

Chapter 3

Managerialism and Public Universities in Hong Kong



Abstract This chapter examines the basic relationship between the state and public universities and their governance, and how market and managerial values and practices can be used to regulate university autonomy in Hong Kong. It shows that the institutional autonomy of Hong Kong's public universities has been reduced since the 1990s. The University Grants Committee (UGC), mediating between the government and public universities, has made use of the international trends of coupling market principles and managerialism to reform university governance and rationalize its increased control over the institutions it funds. The UGC has become a principal actor in shaping the direction of public universities' institutional development, reviewing and auditing institutional performance in major activities, and downsizing and empowering university councils to ensure fiscal transparency and accountability. As a result, the UGC has established a regulatory regime for higher education, in which public universities are subject to more UGC control, both external, through regular reviews and audits of various domains of university affairs and activities, and internal, through empowering university councils (or governing boards) and increasing the number of external members.

After setting the political context, this chapter examines the basic relationship between the state and public universities and their governance, and how market and managerial values and practices can be used to regulate university autonomy in Hong Kong. Although it is a small city, Hong Kong is home to 20 degree-granting institutions, nine of which are public. These include the Hong Kong Academy of Performing Arts, which is subsidized by the Home Affairs Bureau, and eight institutions funded by the government via the UGC. The latter have come to dominate Hong Kong's higher education sector.

Although the Hong Kong government is their major financial sponsor, public universities have been allowed a high degree of institutional autonomy in deciding and administering their affairs. As this chapter argues, this has been achieved by using the UGC as a mediator between the government and universities to reduce the former's direct interference in the latter's internal affairs, and by granting public universities legal status as self-governing statutory bodies with their own ordinances and governance structures, which are marked by the separation of administrative and academic

powers. However, similar to their counterparts in other countries, such as the UK, the institutional autonomy of Hong Kong's public universities has been reduced since the 1990s. The UGC has made use of the international trends of coupling market principles and managerialism to reform university governance, to rationalize its increased control over the institutions it funds. The UGC has become a principal actor in shaping the direction of public universities' institutional development, reviewing and auditing institutional performance in major activities, and downsizing and empowering university councils to ensure fiscal transparency and accountability. As a result, the UGC has established a regulatory regime for higher education, in which public universities are subject to more UGC control, both external, through regular reviews and audits of various domains of university affairs and activities, and internal, through empowering university councils (or governing boards) and increasing the number of external members.

The chapter first presents the basic relationship between public universities, the Hong Kong government, and the UGC, and the basic mechanisms for protecting university autonomy. Next, it examines how the UGC increased its grip over public universities and institutionalized NPM values and mechanisms to oversee and monitor performance thereof. This is followed by examining the rationale and measures for downsizing and, at the same time, empowering university councils.

Basic Relationships Between the Government, UGC and Public Universities

The eight UGC-funded universities enjoy high international standing. Four of these were upgraded to university status in the 1990s, and one in 2016. Although Hong Kong spends a lower percentage of its gross domestic product (GDP) on research and development (0.7% in 2016) than many developed countries (UGC, 2017a), in 2017 five UGC-funded universities were ranked among the top 100 universities globally in the Quacquarelli Symonds (QS) University Rankings, and three in the Times Higher Education (THE) World University Rankings (Table 3.1). Although ranking metrics and their use are questionable, the UGC (2016) was pleased to compare the global recognition of Hong Kong universities in these league tables with such prestigious academic hubs as Boston (which had four top-100 universities in the 2014 QS ranking) and London (five). In 2017, HKSARCE Carrie Lam announced the government would double its investment in research and development to 1.5% of GDP by 2022 (Hong Kong Government, 2017). How much such an increase will boost the world university rankings of Hong Kong universities remains to be seen. However, the UGC (2017a) considered their high international rankings an indication of their influence in the region and the world.

