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Corporate management and its penetration of university administration and government

Bob Bessant

La Trobe

The sections on the management of universities and colleges are some of the most amateurish parts of the Green and White Papers, and it is remarkable that the Minister should think it appropriate to give staff in DEET power to tell some splendid universities and institutes what their decision and management systems should become. (Williams, 1988(a))

J.D.G. Medley was the Vice Chancellor of the University of Melbourne at the time - a civilised and charming Englishman (Winchester and Oxford) who wrote light verse during Council and Professorial Board meetings, and who saw himself, like his Oxford and Cambridge peers, as a gentleman amateur administrator. I am sure he would have been astonished by the emergence of the professional/ managerial vice chancellor - one might almost speak of the tycoon vice chancellor or, in some cases, the buccaneer vice chancellor, or even the imperial viceroy vice chancellor - which we have had the opportunity of witnessing over the last few years. (Charlesworth, 1993.)

The Dawkins *White Paper* heralded major changes in universities which have been well documented in the literature of the last six years. What has been much less comprehensively covered is the spread through the pre-Dawkins universities of corporate management practices linked with the ideology of economic rationalism. Corporate management has been the mechanism used to enforce the prevalent dominant economic orthodoxy, i.e. so called 'economic rationalism'. Economic rationalism is a faith in market forces producing more efficient outcomes than government or institutional intervention. It puts economic concerns first. It supports the free market approach where possible in all enterprises, private or public. As Simon Marginson suggests, one of its 'striking features is its universalising aspect, whereby market economics "colonises" non-economic areas of public policy and in doing so crowds out other knowledge and practices. It sees economic production as the source of all social value and *all* social phenomena as explicable by applying economic methods (Marginson, 1993, pp. 63-4).

In this scenario, former practices are discarded, even though they may have been operating efficiently and effectively. Slash and destroy methods are employed as efforts are made to wipe out the accumulated knowledge built up under a different ideological framework (See Bessant, 1992, pp. 214 - 5).

Universities have become market orientated. Like any 'sound' commercial organisation they are urged to go out into the real world and create their own markets. Their courses must be market oriented. They must be cost effective and accountable to the commercial world (usually termed 'the community'). 'Mergers' and 'takeovers' are enforced, for this is the practice of the commercial world where 'big' is believed to be not just better than small, but more profitable and more cost-efficient. Staff must be cut to the bone, not simply because there is not enough money around, but also because the economists demand that output per individual must match prescribed economic objectives which exclude cultural or academic concerns.

With this drive to achieve the objectives of the economic rationalists, university administrative structures must be over-turned to mirror the organisation of the private sector. Senior staff must take on the strategies of good, corporate managers and all the status symbols

attached thereto. The assumption is that the 'successful' practices of the corporate sector can be readily applied to universities.

This article examines this ongoing application of corporate practices and the corporate ethos to the management of universities. It argues the process has been ideologically driven from the start, though the ideologues have not come from the corporate sector, but from the Federal Government and the SES of the Commonwealth Public Service. They have taken on board senior academics from the universities who have embraced economic rationalism and the corporate ethos, and all the status and rewards that that entails, which they would never have enjoyed under the old system. It also has offered the Federal Government a more 'efficient' and more 'effective' means of power and authority over the institutions.

What has happened had its beginnings with the radical changes in the Commonwealth Public Service in the early eighties where corporate management strategies were applied as a result of the pledge by the new Hawke Labor Government of 1983 to reform the public service. The clear intention was to apply the managerial practices of the private sector to the public service.

As it turned out, these practices have been along classic corporate management lines where the key operators are the managers as distinct from the floor workers. Policy is formulated by management and decisions flow down through middle level managers to the shop floor. The emphasis is on quantifiable objectives, clear role specifications and the testing of the implementation of the objectives by performance indicators. This enables the targeting of individuals and departments to ascertain where profits or losses are occurring.

An important assumption here is that policy and operational roles can be separated. The manager has sets of procedures to be applied to various situations which do not require the manager to have any particular expertise in the area over which he has control. If proposals do come forward, as they must in any educational institution, the main criterion applied by the corporate manager is whether they fit the guidelines laid down by the government or the institution (See Bessant, 1988, p.10).

