index.aspx?DataSetCode=HISTPOP>.

This annex was developed through a review of primary and secondary English-language sources related to the reform processes of focus in Finland and Portugal, and through six stakeholder interviews. Based on this approach, it attempts to capture an accurate picture and analysis of key developments.

## Portugal: HEI governance reform

### *Key governance actors in the HE system*

Portugal is a centralised state without independent regional government; local authorities have limited responsibilities, relative to the role of their peers in other OECD countries (OECD, 2019<sup>[5]</sup>). The central government (through the Council of Ministers) holds exclusive responsibility for HE, which is under the control of the Ministry of Science, Technology and Higher Education (Ministério da Ciência e Tecnologia e Ensino Superior, MCTES). The Directorate-General of Higher Education (Direção-Geral do Ensino Superior, DGES) holds responsibility for the design, implementation and delivery of policy. The ministry holds a central role in the administration of the higher education system.

Additional key actors in the HE system are as follows:

- The Agency for Assessment and Accreditation of Higher Education (Agência de Avaliação e Acreditação do Ensino Superior, A3ES) provides evaluation and accreditation of HEIs and programmes.
- The Portuguese Foundation for Science and Technology (Fundação para a Ciência e a Tecnologia, FCT) is the leading public funder of research (FCT is an independent foundation and research agency of MCTES).
- Strategic and operating bodies within government that administer European Structural and Investment Funds (ESIF) in areas of HE, research, and innovation are also important system actors (OECD, 2019<sup>[5]</sup>).

In 2016, EU Structural Funds accounted for 13% of income for research activities in public research institutions. Responsibility for distribution of these funds is divided among regional and national programmes under the management of subject-area aligned ministries, for example, the Ministry of Agriculture, Ministry of Economy, Ministry of Health, or Ministry of Planning and Infrastructure (OECD, 2019<sup>[5]</sup>).

As of 2019, core institutional funding for HEIs in Portugal was delivered on a historical basis and is not based on HEI performance. In 2006, MCTES had proposed a formula-based institutional funding model which, while principally enrolment based, also included output-based funding (e.g. “graduation rate efficiency”) (OECD, 2019<sup>[5]</sup>). Despite “repeated efforts to develop a budget framework that is pluri-annual and systematically link to past performance”, this model (and a further 2015 proposal) were not implemented, and instead, incremental adjustments have been made to historical institutional base funding annually, with mid-year budget reductions at times occurring to balance public accounts (OECD, 2019<sup>[5]</sup>). Core institutional funding delivered in this manner accounts for roughly half of total institutional income, with tuition and research funding delivered on a competitive basis, including through European Structural and Investment Funds, making up the balance.

The Co-ordinating Council for Higher Education (Conselho Co-ordenador do Ensino Superior, CCES) serves an advisory role to MCTES. The president of CCES and six other members are appointed by MCTES. Further members of CCES include two representatives of the Council of University Rectors (Conselho de Reitores das Universidades Portuguesas, CRUP), two representatives of the Council of Polytechnics (Conselho Coordenador dos Institutos Superiores Politécnicos, CCISP), a representative of the association of private higher education (Associação Portuguesa de Ensino Superior Privado, APESP), one university student representative, one polytechnic student representative, and the heads of DGES,

FCT and A3ES (DGES, 2020<sup>[6]</sup>). Two other advisory councils, dedicated respectively to science and to innovation, have been largely inactive in recent years and CCES lacks “the clear mandate and sufficient resources to act as an independent advisory body, which combines higher education, research and innovation” (OECD, 2019<sup>[5]</sup>).

Governance at the level of HEIs is addressed within the sections that follow through discussion of the 2007 Legal Regime for Higher Education Institutions (Regime Jurídico das Instituições de Ensino Superior, RJIES), development and implementation of which forms the key area of focus of this case study on HEI governance modernisation.

### *The context for HEI governance reform*

The period between the democratic revolution of 1974 and 1986, when Portugal joined the European Economic Community (EEC), saw substantial growth in HE with this expansion supported by World Bank and OECD technical assistance and advice (Kauko and Diogo, 2012<sup>[7]</sup>). Formalisation of HE governance in Portugal began in the late 1980s.

In the 1980s and 1990s, demand for HE spaces grew, driving public and private system expansion, which saw new institutions founded, including in smaller centres and rural areas outside the traditional centres of HE in Lisbon, Porto and Coimbra (Fonseca, Encarnação and Justino, 2014<sup>[8]</sup>). In 1973, a “polytechnic/vocational subsystem” was formally established (and a binary system inaugurated), though its roots can be traced back to the OECD’s 1959 “Mediterranean Regional Project (MRP)”, which focused on addressing skills needs in participating countries (MTCES, 2006<sup>[9]</sup>). Implementation of the binary system began in 1977, following the transition to democracy. Additionally, focus on expansion of vocational HE was a key World Bank recommendation for Portugal during the post-revolution transition period (Kauko and Diogo, 2012<sup>[7]</sup>).

Only recently, in 2014, short-cycle post-secondary higher-education programmes were established in Portugal – Technical Professional Higher Education Courses (Cursos Técnicos Superiores Profissionais, CTeSP) (OECD, 2019<sup>[5]</sup>). While initially intended to support direct labour market entrance, about half of CTeSP students continue their studies at the bachelor level. As of the completion of the OECD Review of Higher Education; Research and Innovation: Portugal (2019<sup>[5]</sup>), uncertainty remains regarding the extent to which students who transition to bachelor-level studies from CTeSP programmes were prepared for the demands of these programmes. In addition, “it was acknowledged by HEI administrators and instructors that employers and wider society do not yet have a clear understanding of the CTeSP credential and the labour market outcomes of initial cohorts completing a CTeSP are not documented” (OECD, 2019, p. 179<sup>[5]</sup>).

While Portugal’s gross domestic product (GDP) had “started to converge with the European Union average by the late 1980s”, “growth slowed in the early 2000s, and the 2008 financial crisis brought the process of economic convergence to a halt” (OECD, 2019, p. 60<sup>[5]</sup>). While growth recovered in 2014, poverty and inequality caused by unemployment due to the crisis continued to be felt. The impact of the post-2008 recession has been significant for Portuguese HE in general and the governance of HEIs in particular, with a large impact on funding resulting from the 2011-14 Economic Adjustment Programme for Portugal from the European Commission (EC), European Central Bank (ECB) and the International Monetary Fund (IMF). As will be discussed, planned steps forward in institutional financial autonomy that had been put into motion immediately prior to the financial crisis were subsequently paused or reversed.

The governance of the HE system in Portugal, like in many other European countries, has developed in the Humboldtian tradition, which is characterised by institutional autonomy with respect to standards, curriculum and research, coupled with state control within areas falling outside of the realm of direct academic decision making (OECD, 2008<sup>[10]</sup>). This approach contrasts with systems in which “institutions have by law and custom been substantially independent of state authority”, a tradition predominantly

reflected in the HE systems of English-speaking countries and in the Netherlands (OECD, 2008, p. 94<sup>[10]</sup>). Such areas of autonomy (or control) include, among other areas, freedom to:

- set up internal governance structures
- set staff salaries
- set academic staff appointment processes, and frame career structures
- select students and set student numbers
- borrow funds
- set and differentiate tuition fees
- accumulate financial capital
- undertake income-generating activities (OECD, 2008<sup>[10]</sup>).

In Portugal, as in several other European countries, the general trend has been toward increased institutional autonomy, to allow institutions to manage their resources and more quickly respond to changes in their environment, coupled with accountability mechanisms providing transparent information about HEIs' operations and output (OECD, 2019<sup>[11]</sup>).

Institutional autonomy is a separate concept from institutional governance. Following Mora (2001<sup>[12]</sup>), institutional autonomy is defined as the “right of the institution, not of its employees, to set its own objectives and manage its own affairs without interference from the State” (OECD, 2008, p. 81<sup>[10]</sup>). Institutional governance refers instead to the way institutions as autonomous entities are governed, including the extent to which responsibilities are distributed among the various groups that may participate in the institution's governance, including institutional leaders, academic and non-academic staff, students, and broader community actors. For example, participation of employers in HEI governance bodies, on a voluntary or state-mandated basis, is becoming more common as a societal accountability mechanism and tool to promote labour market relevance among universities with increased autonomous capacity (OECD, 2019<sup>[11]</sup>).

Portugal's University Autonomy Law (1988) formed a key step in the country's trajectory for HEI governance and autonomy. Among other changes, including the confirmation of pedagogical and scientific autonomy, it transferred ownership of buildings to universities (MTCES, 2006<sup>[9]</sup>). Expectations surrounding what appropriate institutional autonomy, accountability and governance arrangements should be continued to evolve with time, domestically and internationally. In 2005, the Portuguese Minister of Science, Technology and Higher Education of the then new socialist-led majority government requested that the OECD undertake a review of the Portuguese system of HE to support government commitments to advance higher education reform and in fulfilment of legal requirements for periodic review of education systems (OECD, 2007<sup>[13]</sup>). The OECD review team published its work in 2007, finding that both institutional autonomy and institutional governance needed “a radical overhaul”.

Specific concerns raised by the 2007 OECD Review included that:

- The civil servant status of academic and non-academic staff at both universities and polytechnics formed an undue interference from central government, with the requirement to seek approvals on any increases in tenured faculty particularly burdensome for universities. Approaches to academic staff hiring, tenure, and promotion were found to contribute to high levels of academic inbreeding (hiring from within institutions' own ranks), which decreases knowledge dissemination, as well as research quality and output.
- Autonomy for public universities was higher than for polytechnics, the latter of which did not own their own buildings and could not create or end programmes without ministry approval. In the private HE sector, there were further constraints on academic decision making with new programme and programme modification approvals required from government sometimes taking more than a year.

- Absent or minimal representation of external stakeholders on university and polytechnic assemblies limited effective interactions with society and economy.
- Perceptions of weak institutional leadership were driven in large part by the internal election of rectors. This led to a political process in which commitments made in the election process had to be fulfilled, limiting strategic managerial capacity post-election.
- Multiple large governance bodies within HEI structures mandated by central government, often with equal representation for students and faculty, created slow and non-transparent decision-making processes. For example, at the time, membership of the “University Assembly in 14 public universities vari[ed] between 64 and 331, while the membership of University Senate vari[ed] from 36 to 179” (OECD, 2007, p. 63<sup>[13]</sup>).

As a result of these factors characterising institutional autonomy and governance, the 2007 OECD Review found that:

*...HEIs are less engaged with national needs, and are less creative, responsive, entrepreneurial, innovative and transparent in their decision making than is required and expected by the country at large. While the detailed control exercised by government on the day-to-day operations of the higher education sector is considerable, it is out of touch with international trends where governments influence and steer, rather than direct, institutions (OECD, 2007, p. 66<sup>[13]</sup>).*

These findings echoed understanding at the time within MTCES that the governance approach and legal constructs surrounding Portuguese HEIs needed to evolve in order to enable the HE sector to have greater societal impact (MTCES, 2006<sup>[9]</sup>). Portugal’s movement toward institutional autonomy, governance reform, and greater accountability in the 2000s occurred alongside related developments in quality assurance. This included inauguration of the country’s quality assurance agency, A3ES, first operational in 2009, which placed external programme quality validation alongside new autonomy and governance measures for institutions.

### ***Policy process: Formulation and adoption***

Based on the assessment presented in the preceding section, the 2007 OECD Review offered HEI governance and autonomy recommendations to the Portuguese government, which were incorporated to a significant extent, though not without modification, within the RJIES and approved by Law 62/2007 (OECD, 2019<sup>[5]</sup>). The 2007 OECD Review recommended, among other key directions, that new legislation should be created, introducing: (i) changes to institutional governance for all HEIs; and (ii) a new autonomous status available to HEIs based on application and meeting minimum qualifying conditions related to managerial preparedness.

Regarding institutional governance, the OECD recommended that the Portuguese government outline the structure of membership of the governing authority of each institution to include 10-15 members, with the majority of members and the chair representing external stakeholders. The remaining members would be internal stakeholders, the majority of whom would be faculty. For external members, the importance of credible selection procedures was highlighted, with the recommendation made to explore and borrow from international best practice in this regard. The OECD also recommended that the rector of each institution would be “appointed, not elected” with the governing authority responsible for holding a public competition and selection processes (OECD, 2007, p. 68<sup>[13]</sup>).

