
Steering from a distance?

State regulation and the development of studies in the Netherlands

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This essay summarises some findings of a group of higher education experts visiting the Netherlands. The comparative study project on the influences of state regulation on the behaviour of higher education institutions with respect to the design and implementation of innovation in their curricula was undertaken within the OECD's programme on Institutional Management in Higher Education. Within this project three case-studies were performed in the Federal Republic of Germany, France and the Netherlands. Karl Alewell, Ole Broenmo and Ingrid Enquist joined the author in visiting the Netherlands and contributed to this report with their advice and first drafts. Frans van Vught (University of Twente) was the general coordinator of the project.

Introduction

For any analysis of changing relationships between the state and institutions of higher education in the 1980s the Netherlands turn out to be a very interesting case. One might argue that the Netherlands are the most interesting case in Western Europe in these respects. First, there is not any other Western European country in which government authorities claim a change of the state regulatory system to the extent that the Dutch government does. Obviously, the Dutch authorities in charge of higher education believe that a change of the regulatory system regarding higher education is instrumental in bringing about innovation in teaching and research and subsequently in leading to a differentiation of higher education. Second, we note substantial efforts by the Dutch government in the 1980s to realise or at least set guidelines for 'visible' innovations in higher education. Even if these aims have not all been realised, and even if 'visible' reforms are not taken as the sole measure, when gradual or informal innovations are included, Dutch higher education can certainly be considered to be very dynamic in the '80's from a comparative perspective. Third, the Dutch case is also interesting because it obviously does not provide a simple lesson regarding the links between state regulation and innovation in higher education as is obvious at first glance. Neither can

a hypothesis be confirmed easily that deregulation leads to innovation, as substantial financial cuts did not easily allow a shift towards, steering from a distance' and because most of the 'visible' reforms are pushed for by government. Nor did the government's emphasis on at least a less direct system of regulation fade away in the course of events; rather, the Ministry of Education and Science claims that policies in the early eighties have helped to pave the way towards the policy of 'steering from a distance' envisaged to gain additional momentum in the late 1980s.

The governmental steering approach and its context

In general, we noted widespread basic agreement in Dutch higher education institutions regarding some cornerstones of the government's higher education policy: (a) That some reduction of public expenses for higher education has to be accepted. (b) That cuts should be made primarily in low-quality areas and areas in which oversupply of graduates is obvious. (c) That a reduction of 'red tape' as well as detailed supervision of higher education by government was desirable. (d) That some changes of the regulatory systems ought to be realised in order to stimulate innovation in higher education. Given the usual diversity of socio-political views in a country, the usual tensions between government and university and the far-reaching financial cuts implemented in the Netherlands, we were rather surprised to note such an extensive basic agreement in spite of very controversial views concerning the details of higher education.

Dutch higher education policies in the 1980s stand out – this statement is justified in comparative perspective – for having an extraordinarily sophisticated and complex agenda regarding changing relationships between government and institutions of higher education. We noted a widespread feeling of admiration, notwithstanding widespread criticism that the aims and methods do not really show an understanding of functions and the inner life of higher education.

The new regulatory system initiated by the Dutch Ministry of Education and Science seems to be a mixture of:

- substantial reduction of direct supervision and control of administration, and of utilisation of resources,
- stepping-up of semi-structured interventionist policies, whereby on the one hand a relatively tight frame is set, but on the other hand visible room is left for decision and manoeuvre on the part of the institutions of higher education,
- the establishment of a system of relatively strong positive and negative sanctions based on a mixture of criteria and procedures, whereby the goals are partly explicitly set by government, partly left open to the diversity of rationales underlying academic evaluation, partly established by institutional policies and partly determined by the market, understood to be the totality of societal forces affecting higher education by means other than direct government action.

The government claims that it is pursuing a substantial shift from the 'remedial' policy of the early 1980's towards the 'facilitating' policy which is now emerging.

However, it should be noted at this point that governmental policies regarding higher education in the Netherlands in the 1980s cannot be clearly segmented into 'remedial' or 'corrective' policies in the early eighties and 'facilitating' policies in the late eighties, or into 'direct control' on the one hand and 'indirect steering' or 'steering from a distance' on the other. Rather, we note some moves towards 'indirect' steering in the early eighties (for example assessment and decision-making processes regarding 'conditional financing' on the one hand and direct steering in the late eighties (decisions regarding areas of budget cuts 1986/1987) on the other. We also observe that all 'remedial' policies have incorporated elements of indirect steering and that all 'facilitating' policies are also based to a certain extent on substantive targets on the part of government.