The Hong Kong government, via the UGC, is the major sponsor of public universities. In addition to providing capital grants on an annual basis, the UGC allocates recurrent grants on a triennial basis to its institutions, based on academic devel-

Table 3.1 UGC-funded universities by founding year, governance structure, and 2018 world university rankings

	Founding year	Governance structure	QS world university rankings	THE world university rankings
HKU	1911	Court, council, senate	26	40
CUHK	1963	Council, senate	46	58
HKUST	1991	Court, council, senate	30	44
PolyU	1937 (1991 ^a)	Court, council, senate	95	182
CityU	1984 (1994 ^a)	Court, council, senate	49	119
HKBU	1956 (1994 ^a)	Court, council, senate	299	401–500
LU	1978 (1999 ^a)	Court, council, senate	551–600	
EDUHK	1994 (2016 ^a)	Council, academic board	(13 by subject, Education)	

Note ^aYear of attaining university title. Rankings from Quacquarelli Symonds (2017) and Times Higher Education (2017)

opment proposals. For 2016/17–2018/19, total approved recurrent funding for the eight UGC-funded universities amounted to HK\$53 billion (UGC, 2017a). Unlike their counterparts in such countries as Britain, UGC-funded universities in Hong Kong have not faced severe budget cuts. While government grants dropped from HK\$11.5 billion in 2003–04 to HK\$9.8 billion in 2006–07, due to Hong Kong’s economic downturn, they then rose by over 80% (to HK\$18.1 billion) in 2015–16 (UGC, 2011a, 2017b).

Unlike counterpart institutions in Britain—such as the University of Oxford, which receives only 15% of its income from the government (Chiu, 2017)—Hong Kong public universities heavily rely on public money and have little individual ability to raise funds or attract private donations. For example, the proportion of total institutional income for HKU, the city’s largest and oldest university, coming from government subventions increased from 46.1% to 56.3% between 2005–06 and 2015–16; for LU, the smallest university, it rose from 45.3% to 60% over the same period (calculated from figures provided in Lingnan University, 2006, 2016; University of Hong Kong, 2006, 2016). However, the percentage of their funds from donation and benefactions fell from 8.7% to 6.9% and from 8.3% to 4.9%, respectively.

Although the head of the city (formerly the colonial governor, now the HKSARCE) is their ex-officio chancellor, the Hong Kong government does not directly govern public universities, but allows them a high degree of institutional autonomy, through several measures: first, by following the British model and establishing, in 1965, the UGC as a mediator between the government and UGC-funded

institutions. After its return to China in 1997, Hong Kong continued to follow the UGC model, even though its British counterpart was abolished and replaced by higher education funding councils in 1991. The UGC is an independent, non-statutory body whose major function is to advise the government on the needs and developments of higher education and allocate funding to its institutions. As such, it serves as a mediator and buffer between its institutions, the government, and the community at large, and as a protector of university autonomy and academic freedom against political interference (UGC, 1996), thus reducing direct government involvement in and interference with public universities' internal affairs (Morris, 2010).

Second, the Hong Kong government allows forces from outside Hong Kong to influence the UGC, by diversifying its membership to include nonlocal members. In March 2017, the UGC (2017a) was comprised of 14 local business executives, professionals, and senior academics, and six nonlocal members with strong university governance experience and academic backgrounds—three from the UK, and one each from Australia, mainland China, and the US. Although all members (including the chairperson) are appointed by the government, the cooption of nonlocal academics and experts from outside China can help expose Hong Kong higher education to international trends, and gear it to reflect international norms, standards, and practices. However, this, as shown in the next section, can serve as an inlet for overseas values and practices to control universities.

Third, all UGC-funded universities are given institutional autonomy to govern and administer their internal affairs, within the restraints of Hong Kong law. They are autonomous statutory institutions, with their own ordinances and governing bodies, and are promised freedom in five areas—selection, promotion, and dismissal of staff; selection and rejection of students; designing curricula and setting academic standards; initiation and conduct of research programs; and institutional use of government funds (UGC, 1996, 2017c). Teachers are also assured they will be allowed to freely teach and do research on politically sensitive topics. After 1997, institutional autonomy and academic freedom were further guaranteed protected by Article 137 of the Basic Law (NPC, 1990), which can be seen as a legal defense against political interference by both the local and central governments.

Fourth, neither the Hong Kong government nor the UGC directly administers public universities; instead, universities have their own governance structure, marked by a separation between administrative power and academic authority. Because of Hong Kong's British colonial heritage, the governance structure of UGC-funded universities is tripartite, consisting of a court, a university council, and a senate or academic board (except for CUHK and EDUHK, which do not have a court) (Table 3.1). The court is the supreme advisory body, receiving reports from the university council and vice-chancellor (VC, also called president, following the American tradition), and having regulatory power to change and amend university statutes. The university council is the supreme governing body, responsible for steering the university's development direction and overseeing its financial and human resources, including senior staff appointment. It has independent power to recruit and appoint the VC and senior university officers, regardless of their nationality. The senate is the supreme academic body, responsible for all academic policies and student welfare.