The proposed new autonomous status recommended by the OECD for HEIs that meet qualifying conditions was outlined as such:

*...at a minimum, [it would] provide for the elimination of regulations that delimit stated autonomy, that faculty and staff of the HEIs would be defined as employees of the HEI and would no longer be civil servants, that salaries would be a matter for the HEI, that the creation of employee positions would be subject to an internal process involving the formal agreement of the governing authority of the HEI, and that all appointments to those*

*positions (and promotions) would be fully transparent and subject to a formal advertising and appointment process involving a substantial number of outside individuals. The finances of the HEIs would be considered not to be state finances. All of the above and other freedoms would be subject to any HEI producing a balanced budget in each year (OECD, 2007, p. 67<sup>[13]</sup>).*

The key governance and institutional autonomy changes ultimately integrated within RJIES are profiled below, following a discussion of RJIES' path to legislative approval.

### **RJIES: Legislative initiative**

Following Portugal's 2005 general election, a socialist majority government was formed. The Higher Education and Science Minister at the time, who had previously served as an influential Science Minister in the 1990s, had a significant role in advancing the reform agenda that ultimately took shape in RJIES. While some changes were made to the proposed law in Parliament (reducing the scale of initially proposed external member involvement in HEI governance bodies), in general, the process was one of direct implementation of a set of reforms through legislative powers of a majority government. HE sector stakeholders interviewed by the OECD team noted that while parliamentary hearings were held, as well as local institutional debates and media dialogue, formal consultations surrounding the proposed law did not take place. RJIES sat as one among a range of public sector reform initiatives that were moving forward with relative speed at the time. Others focused, for example, on basic education and social security.

All opposition parties at the time opposed RJIES within the framework of debate over wider public sector reform initiatives. HE sector actors, including faculty and staff unions, as well as student organisations, also opposed the law, fearing that it was motivated by a "privatisation agenda" and that reductions in faculty and student representation in governance bodies, which often featured a parity of representation, could foster inequality among students, staff and institutional management within HEIs (Kauko and Diogo, 2012<sup>[7]</sup>). HEI rectors, while largely in favour of streamlining institutional governance bodies and reducing their size, largely opposed RJIES. This opposition was based on concerns that the foundation status (further discussed below) would lead to a two-tiered system of elite and non-elite institutions. Stakeholders interviewed by the OECD team report that a key goal behind the introduction of the foundation status option was the vision that Portugal's largest universities would adopt the status and leverage it to advance internationalisation and research outputs.

While progress is evident, the relative merit of core elements of RJIES, including HEI governance reforms and foundation status, continues to be controversial within the HE sector and within wider political debates in Portugal. This continues to affect the legal regime's legacy. Prior to a discussion of RJIES' implementation, its core elements regarding HEI governance changes and foundation status are discussed.

### **Governance changes for all HEIs under RJIES**

RJIES resulted in institutional governance changes for all HEIs, including the reform of elected governance bodies and in the selection of rectors (in the case of universities) and presidents (in the case of polytechnics).

The functions of former HEI assemblies and senates that could cumulatively have hundreds of members were replaced with unicameral general councils as the highest decision-making body. Under the legislation, general councils are composed of 15-35 members according to the size and structure of the institution. While staff-student parity was previously practiced within many HEI governance bodies, under the legislation, a minimum of only 15% of general council members have to be students (elected by their peers). Professors and researchers (elected by their peers) must account for more than half of the general council. While representation of community actors from outside of the HEI (such as employers) was previously possible (about half of universities previously had external representations in senates, ranging from 3% to 12% of members; see (OECD, 2007<sup>[13]</sup>)), RJIES mandated that at least 30% of general council members must be "external people of recognised merit... with relevant knowledge and experience for the



institution". These external members are nominated and selected by a vote of the internal student and academic general council members (Government of Portugal, 2007<sup>[14]</sup>). The chair of the general council is selected by a vote of all general council members, but must be one of the external (non-academic, non-student) council members (Government of Portugal, 2007<sup>[14]</sup>).

Under RJIES, university rectors and polytechnic presidents are elected by the general council through a secret ballot. This follows public announcement of openings, submission of applications and public hearings with candidates. In the case of universities, rectors may be professors or researchers from within the institution or from other Portuguese or international institutions. For polytechnics, the role of president is also open to non-academics who have relevant professional experience (Government of Portugal, 2007<sup>[14]</sup>).

As will be further discussed, RJIES opened the possibility for institutions to attain "foundation status". For institutions that attain foundation status, a further governance body, the board of trustees, is created. The board of trustees is a five-member body sitting above the general council, which is appointed by the government upon the advice of the general council. Its role lies primarily in ratifying decisions and directions set by the general council, some of which, in the case of non-foundation universities, would be subject to ministerial approval.

At the level of teaching and research units within institutions (faculties), a single-member executive is required who may be appointed by the rector, or who may be selected by a representative collegiate body, the composition of which is outlined in RJIES. Such representative bodies are generally in place. Prior to RJIES, large collegiate bodies at the teaching and research unit level collectively held managerial responsibilities. Stakeholders interviewed by the OECD team reported that under the pre-2007 governance approach, decisions on matters including the career progression of individual faculty members could be subject to the decision of faculty governance bodies with memberships numbering in the hundreds.

Under RJIES, similar HEI governance changes were made for both universities and polytechnics. For illustrative purposes, Table A A.2 (also included in the main report as Table 3.8) surveys HEI governance changes made by RJIES, compared to before the legislation was passed, from the vantage point of universities.

**Table A A.2. University governance bodies pre- and post-RJIES (2007) in Portugal**

Pre-RJIES	Post-RJIES
University assembly (64-331 members in 14 largest universities): Primary governance body	General council composed of 15-35 members.  In the case of foundation status institutions, board of trustees (five members) sits above general council. It is appointed by the government upon recommendation of the general council.
Rector selected by university assembly	Rector selected by the general council (ratified by the board of trustees in the case of foundation institutions).
University assembly contains 40% academic staff, 40% students, 20% other staff	General council must have a majority of academic staff, 30% external members and 15% students. Internal members select the external.
Academic senate (36-179 members in 14 largest universities) with managerial authorities (e.g. budget proposals and annual accounts) – could include up to 15% external members. Senates could include faculty representation.	Management council (maximum five members, chaired and appointed by rector) holds authorities with respect to administration, finances, assets and human resources. In the case of foundation status institutions, the board of trustees approves the rector's recommended appointments to the management council.
Administrative council responsible for current financial administration	Academic senates may be established as a consultative body
Collegiate governance bodies were mandated at the faculty level by legislation, held managerial authorities, and selected their leadership	Academic structures are decided by universities within their statutes. Teaching and research units must have a single-member executive. They may have a representative collegiate body (they have generally chosen to do so), which has the function of selecting the executive. If there is a representative collegiate body, it must have 15 members or



less, have at least 60% teacher and researcher members, and include students, non-academic staff and external representatives. Scientific and technical councils and pedagogical councils with membership specified in RJIES play guidance and advisory roles at the teaching and research unit level.
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Source: Government of Portugal (2007<sup>[14]</sup>), *Regime Jurídico das Instituições de Ensino Superior (RJIES)*, <https://data.dre.pt/eli/lei/62/2007/09/10/p/dre/pt/html>.

### Foundation status created by RJIES

Beyond these governance changes made for all HEIs, RJIES opened the possibility of HEIs attaining “foundation status” that would see their exit from state consolidation. The objective was to give HEIs greater operational autonomy, particularly in the areas of financial management and staffing, by allowing them to make use of the greater flexibility afforded by the employment, accounting and procurement legislation applicable to the private sector in Portugal. Foundation status is awarded by decision of the Council of Ministers on the recommendation of MCTES (OECD, 2019<sup>[5]</sup>).

Among other key changes, this reform would permit HEIs to employ academic and non-academic staff independently under private employment law outside the scope of civil service procedures, pay-scales, and centralised MCTES approvals for staffing level changes. It is important to note that adoption of foundation status does not result in the automatic conversion of current staff to private sector employment law (a key difference from the initial OECD recommendation). Rather, foundation status enables institutions to hire under private law. Specific action on the part of the institution is required to change the status of specific positions from civil service to private status, or to hire new positions under private law.

As outlined in Box A A.1, the RJIES legal regime for foundation-status HEIs confirms their status under private law, as well as their corresponding ability to hire under private law. It confirms the continuation of a mission of service to the public as well. The legal regime also enables continued civil service employment at foundation-status HEIs, alongside private law employment. This unique formulation for civil service employment is part of what makes foundation-status HEIs distinct. According to stakeholders interviewed by the OECD team, foundation-status HEIs are not transferred to governance under general Portuguese legislation respecting foundations. Rather, they are specific entities governed by the provisions of RJIES, and more specific government policy directions with respect to their autonomy. The financial and managerial authorities originally intended for foundation-status HEIs are further described in Box A A.1. As will be discussed in the following section, the full implementation of this vision for financial and managerial autonomy of foundation status institutions has been significantly challenged.

#### Box A A.1. Legal regime for foundation-status institutions established under RJIES and intended financial and managerial autonomy

Article 134 under RJIES (2007<sup>[14]</sup>) defines the legal regime for foundation-status HEIs under private law while referencing the possible coexistence of civil service and private staffing:

“Article 134 Legal regime

1. Foundations are governed by private law, namely with regard to their financial, property and personnel management, with the reservations set out in the following paragraphs.
2. The private law regime does not prejudice the application of the constitutional principles relating to Public Administration, namely the pursuit of the public interest, as well as the principles of equality, impartiality, justice and proportionality.

3. Within the scope of the management of its human resources, the institution may create its own careers for its teaching staff, researcher and others, generally respecting, when appropriate, the parallelism in the list of categories and academic qualifications, in relation to those in force for the teaching and research staff from other public higher education institutions.
4. The provisions of the preceding paragraph are understood to be without prejudice to the safeguarding of the civil service regime enjoyed by the employees and agents of the higher education institution before it is transformed into a foundation.”

According to the *OECD Review of Higher Education, Research and Innovation: Portugal* (2019, p. 150<sup>[5]</sup>) “When RJIES was adopted – and in the early years of its implementation – the law aimed to permit foundation institutions to operate with far wider financial and managerial autonomy than was previously the case, and created a new framework of financial management that was substantially ‘outside the fiscal perimeter of the state’. Key aspects of this wider autonomy included:

- exemption from the Public Procurement Code for the acquisition of goods and services below EUR 200 000
- exemption from the Public Procurement Code for the contracting of works below EUR 5 000 000
- authorisation to manage real estate, physical assets and financial assets in accordance with private financial management rules
- exemption, in part, from the obligation to render accounts according to the Official Plan of Public Accounting for the Education Sector (POC-Educação)
- authorisation to make financial investments according to the best offers on the market (rather than holding assets in cash or government bonds)
- exemption from the requirement of annual budgetary balance, permitting the institution to carry forward a surplus or deficit from one fiscal year to the next
- permission to borrow without authorisation by joint dispatch of the Minister of Finance and MCTES, thereby permitting additional financing to meet matching requirements in EU-funded activities
- authorisation to hire teaching and non-teaching staff under private law
- authorisation to buy and sell real estate with the approval of the institution’s board of trustees, in place of approval by the Ministry of Finance.”

Sources: Government of Portugal (2007<sup>[14]</sup>), *Regime Jurídico das Instituições de Ensino Superior (RJIES)*, <https://data.dre.pt/eli/lei/62/2007/09/10/p/dre/pt/html>; OECD (2019<sup>[5]</sup>), *OECD Review of Higher Education, Research and Innovation: Portugal*, <https://doi.org/10.1787/9789264308138-en>.

### ***Policy process: Implementation and outcomes***

The institutional governance changes that apply to all Portuguese HEIs and the inauguration of the foundation-status option under RJIES have followed distinct trajectories, with the former implemented more completely than the latter. In both cases, the impact of the post-2008 financial crisis in the specific Portuguese context has been significant. As the 2011-14 Economic Adjustment Programme proceeded, “sharp reductions were made to public investments in knowledge and innovation” (OECD, 2019<sup>[5]</sup>) and financial flexibilities available within the HE sector in Portugal declined. In the case of governance reform for all HEIs, this led to new governance bodies in place, just as financial constraints limited capacity to exercise strategic leadership. In the case of foundation-status HEIs, flexibility initially on offer with the new status was reduced and planned financial supports were not delivered. In both cases, this external pressure layered upon an existing lack of sector and political consensus regarding the best direction for the future

governance and structure of HEIs, a factor that at present continues to affect implementation and system development. Figure A A.1 presents illustrative goals, outputs and outcome indicators for reforms advanced by RJIES.

**Figure A A.1. Illustrative goals, outputs and outcomes of the HEI governance reform in Portugal**



### Implementation of governance changes for all HEIs

Implementation of governance changes for HEIs under RJIES proceeded directly from the law's passage. RJIES required that HEIs adopt new statutes in accordance with the law within eight months of its entry into force, outlining the new governance bodies. HEIs were required to select members of newly named governance bodies (e.g. general councils) within four months of the new institutional statutes' publication. The reforms inaugurated streamlined governance bodies of reduced size and number, as outlined above.