In spite of emphasising the growing room left for decision and manoeuvre on the part of the institutions of higher education, the Dutch gov-

ernment seemed to set more specific goals and directly 'steered' more actions for innovation in higher education than many governments of other European countries during the 1980s. Efforts to introduce a two-stage structure of course programmes at universities, to cut low-quality areas at universities in all disciplines with emphasis on areas believed to produce an oversupply of graduates, to establish a system of 'conditional research funding', to legally upgrade *hoger beroepsonderwijs*, to merge HBO institutions, etc. have to be mentioned in this respect. Also the government put much emphasis on cutting areas deemed to be of low quality.

It is difficult to present an appropriate labelling of this mixture of different mechanisms. 'Deregulation' or 'increasing autonomy' are misleading, because whereas a reduction of detailed government regulations is obviously underway, it is not so clear whether institutions of higher education are supposed to have more real say regarding the important issues ranging from the basic criteria for desirable teaching and research towards concrete elements, such as the length of course programmes. This is not merely a 'theoretical' issue, but rather a very practical one: government might itself have contributed to a confusion in the perception of its policies by using the title *Autonomie en kwaliteit* for the White Paper explaining its *new steering policy*. Probably, the phrase 'steering from a distance' (*sturing op afstand*) is most suitable, because it emphasises changes in procedures as well as the fact that 'steering' does not necessarily disappear if direct control is reduced.

Decreased or increased steering?

We noticed generally a relatively low level of confidence on the part of institutions of higher education regarding the claims of the Ministry of Education and Science that it is willing to reduce directed interventionist activities and actions setting tight frameworks for change, to increase the scope for change and finally to leave the system of positive and negative sanctions very much to the wisdom of institutional policies, academic evaluation and market mechanisms. Views tended to differ as to whether

the readiness of government to take action in a controlling manner, was due to a genuine ambivalence of the policy pursued by the Ministry, to the consequences of budget cuts or other superimpositions by parliament or other sectors of government, to the tradition of the bureaucratic apparatus, or whether it was the natural overgrowth of the power of the purse.

For various reasons, it turned out to be difficult for the foreign observers to analyse the extent to which the reduction of detailed governmental supervision of Dutch higher education in the 1980s has in fact stimulated innovation in studies. First, the number and intensity of specific innovations in higher education tightly or loosely 'steered' by the Dutch government is so overwhelming, that communication with scholars and administrators at institutions of higher education tended to focus more strongly on the impact and the assessment of these specific policies than on the impact of reduced supervision. Second, major moves towards increased room for manoeuvre on the part of the institutions of higher education had been taken recently or were still underway when the foreign experts visited the Netherlands in November 1987. Third, innovations in studies eased or stimulated by reduced direct state regulations cannot be observed easily. A multitude of dispersed innovations – in many cases concerning the content of course programmes – tends to be less 'visible', than reforms of the whole system steered from 'above and likely to be structural. But even if they are visible, scholars and administrators involved will hardly attribute those innovations to decreased state regulation.

The semi-structured governmental policies pursued in the 1980s for changing the Dutch higher education system are (in comparison to widespread 'implementation' approaches, claiming that only moderate changes are likely to be realised and that most far-reaching reform programmes faltered) relatively far-reaching and relatively 'successful', as far as partial achievement of underlying goals is concerned. The length of studies up to completion of the first degree was reduced; however, the 'second-phase' was implemented for a much smaller

proportion of graduates than initially envisaged. Financial cuts were realised and seem to have affected most strongly those departments which were considered to be academically weak. 'Conditional financing' of research was introduced and upheld after the first phase, although its principles and procedures were substantially changed. Institutions in charge of *hogere beroepsopleiding* were up-graded, merged to about eighty institutions and internally reorganised. Finally, substantial changes were realised as regards funding and quality assessment of higher education institutions.

The core element of the policy of 'steering from a distance' is government's withdrawal from any detailed supervision of administrative processes and of resource utilisation at the institutions of higher education, and the introduction of lump-sum funding, whereby the formula underlying the lump-sum, ought to transform governmental policies into 'incentives'. This core element is supplemented by more direct steering actions, by the introduction of separate nation-wide evaluation systems for research and for curricula, teaching and learning for each discipline, which might again justify specific government actions if the institutions of higher education react insufficiently to these evaluations.