Such a governance structure facilitates the internal division of power, ensures the university council cannot intervene in academic affairs, and requires the senate to seek council approval for policy initiatives related to human and financial resources. The university is administered by a senior management team. At HKU, the senior management team comprises the VC as the chief executive officer, the deputy vice-chancellor (DVC, also called provost), pro-vice-chancellors (PVCs, or vice-presidents), the registrar, and the director of finance. In HKU, the VC is the only senior management team member who sits on the council; in other universities, such as CUHK and EDUHK, the VC and PVCs are also ex-officio council members.

As such, state–university relations in Hong Kong are quite different from those in mainland China. First, Hong Kong universities do not have specified political task, while mainland universities are required to implement the state’s education policy, and to train students to be builders and successors of socialist undertakings (NPCSC, 2015, Article 4). Second, Hong Kong has the UGC to mediate between the government and public universities, while their mainland counterparts are under the central leadership and administration of the State Council (Article 13), and are caught in the dilemma between meeting the CPC’s political requirements and striving for university autonomy (Pan, 2009; Zha, 2012).

Third, in terms of university governance, Hong Kong universities do not have a political leadership, while the CPC controls mainland universities through a dual (administrative and political) leadership system. Under the university president responsibility system, mainland university presidents are responsible for administering university affairs, whereas the university Party secretary oversees political work on campus (Article 39). However, in mainland China, administrative leadership is subordinated to political leadership, and university president is subject to the guidance of the CPC university Party committee, which is headed by the university Party secretary. For example, in Peking University (China’s first university, established in 1898), the university Party committee has governance power in most important areas (such as university structure and development, and recruitment and appointment of key university personnel), whereas the university president is mainly an implementer of the committee’s decisions (Peking University, 2014).

Fourth, university presidents in Hong Kong are not necessarily Chinese citizens, can hold foreign passports, and are appointed by their university council without consulting the Hong Kong government. In mainland China, university presidents must be Chinese citizens, and they and the university Party secretaries are appointed by the state (NPCSC, 2015, Article 40). Unlike Hong Kong, in addition to academic achievements, CPC membership is an essential criterion for university presidency in mainland China. Peking University President Jianhua Li (2015—present) and Tsinghua University President Yong Qiu (2015—present) joined the CPC in 1976 and 1985, respectively; in addition to their presidential duties, both concurrently serve as deputy university Party secretaries, an arrangement that facilitates the integration between politics and university governance and leadership.

Fifth, Hong Kong academics have enjoyed academic freedom in deciding and conducting their teaching and research topics, but political censorship and self-censorship in teaching and research are quite common in mainland universities.

Despite legal promises of autonomy in teaching and research (NPCSC, 2015, Articles 33–34), mainland academics have to conduct their duties while obediently observing the state’s political bottom line, while at the same time challenging norms to expand the scope of academic freedom and autonomy (Du, 2018).

Managerialism and the Regulation of Hong Kong Higher Education

Despite being provided legal protection and institutional defense, UGC-funded institutions’ autonomy is relative, not absolute. Because they rely heavily on government funding, they cannot do whatever they wish, but must observe the rules and policy framework set by the UGC. When first established, in 1965, the UGC’s major functions were to review universities’ development plans, facilities, and financial needs, and advise the government on its education funding applications to the legislature (Legislative Council Secretariat, 2007). After the Hong Kong government began to use NPM to reform itself and its public institutions (Cheung, 2009) in the 1990s, the UGC began to shape the development of public higher education in response to challenges from changing domestic and global contexts. It also started to tighten its control over its institutions by urging them to ride the international trends of accountability, performativity, and competition for limited resources. Since then, the UGC has gradually institutionalized market values and NPM mechanisms in public higher education. As a result, UGC-funded institutions’ academic structures, institutional development, and direction and performance in research, teaching, and governance are subject to more external influences from the UGC, which factors its supervisory expectations and assessment results into its funding decisions.

