Marketing Australian higher education at the turn of the 21st Century: A précis of reforms, commercialisation and the new university hierarchy

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ABSTRACT
This paper is a précis of the landscape of Australian higher education at the turn of the 21st Century. The reform and commercialisation of higher education in Australia introduced market forces and competition to an existing hierarchy of institutions. At the turn of the 21st Century, in the newly marketised, highly politicised sector of higher education, a reshuffling of universities status meant that many strived to differentiate and reposition themselves in the marketplace. The character of Australian higher education at that point in time is described, followed by a brief history of reforms which paved the way for the introduction of market forces to the industry. Marketisation and its implications are then summarised and the resultant new tiering of universities observed by Marginson and Considine (2000) is outlined.

Keywords: Higher education; Australia; commercialisation; educational reform
Introduction

Australian higher education literature chronicles a number of critical turning points in the industry that have changed the character and hierarchy of institutions. The partial commercialisation and corporatisation of higher education institutions in the 1990's, introduced to Australia the notion of the academic enterprise (Symes 1996; Marginson 1998). Universities at the turn of the 21st Century began to use marketing strategies to create a competitive advantage in the marketplace. The need to adopt marketing strategies was not only to protect the undergraduate student ‘consumer’ base that was under threat by intensified competition, but to also consolidate a position in the market. The aim of this paper is to précis the factors that lead to the introduction of market forces to the Australian higher education sector and how this created a new hierarchy among institutions. The paper is deliberately presented in past tense and references only publications from that time so as to convey an authentic and more vivid portrayal of that era.

Australian higher education at the turn of the 21st Century

The landscape of Australian higher education at the turn of the Century was unlike that experienced in the sector before. Australian higher education at that particular point in time was in transition with the early embedding of market forces. Australian universities at the turn of the 21st Century were diverse in character and served the interests of Australian society with their primary purpose being to create, acquire, apply and transmit knowledge (DETYA 1998). Established under parliamentary Acts, Australian universities were autonomous, self-accrediting post-secondary institutions with international links. Traditionally considered centres of research, universities offered both undergraduate and postgraduate teaching programs and were largely financed by the Commonwealth Government — with the exception of Notre Dame University and Bond University (Aitkin 1997; Nelson 2002). While the Commonwealth Government maintained a pivotal role, the responsibilities of higher education were officially shared with the States (Nelson 2002).

In Australia, participation in higher education was and remains voluntary (Meadmore 2001). In the last decade of the 21st Century, the higher education sector grew by 30% from 534,500 students in 1991 to 659,500 students in 2000, mostly attributed to an increase in domestic, Higher Education Contribution Scheme (HECS) funded undergraduates. Included in the growth between 1991 and 2000 was the steady rise in overseas students, mostly undergraduates, who accounted for 188,277 enrolments in 2000. Domestically, university participation totalled 3.9% of the Australian population at the turn of the 21st Century (Nelson 2002). Traditionally, higher education prepared students for professions that attracted higher rates of pay (King 2001; Nelson 2002) and also was undertaken for personal development reasons, contributing to the fulfilment of human and societal potential (Watts 1986; Nelson 2002).

Underpinning the nature and characteristics of the sector at the turn of the Century was a history of reform commencing in the mid-1880's. Tracing the waves of transformation to the sector is particularly insightful to understanding the emergence of a hierarchy among institutions and how across time, key decisions created the grounds for the introduction of market forces. For these reasons, a brief history is outlined next.

A brief history of reform in Australian higher education

The history of Australian higher education is marked by a number of critical turning points. Drawing from the literature (Watts 1986; Dawkins 1988; Report of the Task
Mid-1800s: The government assumed responsibility for the organisation and provision of mass education. Australian universities were modelled upon British institutions and were all established by governments, and in most cases almost totally reliant on government funding.

1945: At the commencement of World War II there were six small universities with a total enrolment of 14,000 students.

1950s: Increased demand for tertiary education followed World War II and the Federal government offered scholarships to returned servicemen. The unprecedented expansion of student numbers bought increasing student diversification. This marked the beginning of a modern university system that was no longer socially elitist.