One sector stakeholder interviewed by the OECD team highlighted that the process of recrafting university statutes carried an independent value at the time, opening discussion around HEIs' broader goals and modes of operation beyond the scope of required statutory change. Still, the broader changes were and remain controversial, with a mixed legacy. This section discusses their implications for autonomy and strategic leadership capacity.

The European University Association (EUA) University Autonomy Tool rankings provide one window into autonomy implications of Portugal's approach to HEI governance under RJIES. The EUA tool focuses on assessing Portuguese universities that have not transitioned to foundation status. It was first conducted in 2010 (three years following RJIES) and again in 2017, so does not provide for a pre- and post-RJIES comparative analysis of Portuguese universities. However, the tool does provide a helpful internationally comparative vantage point into the current state of autonomy of the majority of Portuguese universities, which remain outside the foundation-status regime.

As noted, the EUA University Autonomy Tool assessments of 29 European HE systems was last published in 2017, which was ten years after the passage of RJIES in Portugal. On organisational autonomy, financial autonomy, and staff autonomy, Portugal received a "medium-high" rating, while in academic autonomy, its rating was "medium-low". These ratings were unchanged from 2010, when the assessment was first conducted. According to the EUA, "there have been no significant changes to university autonomy in Portugal since 2010 that would result in different scores for any of the autonomy dimensions" (EUA, 2017, p. 154<sup>[15]</sup>). Rankings for Portugal and for Finland and the Slovak Republic, for comparative purposes, are provided in Table A A.3.

Portugal receives relatively high rankings in the areas of organisational autonomy (7<sup>th</sup>) and financial autonomy (7<sup>th</sup>). In the lower ranking area of staffing autonomy, the EUA highlights the status of Portuguese university academic staff as civil servants, the regulation by law of senior academic staff recruitment, state control of salaries, state regulation of dismissals, and the fact that while senior academic staff promotions

take place based on a competitive basis, post-2011 state budgetary controls (stemming from the Economic Adjustment Programme) have had a significant impact. For example, between 2011 and 2015, requirements to hold staffing costs to 0% increases meant that promotions could only happen in the event of a retirement. In the realm of academic autonomy, in which Portugal received its lowest ranking, the EUA has highlighted how universities “negotiate” overall student numbers with MCTES, how bachelor-level admission criteria (rules for entrance exams) are “co-regulated” between universities and the National Commission for Access to Higher Education (as noted, post-graduate level admissions criteria are set by universities), and the requirement for approval of new degree programmes at all levels by A3ES. Universities are, however, able to independently terminate programmes, decide on the content of degree programmes and choose the language of instruction (EUA, 2017<sup>[15]</sup>). Reflecting on Portugal’s low EUA rankings in staffing and academic autonomy, the OECD concluded in 2019 that “national legislation governing public sector employment, public procurement and financial management are burdensome, and limit the ability of institutions to plan and manage their operations efficiently and effectively” (OECD, 2019, p. 16<sup>[5]</sup>).

**Table A A.3. EUA University Autonomy Tool ranking of Finland, Portugal and the Slovak Republic (2017)**

	Organisational autonomy	Financial autonomy	Staffing autonomy	Academic autonomy
Finland	3rd	11th	6th	2nd
Portugal	7th	7th	18th	20th
Slovak Republic	28th	7th	19th	18th

Note: The EUA defines the four dimensions of its analysis as follows: (i) Organisational autonomy refers to a university’s ability to decide freely on its internal organisation, such as the executive leadership, decision-making bodies, legal entities and internal academic structures. Financial autonomy refers to a university’s ability to decide freely on its internal financial affairs; (ii) The ability to manage its funds independently enables an institution to set and realise its strategic aims; (iii) Staffing autonomy refers to a university’s ability to decide freely on issues related to human resources management, including recruitments, salaries, dismissals and promotions; (iv) Academic autonomy refers to a university’s ability to decide on various academic issues, such as student admissions, academic content, quality assurance, the introduction of degree programmes and the language of instruction.

Source: EUA (n.d.<sup>[16]</sup>), *University Autonomy Rankings*, [www.university-autonomy.eu/](http://www.university-autonomy.eu/).

Sector stakeholders interviewed by the OECD team highlighted that RJIES did result in minor autonomy gains for HEIs that did not transition to foundation status. These areas of autonomy gain included broader flexibility to recruit staff (while staying within budget), and delivery of base funding as a single grant, as opposed to separate core line items. Stakeholders also relayed, however, that these flexibilities did not have a major practical impact because of overall budgetary reductions that followed the Economic Adjustment Programme, leading to challenges meeting costs. In 2017, the EUA University Autonomy Assessment noted that:

*All Portuguese public institutions are currently subject to austerity rules, which also has an impact on universities and their autonomy. The annual budget law with its detailed restrictions on all areas of public administration places universities under quite tight controls in terms of their ability to develop their financial strategies and contracts with external partners (EUA, 2017, p. 155<sup>[15]</sup>).*

While noting that the situation had improved, the EUA reported that the financial position of Portuguese universities had not recovered to pre-2011 conditions (this is also reflected in OECD data). Sector stakeholders interviewed by the OECD team in 2020 similarly reported continued improvement, but incomplete recovery.

Looking beyond their effects on autonomy, HEI governance reforms under RJIES have streamlined decision making within institutions following their implementation. Far smaller bodies are now involved in managerial decisions and rectors as well as executives at a teaching and research unit levels are further

empowered to make decisions. HEIs are seen now as “more governable” according to some stakeholders interviewed by the OECD team:

- Mandates to engage bodies with hundreds of people in strategic and routine managerial decisions are no longer required.
- External members now have an embedded role in governance.
- Accountability of rectors and executives has increased through clearer lines of responsibility.

However, perspectives of stakeholders interviewed by the OECD team on the outcomes of these governance reforms are mixed, with a few key concerns raised:

- While streamlining managerial capacity, the elimination of large collegial bodies governing institutions and teaching and research units has also resulted in a loss of the default spaces in which institutional matters are discussed, debated, and understood by members of the institutional community. This was seen by some to result in a lack of capacity to build understanding and buy-in of institutional direction among faculty, staff, students and organisational units. In some cases, governance changes challenged alignment of strategic plans due to “fragmentation between the central administration and middle management” (Magalhães et al., 2013<sup>[17]</sup>).
- Some sector stakeholders reported that inclusion of external members in general councils has not brought discussion of broader societal and economic concerns, and rather, that following an initial period of more robust engagement from external members, internal members with deeper institutional familiarity have driven deliberations. Such concerns were also seen by stakeholders to differ by region, with more industrialised regions in the north seeing more robust participation from external employer members related to institutional linkages with the broader economy. Still other stakeholders emphasised that the key value that external members add to governance is less their unique perspectives and more their independence from internal institutional concerns.
- As noted, rectors were previously elected by broad university assemblies. Now they are elected by general councils, which include external members that are selected by the internal members. There are concerns that at times selection of external general council members by internal faculty and student members is based on internal members’ perception of who external members would support in the selection of the rector. In other words, it appears that in some cases rector selection has continued within a political framework that can now also influence the composition of the governing body, in the form of the general council.

These are concerns that may be addressed through continued development of the post-RJIES HEI governance approach in Portugal. The transition to more centralised leadership may require a simultaneous adoption of more informal consultative mechanisms at an institutional level in order to lead the diffuse range of individuals and organisational units that form an HEI. These may be governance practices that fall outside of law or statute, including development of norms around expected consultation in relation to substantial decisions. Further consideration of the selection process and approach to involvement of external members in general councils may also be required, with potential for deepening effective engagement of individuals without institutional ties in governance. However, as will be discussed, there are currently challenges to opening consideration of options for further development of the RJIES governance framework.

### **Implementation of foundation status**

Since RJIES’ adoption, implementation of the foundation-status vision for Portuguese HEIs has progressed slowly in terms of the number of HEIs that are both eligible and choosing to take up this status. However, institutions that have attained foundation status include five of the country’s ten largest universities (representing 25% of the country’s HE student population in 2016). This contrasts with only one polytechnic having attained foundations status.

The University of Porto, University of Aveiro and the Lisbon University Institute (Instituto Universitário de Lisboa – ISCTE) attained foundation status in 2009. With roughly 28 000 students, the University of Porto is the country's second largest university, the University of Aveiro is the sixth largest university (12 000 students) and ISCTE Lisbon is the eight largest university (9 000 students). Two further universities, New University of Lisbon (the fourth largest university, at roughly 18 000 students) and University of Minho (the fifth largest university, at roughly 17 000 students) (ETER, 2021<sup>[18]</sup>) later attained foundation status in 2015 and 2016 (OECD, 2019<sup>[5]</sup>). Most recently, the Polytechnic Institute of Cávado and Ave (the ninth largest polytechnic, at roughly 4 000 students) attained foundation status in 2018 (Eurydice, n.d.<sup>[19]</sup>).

Sector stakeholders interviewed by the OECD team noted that aside from the two universities mentioned above that are located in Lisbon, the remaining three universities and one polytechnic that have transitioned to foundation status are located in Portugal's more industrialised north (where the majority of HEIs are located). The University of Lisbon, the largest and most research-intensive institution in Portugal, has not transitioned to foundation status, contrary to what stakeholders reported to be a core vision of the Minister of Higher Education and Science that led RJIES' development and initial implementation. Institutions that have adopted foundation status appear to be those that are more oriented toward leveraging the flexibility it offers toward entrepreneurial activity, and also those located within regions and economic contexts that are positioned to support these activities. Stakeholders also reported opposition to considering foundation status within some universities among faculty, staff and students that is based on the same views against perceived "privatisation" that were prevalent at the time of RJIES' initial passage in 2007 (CCES, 2017<sup>[20]</sup>). Stakeholders report that within some HEIs, it is not possible to discuss the option of pursuing foundation status due to the prevalence of this view.

However, perhaps more important to determining institutions' choices regarding the pursuit or non-pursuit of foundation status are what it takes to qualify for the status, and the ultimate utility of foundation status to HEIs. Compared to the initial vision, foundation status is in some ways both harder to attain and offers fewer benefits than originally planned.

For foundation-status qualification, RJIES formally requires baseline information about how the status would benefit an HEI's operations and mission as part of the process of government approval of proposals to transition to the status. The Ministry of Finance has applied a more specific requirement for HEIs: they must be able to demonstrate that at least 50% of their revenues are from private sources in order to qualify for foundation status. This more stringent requirement established following the 2008 financial crisis challenges the ability of some HEIs to meet the qualification threshold, particularly those with fewer links to the private sector, and as a result, lesser capacity to generate investment. Uncertainty regarding what forms of revenue count as public versus private sources, in particular, whether tuition fees count as private sources, has also created confusion in the past regarding whether or not specific HEIs meet the 50% threshold and could qualify to achieve foundation status (OECD, 2019<sup>[5]</sup>). As of 2017, some of this confusion appears to be resolved (CCES, 2017<sup>[20]</sup>).

Soon after the adoption of RJIES, the global recession beginning in 2008 and the subsequent 2011-14 Economic Adjustment Programme for Portugal "led Portuguese authorities to adopt heightened public sector financial controls that sharply reduced the financial and managerial autonomy first envisioned for foundation universities" (OECD, 2019, p. 151<sup>[5]</sup>). Direct public operating funding to HEIs declined from EUR 1.07 billion in 2011 to EUR 871 million in 2012 (OECD, 2019<sup>[5]</sup>). In addition to funding decreases and the introduction of multi-year salary controls on public servant staff across all HEIs (including at foundation-status institutions), for foundation-status HEIs in particular, exemptions from procurement codes, from controls on investment options, permission to carry forward budgetary balances (protection from "captivations"), independent authorisations to take on debt, and to buy and sell real estate were all effectively suspended. The financial and managerial autonomy envisioned for foundation-status HEIs, as outlined in Box A A.1, was largely upended.



A 2016 commission created by CCES to analyse the implementation of the foundation-status regime (CCES, 2017<sup>[20]</sup>) found that the foundation universities had been “integrated again into the state budget perimeter” (OECD, 2019, p. 151<sup>[5]</sup>). Sector stakeholders interviewed by the OECD team confirmed that foundation-status HEIs remain within this state budget perimeter and have not recovered the financial and managerial autonomy that was initially envisioned. Additionally, the first wave of foundation-status universities in 2009 – University of Porto, University of Aveiro and ISCTE Lisbon – were supposed to receive an initial grant committed by the government to support development of independent endowments. Despite the universities meeting their agreed requirements for release of these funds, the committed investments were not delivered as a result of public sector financial controls in the 2011-14 period (CCES, 2017<sup>[20]</sup>). Such support has not been offered to other HEIs transitioning to foundation since this time.