UGC as a Principal Shaper of Public Higher Education’s Developments

In the 1990s, as its major sponsor, the UGC began to play a very important role in shaping public higher education’s development, by controlling its academic structure and size. Hong Kong had originally adopted the British academic structure—6 years of primary education, 5 years of secondary education, 2 years of matriculation in preparation for university education, and 3 years of university education. Except for CUHK, which advocated four years of university education, degree programs in all UGC-funded institutions were 3 years in length; despite strong resistance, in 1989, the Hong Kong government forced CUHK to change the length of its undergraduate programs from 4 years to 3. This changed again after Hong Kong returned to China; in 2012, the Hong Kong government forced all UGC-funded institutions to convert

their first-degree courses from 3 years to 4, to harmonize Hong Kong's academic structure with that of the mainland.

The government also maintained tight control over subsidized student enrolment in UGC-funded institutions. It greatly expanded subsidized first-year-first-degree places from slight over 8,500 places (about 10% of the age cohort) in 1990, to about 15,000 places (about 18% of the age cohort) in the mid-1990s (UGC, 2000). Since then, the government has kept a similar subsidized quota in UGC-funded universities, while allowing the rapid expansion of private postsecondary education, such as associate degree programs and self-funded degree programs.

As the government's major funding allocator, the UGC has, since the 1990s, played a leading role in setting specific development directions for its institutions, in response to changing external and domestic contexts. Anticipating the return of Hong Kong to China in 1997, the UGC (1993) asked its institutions to keep themselves distinct from mainland China by ensuring their graduates were high-quality bilingual (Chinese and English) manpower for Hong Kong and mainland China, to help Hong Kong maintain its international position, and encouraged them to recruit undergraduate and postgraduate students from outside Hong Kong. After the 1997 handover, the UGC recommended that the governing body of each institution conduct an internal review of the fitness and purpose of its governance and management structures, and define their university's role as either research- or teaching-intensive (Sutherland, 2002). Later, the UGC (2010) set internationalization and strengthening collaboration with mainland China as two central themes for its institutions to embrace, and urged them to develop strategies to implement the two initiatives and ensure they permeated all institutional activities. To implement its policy directions, the UGC often uses funding as a financial incentive.

Regarding the internationalization of universities' student composition, for example, in 1993 the UGC allowed the UGC-funded institutions to officially admit nonlocal students to subsidized sub-degree, undergraduate and postgraduate programs (2% of approved total student number) (University Grants Committee, 1999). In 2008, the UGC increased the quota to up to 20% of UGC-approved student number targets: 4% within and 16% outside approved numbers (Secretary for Education, 2012). This expansion, however, made mainland China the major source of nonlocal students. In 2015/16, UGC-funded programs enrolled a total of 15,730 nonlocal students, 76% of whom were mainland students (Audit Commission, 2016). To some extent, this helped facilitate the cultural exchange of students between Hong Kong and mainland China; however, the Audit Commission (2016) criticized the UGC for being unable to achieve "true internationalization" by attracting a "greater diversity of nationalities and cultural backgrounds."

UGC as the Main Promoter of NPM Culture and Practice

Despite reiterating its respect for institutional autonomy, the UGC has, since the 1990s, increasingly involved itself in the institutionalization of NPM values and

quality audit practices in public higher education and has become a major monitor and auditor of the performance and quality of its institutions. In the late 1990s, the UGC (1999) began to shift its focus from the quantitative expansion of student quotas, to the pursuit of quality and efficiency. However, the UGC (2010) worried institutional autonomy risked having “varying degrees of poor leadership and disengaged academics” (p. 18).

The UGC uses two major means to legitimize its increased control over public higher education. First, when necessary, the UGC sets up panels, normally involving prestigious external scholars with strong university management experience, to review Hong Kong’s higher education; it then “encourages” its universities to comply with the recommendations in the resulting reports (e.g., the 2002 Sutherland Report and the 2015 Newby Report). Second, the UGC (2010) has repeatedly stressed the need to balance institutional autonomy and accountability, such that public universities are held accountable for the quality of what they are funded to do, and has stressed that academics are not entitled to funding for whatever research they want to undertake. The UGC rationalized universities’ striking such a balance as a “negotiated freedom” (Sutherland, 2002, p. 20). Specifically, the UGC (1996, 2004, 2017a) promotes the concepts of NPM—for example, the pursuit of excellence, international competition, quality assurance, accountability, fitness of purpose, and value for money.