1960s - 70s: The Binary System was operationalised and consisted of universities and Colleges of Advanced Education (CAEs). New universities were established and Colleges of Technical and Further Education (TAFE) developed as the result of government spending. As a consequence of the new structure, demand for tertiary education was split. The new structure saw university market share drop to around one fifth of post-secondary enrolments by the 1970s as participation in the more vocational CAEs and TAFE colleges grew.

1974: The Whitlam government abolished all tertiary fees, with the Commonwealth assuming responsibility for all funding for universities and CAEs. The intention was to promote the equality of educational opportunities. Many new institutions were established.

1977: By the late 1970s, CAEs continued to grow in size and were emulating universities with students enrolled in bachelor level degrees and attracting top-level academic staff. This shift bought greater specialisation and diversity to the sector. The government imposed stricter funding restraints due to an economic downturn and concern about the unnecessary duplication of courses. Increasing fiscal constraints during the next two decades stifled the continued expansion of universities and university programs. With competing demands for public funds, higher education remained freely available for another decade until the introduction of the tertiary administration charge.

1981: The Frazer government’s ‘Razor Gang’ (Committee of Review of Commonwealth Functions) amalgamated many small single-purpose colleges to reduce costs.

1987: Dawkins’ reforms under the Hawke government bought an end to the Binary System, which consisted of 19 universities and 69 colleges, and developed the Unified National System (UNS) of tertiary education. There were three main models of mergers being unitary, federal and associative; thus, some universities merged with CAEs (for example, Flinders University) while other CAEs set upon being granted university status (for example, Central Queensland University).

Direct fee charging for international students began and Commonwealth funding was just over 80% of institutional operating budgets. The Higher Education Contribution Scheme (HECS) was created and came into operation in 1989 with the number of HECS places determined by negotiation between the government and institutions. This situation created a quasi-market in education. HECS offset the reduction in government funding by having students pay a part of the cost of their education.
Students were charged the same irrespective of course, about a fifth of the full, average cost of an undergraduate degree.

The UNS served to assist the government to more closely align higher education to the needs of the economy. The elimination of the binary divide aimed to quell concerns about the growing status of CAEs. Among the changes associated with the move toward privatisation of higher education in the latter 1980s, the first private universities and colleges came into operation in Australia.

1994: The UNS consisted of 36 universities as a result of the mergers between institutions and the granting of university status to some CAEs.

1996: Vanstone’s reforms under the Howard government saw an increase in HECS fees, the introduction of a three-tiered HECS scheme, reduction of the HECS repayment threshold, and a planned reduction in Federal government funding, further entrenching higher education in a quasi-market. Government funding of institutions had reduced to around 57% of their operating budgets with other key sources of income including postgraduate and overseas student direct fees, State Government funding, investments and other fees and charges.

2003: Major reform to the higher education sector was proposed by the Honourable Dr Brendan Nelson MP under the Howard government. A review of the present higher education framework identified problems, including increased costs for course provision, the need for increased resources for the sector, duplication in some university activities and courses, non-completion of approximately 30% of students and over-enrolment by institutions. Further, Dr Nelson noted that government policies have constrained universities’ ability to diversify funding sources and the centralised Commonwealth bureaucratic arrangement has limited the sectors ability to be internationally competitive. The proposed reforms aimed to ensure a long-term, sustainable university system.

At the turn of the 21st Century, higher education in Australia shifted from an elitist system toward a system of mass education. It had a predominantly public character and there appeared to be substantial uniformity in terms of institutional quality across the sector; hence institutions similar to ‘Oxford’ or the ‘Ivy League’ did not prevail (Smart 1992; Aitkin 1997; Patterson 1997; Nelson 2002). At the turn of the Century, political focus on higher education was threefold: access and equity issues, national economic needs, and financial constraints and economic rationalism (Haynes 1997; Patterson 1997).