One area of managerial autonomy for foundation-status universities that has not been formally restricted is the ability to hire staff under private law outside of the civil service schema. However, confusion remains regarding “the extent to which staff working under public and private labour law must have parallel conditions for advancement and compensation” (OECD, 2019, p. 152<sup>[5]</sup>), given that foundation-status universities may employ staff under both private employment law and civil servant status. This confusion, among other factors, has contributed to mixed uptake of the private law employment pathway for HEIs with foundation status. Across the board, private law hiring at foundation universities is far more prevalent for career researchers than for instructional faculty:

*At the three public universities that were the first to adopt foundation status – Aveiro, Porto, and ISCTE – by 2016, 38% of staff holding appointments as technical staff and 94% of all career researchers (investigadores) were employed under private law contracts, while about 12% of instructional faculty (docentes) held contracts under private employment law. Foundation universities vary in their willingness to use private law hiring with their docentes workforce – in some institutions it is effectively unused. The University of Minho, though awarded foundation status in 2015, appears to have made fuller use of its legal possibilities with respect to employment. For example, when its faculty members have obtained external offers that exceed the public sector salary scale, the Minho administrators have been able to retain faculty by creating teaching and research posts under private employment law, and thus outside public sector salary limits. (OECD, 2019, p. 151<sup>[5]</sup>).*

The University of Porto has similarly used foundation status flexibilities to introduce two additional salary levels above what is available to civil service teaching staff, in order to increase its competitiveness in hiring (CCES, 2017<sup>[20]</sup>) (see Box A A.2).

#### **Box A A.2. Collaboration between the University of Minho and Bosch, supported by foundation status**

Founded in 1973 as one of the then named “new universities”, with four campuses across the region of Minho, the University of Minho is one of the largest in Portugal. It received foundation status in 2015. The ability to hire staff under private law outside of the civil service schema is one of the key benefits available to foundation-status institutions. For the University of Minho, this has supported private partnerships with industries that have had a wider impact on the economy of the region.

With the increased flexibility in private hiring and financial management that foundation status provides, the University of Minho has been able to build and expand strategic partnerships with industry through a blend of internal and external hiring. One of the most successful of these projects has been an ongoing partnership with Bosch, a multinational engineering and technology company headquartered in Germany. The partnership began in 2012 with the HMIExcel programme. Focused on the development of new technologies and components for the automotive sector, this work was carried out at a new Bosch unit on the Braga campus of the university. The project, which operated between 2013 and 2015, included a private research and development (R&D) investment of EUR 19 million from Bosch and



resulted in 12 new patents and the publication of 32 scientific journal articles. It also led to a second, larger phase of collaboration.

This new project, the Innovative Car MHI programme, represented the largest ever R&D contract between a private firm and a Portuguese university – a total investment of EUR 54.7 million. It involved hiring over 400 new staff, including Bosch engineers and over 200 university research fellows. Project outcomes included 22 new patents and 72 scientific publications.

The partnership between the University of Minho and Bosch has now entered its third phase – “Crossmapping the Future” – and represents a further EUR 35 million in investment and the hiring of 60 new Bosch employees and 70 university research fellows. The work includes new research and patents in the areas of automated cars, automobile multimedia and a “Factory of the Future”.

Sources: Fibrenamics (n.d.<sup>[21]</sup>), *Bosch Innovative Car HMI*, <https://www.fibrenamics.com/en/business/partners/bosch-innovative-car-hmi>  
Universidade do Minho (n.d.<sup>[22]</sup>), *Programme Innovative Car HMI*,  
<https://www.eng.uminho.pt/en/researchinnovate/projectsindustry/Pages/programmeinnovativecarhmi.aspx>;  
Crossmapping the future (n.d.<sup>[23]</sup>), *Factory of the future*, <https://innovativecarhmi.com/factory-of-the-future#factory-of-the-future1>.

### Foundation status outcomes

As of the 2019 *OECD Review of Higher Education, Research and Innovation in Portugal*, the OECD reached the following conclusions regarding the overall effectiveness of RJIES:

*The goals underlying the 2007 legal framework for HEIs, the RJIES, have been only partly realised. One decade after the law's adoption, Portuguese HEIs remain – on average – less autonomous, more inwardly-oriented, and less capable of providing agile and flexible support to innovation than those in leading higher education systems – such as the Netherlands, Finland or Switzerland. Foundation status, expected to transform institutional autonomy, has accomplished less than expected (OECD, 2019, p. 149<sup>[5]</sup>).*

The review further recommended the following actions to strengthen the HEI autonomy regime in Portugal:

- improving the effectiveness of foundation status for HEIs that have it already
- approaching financial management for all institutions on a continual basis (multi-year budgeting) instead of being subject to annual budget decisions and the possibility of mid-year budget reductions to balance public accounts
- clearly exempting foundation universities from public accounting and contracting codes
- devising qualification criteria and extending foundation status to all HEIs in the mid-term
- adopting revised financial management criteria for foundation status based on less restrictive good management practices (OECD, 2019<sup>[5]</sup>).

RJIES was intended to be evaluated five years after its enactment, a requirement of Article 185 of the act. Stakeholders interviewed by the OECD team reported that with this scheduled date (2012) falling at the height of the Economic Adjustment Programme, the planned review did not occur, and has not occurred since. While there are issues related to foundation status as well as regarding the HEI governance framework outlined above that could be productively considered and tuned through an official evaluation, there is a reluctance to proceed. Reforms enabled by RJIES continue to be understood through a highly political lens. According to stakeholders interviewed by the OECD team, an evaluation in the current context would likely result in a debate over reversal of core RJIES reforms rather than tuning and adjustment to build upon them. This is due to greater parliamentary prominence of perspectives aligned to both the initial opposition to RJIES in 2007 and the continued opposition to RJIES and foundation status that, as discussed, is common within some HEIs. It could be concluded that, in the present context, adjustment of approaches to utilising both reformed HEI governance structures and foundation status (within its limitations) is more likely to develop at an institutional, rather than system-wide, level.

## Finland: Institutional landscape rationalisation

### *Key governance actors in the HE system*

Finland is a Northern European state that has operated as a presidential, unitary, parliamentary republic since 1919, following its independence from the Russian Empire in 1918 (Lukacs, 1992<sup>[24]</sup>). Finland's parliament is a unicameral legislature comprised of 200 members. Parliaments are elected on a four-year cycle utilising proportional representation. Parliaments with a majority government are uncommon in Finland, with the largest party capturing an average of 48 seats over the last 5 elections (Official Statistics of Finland, 2019<sup>[25]</sup>). As a result, coalition governments are the norm.

The Finnish central government is currently comprised of 12 ministries (Valtioneuvosto, n.d.<sup>[26]</sup>), including the Ministry of Education and Culture (MEDC), which has a current mandate covering HE as part of a wider remit, including “daycare, education, training and research; arts, culture, sports and youth work; the archival, museum and public library systems; the Evangelical Lutheran Church; the Orthodox Church and other religious communities; student financial aid; and copyright” (Government of Finland, 2020<sup>[27]</sup>).

Alongside central government, Finland has six regional state administrative agencies (RSAs), which are responsible for delivering core public services, including primary and secondary education, administering legal processes, such as allocating permits, and overseeing health and safety.

The primary actor in the governance of the HE system in Finland is the MEDC, which oversees both the public universities and universities of applied sciences (UAS). These two categories of institution represent Finland's binary tertiary education system. The HE system oversight activities of the MEDC are steered by a variety of policy plans and documentation that outline overall goals and desired national outcomes from the sector over forthcoming years. The National Development Plan for Education and Research is an example that was particularly important throughout the reform period (2004-10), with the 2007-12 and 2011-16 iterations of this plan in particular being most relevant to the system changes surveyed in this case study. These development plans were the result of extensive forecasting of future labour market needs at national and regional levels, strategising for the future research and development needs of the country, as well as economic analysis.

There are several smaller actors that have roles and responsibilities within the broader HE sector and related “innovation ecosystem”. For example, Universities Finland (UNIFI) is a co-operational organisation that represents Finland's university sector and aims to influence policy decisions made by the central and local governments regarding HE (UNIFI was previously the Finnish Council of University Rectors) (UNIFI, n.d.<sup>[28]</sup>). The Academy of Finland oversees additional public funding of scientific research and in 2015 was given oversight of a EUR 50 million research fund for universities driving specialisation and building “areas of excellence” (OECD, 2017<sup>[29]</sup>). This new approach was introduced in the 2011-16 National Development Plan for Education and Research (NDPER) and is further discussed below.

Changes made within the structure and governance of Finland's HEI network (and, in particular, the mergers of a number of HEIs) form the core area of focus of this case study.

### **Funding for higher education**

Universities in Finland are funded to a substantial degree by public investment. This funding is agreed in four-year increments, and both the amount of funding, and output-based targets upon which receipt of funding is conditional, are agreed through bilateral negotiations between MEDC and the institutions. This funding structure for HEIs, defined by the NDPER and outlined in Table A A.4, sets out the proportional provision of funding that institutions receive for each of their aims and outputs. It is important to note that this funding model was a key instrument for financial incentives used to support institutional mergers, and other areas of high-level policy steering, including for institutional specialisation, adapting to suit these needs over time.

**Table A A.4. Finnish higher education public funding allocation model (2020)**

Institution type	Funding stream	Proportion of overall funding (%)	Sub-streams and funding proportions (%)
Universities	Education	39	<b>Impact/quality:</b> Master's degrees awarded (13%); bachelor's degrees awarded (6%); number of students who have gained at least 55 study credits (10%); study credits in open university, specialisation studies, studies based on co-operation and in non-degree programmes (2%); student feedback (3%); number of employed graduates (2%). <b>Internationalisation:</b> Master's degrees awarded to foreign nationals (1%); student mobility to and from Finland (2%).
	Research	33	<b>Impact/quality:</b> PhD degrees awarded (9); scientific publications (13%). <b>Quality/internationalisation:</b> Completed research funding (9%). <b>Internationalisation:</b> International teaching and research personnel (2%).
	Other education and science policy	28	<b>Impacts/quality/internationalisation:</b> National duties (7%); field-specific funding (9%); strategic development (12%).
Universities of applied science	Education	79	<b>Regional impact and links with business, and industry/quality and internationalisation:</b> Bachelor's degrees awarded (40%); number of students who have gained at least 55 study credits (23%); number of employed graduates (4%); study credits in open UAS education and in non-degree programmes (5%); degrees in vocational teacher training (2%); student feedback (3%); student mobility to and from Finland (2%).
	Research and development	15	<b>Regional impact and links with business, and industry/quality and internationalisation:</b> External R&D funding (8%); master's degrees awarded (4%); publications, public artistic and design activities, audio-visual material and information and communication technology (ICT) software (2%); teacher and expert mobility (1%).
	Strategic development	6	<b>Regional impact and links with business, and industry/quality and internationalisation:</b> Strategic funding (5%); field-specific funding (1%).

Source: Eurydice (2020<sub>[30]</sub>). *Finland Higher Education Funding*, [https://eacea.ec.europa.eu/national-policies/eurydice/content/higher-education-funding-25\\_en](https://eacea.ec.europa.eu/national-policies/eurydice/content/higher-education-funding-25_en).

As Table A A.4 highlights, research and science play a larger role in the funding model of universities compared to the UAS, which have a far greater focus on teaching. This reflects the broader approach of the binary system in Finland: UAS receive the majority of their funding as a result of their education performance, highlighting the fact that UAS are seen as primarily regional teaching establishments (though with a role in research, aimed at technology transfer into industry), whereas universities are more deeply integrated into national R&D ambitions and strategy.

The criteria for evaluation across these streams also differ between the two types of institution. The streams identified above are evaluated for universities against indicators aligned to one or more of three criteria: impact, quality and internationalisation. By comparison, UAS are measured against indicators aligned to two compound criteria: (i) regional impact and links with business; and (ii) industry, quality and internationalisation (Eurydice, 2020<sub>[30]</sub>). The funding model detailed here is also regularly adapted and updated by MEDC to reflect changes in the broader funding goals of the HE sector.

This funding model provides a framework for the negotiation of bilateral agreements between the ministry and HEIs that cover each institutions' area of focus and developmental duties aligned to larger national priorities. These agreements have been a mechanism in use since 1998, although when introduced they only covered three years (Hölttä, 1998<sub>[31]</sub>). The funding itself is delivered to HEIs on an annual basis, dependant on meeting performance goals in prior years. For example, for the University of Helsinki, 2021 funding is based on results from 2017-19 (Saarinen, 2019<sub>[32]</sub>). Each agreement "defines the HEI's duties, profile, focus areas, development activities and public funding" (Eurydice, 2020<sub>[30]</sub>). Further to this, the funding areas of strategic development for universities (12%) and strategic funding for UAS (5%) are delivered based on unique institutional goals and profiles outlined within bilateral agreements. In recent

years, funding within these areas has become based more on broad strategic actions and less on specific output measurement.