In the context of this study we focus on the formal elements of the Dutch state regulatory system regarding higher education; not, however, on the underlying goals and specific targets regarding the functions and the performance of higher education. Three characteristics of the formal elements stand out: the emerging Dutch state regulatory system is very forceful, very complex, and constantly revised.

Force

The move from directive policies towards 'steering from a distance' does not necessarily imply lesser efforts on the part of the government to determine the major goals of higher education. On the contrary, the Dutch government seems to believe that they will have the power to determine the major directions of the higher education system more effectively if higher education institutions are 'steered' less directly

than in the past. 'Quality' is conceived by the Dutch government as the most important criterion shaping that indirect steering policy. 'Responsiveness to economic and societal needs' is also taken into consideration. 'Diversity', though of lesser importance, is on the agenda as well. Finally, government might intervene if other issues – not directly related to goals of higher education – are at stake: if institutions of higher education take over functions of which they are not in charge (if a department of economics starts teaching medicine) or if inefficiency is obvious (if, for example, one institution sets up a course programme requiring high investment and corresponding facilities are underutilised at other institutions).

Complexity

The diversity of steering mechanisms are aimed to be consistent. However, the manifold policies, incentives, sudden decisions etc. hardly allow any consistency. This seems to be partly due to compromises which have to be reached between the Ministry of Finance, the Ministry of Education and Science and Parliament. Additionally, the various types of activities follow different lines: for example, construction is more likely to be strictly supervised than the establishment of graduate courses. Finally, it is widely assumed the lower-level administrators in the Ministry of Education and Science tend to favour detailed supervision and thus relativize the policy approaches set above.

Constant revision

We noted, for example, that the rapid changes of funding formulas for teaching costs were hardly understood at faculty level before the next formula arrived. The quick response of government to changing developments by ways of revision of incentives cannot influence behaviour at universities in the direction intended, if the incentives are vaguely understood or change more quickly than a typical information flow allows.

One might argue that innovation required in higher education to meet future challenges has to be substantial, thus requiring a system stimulating change forcefully. Under these conditions, a complex system might be necessary,

for any simple setting of goals and means would be inappropriate. And if complex and sophisticated mechanisms are needed, our limited state of knowledge about the future as well as about the effects of certain social mechanisms (nobody can blame the Dutch government for this) requires that experience be studied and subsequently former regulations be revamped. The dilemma we note, though, in the Netherlands is that the regulations are too complex and too rapidly changing: the positive and negative incentives envisaged are thus not understood in most cases, and as far as they are understood, their effects are limited due to their prospective discontinuity. And all this is overshadowed by the mixture of hopes and fears under the conditions of forceful mechanisms.

Finally, the Dutch government, in designing a new state regulatory system is obviously a strong believer in negative incentives. It did not try to disentangle periods of cuts from those of subsequent innovations, and it did not soften priority-setting in the way, for example, most national research promotion systems do: letting the winner feel it directly and strongly, and the loser indirectly and less strongly. As for the former, we heard the following reaction: 'When a storm comes, I close the window. But the government opens the window'. It is premature to state whether such a policy of negative incentives has worked in the eighties and whether it is likely to work, if the storm is eventually over. Statistics presented about increased productivity in the process of retrenchment may be misleading, because increased numbers of graduates, doctoral dissertations, publications, etc. may be predominantly a result of past growth, and not as claimed, of recently increasing efficient utilisation of resources.

The growing power of the central university administration and the weakened role of faculties

Governmental policies of changing the state regulatory system succeeded in stirring up the central university administration. Top administrators at university level came to the conclusion that a specific identity for an institution is

desirable and that the central administration should play an important role in setting priorities, stimulating co-operation, shaping relationships between university and society, and strengthening administrative efficiency. This seems to be true, notwithstanding very divergent reactions to government policies in detail. It is a different matter, though, whether university administration succeeded in claiming a strong steering role. We came to the conclusion that it became much more of a visible actor than in the past, but much less than it hoped to be. The strategy of having three (or even more) top executives, limited participation by professors in university councils, and relatively informal channels for departmental and professional interests, keeps the power of the university administration within bounds. Budget cuts, difficulties in reaching internal agreement on policies and other factors prevented very visible achievements. Members of the executive board of a university we visited, frequently used metaphors such as the university being an 'archipelago' or being composed of 'castles'. They also conceived governmental policy to be inconsistent, in partly strengthening the role of the central administration by reducing direct steering, and partly weakening it by setting new regulations. But they also perceived moderate successes; castles turned out to have 'bridges' as well. One could consider this moderate increase of power and steering capability of the central university administration to be the outcome of compromises necessitated by government. One could equally well speculate that the king did not choose a crown prince in surrendering a substantial share of his power, but rather transferred some of his powers of control deliberately in part to the university administration, in part to academia and in part to the market, thus keeping an undisputed power of intervention 'if things go wrong'.