In brief, many changes have shaped the Australian higher education sector. Australian education entered mainstream politics, with the introduction of market forces and competition bringing fundamental changes to the sector (Aitkin 1997). Next, the introduction of market forces, or marketising, is detailed.

**Marketing Australian Higher Education**

Marketisation is the ‘... introduction or extension of some or all the forms of competitive economic markets’ (Marginson 1997a, p. 6). Human capital theory has underpinned much marketising reform in the Australian higher education sector (Watts 1986; Smart 1992). Originating from Adam Smith’s (1776) The Wealth of Nations, human capital theory became popular in the 1960s (Mace 1992). The theory became an article of faith endorsed and propagated by OECD (Marginson 1998). Human capital theory proposed that increased investment in education would result in a broadening of skills and an increase in national income (Symes 1996; Keane & Allison 1999). The theory proposed that the investment in ‘man’ had a greater rate of return compared to an investment in physical capital (Marginson 1997a).
Human capital theory presupposed that governments and students are only concerned with economic factors when investing in education (Marginson 1993). The structural reform to institutions in the post-war 1960s and 1970s linked the education system to the requirements of the national economy (Watts 1986; Smart 1992; Bessant & Watts 1999). The resulting economics-education link provided a fiscal basis for political strategies with education expenditure directly associated with national economic growth (Kenway, Bigum & Fitzclarence 1993a). Thus, the university came to represent a nation-building tool (Symes 1996) responsive to economic and social needs (Karmel 1989). However, by the mid-1970 support of human capital theory subsided (Marginson 1997a).

A new, revised form of human capital theory re-emerged in the 1980’s. Universities experienced growing mass demand fuelled by three decades of increased government funding. Particularly apparent in the late-1980s and mid-1990s, the long-standing governmental commitment to the nation-building role of universities was superseded by the new wave of market liberal human capital theory, which postulated that educational investment was an individuals’ responsibility (Marginson 1997a). Thus, education would serve the economy more while costing less (Kenway, Bigum & Fitzclarence 1993a, 1993b) with the adoption of user payments and selective marketisation (Marginson 1998). University funding was now perceived as a cost rather than as an investment (Marginson 1998; Smart 1997). Evidence of this agenda in the mid-1990s was most prominent in the 1996 Vanstone reforms that focused upon a reviewed federal budget package for the higher education sector (Smart 1997). The primary objective of the budget package was to stimulate domestic competition and encourage universities to improve their service offering, and become internationally competitive, consumer-driven enterprises (Vanstone 1996). Further, the introduction of competition in the domestic higher education sector sought to enhance teaching quality, refocus upon student demands and encourage specialisation among institutions (Vanstone 1997).

In the late twentieth-century, the market became a key concept in Australian education (Baldwin & James 2000). Terms such as educational property, products, consumers and user pays permeated educational policy and administration, heralding a new era in public education that is characterised by features of commercial markets (Kenway, Bigum & Fitzclarence 1993a). When the market becomes the organising framework for educational policy the characteristics of educational goods are changed (Marginson 1998). It was now expected that university management look upon knowledge in market terms and exploit its exchange rather than its long-term value (Kenway, Bigum & Fitzclarence 1993b). The prevailing ‘commercialise or perish’ ethic saw Australian universities develop corporate images designed to project a more business-like character. There was also aggressive advertising and promotion, particularly among new universities seeking to position themselves in the competitive market place (Symes 1996).

Commercialisation, unlike deregulation, created an Australian higher education sector that existed in a quasi-economic market (Marginson 1997a; Coaldrake 1999). Education as a marketised service does not exhibit all of the characteristics that are essential to fully developed economic markets. For example, the number of student places remained regulated by public authorities (Marginson 1997a). Even so, a complex hierarchy in higher education emerged with a ranked order in guidebooks (Marginson 1992) such as The Good Universities Guide (Symes 1996). This entrenched the idea of competition for position in a hierarchy and also conveyed that institutions were not equivalent (Marginson 1992).