In 1988 I wrote that the *White Paper* had made it clear that universities would be under strong pressure from the Federal Government to reorganise their administrative structures along corporate management lines (Bessant, 1988, p.11). Before acceptance into the 'unified national system' the *White Paper* required a commitment from universities to overhaul their internal management structures. From 1988 universities were under pressure to introduce more 'efficient' management structures, especially in those where mergers were involved. Even before this, as Bruce Williams noted:

...the decline in resources per student load... legislation on equal rights and ombudsmen... the growing belief in the need to use performance indicators for public accountability, and the greater ease of data processing and storage which whets the appetite of the administrators, [had] all contributed to the growth of managerialism (Williams, 1988 (b)).

Some pre Dawkins universities had already carried out reforms before 1988 and since then most of the others have followed suit. These changes have occurred both in the general administrative areas of the universities and also in the academic stream.

This article is the result of a small ARC grant which examined the organisational changes in a number of pre Dawkins universities. A much more extensive and representative survey of universities is required than was possible here, but even this brief look at universities revealed surprisingly uniform changes in university management since 1988.

For the general administrative side the structures which have been developed are all fairly similar reflecting the classic top-down, on line management approaches. On the academic side with which this article is concerned, there have been two significant changes - the creation of an elite group of academic administrators and the reorganisation of university management structures to conform to top-down management styles.[1]

The University Senior Executive Service (SES)

The SES management style had its origins in the United States 1978 with the *Civil Service Reform Act*. It was characterised by the establishment of an elite corps of bureaucrats who were highly paid, motivated in part by performance appraisal schemes, financial bonuses and performance improvement plans and with a performance measurement scale related to pay levels. An essential feature was their recruitment from outside the existing public service, preferably from industry and commerce. They were appointed with a total remuneration package on a fixed term basis (Cullen, 1986, p.20). The new Hawke Labor Government of 1983 was quick to apply the New South Wales and Victorian examples, where the SES was already in place, to the Commonwealth Public Service. The form, if not the detail, has slowly spread to the universities.

A university style SES has been created with the expansion of the top members of the academic hierarchy into a group of elite executives - the Vice Chancellor, Deputy Vice Chancellors, Pro Vice Chancellors and Deans. The Deputy or Pro Vice Chancellors mostly have specific responsibilities e.g. Research, Resources, Academic Affairs and the new, increasingly popular addition, International Affairs. The SES also includes the 'line manager' equivalent to the old Registrar, Business Manager i.e. the SES head of the general administrative structure.

The combinations vary in so far as there may be a small SES (Vice Chancellor and Deputy Vice Chancellors and Line Managers only) or a larger group where Deans are included. Where the faculties have not been consolidated under mega dean structures and there still are a large number of Deans, these are generally not seen as part of the SES. One of the main characteristics of the SES is that it should be a small body, easily and often gathered together, seeing itself as running the affairs of the university.

It is set apart by salary, status and location from the rest of the university with the emphasis on the group showing a united front to the university on major policy matters. When the meeting of the SES comes to a decision, this is relayed to the university as a united decision of the group and members are obliged to back that decision even though they may personally oppose it. Thus with most policy decisions already formulated by the SES it is so much more difficult for the academic/professional boards to challenge or even question this formidable and remote authority. It takes a brave academic to stand up and oppose a united gaggle of mega-Deans, Deputy Vice-Chancellors and a Vice-Chancellor at a board meeting.

At the same time new and more formal links are being forged in the top-down structures between the universities and DEET. Deputy and Pro-Vice-Chancellors with designated areas of control have regular gatherings with members of DEET. For example, Research Deputy Vice-Chancellor's are able to obtain the latest briefings from DEET and to exchange ways and means of implementing DEET directives in their universities.

With the SES has come the culture of the corporate sector business executives to the universities. The characteristics of this culture are based firmly in a high level of performance in enhancing the company's profits and with this comes monetary and other rewards. But of equal and perhaps of more importance to the individual are those rewards associated with status. Status is measured by the size and furnishing of the office, the latest PC, the type of car (Holden for a beginner moving up to BMW or Mercedes), economy, business to first class for interstate or international travel, 3, 4 to 5 star hotels, children at prestigious private schools etc. Sometimes these are called perks, but they are much more than that. They represent real rewards of status especially in the male, business executive culture. They may not necessarily bring any particular enjoyment for the individual, but they do represent his progress up the corporate hierarchy and status tree.