While funded through an output-based model enshrined in bilateral agreements, both universities and UAS have considerable day-to-day operational autonomy to meet their goals, which will be explored later in this case study.

### **Evaluating higher education**

HEIs have their own evaluation processes or “quality systems” that are used to verify the HEIs’ delivery against the agreed targets for funding set out in Table A A.4. These systems involve independent evaluation of their performance, carried out by a third party. HEIs are free to contract this evaluation to organisations of their choosing and they are required to regularly carry out these evaluations and publicly publish the results. In addition, the quality systems themselves of each HEI are audited by the Finnish Education Evaluation Centre (FINEEC), an independent agency responsible for the evaluation of education. These audits are undertaken cyclically, the structure of which is determined by the National Plan for Education Evaluation (FINEEC, 2016<sup>[33]</sup>). The 2016-19 National Plan defines HEI quality management and describes the audit process as follows:

*Quality management refers to the procedures, processes or systems that the HEI uses to maintain and develop the quality of its activities. Audit assesses how well the quality system meets the strategic and operations management needs of the HEI as well as how comprehensive and effective the quality management of the core duties of the HEI is (FINEEC, 2016, p. 13<sup>[33]</sup>).*

The structure of Finland’s funding and quality assurance systems have served as an important lever for reform, as will be discussed further.

## ***The context for institutional landscape rationalisation***

### **Pre-reform higher education structure**

The governance structures detailed in the previous section represent a snapshot of the current HE landscape in Finland. They are the result of significant reform of the sector that has its roots in the 1990s, leading up to more substantive changes that took place between 2004 to 2010, with some system features still undergoing development and adaptation. Prior to the period of policy shift that will be reviewed in this section, HE in Finland was substantially different in form and function. To some extent, this reform even extended to modifying underlying social and governmental expectations of the role of HE in Finnish society.

The Finnish university system as it existed at the turn of the millenium was the result of a rapid expansion that began after World War II. In line with the Finnish tradition of universal access to public services underpinned by a robust welfare state, higher education was guaranteed to be accessible for free for all Finnish youth in all regions of the large, but mostly sparsely populated country. This resulted in a significant number of HEIs relative to the population, as every region of the country had one or more institutions that provided a comprehensive range of courses and credentials. This policy of regional provision for universities dominated from the 1960s through the 1970s and 1980s (Saarivirta, 2010<sup>[34]</sup>).

The peak of this post-war expansion occurred in the 1990s, when national policy changes established a second category of HEI to sit alongside the universities, solidifying a binary system of HE that remains in place today (Elander, Aarveaara and Dobson, 2009<sup>[35]</sup>). These polytechnics (which would later be re-defined as universities of applied sciences) were not entirely new institutions, but rather adapted and re-structured upper-secondary-level educational institutions that had existed previously. They had a traditional focus on vocational courses, such as nursing, technical trades, as well as business, culture and social work, and maintained much of this educational focus, while expanding in some areas, based on regional labour market demand (Stenström and Virolainen, 2014<sup>[36]</sup>).

### Catalysts for reform

The structure of HE, while still relatively new in some aspects (polytechnics had only come into existence in 1992), came under economic and political pressure at the turn of the 21<sup>st</sup> century. This pressure was largely external to the education system itself, driven by the growing importance of globalisation within western economies – countries in Europe and around the world were becoming increasingly connected and interdependent as corporate multinationalism, and increasing global labour market fluidity began to impact the behaviours of national economies. Finland was seeking to become more competitive on a global scale, to diversify its economy away from low value-added sectors such as natural resource extraction, and to spur innovation (Kallo, 2009<sup>[37]</sup>). The country saw its future growth in the then-booming information technology (IT) sector – headed up by the global telecommunications company, Nokia – and other areas where growth would be driven by scientific and technology innovation as well as advanced human capital (OECD, 2017<sup>[29]</sup>).

This view was further informed by the economic recession of the 1990s that highlighted existing structural weaknesses in Finland's economy, such as dependence on fluctuating natural resource prices and a reliance on trade with a small number of neighbouring countries, including the Russian Federation (Välimaa, 2012<sup>[38]</sup>). The public discourse increasingly focused on the HE sector as a key part of a responsive national strategy, centred around increasing the national research output, improving collaboration with industry and striving for the development of globally recognised institutions (Nokkala, Välimaa and Westerheijden, 2016<sup>[39]</sup>). Stakeholders interviewed by the OECD team emphasised the significant degree to which these priorities were advanced by many sectors of society, including the HE sector itself, as well as industry and members of parliament from multiple political parties. This form of multi-sector external and internal drive for policy change built considerable momentum and galvanised the government into action.

As these conversations were taking place among stakeholders, the HE sector was going through a process of reform resulting from another external factor: Finland's participation in the Bologna process, the pan-European initiative to harmonise the structure of HE launched in 1998-99. This was a particularly disruptive process in Finland, which, at the time, did not use the structure promoted through the Bologna process (bachelor's degrees, followed by post-graduate study at master's or doctoral level) across all subject areas (Välimaa, Hoffman and Huusko, 2007<sup>[40]</sup>). Master's degrees could take up to ten years to complete and were predominantly part-time. Bachelor's degrees also took longer than the three to four-year common international standard. In addition, for employers, a bachelor's degree was seen as a preliminary step towards a master's degree, and rarely recognised as a qualification in its own right, failing to overcome the "barrier to entry" for a career within various industries (OECD, 2009<sup>[41]</sup>). Sector stakeholders interviewed by the OECD team confirmed that low labour market acceptance of bachelor's degrees in Finland remains an ongoing area of discussion, and one largely not tackled by reforms to date.

Within Finland, the degree structure was seen as one of a set of impediments to internationalisation. A further concern surrounded the career development structure at HEIs. Pre-reform, no Finnish HEIs offered tenure tracks with a guaranteed availability of merit-based promotion opportunity to staff; all staff were on public service contracts in which availability of promotions could be dependent on retirements. Multiple HEIs now offer some form of tenure track, however Aalto University, the first to move in this direction, has adopted the most robust merit-based approach, as will be discussed. A final area of concern with respect to internationalisation was the fact that degrees themselves took far longer than the international standard (OECD, 2009<sup>[41]</sup>).

The public debates taking place across wider society and central government led to the commissioning of two key reports that would help to guide new policy and legislation for reform of the HE sector, based on the desired outcomes: improving efficiencies of the sector, increasing national research output, driving industry collaboration and striving for the development of globally recognised institutions. The first of these reports, the Brunila Report, was commissioned by the Office of the Prime Minister and published in 2004.

It criticised the previous policy of spreading smaller HEIs around the country, arguing that “the number of small and regionally spread units were an inefficient use of resources”. Instead, more specialisation in the form of “spearhead institutions”, and, in particular, a world-class innovation university, were needed (Nokkala, Välimaa and Westerheijden, 2016<sup>[39]</sup>). The second report, produced internally by the MEDC, similarly criticised the existing policies, and proposed that higher education should be restructured to provide both regional (teaching-oriented universities) and global (research-oriented) universities (Nokkala, Välimaa and Westerheijden, 2016<sup>[39]</sup>). In 2005, the Universities Act was updated to enable universities to enter into consortia, a policy that provided new ways for universities to collaborate and integrate their activities:

*The university may have university consortia or other joint units with other universities and joint units with polytechnics, research institutes or other public or private organisations or foundations (Ministry of Education and Culture of Finland, 2009, p. 10<sup>[42]</sup>, Section 27.3*

This change to the legislation in some ways lay the groundwork for the more substantial process of formal mergers that would follow. In practice, the consortia model has been used to develop a series of “university centres” – consortia of universities in six regions across the country that aim to improve the HE offerings to less well-served communities (Vartiainen, 2016<sup>[43]</sup>). One of the most prominent of these projects has been the University Consortium of Pori, developed by the University of Turku, Aalto University, Tampere University of Technology and University of Tampere, and located in the city of Pori in western Finland (University of Turku, n.d.<sup>[44]</sup>).

In 2005, the government officially called for large-scale reforms of what was termed the “innovation system”, which included the higher education sector and the public research system (which was driven primarily through universities). This call for change came directly from the Prime Minister’s Office. The proposed reforms contained provisions for a restructuring of the higher education sector, which would be executed by the MEDC. At this point, there were no legislative changes, but rather, the process began through a series of white papers and direct engagements with the universities and polytechnics.

At the heart of this effort was an overriding policy aim of “creat[ing] a high-quality university system, able to compete internationally at the top level in Finland’s specified areas of expertise, while allowing for the development of new emerging research areas and initiatives.” Given that the higher education sector was one part of the wider innovation system, the reform process also strived to ensure that “[research] fields that are essential to national economy, development of society and citizen welfare” would be prioritised as part of this effort (Nokkala, Välimaa and Westerheijden, 2016<sup>[39]</sup>). Key to this was a drive to skill the workforce and publish research that drives innovation and economic growth (Nokkala, Välimaa and Westerheijden, 2016<sup>[39]</sup>). This approach created, in some sense, an overall industrial strategy that positioned changes in higher education alongside investments in other areas of national R&D with sectoral investments (particular focus was paid to areas such as electronics and electrotechnology, metal and engineering, and forest industry products) (OECD, 2009<sup>[41]</sup>).

Alongside the development of these research and policy documents driven by the national government, Finland sought advice from the OECD with respect to the structural and governance reform of the higher education system. The OECD’s 2009 report *OECD Reviews of Tertiary Education: Finland* summarises much of this advice, setting out a series of recommendations across a range of higher education policy areas, including access, the role of research, implications for the global positioning of Finland’s higher education sector and quality assurance (OECD, 2009<sup>[41]</sup>). The OECD recommendations included:

- improving the acceptance rate of HE programme applications by providing students in the secondary system better access to information on course content and requirements
- improving the adequacy and sustainability of tertiary funding through institutional mergers, and the elimination and merging of smaller departments within HEIs



- increasing the autonomy of institutions by redefining them as so-called “legal persons” rather than civil servant units
- reducing study times to get students into the labour market faster
- increasing the international reach of institutions by attracting more international staff and researchers with a reduction in immigration complexity and more attractive roles (including higher salaries and clearer progression) for less senior academics (OECD, 2009<sup>[41]</sup>).

On the recommendation of institutional mergers, the report emphasised that:

*This [full merger] model would clearly be possible in Finland, especially in those regions where there was an excess of provision and rather small HEIs. However, the macro- and micropolitical backlash could be considerable, and the advantages of such arrangement would need robust demonstration – and there are many advantages. (OECD, 2009, p. 101<sup>[41]</sup>).*

In some areas, Finland responded to this OECD analysis and its own internal assessment with specific reforms. In other areas, instigating reform options remains an ongoing process.

### ***Policy process: Formulation and adoption***

This section details and examines key mechanisms used to drive the process towards four areas of reform: HEI mergers, HEI specialisation, institutional governance changes for universities, and parallel reforms for UAS, which took place between approximately 2004 to 2010. The ordering of these processes is important. The approach of the Finnish government was to first incentivise the completion of the mergers, then follow with additional governance reform for the newly created and reduced number of universities (formalised in the Universities Act, 2009), as well as simultaneously promoting the specialisation of the institutions through funding.

#### **HEI mergers**

MEDC chose to drive this process through an approach that did not directly enforce specific HEI mergers, but rather created new incentives and mechanisms for change, and funding allocation. Fundamentally, the aim was to ensure that the institutions themselves collaborated and drove the mergers, creating buy-in and a level of institutional autonomy in the process. The key mechanisms that enabled this were:

- The 2006 MEDC discussion paper mentioned earlier on the structural development of higher education, which provided overall guidelines for the mergers.
- A fixed-term law that enabled Finnish citizens and companies to receive tax reductions for donating money to universities, thereby incentivising private financial contributions to the mergers taking place in a timely manner (equally important was the matching of these funds by the government, creating further incentives for universities to raise private investment).
- An invitation for universities to suggest structural changes (mergers); the initiation was open for proposals from spring through summer 2006. Universities that proposed mergers would have additional funding reflected in their budget from the year 2007.
- Additional funding for the years 2007-10 for institutions that had proposed mergers to MEDC was set at EUR 12-14 million. If the proposed mergers did not ultimately proceed, this was reduced to EUR 6.1 million (Williams, 2017<sup>[45]</sup>).
- Planning groups were appointed by the MEDC once a merger was officially agreed. These groups included prominent societal figures and sectoral experts, and were used to guide and support the merger process at each institution (Williams, 2017<sup>[45]</sup>).
- Finally, the progress of adoption and pace of change was ensured through institutions' existing funding agreements with the ministry that are reviewed every four years, and approved through cyclical negotiation procedures, outlined above (Nokkala, Välimaa and Westerheijden, 2016<sup>[39]</sup>).