As a result, compared to its original major functions (as presented earlier), the UGC’s functions and scope of activities have significantly expanded. In its recent mission statement, the UGC (2017a) listed the following seven specific tasks, which reflect market or NPM ideas:

1. oversee the deployment of funds for the strategic development of the higher education sector,
2. support the continuous development of the higher education sector to achieve greater impact and recognition, and as a source of innovation and ideas for the community,
3. give steering advice to the higher education sector from a system perspective and facilitate institutions to fulfill their distinctive roles,
4. enhance the student experience and advance the international competitiveness in teaching, research, and knowledge transfer by institutions in accordance with their agreed roles,
5. facilitate the sustainable development of higher education to meet the demands of the changing times,
6. encourage deep collaboration among institutions to develop an interlocking system to increase international competitiveness of the sector, and
7. safeguard quality and promote efficiency, cost-effectiveness, and accountability in the activities of institutions. (p. 11)

Establishment of NPM Measures to Review and Audit University Performance

To institutionalize NPM, the UGC adopted six major, interrelated measures that increased its oversight and steering of public universities' research, teaching, and governance. The first was the delegation of regular supervision over UGC-funded institutions to two semiautonomous non-statutory bodies under its aegis—the Research Grants Council (RGC), established in 1991, and the Quality Assurance Council (QAC), founded in 2007. The RGC's major function is to assist the UGC in controlling academic research funding in UGC-funded institutions through allocating about one-quarter of recurrent grants to research, and setting up various competitive, earmarked research grants (e.g., the General Research Fund and Public Policy Research, which promoted public policy research between 2005 and 2013). The QAC helps the UGC audit and assure the quality of programs and quality assurance mechanisms in UGC-funded institutions. The UGC has also established numerous ad hoc task forces to review and audit its institutions, such as the Financial Affairs Working Group, which assists with and reviews financial governance.

The second measure was the introduction of competition between its institutions for research funding. In addition to its annual general research fund, the UGC created different funding schemes for which institutions could compete, to direct their research topics and modes. Two such major funds are the Areas of Excellence Scheme (AoES) and the Theme-based Research Scheme (TRS). In 2016/17, AoES and TRS amounted to HK\$90 million and HK\$230 million, respectively—over 25% of RGC's total research funding (UGC, 2017a).

These two schemes have shaped the mode and direction of UGC-funded institutions' research. AoES encourages evidence-based research and funds basic and applied research projects whose scope is broad, but “sufficiently focused” (RGC, 2017a). Under its General Research Fund, to which researchers can apply on an individual basis, AoEs requires research collaboration between institutions and/or interdisciplinary collaboration within the same institution. Unlike AoES, TRS sets research themes for which UGC-funded institutions may compete. Its major objective is to “focus” UGC-funded institutions' research efforts on “themes of strategic importance to the long-term development of Hong Kong” (RGC, 2017b). To that end, the Hong Kong government established, in 2009, a one-off research endowment fund of HK\$18 billion, the investment income from which would be used to finance research projects on UGC-designated themes. In the eighth round of the scheme (2018/19), the chosen themes were promoting good health, developing a sustainable environment, enhancing Hong Kong's strategic position as a regional and international center, and advancing Hong Kong's emerging research and innovation (RGC, 2017b). Successful competition in these schemes brings UGC-funded institutions double benefits—direct funding for successful projects, and a higher chance of getting more funding through the research portion of the current block grants (more later).

The third measure was its adoption, beginning in 1993, of a performance- and zero-based model that links universities' recurrent funding level to their overall development and performance, particularly in teaching and research. For example, in 2010/11, a UGC committee (2011b) prescribed procedures for allocating the 2012/15 triennium grant. Specifically, the UGC set broad policy guidelines and student targets for public higher education, required its funded institutions to submit academic development proposals based on those guidelines, evaluated those plans (i.e., their role, strategy, research, teaching and learning, and community engagement), assessed and calculated the grant amount needed, and made recommendation to the government. For the 2016–19 triennium, block grants for UGC-institutions were split into three portions: teaching (about 75%), research (about 23%), and professional activity, such as staff's community services (about 2%) (University Grants Committee, 2013a). Recurrent triennial grants that specifically reference research funding are expected to provide institutions "the protection of academic freedom" (Sutherland, 2002, p. 34).