This culture now permeates the university SES. The role of travel in the corporate and the university environment highlights the difference in the cultures which formerly existed. Academics have never been adverse to travel, interstate or overseas, and especially to conferences. On the other hand it has not been a status question in the academic community. It has been associated with the dissemination of ideas and has not been seen as one of the 'perks' negotiated as part of the job on appointment. It is quite different from the SES. Many of the rewards are written into the contracts as in the business field. Similarly, the hierarchies for the status symbols are developing. For example, there are certain things that all Vice Chancellors expect in their remuneration packages (house, fully furnished and serviced, household help, chauffeur driven car (in some cases), first class travel and accommodation, entertainment allowances etc.) These are the peak status rewards with Deputy Vice-Chancellors, mega-Deans duly receiving lesser rewards. Obviously the car of the mega-Dean would be of a lesser breed than that of the Deputy Vice-Chancellor. The office accommodation, the furnishings, the equipment for a Deputy Vice-Chancellor would be of a higher general quality and size compared with that of a mega-Dean.[2]

It would have been far too offensive and expensive and politically impossible in Australia for the universities to have imported experienced corporate managers from the private sector for these roles in the SES. Thus it became necessary to select suitable aspirants from the ranks of the academics, often from other universities for what are essentially administrative positions. Advertisements for these positions stress a high academic/research profile but those in the positions know that it is extremely difficult to maintain a research output. Many give up and become full time corporate administrators taking on not only all the status symbols of private sector corporate structures, but taking on the characteristic roles of traditional corporate managers. It has not been an easy road for these new members of SES class because they are often torn between the collegial tradition which they know so well and have much sympathy for, and their new roles which are reinforced by the succession of advice (directions) from DEET which they have to administer.

This problem of maintaining a research profile is also closely related to whether these positions are seen as temporary elevations (e.g. 5 years) or permanent positions. Here practices vary and it will take some time to gain a general picture, but everything points to the SES members generally becoming semi-permanent i.e. renewable 5 year fixed term contracts, with some progressing up the hierarchy to Vice-Chancellorships or high level administrative research or management positions. There comes a time in such a position that the incumbent is so out of touch with his original research area that it is very difficult to return.

These problems faced by the SES in universities highlight those tensions which existed long before the advent of managerialism, but are now being accentuated i.e. the conflict between collegial and managerial styles of administration. As Peter Karmel has indicated 'universities embrace multiple activities (many disciplines or departments) each of which has multiple objectives (teaching at various levels, research, consulting, community service)'. This means that the results of their work 'cannot be readily added together, so there is no simple measure of success of a university...'

... authority within the university is intellectual *authority. This is necessarily dispersed among the senior academic staff. The Vice-Chancellor and the senior administrators may administer the resources and may, subject to the governing body, determine broad policies, but intellectual authority does not reside in them. Moreover, the quality of a university comes from the work of many autonomous academics or groups of them.*

It follows from this that a university cannot be run like a business enterprise with a chief executive in command, seeking to maximise relatively simple variables. Consultative processes are essential and, while leadership is of great importance, such leadership must be consensual. Notwithstanding this, the modern university is usually a large complex organisation. As such, it needs to be "managed". Thus, tension between collegial and managerial styles is bound to be chronic (Karmel, 1991).

This is all confounded for the SES by ongoing pressures from DEET and the government where quick answers are the rule, where there is literally no time for consultative processes, even if the desire existed. As Professor Penington in his definition of collegiality has emphasised, it is a time-consuming process and as such it is very much the direct antithesis to the style of corporate management. Collegiality is:

...a process which promotes a widely consultative style of management, and it has within it the necessary checks and balances which preserve participation...

Issues which must be addressed by the university are devolved down through the system. The responsibility to make decisions does not rest with one individual or one committee. Issues are discussed in committees at different levels throughout the institution (Penington, 1991).