At the turn of the 21st Century, the academic enterprise became an accomplished concept, achieved through the part commercialisation and corporatisation of the
nation’s universities and the implementation of competition and market forces (Phillips 1997; Marginson 1998). Business practices were fortified throughout institutions with market forces influencing the academic component (Marginson 1998) and corporate philosophy grounded day-to-day operations and long-term goals (Symes 1996). The need to balance the academic and the corporate aspects was apparent as too was the realisation that the economic rationalism and the imposed competition between institutions, was now ingrained (Marginson 1998; Baldwin & James 2000). The underlying assumption of this economic rationalism was that the market – that is student ‘consumers’ – will act in their own best interests and for that reason, the market will deliver the best outcomes as a result of the rational decision-making of consumers (Baldwin & James 2000).

Australian universities at the turn of the 21st Century obtained less than half of their revenue from Commonwealth funding (Nelson 2002). University students’ paid a greater proportion of the costs of their education, and came to assume the role of student consumer (Sharpham 1997; Coaldrake 1999). As a consequence, the student ‘consumer’ exercised their newly acquired sovereignty and became more demanding of universities (Nelson 2002). This era marked a fundamental shift away from the view that universities were communities of scholars; and in its place under this new economic-based and competitive regime, a new hierarchy among Australian universities emerged (Smart 1997; Marginson 2004).

**Marketisation leads to a new hierarchy among Australian Universities**

With reform and commercialisation came a new, market-based tiering of universities (Symes 1996; Meek & Wood 1997). Higher education providers moved toward buyer-seller relationships with student ‘consumers’. Under these market conditions, universities were seen to be offering ‘positional goods’ to the market – being status goods whereby students selected by a particular institutions would be afforded a relative advantage in the competition for jobs, social standing, income and prestige (Hirsch 1976; Marginson 2004). Given the lodging of programs of study by accredited tertiary institutions with the Australian Qualifications Framework was mandatory, this essentially meant that all degrees offered by all institutions were formally equivalent (Marginson 2004). Despite this, the perception remained that degrees from certain institutions were perceived to be superior, affording a greater likelihood of enduring opportunities and, importantly, enhanced social status. Thus, the status of the university entered the decision-making process of students and as is the exclusive nature of positional goods, demand outstripped supply. Only a limited number of places were offered and this scarcity, in turn, preserved the claims of prestige (Marginson 2004).

Marginson and Considine (2000) observed that Australian public universities eventually settled into five distinct categories at the turn of the 21st Century, namely Sandstone, Redbrick, Gumtrees, Unitechs and New Universities. These categories emerged principally as a result of the 1987 Dawkins reforms and the 1996 Vanstone reforms. The grouping and rank order among these groups of Australian universities changed at each wave of reform from which an initial three-tiered structure observed by Symes (1996) was amended to a four-tiered ranking (Marginson 1997b) and later a five-tiered order (Marginson & Considine 2000).

Marginson (1997b) highlighted that the Dawkins reforms introduced market dynamics on a pre-existing industry, which already had a hierarchy among institutions. The leading pre-1987 universities had a greater capacity to compete and thus maintained their position in this quasi-market place. Next, the 1993-1995 practice of quality assessment of institutions created an official rank order. This practice reinforced
competitive behaviour in the Australian system. Three segments prevailed at this time, these being Sandstone/Wannabee Sandstone, Utechs and New Universities respectively. Finally, the 1996 Vanstone reforms increased market competition and steepened the hierarchy among institutions by reinforcing their positional status. These reforms resulted in four market segments positioned as Sandstones, Utechs, Wannabee Sandstones and New Universities, respectively (Marginson 1997b). It became difficult to categorise institutions. Consequently, within the four segments, a fifth group was identified and renaming of the categories based upon landscape and buildings resulted in the five university segments as observed by Marginson and Considine (2000). Table 1 details the institutions. A description of each category follows.