Under conditions of retrenchment, central university administration had the most visible impact in channeling global cuts, whereas there was hardly any room and few resources for visible 'positive' actions. Thus, it is not surprising to note that most academics do not perceive the growing power of the central university administration as a gain of autonomy by the universities.

Representatives of university faculties and departments appreciate an increase in administrative flexibility, notably regarding the utilisation of available resources. Different views were expressed as regards the nationwide evaluation of research in each discipline, and of studies beginning to operate in 1988, as already mentioned. Some hoped that this would lead to more reasonable resource allocations, others considered it as an additional mechanism of uncertainty and sudden interventions.

Altogether it is not surprising, though, to find that deans and professors do not welcome the changes in state regulations in the 1980s as a whole. First, government policy is, according to their view, obviously based on the assumption that faculties did not function well in the past in terms of perceiving societal needs and responding to them, in providing efficient course programmes, in conducting good research and in coordinating research. They feel that the blame is put on them; they frequently returned this blame sharply during the course of conversation, in arguing that new government regulations provide evidence of the governments' inability to understand university life, the needs of the students, the skills required in the employment system, etc. Second, it is not surprising to note that the faculties conceive themselves to be the losers by the changes in the regulatory system. In their view, they gain some administrative flexibility, but they lose substantial autonomy *vis-à-vis* the central administration and the multitude of evaluators who are going to approach them. Third, under conditions of retrenchment, they expect losses rather than gains from any new action. Thus, they strongly express a need to protect studies and research from 'intrusion', whereas stimulation of innovation by government initiatives and by the changing state regulatory system was mentioned to a lesser extent in our conversations. Given this state of affairs, one could come to the conclusion that representatives of faculties reacted relatively moderately, and tended to point to some rationales of the changing state regulatory system which they support and some outcomes which they consider positive.

Various innovations were pointed out, of which some were considered to take place anyway

and not be affected by changing policies at all, others took place 'in spite' of changing policies, some were attributed to specifically targeted government policies, some were viewed as the consequence of less direct steering, and finally some could be regarded as a compromise between governmental and institutional intentions. As far as governmental actions in this respect were concerned, some were considered reasonable innovations and other detrimental. Of course, those views expressed reflect specific perceptions and interests of administrators and scholars at faculties and departments, but it might be justified to state that there are obviously various sources of innovation. Changing state regulation of higher education is one of those sources. In the framework of our visit, we could not establish in detail the relative weight of various factors in stimulating innovations.

The bewildering multitude of innovation in the HBO sector

Although the state regulatory system regarding non-university higher education in the Netherlands recently became quite similar to that regarding the university sector, the current situation is dramatically different because the non-university sector is undergoing much more substantial changes. First, past government supervision of HBO institutions resembled that of secondary schools; thus, introduction of 'steering from a distance' implies substantial change in the administrative system. Second, non-university institutions of higher education are undergoing a period of manifold transitions: a change in the steering system is accompanied by processes of upgrading of studies, institutional up-grading and institutional mergers of small schools towards mostly medium-size colleges. Changes are obviously both challenging and bewildering. The future will show whether this is a fortunate occurrence of parallel changes, or an overburdening of simultaneous requirements for change.

Beyond the transitory period, some substantial differences remain between HBO institutions and universities. On the one hand, the *hogeschool* will have only one money-stream related

to educational tasks, whereas both the authority of the university as regards research and the existence of various money streams increases leeway for universities to take educational initiatives, including those not in tune with the government's 'incentives'. On the other hand, potential for initiatives on the part of the HBO institutions does not rest to that extent on the relationships between state and higher education, because of a visible triangular relationship, which includes the employment system as well. The strong role of representatives of the employers in decision-making in the university sector, underscores that triangular setting.

