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Reform and Consequences: Financial Changes in Portuguese Universities 2007-2020

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Research Domain: International contexts and perspectives (ICP)

Abstract: In 2007 substantial reforms were introduced in Portugal's higher education. A new law regime was implemented so to lead to changes in organizations. In this paper we analyse these reforms and its consequences. We start by the economic rationale that governed the policy changes, contextualizing its theoretical background and its aims. Then, through a detailed examination of the accounts of universities and polytechnics, we analyse what changes that occurred from 2007 to 2020. This analysis allows us to measure the impacts of the law reform and the possible changes in the profile of higher education organizations. We take a set of conclusions which are useful for future policy decisions.

Paper: Background information and relation to previous literature

National higher education budgets have been subject to special attention since the 1960s, when wider access helped increase awareness regarding who supported its costs (Committee on Higher Education, 1963). As countries progressed into more universal access (Trow, 1973, 2007) and economic theory developed concerns regarding efficiency and effectiveness (Friedman, 1955, 1962; Harris, 1963, 1964), a greater attention was given to higher education organizations' balance sheets (Johnstone, 1986, 1998; Teixeira et al., 2006). In the later 90s and early 2000s reforms were introduced in some countries, following recommendations of international bodies (OECD, 2003; World Bank, 1994, 2010), implementing policies designed for cost sharing, higher organizational autonomy and efficiency.

In Portugal, following an OECD country report (OECD, 2007), a reform of the national law was introduced in 2007 attempting to introduce mechanisms that would allow for an increased autonomy of higher education organizations, stimulating a diversification of revenues sources and the transformation of public universities and polytechnic institutes into quasi-private organizations.

Some works contributed to monitor the situation at the level of the organizations, namely in the UK (Geuna, 1999), but the majority still focused on data at national level as a mean to accomplish wide international comparisons (Sanyal & Johnstone, 2011; Teixeira & Koryakina, 2013). In recent years,

there was a movement to develop international databases with data at an organisational level (European Commission et al., 2016; Lepori et al., 2020), but despite the effort there is a persistence of problems of availability and quality of financial data.

Problems arise since wide national comparisons allow to understand some of the impacts of reforms, but they fall short to create an understanding of impacts at the organizational level. On the other side, mixing different institutional contexts and policy decisions creates difficulties in understanding changes on several levels.

Theoretical approach and methodology

Institutional economics has a long tradition of concentrating on financial indicators to understand changes at the different levels, including the impact of organizational models (Williamson, 1975, 1991, 1993).

In this study, we apply an institutional approach, monitoring changes and policy impacts at organisational level. Focus is given to the evolution of the financial revenues of Portuguese public universities and polytechnic institutes for a selected time period (2007-2019). The aim is to understand the impact at organisational level of policy reforms introduced by law in 2007, which were designed to stimulate the diversification of revenues sources and allow a deeper organizational autonomy.

The source of the data is the official annual report “Conta Geral do Estado” (General State Account) published by Direção Geral do Orçamento (General Direction of Budget). Revenues of higher education organisations are analysed in four main chapters: central state transfers, student fees, goods and services, and transfers from international entities. The selected chapters correspond to the organisation of the national budget and allow for the analysis of revenues from four different sources: state, students, clients and international entities. A special attention is also given to another chapter regarding the balance of management accounts, which reports to revenues accumulated by organisations in former years.

Preliminary results

The results point towards changes in the composition of revenues of Portuguese universities and polytechnic institutes. Generally, increases were concentrated in the chapters of student fees and transfers from international entities. Some organisations performed better in diversifying their sources than others. Contrary to expected, the introduction of the figure of quasi-private organizational model, through the figure of independent legal organizations namely as “foundations universities”, did not result in a higher propensity to increase private source revenues. Some of the older and more prestigious universities, working in the public provisional model, accomplished better results in diversifying their revenues than universities that changed into the independent entities model. Organisations operating in socioeconomic disadvantaged areas show difficulties in diversifying their revenue sources, showing a tendency to depend more on European structural funds which depend on national and regional policy decisions.

Implications of the study

This study allows for further monitoring of policy reforms introduced in the higher education sector, highlighting the advantages of an analysis at an organizational level. The performance of the organisations studied show strains with the policy model that orientated the reforms. Changes in organisational model do not seem to cause per se a diversification of financial revenues. The impact of the national debt crisis of 2008-2013 allows also for an insight into the financial resilience of higher education organizational models and the impact of political economy choices.

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