Table 1:
*Marginson and Considine’s (2000) Categorisation of Australian Universities*

<table>
<thead>
<tr>
<th>Category</th>
<th>Universities</th>
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<tbody>
<tr>
<td>Sandstones</td>
<td>Sydney University, Queensland</td>
</tr>
<tr>
<td>Redbricks</td>
<td>Monash University, UTS</td>
</tr>
<tr>
<td>Unitechs</td>
<td>Griffith University, Newcastle</td>
</tr>
<tr>
<td>Gumtrees</td>
<td>Edith Cowan University, Central Queensland</td>
</tr>
</tbody>
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Firstly, Sandstones included the oldest universities in each State and Australian Capital Territory. Characterised by cloistered campuses, Sandstone universities claimed leadership not only in academic disciplines and research but also in professional training (Marginson 1997b). Sandstones had a number of attributes that made them more powerful than other universities such as superior resources, political and social status, historical roots, and a strong academic culture (Marginson & Considine 2000).

Secondly Redbricks, while less traditionally academic, had similar objectives to Sandstones. Redbricks, however, tended to be more corporate and entrepreneurial while at the same time maintaining both applied and pure research strengths. The third group, Unitechs were post-1987 universities of technology that generally competed with the Sandstones in the specific areas, such as business and computing. Unitechs had a strong graduate professional culture and were noted for their sustained industry links. They were also committed to broad student access. Following the Vanstone market reforms, Unitechs gained in terms of position as they were seen as a superior vocational investment than Gumtree institutions (Marginson 1997b; Marginson & Considine 2000).
Fourthly, Marginson and Considine’s (2000) Gumtrees include the other pre-1987 universities that made the same claim of social prestige as the Sandstones. While their record of academic achievements was credible, their assertions of prestige were not regarded as convincing. Founded in the 1960’s and 1970’s, some Gumtree institutions were determined to be modern and innovative, with their principle strengths in the sciences, arts, social sciences and humanities. Gumtree institutions differed from other classifications in terms of their informal, democratic and inter-disciplinary nature. The market position of Gumtrees deteriorated under Vanstone’s reforms as their profiles were sustainable while they were largely publicly funded. However, budget reforms in the Vanstone era placed a greater emphasis on private income (Smart 1997), which meant that the relative status of Gumtrees fell (Marginson & Considine 2000).

Finally, New Universities are institutions that were granted university status post-1986. Unable to compete in size, large-scale employability and research, new universities instead emphasised access, consumer friendliness, regional factors and teaching quality (Marginson 1997b; Marginson & Considine 2000). New universities maintained a junior standing and marketed themselves harder to enhance their status (Marginson 1997b) and to secure and retain student numbers (Sharpham 1997). New universities in regional locations faced the additional challenge of comparatively lower university participation in non-metropolitan regions (Marginson 1997b; Stevenson, Maclachlan & Karmel 1999). New universities attracted large numbers of mature-age students, fewer school leavers and more first generation higher education families (Marginson & Considine 2000). Importantly, regional universities bought benefits to their locale in terms of population growth, housing demand, and employment opportunities, as well as growth of the national ‘knowledge economy’ and advancing the notion of a learning region that underpins regional responses to a changing economy (Keane & Allison 1999).

In summary, a history of reform particularly in the late-1980’s and mid-1990’s lead to the transformation of Australian higher education by imposing a market-based model of competition to the sector (Baldwin & James 2000). Accordingly, universities sought to position themselves in the marketplace in order to attract and maintain student ‘consumers’. Thus, a reshuffling of positions among institutions resulted in a new five-tiered hierarchy as observed by Marginson and Considine (2000).

Conclusion

The intention of this paper was to provide a snapshot of Australian higher education at the turn of the 21st Century. This snapshot presents a background to the current landscape of the higher education sector, potentially informing future research. From its initial inception in the mid-1800’s to the turn of the 21st Century Australian higher education has been punctuated by regular reform which has shaped the sectors’ character. The introduction of market forces in the later part of the 20th Century brought competition and quasi-market conditions which now are embedded in the frameworks of universities. The present day reform agenda drawn from the Bradley Review of Higher Education (2008) focuses upon social inclusion and represents yet another phase in the continuing evolution of Australian higher education. It is hoped that this paper has brought about a greater understanding of how the character of today’s higher education sector came to be.
References