As regards studies in the non-university sector, the range of potential innovations presently discussed is incredibly far-reaching. Almost anything seems to be open to reform: admission standards and prerequisites, length of course programmes, sequence of individual courses, the role of the practical period plays, degree of specialisation or breadth, new technologies and new societal tasks of graduate, etc. Obviously, changed conditions were stimulating concepts. It is difficult, though, to predict how substantial the changes are which one can expect. For example, a considerable part of the discussion regarding new models of course programmes focussed on potential conflicts between educational objectives and pressures to economise. One could assess these experiences quite differently. On the one hand, we might argue that the changes in the state regulatory system were successful, because persons responsible for HBO institutions quickly internalised the goal achievement versus efficiency dilemma, and thus will be able to figure out both reasonable and feasible solutions. On the other hand, we might argue that innovative concepts in the process of upgrading were constantly cut short by conditions of retrenchment and were hampered by the multitude of substantial changes which had to be implemented concurrently. In addition, criticism is also voiced that innovations enforced or stimulated do in some respect endanger the traditional strengths of HBO institutions, such as close links to the community, the communicative environment of small institutions, etc. Possible all three interpretations are appropriate to some extent. At the time this

study was undertaken, it was obviously premature to lean predominantly towards any one such assessment.

The same ambivalence could be observed as regards the role of HBO institutions in comparison to universities, and as regards quality improvement in general. It was obvious that the persons in charge of innovation of studies at the HBO place their pride in a demanding practical training and the employability of their graduates, several of them conceiving employers to be their stronghold *vis-à-vis* government's demands and retrenchment policies. On the other hand, the statements made 'at present we are not yet an attractive partner for firms' or 'at present we are not yet attractive for the universities' both express a realistic view regarding the present situation and hopes for the future.

Finally, substantial curricular innovation is certainly restricted by the fact that the teaching staff in the non-university sector is not granted any substantial positive incentive - except for the status gain of the institution per se and some limited opportunities for research - in this period of dramatic change: salaries remain more or less the same, reduction of teaching load is likely to remain small, resources for recurrent training are not available, qualification standards for the teaching staff remained unchanged in the process of upgrading, a substantial reduction in the number of teachers in this sector is pending. The success of the various activities seems to be left to a surprising extent to a mix of identification with institutional upgrading, intrinsic motivation and negative incentives embedded in budget cuts and the threat of losing one's position.

The problem of innovation under conditions of increasing administrative flexibility and retrenchment, was summarised by one person in the following way: 'We have more freedom to spend less money'. Notwithstanding, a modest optimism regarding the future of the *hogeschool* could be observed.

Concluding observations

As already emphasised, it is very difficult for foreign observers to draw conclusions from this

experience in the Netherlands on the relationships between a reduction of direct state regulation of higher education and innovations taking place in higher education. Specific historical conditions never get close to a quasi-experimental setting. The foreign observers felt strongly, though, that the potential for a move towards less direct steering towards stimulating initiatives on the part of higher education institutions, could be explored more fully,

- if the power structure at the central university level was less diffused,
- if the implementation of reduced direct state 'steering' was set in motion without such an amount and intensity of concurrent direct steering in some respects,
- if the efforts of indirect government steering were more transparent and more stable over time,
- if government's safeguards against possible 'wrong' use of the increased leeway for institutions of higher education to search for solutions on their own, were less manifold and less forceful,
- if more visible positive incentives were realised in the case of the dramatic changes the non-university sector is experiencing,
- if new initiatives were not overshadowed to such an extent by financial cuts.

Our observation took place in the midst of a period of change. Some major elements of the new regulatory system were recently implemented or are just underway. The government also argues that the specific mixture of strong direct government action and indirect steering prevailing in the last few years, will give way to a new mixture of weak direct and initial steering alongside incentives for institutions to take action in the light of outcome indicators and evaluations. It will be interesting to observe in the near future,

- whether a relatively consistent steering system of that kind will emerge or whether government will continue to step in constantly on other occasions and for other reasons than foreseen in that concept of steering,
- whether the mix of increased flexibility and complex mechanisms of positive and negative sanctions will have predominantly stimulating effects, or will be too threatening and

- thus lead predominantly to self-protecting activities of preservation of the status quo,
- whether the emphasis placed on negative incentives will work as expected or will rather lead to confusion and blockades,
- how the non-university sector will react to so many concurrent changes.

In spite of various difficulties in obtaining a comprehensive picture of innovations in studies and in establishing in detail the role state regulations regarding higher education played in this respect, and in spite of diverse views, noted in the Netherlands as well as among foreign observers, in assessing the quality and desirability of the respective innovations, we may undoubtedly state that Dutch higher education in the 1980s is obviously very much 'on the move', and the Dutch governmental policy of 'steering from a distance' does not play just a moderate role concerning innovations in studies. It remains open, though, whether the Dutch government has influenced innovation of studies more strongly through directives or through moves towards deregulation.