The new administrative level

Another characteristic of the new structures has been the creation of a new level in the academic administrative hierarchy between department and the SES. This is a consolidation of faculties/schools under a single administrative head (mega-Dean, super Dean), often faculties with very diverse interests and/or geographically widely separated, but with emphasis on size. For example, at the University of Western Australia the most recent reorganisation provides for a 'Senior Management Group' consisting of the Deans of the 6 major faculties together with the Vice-Chancellor, Pro-Vice-Chancellor (Research), Vice Principal (Finance and Resources) and the Registrar. The faculties represent an amalgamation of existing structures producing faculties of agriculture, arts and architecture, engineering, computer science and mathematics, medicine and dentistry, science and a grouping of economics, commerce, education and law under an Executive Dean to form the sixth faculty (University of Western Australia, 1992, pp. 9-10).

This grouping of very diverse academic interests in one mega faculty is a characteristic feature of the new structures in the universities examined in this project. For example, at La Trobe University one faculty consists of economics, social science, commerce, education, social work and legal studies/law. Alleged economies of scale are important considerations here rather than any academic rationale, the assumption being that it is more efficient to administer a consolidated group of diverse interests than to have each of these diverse interests having semi autonomous administrative structures. For example, the University of Western Australia's 'Devolution Review Working Party' in determining the ultimate size of the six faculties concluded that 'overall budget size was the best indicator of viability', quite explicitly excluding law as a separate faculty because it had only a small budget ($3.070m) compared with agriculture ($7.626m), even though law had a far greater number of students (University of Western Australia 1992, pp. 10-11).[3]

The rhetoric that comes with this new administrative tier talks about devolution of authority, devolution of power. The most recent example of this rhetoric can be found in DEET's *National Report on Australia's Higher Education Sector.*

Given the size, diversity and multi-campus nature of many of Australia's universities, a devolved management style which promoted efficiency, relevance, responsibility and accountability, is pragmatically probably the only possible form of efficient management. Most of the institutions believe that devolution is a particularly suitable form of organisation for an academic institution, as it encourages the involvement of academics in decision making and puts the decision process close to implementation (DEET, 1993, p. 131).

Throughout the 1980s when corporate management practices spread through the state and federal public services and the education ministries, the public rationale for the process was invariably in terms of devolution of functions and power from the central authority down. In fact, as it was soon realised by participants, it was essentially a devolution of those practices which impeded the central authority exercising more efficient authority over the department or institution. There has been some devolution of the day to day management tasks to the mega-faculties but no real devolution of power. The SES still retains control over the essentials such as finance, staffing and research.

Even though the mega-faculties will have overall control of their own budgets, this does not represent any real devolution of power but an evolution of power from the smaller units (variously called departments, faculties or schools) which previously had control over their budgets. The only increase in the number of academics involved in the decision making process is at the SES level. Previously committees which involved academics at the smaller unit level have now been subsumed or duplicated by the mega-faculty committees. For the ordinary academic the mega-faculty replaces the central authority, while at the departmental level many of the decisions which would have been taken at that level will have to be ratified by the mega-faculty.[4]

The creation of a middle level management tier (ironically at a time when many large commercial organisations are busily abolishing middle level management) is in keeping with traditional top-down corporate management practices. But it is also an essential prerequisite for the creation of an SES. A large SES would be prone to dissension, while a small group united in the decision making process, separated from other academics by higher salaries and status, is much more suited to the new managerial style.

The general rationale behind these changes has been in terms such as accountability and cost efficiency with stress that since universities are much larger now (not a little to do with Federal Government policies), they need more efficient and responsive management structures to DEET compared with previously, where heads of smaller units had considerable control over finance, staffing, teaching and research, and where there was a general lack of uniformity in their functioning within a single institution. The fundamental assumption is that top-down decision making is more cost and administratively efficient than the collegial patterns of decision making developed in universities. I have yet to see any evidence to back this assumption.[4]

Even though it must be stressed that the above changes are to be seen in very generalised terms and many are ongoing - there are a variety of variations on the above structures - they do indicate that one of the aims of the Dawkins *White Paper* is well on the way to implementation in the universities that existed in 1988 i.e. the creation of corporate management, top-down structures and all that that implies in both the general administration and academic administrative organisations of the universities.

As has been indicated, universities must now depend heavily on the managerial practices of the private sector as a guide in coping with increasing administrative demands brought about by growth in size and student numbers, by the demands of DEET, by industrial matters, by overseas commitments and research etc. Collegial decision making is seen to have failed and no alternative is seen to strong on-line, top-down structures with small executive groups directing operations as in commerce and industry.