The outcomes of this process are clear in the current landscape of higher education in Finland. Exceeding the goal of reducing the system to 15 universities, today Finland has 14 universities as a result of the reform process. Mergers of Finnish universities have included:

- The University of Kuopio and the University of Joensuu merged to create the University of Eastern Finland (merged in 2010, received EUR 12.6 million in merger funding).
- Helsinki University of Technology, Helsinki School of Economics and the University of Art and Design Helsinki merged to create Aalto University (merged in 2010, received EUR 13.9 million in merger funding, plus substantial additional funds outlined below).
- The University of Tampere, Tampere University of Technology and Tampere University of Applied Sciences (a UAS rather than a university) merged to create Tampere Universities (merged in 2019, received EUR 6.1 million in merger funding during the initial process in 2007 as this initial merger attempt did not move forward).
- University of Turku and Turku School of Economics and Business Administration merged to create University of Turku (merged in 2010, received EUR 13.4 million in merger funding).
- Academy of Fine Arts, Sibelius Academy and Theatre Academy merged to create University of the Arts (merged in 2013) (Nokkala, Välimaa and Westerheijden, 2016<sup>[39]</sup>).

The Universities Act, 2009 named all the newly merged institutions by that time, and legally recognised the universities as corporations under public law (public universities). In addition to this, Aalto University and Tampere University of Technology were further defined as foundation universities (these universities are legally non-profit foundations rather than public corporations), and are governed by the Foundations Act, which was amended in 2015 to recognise these institutions. Aalto University, seen by the government as a flagship institution – with aims of being the “world-class innovation university” envisioned by the Brunila Report, received significant additional public funding. Funding of EUR 100 million had been allocated to the merger until the end of 2015. Furthermore, the government’s commitment to match raised private funds for the university’s capital endowment meant that in practice, public funding to Aalto University exceeded this, and reached a total of EUR 500 million (Williams, 2017<sup>[45]</sup>).

The use of the mechanisms and policy approaches detailed above are credited with much of the success of the merger process, however the importance of the timing of this process should also be noted. A considerable amount of the policy and programmatic work, including instigating many of the mergers and drafting of legislation, took place just before the 2008 financial crisis. It was noted in stakeholder interviews that the mergers had required significant investment (outlined above) from government, and in the case of the foundation universities, large private financial contributions for capital endowments (matched by government and supported by tax relief). Had this process been attempted later, it may not have been possible, due to the significant recession experienced in Finland from 2008, which later resulted in reductions in higher education expenditure. Stakeholders interviewed by the OECD team suggested that these funding cuts were less impactful for foundation universities (and other merged institutions), as they had been incentivised to diversify their funding model (it was also noted that budget cuts had been felt most keenly by non-faculty staff at universities who had borne the brunt of staffing cuts).

It is important to note that not all of the HEI mergers followed the same process or had the same reasoning behind their execution, and the path to merged institutions has often featured considerable complexity, and at times, opposition from various stakeholders. Some mergers were geared toward providing a consolidated higher education offering to their region, with increased institutional efficiencies and financial stability (e.g. University of Eastern Finland), while other merger projects sought to represent Finland’s international and R&D ambitions for the higher education sector (e.g. Aalto University, further profiled below).

While the government’s planning groups did provide some consistency to the approach, fundamentally it was the institutions that made the initial proposals for mergers and engaged in early discussions. As a

result, while it would be a requirement that senior management and rectors bought in on the merger process (as the actors suggesting the merger to the ministry), the degree to which staff and faculty were engaged in the process differed in each case. As noted by Williams (2017, p. 79<sup>[45]</sup>):

*Rectors of merging institutions generally bought in strongly. However decision-making processes largely excluded students and staff as presumably critical, at least until mergers were well under way, although institutional-level planning groups consulted students and staff in at least one case.*

Whereas the creation of Aalto University (further discussed below in Box A A.3) was executed in response to national policy imperatives, the movement toward creation of Tampere Universities was more locally driven. The merger was initially planned as part of the first round of applications in 2007, however, the process did not advance at that time. In 2014, renewed interest and plans for a merger were announced by the three component institutions, with the MEDC appointing working, steering and management groups to support the merger in 2015. In 2016, the universities requested EUR 200 million in funding from MEDC for the merger, referencing the support that Aalto University received. The final merger funding approved by the ministry, however, stood at EUR 22 million (Keskinen, 2016<sup>[46]</sup>).

The process, which was completed in 2019, took place in two steps. First was the merger of the two universities, University of Tampere and Tampere University of Technology (driven from the then-leadership of the two universities and involving rounds of contentious internal consultation with staff and faculty, many of whom were committed to the existing separate institutions and their governance structures). This was followed by the creation of a university consortium, which allowed the new university to own the majority of stock in the Tampere University of Applied Sciences (divided stock-based ownership of UAS is further discussed below). This process allowed for a form of merger between two universities and a UAS. This approach was in part a response to historical concerns about merging institutions from the respective sides of the binary HE system (Williams, 2017<sup>[45]</sup>). In addition, it has been noted that the merging of the multiple and distinct HEIs has caused ongoing challenges, both during the protracted merger process (Myklebust, 2019<sup>[47]</sup>), and since completion, where it has been noted that the institution has struggled in developing a strong university identity, as inter-disciplinary divisions remain (Vellamo et al., 2020<sup>[48]</sup>).

### University specialisation

Beginning in parallel, and continuing through the merger process, MEDC sought to push institutions to specialise in specific research areas and subjects, becoming “centres of excellence” (Nokkala, Välimaa and Westerheijden, 2016<sup>[39]</sup>). The main methods proposed to deliver these outcomes outlined in the same 2006 MEDC discussion paper consisted of:

- institutional co-operation and mergers between universities, the aim of which was to increase the performance of individual institutions, both in terms of global recognition and research output
- allocation of government funding and resources that HEIs would receive as a result of specialisation efforts (indicated in Table A A.4 as “strategic development”)
- pushing for further reform of governance and leadership, which would drive a more focused and managerial approach, allowing institutions to execute specific strategies on research output and the development of sectoral expertise (Nokkala, Välimaa and Westerheijden, 2016<sup>[39]</sup>).

A further tool to facilitate specialisation and “centres of excellence” has been the creation of foundation universities. These two universities (Aalto University and Tampere Universities) operate similarly to non-foundation, public universities. Stakeholders interviewed by the OECD team confirmed that in practical day-to-day management, there is little difference. However, in terms of their governance, foundation universities differ in that their board is made up entirely of members external to the university itself, representing the wider civic and business community. As highlighted in the description of the merger process, foundation universities can form a capital endowment (a policy later expanded to all universities) and also have improved financial independence. The outcome of these governance and fiscal differences is that foundation universities have been more successful in raising private funds (initially matched by the

government), and as a result have larger endowments than non-foundation institutions (the value of Aalto's endowment stood at EUR 983 million in 2019) (Aalto University, 2020<sup>[49]</sup>). The foundation universities are two of the largest universities (2016 student enrolment was around 18 000 for Aalto and 13 000 for Tampere (ETER, 2021<sup>[18]</sup>)), and are prioritised by MEDC in seeking global recognition and as centres of collaborative international research.

Increasing differentiation was also an element of the Development Plan for Education and Research 2007-12 (the five-year strategy document that was in place during the reform period), which covers all UAS, foundation and public universities. The plan detailed a strategy for education specialisation and differentiation, linked again to an overarching innovation strategy and areas of economic sector prioritisation. Some universities would, for instance, specialise as international research universities and each university and polytechnic is expected to have a unique “profile” of teaching, research and industry alignment (Nokkala, Välimaa and Westerheijden, 2016<sup>[39]</sup>). The “strategic” sub-streams within the funding allocation model outlined in Table A A.4 have been used as a lever for advancing enhanced specialisation.

However, these initial approaches failed to deliver the expected specialisation outcomes. The ministry recognised in the mid-2010s that “the current performance-based funding model for universities in itself ... does not provide very strong incentive to making strategic profiling choices” (OECD, 2017, p. 92<sup>[29]</sup>). In response, it set aside an additional funding allocation to incentivise specialisation valued at EUR 50 million, to be administered between 2015 and 2019. This represented a moderate increase for recipient institutions. The core differentiation compared to previous funding through the allocation model was that decisions on which institutions would receive funding were assigned to the Academy of Finland to deliver outside the standard funding formula with an approach that rewarded HEIs that developed clearer “research profiles” (OECD, 2017<sup>[29]</sup>). As of 2020, five rounds of funding had been delivered from the initial 2015-19 fund, and the sixth was in process. Stakeholders felt that the fund had seen moderate success in shifting the research fields and disciplines of focus in a number of universities, with the majority of funding directed towards the hiring of principle investigators (PIs) and professors in emerging fields of research.

### Box A A.3. Aalto University, tenure as a mechanism for increasing internationalisation

Aalto University is a public foundation university located in Espoo, Finland. It was established in 2010 through the merger of three existing institutions: Helsinki University of Technology, Helsinki School of Economics and the University of Art and Design Helsinki. Aalto University was one of the first mergers proposed following the release of the Brunila Report in 2004.

The merger was first suggested by the rector of the University of Art and Design Helsinki, in his opening speech of the 2005 academic year. This speech came a year after the Brunila Report, at a time when the public discourse among universities, industry and government focused on potential institutional mergers across Finland. The creation of an “innovation university” in Finland was committed in the programme of the 2007 government coalition. A more formal plan for the merger of the three institutions and the creation of the new university was developed in response and was formally presented in 2007. The plan was developed by a working group that included the constituent institutions and community stakeholders, with an overall lead by the then Secretary of State for Finance. This merger was finalised in late 2009, and the university began operation on 1 January 2010.

The core idea behind the establishment of Aalto University was to create a new kind of multi-disciplinary university, with a fundamentally international outlook. Aalto has focused on developing cross-disciplinary areas of expertise that leveraged the knowledge and talent base of its three component institutions. Aalto drove its international focus by introducing a number of policies that were relatively rare in the Finnish university system: delivering both bachelor's and master's courses in English,

providing a merit-based tenure track to increase international staff appointments, and engaging heavily with industry to support international research partnerships.

Notable success has been achieved. In 2019, the university ranked 9th in the world by QS World University Rankings among universities founded less than 50 years ago and 20th in the Times Higher Education Young University Rankings in the same year. The introduction of the tenure track has been a particularly effective mechanism for increasing the proportion of international staff: 38% of Aalto's academic faculty are international appointments as of 2019, an 111% increase over the 18% of international staff the university began with in 2010. Aalto University has adopted a four-stage tenure track process, with time allocations and progression from fixed to permanent status detailed in Table A A.5.

**Table A A.5. Aalto University tenure track time allocations**

Time allocation	Assistant professor (1) (f)	Assistant professor (2) (f)	Associate professor (p)	Full professor (p)	Aalto distinguished professor (p)
Research/artistic/ professional work	65% +/-10%	60% +/-10%	50% +/-10%	40% +/-15%	Negotiable
Teaching	30% +/-10%	30% +/-10%	30% +/-10%	30% +/-15%	30% +/-15%
Service	5% +5%	10% +/-5%	20% +/-10%	30% +/-15%	Negotiable

Note: (f) refers to a fixed-contract position; (p) refers to a permanent position.

As the table above highlights, Aalto's tenure track offers variable flexibility in the proportion of time devoted to the various duties of academic staff, and this increases across the stages, culminating in the distinguished professor position, which allows for negotiation in the proportion of research and service duties. Advancement is based on evaluation criteria. Each stage also comes with commensurate salary increases (in line with national levels), and from assistant professor to associate professor, a transition to permanent status. Despite its success at Aalto, merit-based progression within a tenure track remains a controversial topic in the broader HE system and among Finnish university staff. While many other HEIs now offer some form of tenure, the clarity of progression and equal opportunities is not always present. In some cases, more junior academics may have to wait for an existing tenured staff member to leave and "open up" the tenured position. In Aalto, anyone may qualify for tenure if they demonstrate the required competencies.

Stakeholders interviewed by the OECD team relayed that concerns within the broader HE system include that increasing salaries could be unaffordable to universities, that tenure tracks can create a competitive environment that is undesirable, and a perspective that universities should focus on hiring more local, rather than international, talent.

Sources: Aalto University (2019<sup>[50]</sup>), *Aalto Tenure Track*, [https://www.aalto.fi/sites/g/files/fighsv161/files/2019-09/aalto\\_tenure\\_track\\_policies\\_and\\_procedures\\_eng\\_20190307.pdf](https://www.aalto.fi/sites/g/files/fighsv161/files/2019-09/aalto_tenure_track_policies_and_procedures_eng_20190307.pdf); Tuulos (2017<sup>[51]</sup>), *An experimental learning platform to foster university-industry collaboration*, [https://www.itu.int/en/ITU-D/Capacity-Building/Documents/ITU-Academia\\_Partnership\\_Meeting\\_2017/Presentations/Session\\_4/3TiinaTuulos.pdf](https://www.itu.int/en/ITU-D/Capacity-Building/Documents/ITU-Academia_Partnership_Meeting_2017/Presentations/Session_4/3TiinaTuulos.pdf); University of Helsinki (2020<sup>[52]</sup>), *A tailored career path*, <https://www.helsinki.fi/en/university/careers-at-the-university-of-helsinki/tenure-track/a-tailored-career-path>.

### **Institutional governance changes for universities**

The Universities Act, 2009, also established additional provisions regarding institutional autonomy that built upon steps to expand autonomy in the late 1990s. The updated act refreshed the governance structure and increased autonomy for all universities. Under Chapter 1, Section 3 of the act:

*Universities have autonomy, through which they safeguard scientific, artistic and higher education freedom. The autonomy entails the right of universities to make their own decisions in matters related to their internal administration. When legislation is drafted concerning them, the universities shall be given the opportunity to express their opinion on the matter (Ministry of Education and Culture of Finland, 2009<sup>[42]</sup>).*

The act also set out a new structure for the governance bodies of the universities, including the university collegium, the board and the rector (in foundation universities, these are the multi-member administrative body, the board and president, respectively). The overall effect of institutional governance changes made through the 2009 act was to reduce the size of governance bodies, increase external participation and streamline leadership selection. As a result, individual rectors and deans have been significantly empowered relative to the past system.

Prior to the Universities Act (2009), universities were not distinct legal entities, but were organisations under the management and provision of the public sector, specifically the MEDC. A process of increasing autonomy for universities was an ongoing policy project that met its first milestone with the passing of the Universities Act, 1997. Alongside changes to the governance structure of universities, the 1997 act allowed universities to decide upon the division of the university into faculties or other units, appoint professors, and accept donated funds and establish a university fund separate from the state. The updated Universities Act (2009) built upon these steps with greater involvement from external bodies (particularly for foundation universities), a clearer delineation of power-sharing between the different communities of the university and noted streamlining of governance. Table A A.6 (also included in the main report as Table 3.7) highlights how these changes were applied across the different levels of university governance.

**Table A A.6. University governance bodies pre- and post-Universities Act, 2009**

Pre-Universities Act (Universities Act, 1997)	Post-Universities Act, 2009
University Senate: The size is determined by the standing orders of the university, but must contain representatives from the faculty, other teaching and research staff and the student body. The senate is the supreme executive body of the university. The senate is presided over by the rector.	University Board: 7 members for foundation universities, and 7 or 9-14 members for public universities. Boards in foundation universities are elected by the multi-member administrative body. In public universities, the board is selected by a combination of university community groups and the university collegium. Foundation universities have a board whose members are 100% external to the university. Public university boards are 40% external (the remaining 60% of members are a combination of representatives from the faculty, other teaching and research staff and the student body).
Multi-member administrative bodies represent the individual faculties. The senate decides the division of faculties and other departments.	Multi-member administrative bodies represent the individual faculties.
Universities may have a chancellor if they wish, with their tasks laid out in university acts and decrees.	Universities may have a chancellor if they wish; their tasks are laid out in university acts and decrees.
Rector selected by the university electoral college; universities may have one or more vice-rectors, decided by the university senate.	Rector selected by the board in both foundation and public universities. Foundation universities may replace the rector with the position of president.
The electoral college must be composed of representatives of the professors, teaching and research staff, other personnel and students. Provisions pertaining to the membership and election of the electoral college is laid out in the university's standing orders.	For public universities, the university collegium consists of 50 members representing both the faculty, other teaching and research staff and the student body – no one group may represent more than half the total. Foundation universities have a joint multi-member administrative body with a maximum of 50 members, representing both the faculty, other teaching and research staff and the student body – no one group may represent more than half the total.
Faculties are directed by a dean or other director along with collegial governance practices.	A faculty or corresponding unit has a multi-member administrative body chaired by the director of the unit. The administrative body must include representation from university community groups.

Sources: Ministry of Education and Culture of Finland (1997<sup>[53]</sup>), *Universities Act 645/199*, [https://finlex.fi/fi/laki/kaannokset/1997/en19970645\\_20061453.pdf](https://finlex.fi/fi/laki/kaannokset/1997/en19970645_20061453.pdf); Ministry of Education and Culture of Finland (2009<sup>[42]</sup>), *Universities Act 558/2009*, <https://www.finlex.fi/en/laki/kaannokset/2009/en20090558.pdf>.

These structural changes to Finnish universities represented one-half of the higher education sector reform. The polytechnic institutions, which represent the other half of Finland's binary higher education sector, also underwent their own corresponding reform beginning in 2011. Similar to the reform process for the universities, the MEDC began with a series of discussion papers and external stakeholder engagement. This led to a proposed new act that was circulated for stakeholder feedback in 2013 (ReferNet Finland, 2014<sup>[54]</sup>) which resulted in the passing of the Universities of Applied Sciences Act (2014). The act re-defined the polytechnics as Universities of Applied Sciences (UAS), and adapted their purpose and remit in Chapter 1, Section 4:

*The mission of universities of applied sciences is to provide higher education for professional expert jobs based on the requirements of working life and its development and on the premises of academic research and academic and artistic education and to support the professional growth of students. They shall also carry out applied research, development and innovation activities and artistic activities that serve education in universities of applied sciences, promote industry, business and regional development and regenerate the industrial structure of the region. In carrying out their mission, universities of applied sciences shall promote lifelong learning. (Ministry of Education and Culture of Finland, 2014<sup>[55]</sup>)*

The act also defined a new, more streamlined, governance structure which includes a board (which must have representation from the teaching staff and students) and responsibility for the overall running of the institutions assigned to the rector. In a point of differentiation from universities, UAS are defined as private limited companies and ownership is commonly divided between municipalities, regions and the private sector (OECD, 2017<sup>[29]</sup>). UAS have an explicit responsibility to provide education and training opportunities to their local market – as such, they are a common thread maintained throughout the higher education reform that ensures that elements of the “local provision” model of higher education are maintained. Despite the quasi-private ownership of UAS, they still receive the vast majority of funding from central government through MEDC, estimated at around 88% of total income (OECD, 2017<sup>[29]</sup>).

The funding formula for UAS (see Table A A.4 for full details) determining funds delivered by MEDC also reinforces the notion that UAS are primary teaching establishments with a focus on supporting regional labour markets. As noted, much like the universities, funding is also heavily tied to performance outcomes (OECD, 2017<sup>[29]</sup>).

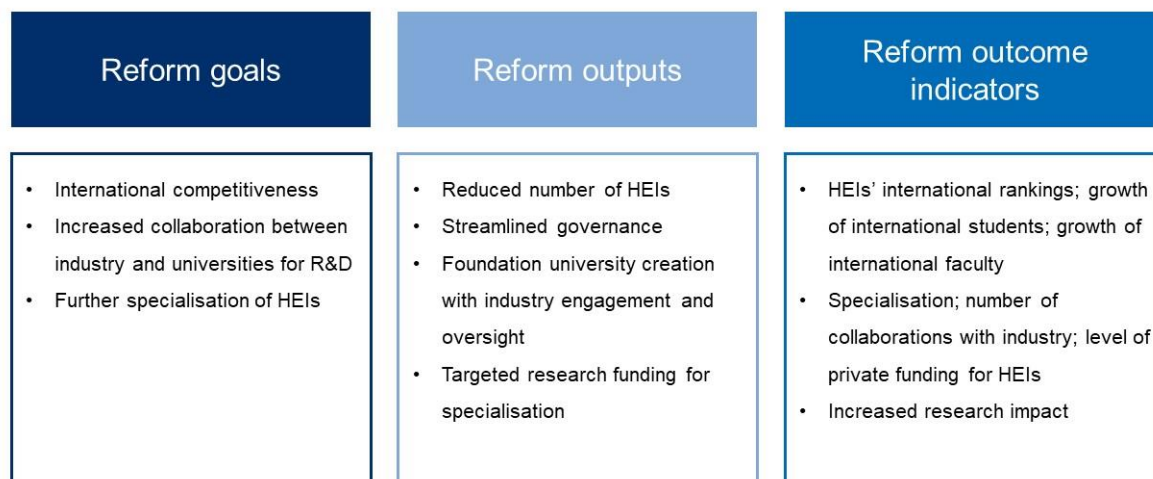
### ***Policy process: Implementation and outcomes***

Given the relatively recent timeline, and rapid execution of higher education reform in Finland, capacity for long-term analysis of impact and success measured against the policy aims of the government is somewhat limited. However, there have been a number of reports that have sought to examine the efficacy of the reform process, potential unintended consequences, and its effects on the actors involved. Figure A A.2 presents illustrative goals, outputs and outcome indicators for reforms advanced through the reforms.

The European Commission's 2016 review of the structural reform of the Finnish higher education system summarised the status of reform implementation regarding both operational shifts and its effectiveness in achieving desired outcomes (increased international recognition of Finnish HEIs, a streamlining of the higher education system, and an increased role of universities in the research and economic development ambitions of the country) (Nokkala, Välimaa and Westerheijden, 2016<sup>[39]</sup>). The review argued that the operational goals of the structural reform have been achieved, though some of the wider outcomes (such as large-scale increases in institutional specialisation, and a wider increase to the international rankings of institutions) remain areas for ongoing policy adaptation and improvement.



**Figure A A.2. Illustrative goals, outputs and outcomes of the HEI network rationalisation reform in Finland**



### Institutional mergers

The aim of streamlining the HE sector through a series of institutional mergers and restructuring has undoubtedly been successful. The initial aim of the reform policy was to reduce the number of HEIs in Finland from 20 to 15; currently there are 13 universities in Finland (Eurydice, 2019<sup>[56]</sup>). This process took place with relative speed and without significant issues, a result which can in part be attributed to the softer, institution-driven approach taken by the MEDC, backed by investments to smooth transitions and manage change, as opposed to top-down legislative action.

The achievement of wider aims of increasing the international competitiveness of Finnish HEIs is less clear. A key goal of reform in Finland held by government actors has been to achieve higher standing in international rankings. Depending on the ranking institution (Shanghai and Times Higher Education) and the HEIs, institutions have both risen and fallen in rankings over the reform period, which can be defined as taking place between 2004 and 2010 (although it can be argued that due to the continued shifts to funding and other areas, the reform period remains ongoing). The University of Helsinki, for example – Finland's highest ranking university and which did not undergo a merger process – has seen modest declines in its ranking overall. Aalto University, by comparison, began far lower in rankings but, as noted in the case study, has seen more success when compared with other young institutions (Nokkala, Välimaa and Westerheijden, 2016<sup>[39]</sup>).

When it comes to some of the more nuanced areas of reform specific to certain institutions, such as the foundation universities, there are other points of success. For example, one of the major objectives in the Aalto merger was to create a university that would adopt organisational practices resembling HEI traditions found in English-speaking countries, with the aim of increasing international attractiveness to students and staff. Aalto University was the first Finnish university to adopt the tenure track practice of progressive, merit-based promotion as the sole recruitment procedure for entering professorial positions. This has been strongly linked to the significant increases in international staffing at the university (Nokkala, Välimaa and Westerheijden, 2016<sup>[39]</sup>).

### Institutional specialisation

When it comes to higher education specialisation and differentiation, success has been difficult to achieve across the entire sector. According to the European Commission's analysis:



*The main problem for effective profiling is that universities tend to imitate successful universities rather than seek a strategy or niche different from others. Additionally, in research terms, “unproductive disciplines” (at least as they are measured by the global league tables) are often needed to complete the teaching provision of universities (Nokkala, Välimaa and Westerheijden, 2016<sup>[39]</sup>).*

HEIs striving for comprehensive status, in addition to incentives to maintain a wide programme range to serve students, has challenged specialisation executed through programme or faculty reductions. To the degree that specialisation has been achieved, it has been more through the delivery of increased research funding and through a joining of forces through mergers. As highlighted above, slower than anticipated movement toward specialisation is a weakness that has been recognised by the MEDC, and is an area of focus for ongoing policy adaptation, with the inclusion of new measures (including increased funding opportunities) to encourage institutions to engage in the process. Evidence also suggests that specialisation has been more successful in the case of universities such as Aalto, which has sought to leverage the specific structure that the mergers created – faculties from previously disparate institutions have been supported to explore potential for new inter-disciplinary research and expertise.