The few who have criticised these developments have mainly been concerned at the demise of collegiality which these changes have accentuated (See Smyth, 1990; Moses, 1989; Penington, D., 1991). Alan Gilbert (Vice-Chancellor, University of Tasmania) ended an address in 1991 on university management with the words:

In universities... as the twin principles of collegiality and institutional autonomy imply, management necessarily means self-management. The only effective decisions are those shaped and owned by the scholarly community. The alternative is mismanagement.

He saw collegiality as the 'only engine powerful enough to drive the kind of strategic reforms that Australian universities will need in the next decade' (Gilbert, 1991). Nor did he see any conflict between collegiality and strategic planning.

Unfortunately, the developments outlined in this article suggest that top-down management structures being introduced in the pre-Dawkins universities are not conducive to collegiality, nor to the devolution of powers.

Collegiality may have worked at varying levels of efficiency and effectiveness in the past and it was an ideal which was closely linked to notions of academic freedom and university autonomy. Essentially it grew out of an academic culture grounded in academic teaching and research, but functioning at three levels:

(a) significant autonomy in the work of the academic, in both teaching and research, i.e. freedom to devise her/his own courses of study and research directions and to expect that the assessment of his/her work would be in the hands of people familiar with his/her teaching and expert in her/his research.

(b) significant voice in the decision making process on academic matters at the macro and micro levels in the university.

(c) an ability to freely communicate knowledge and ideas to other academics within the world-wide academic community without fear or favour.

This freedom has been seen as essential to creativity and to original and innovative thinking in teaching and research. It has been often held up as an example by governments of countries such as Australia, USA and Britain in contrast to the practices of the former socialist countries of eastern Europe and of present day China.

Collegiality is very much part of this whole process. But this makes universities very different from the classic business organisation where obedience to the instructions of management is the way of advancement up the hierarchy and where outcomes are virtually the sole determinants of efficiency and effectiveness.

A well known university manager said a few years ago when referring to the trend for many American companies to organise their work force into small, self-contained units with responsibilities and autonomy:

My ideal organisation would therefore empower its constituent parts and delegate authority to them. They would have the ability to determine how their tasks are to be performed and they would be encouraged to critically test the value of what they are doing (Massaro, 1991).

In many respects this has been the pattern for university departments with management essentially in a supportive role.

There was still strong support for the notion of collegiality in the universities examined in this project. However, there was also general agreement that as the older academics took their packages or retired, the corporate ethos would take over completely.

There is an assumption that the only form of efficient management is one based on corporate management principles. This assumption pervades the current management reforms in universities surveyed in this project. This is why they do threaten the collegiality that exists in the pre-Dawkins universities, because collegiality and hard line, classic on-line corporate management are incompatible.

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Endnotes

1. All pre-Dawkins institutions were asked to provide documents on management changes. Most responded but it was only possible to look in detail at six of these institutions.

2. There have always been status symbols pursued in universities, especially associated with the professoriate, but they were essentially rewards for academic excellence (at least in theory) in keeping with the general aims and culture of the university.

3. This pattern of combining existing faculties/schools/departments into mega faculties with mega Deans is so widespread and has so many similarities, all developed over a discrete time period, that the presence of a guiding hand seems a distinct possibility.

4. These conclusions are based on a small sample and may well be challenged after further research.

How should universities respond to the abolition of compulsory retirement?

Linda Rosenman and Sylvia McDonald

The University of Queensland.

Background

Australia is following the lead of North America in introducing legislation to abolish or limit compulsory age retirement at 65. New South Wales and South Australia have already abolished compulsory retirement, Queensland legislation came into effect on July 1, 1994 and Western Australian legislation in January 1995. Victoria currently has no legislation but is reviewing its *Equal Opportunity Act 1985*. In addition the *Industrial Relations Reform Act 1994* has age included as a grounds of discrimination and also potentially for unfair dismissal. This may effectively also prohibit compulsory age retirement or action that might allow employers to allow differential treatment for older staff.