Specialisation is also strongly linked to R&D developments, including increased partnerships with industry in Finland, and the internationalisation of the research sector. Analysis by the OECD in 2017 found that when it comes to positioning universities as key actors within a broader industrial strategy, driving research and international co-operation, Finland has seen mixed success. Using a measure of research internationalisation, Finland has seen notable improvements, but it still lags other Nordic countries:

*In regard to international co-operation in research as reflected in the number of international co-publications, Finland has been improving significantly, moving from 42.2% of publications (involving co-authors located in a foreign country in total publications) in 2003 to 52.3% in 2012, which is above the OECD average. Yet most OECD countries, including the Nordic ones, have also increased this ratio significantly over the years (e.g. Denmark from 47% to 55% and Sweden from 45% to 56%) (OECD, 2017, p. 81<sup>[29]</sup>).*

Turning to national collaboration with industry, outcomes are less positive. The same OECD report, *OECD Reviews of Innovation Policy: Finland*, found that industry financed higher education research and development had seen significant decline in the years of the core reform period and beyond: between 2008 and 2015, a funding drop from EUR 81 million to EUR 56 million was observed (OECD, 2017<sup>[29]</sup>). It should be noted that the post-2008 recession may have played a significant factor here. The report also highlighted stakeholder concerns that current strategic funding models did not provide the levers needed for government to more directly influence specialisation, and that while mergers had been successful in reducing the number of overall universities, there remains an issue of large numbers of small departments within universities and a lack of institutional focus: in 2016, more than one-third of university disciplines employed three professors or less (OECD, 2017<sup>[29]</sup>).

Foundation universities have also seen more success in developing partnerships, facilitated by their increased fiscal autonomy. In 2016, the universities of Aalto and Tampere received 45% of total funding from domestic companies (OECD, 2017<sup>[29]</sup>).

### **Institutional governance reform**

Perhaps the most contentious area of reform can be found in the area of HEI governance reform and the increased role for institutional managers. There have been a variety of still-unfolding effects viewed as positive and negative by system actors. According to one recent analysis of the reform, “Finnish universities are undergoing a major cultural change due to university reform; whose wider impacts remain to be seen” (Kohtamäki and Balbachevsk, 2018<sup>[57]</sup>). In a more critical review undertaken by the Finnish Department of Education in 2015, researchers reported that:

*The new emphasis given to research management [created] a division between teaching and research activities. After the reform, university staff (both academic and administrative) had fewer opportunities to take part in decision making. Decision making is concentrated in the hands of individual managers (the rector and*

*deans as the most powerful actors), who are dominating because the composition of new governing boards has changed radically. From the perspective of staff members, there are informal ways to influence the new governance structures (MEDC, 2015<sup>[58]</sup>).*

A 2016 external evaluation commissioned by MEDC interviewed a number of academic staff across universities on their views of the management reform. It highlighted dissatisfaction felt by a significant proportion of the staff regarding university strategic decision making, and a sense of alienation from the institutions they worked, finding that “...changes have been heavily criticised by many university employees as severely undermining the collegiate’s role and influence in decision making.” The reforms, combined with significant budget cuts, have, according to the evaluation, led to a sense of alienation and dissatisfaction among a significant proportion of university staff (Owal Group, 2016<sup>[59]</sup>).

Overall, the HEI institutional network rationalisation process and related policy reforms can be seen as a success for Finland. This is true for outputs, even if achieving all desired outcomes may continue to require additional policy iteration. A clear reduction in university numbers, expanded autonomy and governance restructuring have been achieved, while ambitions for Finland’s international presence and creating centres of public private niche innovation remain longer-term goals. At the core of this success has been ministry engagement and financial support, and a lengthy process of stakeholder engagement and buy-in for sector reform (although the institution-led merger process certainly did not always result in bringing all HEI community partners on side for change). Still, relevant actors in the system drove the process, particularly with respect to mergers, with guidance and support from government. The challenges that the process has faced, and that remain to some degree (e.g. contention regarding HEI governance), can be understood in light of the long-standing traditions of universities. Change, even with substantial stakeholder engagement and autonomy in decision making, requires considerable time, planning and ongoing adaptation to address issues as they arise.

## Conclusions and relevance to higher education in the Slovak Republic

Having explored key factors involved in higher education reform efforts in Portugal and Finland, and the outcomes such as they are currently measurable, this concluding section explores lessons learned from the case studies relevant to the Slovak Republic’s higher education system, first considering similarities and differences across specific dimensions of the cases – HEI governance reform in Portugal and HEI network rationalisation in Finland – followed by country-specific learnings from each.

### *Top-down and bottom-up approaches to institutional reform*

**Institutional change is a difficult, long-term effort that benefits greatly from effective engagement of relevant actors within both the HE system and in the sphere of national-level governance.**

One of the more significant deviations between Finland and Portugal can be seen in the approach to reform development and implementation. At the HE system level, Finland sought the use of more bottom-up engagement and incentivising methods compared to a more top-down approach to system change seen in Portugal. At the level of national governance, Finland’s reform process followed a broad-base societal dialogue on the future of the higher education system involving industry, the media and government, with a focus on the system’s role in the wider economic development landscape. In Portugal, changes were driven centrally by government in the face of significant opposition.

Through a series of non-legislative white papers that provided guidance and parameters for institutional mergers, and ongoing dialogue with HEIs, Finland guided a more autonomous process. HEIs worked with one another to agree to the process of mergers. The outcome of this approach was a rapid execution (over approximately five years) of the initial merger process, which met and even exceeded its quantitative targets, though not without bumps on the road, which could be expected. The government intended to

reduce the number of HEIs from 20 to 15, and as of 2019 there were 13 universities in Finland. After the initial series of mergers, the Universities Act (2009) confirmed the revised institutional network in law, while also introducing governance change for all institutions, including those now designated as foundations. The reform process in Finland extended beyond parliamentary cycles, with stakeholders citing broad-based buy-in for the overall process as supportive of continuity (despite ongoing debate, particularly with respect to HEI governance matters).

By comparison, Portugal undertook a process of governance reform through legislative action, without a significant period of stakeholder engagement. Governance changes for all HEIs and the foundation status framework were laid out in RJIES in 2007, with institutions then freed to act to pursue the new foundation status. However, guidelines for attaining the status soon shifted to more stringent requirements and benefits more restricted due to deep financial challenges facing Portugal in the 2011-14 Economic Adjustment Programme period, and beyond. This greater difficulty in accessing foundation status and lesser utility of it layered on top of low initial buy-in to the concept and the broader reform agenda. While some HEIs have adopted foundation status and made use of its relatively limited benefits, opposition from national governance actors and some HE system actors has stretched beyond the moment of legislative adoption in 2007. At present, this opposition has contributed to difficulty opening discussions about the possibility of adopting foundation status within some HEIs and stands as a barrier to undertaking an improvement-oriented evaluation of the RJIES regime at a national level.

### *Incentivising institutional reform*

**Providing incentives and support for institutional change can be more effective than policy imposition. Maintaining a clear value proposition for HEIs to undertake change is key.**

The overall approaches in Finland and Portugal also differed in the incentives offered to institutions and relevant actors. In Finland, financial incentives have been a key lever for driving change. These have taken multiple forms, from the tax incentives for donations to HEIs, donation matching by government, through to adaptations of funding calculations from the MEDC, and most recently a new delivery mechanism for research funding aimed at increasing institutional specialisation. However, increasing institutional research specialisation has been a challenge for Finland, as evidenced by consistent “tinkering” with funding allocation models, with greater success achieved in incentivising mergers compared to achieving policy goals for greater institutional specialisation. Where specialisation has seen incremental success, the approach has been to drive areas of expertise with funding for research staff, creating an environment where the universities see value in increasing their focus in certain areas, as opposed to significant reallocation of resources between university units.

In Portugal, incentives to attain foundation status were not well understood by the sector at the outset and the initial promise of foundation status was undermined to an extent by the application of qualification criteria that were more stringent than the law (RJIES) initially envisioned and simultaneously, the roll out of benefits of autonomy for institutions were less than initially envisioned. The Ministry of Finance’s requirement that 50% of institutional revenues must be from private sources in order to qualify posed an impediment to qualification for some institutions, while the cancellation of planned financial transfers to new foundation status universities as a result of the 2011-14 Economic Adjustment Programme, among a variety of re-imposed financial controls, reduced its benefits. With the benefits of foundation status reduced and the path to its attainment made more challenging and non-transparent, take-up was constrained. An unclear value proposition reduced take-up.

### *Regional dimensions*

**Higher education system changes can play out differently across regions depending on urban versus rural character, industrial density and local capacity.**

Institutional merger initiatives and HEI governance changes can have varying effects across regions. The merger of HEIs within a single city does not have the same implications as a merger across a wider region. HEI governance changes that introduce the participation of external partners, including employers, on governance bodies can result in different outcomes in urban and industrialised areas compared to more rural areas.

Stakeholders interviewed by the OECD team reported that the creation of the University of Eastern Finland through the merger of the University of Joensuu and the University of Kuopio led to local issues regarding proposed changes to programme availability in some communities, which also had implications for local economies, given the broader range of businesses and economic activity that are supported by students and faculty. These are not prominent issues in the case of other mergers that have taken place within more metropolitan contexts, such as those leading to development of the Aalto University and the University of Tampere.

In Portugal, stakeholders interviewed by the OECD team reported that the inclusion of external members in university governance bodies has in some cases proceeded differently across institutions, with some of these differences having a regional character. HEIs located in regions with strong employer bases, particularly of employers for whom HEI-driven innovation and human capital development are key concerns, have seen more effective involvement. In some cases, HEIs in more rural regions with fewer employers with business links to them have seen less effective involvement.

### *Influence of disruptive forces: 2008 financial crisis and the COVID-19 pandemic*

**External events, like a financial crisis or pandemic, can upend planned system transformations and the levers or incentives that governments may have planned in order to achieve desired outcomes.**

The 2008 financial crisis had a profound impact on HEI governance reform in Portugal. As a result of economic contraction and the 2011-14 Economic Adjustment Programme, public spending was reigned in and notable changes were made to the reform approach. HEIs saw significant funding decreases and the introduction of multi-year salary controls on public servant staff at both foundation and non-foundation status universities, alongside a contraction in the level of autonomy provided to institutions. This in effect reversed the incentives that were intended to be offered to institutions by foundation status, which were again absorbed into the state perimeter (a situation that persists). Budgetary constraints have had a long-lasting effect on HEIs and arguably on the speed of adoption of foundation status.

Following the 2008 financial crisis, austerity measures had a disruptive impact on the public sector across many EU states, particularly those in receipt of adjustment programmes, such as Portugal. Due to the timelines involved, Finland's reform process was largely unaffected by the 2008 financial crisis, with the first phase of mergers and reforms largely completed before impacts had fully unfolded.

At present, the international response to the coronavirus (COVID-19) pandemic appears to be different than in the post-2008 period, with recovery funds being made available to respond to economic turmoil. It appears, at present, less likely that wide-scale reductions in public expenditure could imperil HE system reforms. On the contrary, recovery funds could potentially play a role in the crucial function of incentivising change.

### *Timelines for measuring success*

**Assessing the effectiveness of change within complex systems with multiple actors, pressures and priorities requires a long horizon. A robust, broad-ranging evaluation approach should include a variety of factors, considering impacted actors and desired outcomes.**

In both Finland and Portugal, several direct outcomes as a result of reform are evident. In the case of Portugal, changes to HEI governance were achieved, and in some cases, further autonomy attained (though with noted limitations). In Finland, the reduction in the number of HEIs through mergers was successful. In both cases, primary changes (institutional network rationalisation in Finland and HEI governance reform in Portugal) could be better understood as outputs intended to achieve longer-term outcomes, namely institutions that better achieve societal goals, such as increasing international standing and research specialisation in Finland, or enhancing ability to hire and retain top level staff in Portugal, increasing the quality of teaching and research in both cases. In this sense, the question of time horizons is critical. In both countries, immediate outputs may still pre-figure longer-term achievement of desired outcomes, the measurement of which will continue to take a broad base of evidence and time. Crucial as well is the ability to adjust course based on evaluation of progress, which requires appropriate institutional mechanisms and buy-in to continue down a reform path.

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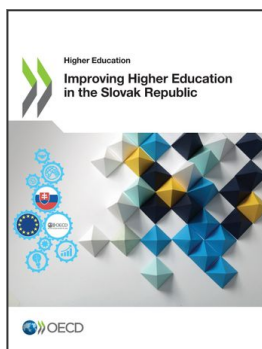
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