Academic institutions are seen to be at particular risk in terms of allowing people to exercise choice about if and when to retire. Academic employment offers a greater degree of job security for those with tenure than most other employment. Academics are also perceived to have a high level of intrinsic job satisfaction, control over working hours, pleasant working conditions and choice about job tasks. For these reasons it has been assumed that they will be more likely than other workers to opt to continue employment past traditional retirement ages. Almost no attention has been paid to non academic staff who are in the majority in most universities. For these reasons the University of Queensland conducted a study to try to estimate how the impending changes might affect work and retirement decisions.

Little research has been carried out on the abolition of compulsory retirement in Australia with a few exceptions (Sheehan, 1995) and the literature is substantially from the United States, where academics became subject to a fully voluntary retirement system only in January 1994. However compulsory retirement at age 70 rather than at age 65 has applied to tenured academics in the United States since 1982 and non-tenured academics since 1978. This grace period between enactment and effective dates was a response to concerns expressed by educational administrators. The delay was to allow time for study, adjustment and the opportunity to request a permanent exemption, if necessary (Smith, 1991).

The concerns in the United States that without compulsory retirement, academic staff would opt to remain in their positions, thus stopping the flow of opportunities to younger staff, appear to be unfounded. Results of a study of 33 institutions in arts and sciences claimed that there was no evidence to suspect that large numbers of academics would not choose to retire in a world without compulsory retirement (Smith, 1991).

Hansen and Holden (1989) found that on the average, tenured academics intend to and do continue to work until age sixty-five, and with the option of continuing to age 70 a small proportion had extended their working lives for a few years. Older respondents in their survey were more likely to anticipate later retirement. As academics age, they were seen to become more reluctant to retire, but this may also reflect selective attrition. The evidence is fairly compelling that academics with fewer publications and lower salaries expect to retire earlier than their more "productive" colleagues.

Over the past twenty years in Australia, the labour force participation rates of older workers have declined. Although older women are increasing their participation in the labour force, the rate at which

males are withdrawing is resulting in fewer older people in employment. In 1986, 80% of males aged 60 to 64 were still in the labour force, but by 1989 this figure had fallen to nearly 50% and is predicted to decrease to 34% in 2001 (House of Representatives, 1990, 1992).

Research indicates that the main reason for the long term decline in participation rates of older Australians is that, as real incomes have risen, individuals have accumulated greater real wealth, thus permitting older persons to retire earlier and enjoy more leisure (Reid, 1989).

Despite the trend of early withdrawal from the labour force generally, a significant proportion of older people would prefer to continue working. A 1990 DEET survey found that 30% of people aged 55 to 64 prefer to work for as long as they are fit and healthy (DEET, 1990). These studies suggest that, given the opportunity, older workers will extend their working lives.

Policy is thus presented with a problem. Older workers' behaviour over the past few decades suggest that removing compulsory age retirement should have little effect on most workplaces since when given a choice people retire earlier rather than later. Yet tertiary administrators are concerned about doddery old professors taking up office space, mumbling in front of classes and presenting a significant danger in laboratories. Younger staff are concerned that if large numbers of older staff delay retirement this will create problems in the academic workforce. It may block the appointment of fresh new PhD graduates, and ultimately put under threat the concept of academic tenure. It also builds in a degree of uncertainty in relation to departmental and institutional planning. In order to develop policy in response to such legislative changes, institutions and unions need to have an understanding of the plans and the preferences of their members.

The University of Queensland study

In October 1993, a self administered postal survey was conducted of 634 University of Queensland staff aged 54 years and above about their preferred retirement options. Participants were asked at what age they *currently* expected to retire , their preferences about their work and their retirement, and the factors that were important to them in making decisions about their retirement. This was followed by a series of feedback/discussion sessions which participants were invited to discuss their plans and preferences and views on preferred policy in more detail. Data was also collected from Personnel Services data base indicating the actual ages of retirement of staff over the preceding 10 years.

Over 48% of academic and administrative staff responded, but there were relatively low response rates amongst research and maintenance staff. The vast majority of respondents were full time and currently employed in a tenured or permanent position.

a. When do staff expect to retire?

There is little evidence to suggest that many staff members plan to retire later than the current retirement age of 65 years. Overall only 5% of respondents indicated that they expected to retire after 65 years, whilst the majority of respondents expect to retire at the current retirement age of 65. A higher proportion of non-academic than academic staff expected to retire before the age of 65.