The fourth measure involved using RGC-organized research assessment exercises (RAE, adapted from Britain) to supervise and review the performance and quality of UGC-funded institutions' research. Five rounds of RAE have been conducted (1993, 1996, 1999, 2006, and 2014), with a sixth scheduled for 2020. The purpose of RAE is threefold: to ensure public accountability by assessing the quality of academics' research in the funding period; to inform research funding for the triennial recurrent block grant in the coming funding period; and to induce improvement in research (UGC, 2005). For each exercise, the RGC formed various assessment discipline-based panels with both local and nonlocal experts to assess research output items submitted by RAE-eligible academic staff. The RAE results informed the allocation of the research portion of the block grant to individual UGC-institutions. For example, in 2012/13, half of the research portion allotted to each institution was determined by its RAE results, and the other half by its overall performance in competition for RGC's earmarked grants (such as AoES and TRS) over the previous nine years (UGC, 2017a). Since their introduction in 1994, RAE exercises have changed the ecology of UGC-funded institutions (see Chap. 9).

Compared with past exercises, the 2014 RAE exercise was more rigorous. It ranked the quality of research outputs into five categories (four-star: world leading; three-star: internationally excellent; two-star: international standing; one-star: regional standing; and unclassified). The 2014 exercise extended the scope of assessment from research outputs alone, to include research inputs (i.e., whether the outputs were supported by external, competitively peer-reviewed research grants) and individual academic staff's esteem (whether they had received research awards and had attracted industrial research grants and contracts); research outputs accounted for 80% of assessment weighting, while the remaining measures accounted for 20% (UGC, 2013c). Unlike in previous exercises, most panel members and all panel conveners and deputy conveners in the 2014 RAE were nonlocal, to enhance assessment credibility and minimize conflicts of interest.

The fifth measure used by the UGC was to implement teaching performance quality audits, beginning with the 1993 teaching and learning quality process review

(TLQPR), in UGC-funded institutions. The purpose of the review was fourfold: to maintain teaching and learning as the primary mission of UGC-funded institutions; to enhance the quality of teaching and learning; to hold universities accountable for such quality; and to inform triennial block grant funding levels for teaching provision (UGC, 2003). As such, the review results could be punitive; in 1998–1999, the UGC decided to penalize one UGC-funded institution for not seriously addressing the TLQPR panel's recommendation by reducing its quota of postgraduate research students and associated funding (Brennan, Dill, Shah, Verkleij, & Westerheijden, 1999).

Since its establishment in 2007, the QAC has completed two quality audits of programs at the first-degree and higher levels of all UGC-funded institutions—the first between 2008 and 2011, and the second between 2015 and 2017. For each institutional audit, the QAC sits an audit panel comprising local and overseas higher education experts and overseas UGC members. Each institution is required to submit a self-assessment, after which the audit panel visits each institution (normally for one-and-a-half days) to validate the self-assessment by visiting selected faculties and departments, and by meeting faculty members and students. Each audited institution receives a review report, affirming its strengths, identifying areas for improvement, and making recommendations for action. It is then required to submit progress reports to the QAC, explaining what actions and measures have been taken to address the issues and concerns raised in the review report. All review reports are uploaded to the UGC's website for public access. In 2016, the QAC began to expand the scope of its audit to include sub-degree programs offered by the eight UGC-funded universities.

The sixth measure was the introduction of management accountability reviews of its institutions' management and financial governance. The UGC admitted it has to ensure university councils monitor management and expenditures using "good, solid, financial transparency and robust governance" (Public Accounts Committee, 2017, p. 62).

In the late 1990s, the UGC began to review its institutions' academic administration, research administration, human resources, finance administration, and other areas. Each review comprised four main stages: (1) a study of institutional documents on institutional context and management structures and processes; (2) preparatory visits by consultants from an external private agency to collect information on issues raised in the background documentation, and prepare a report for the review panel; (3) a site visit by the review panel, during which it would interview members of the governing board, senior management, heads of selected faculties, and both academic and nonacademic departments; and (4) completion of a comprehensive report on management effectiveness, including both good management practices and areas of concern or needing improvement. The institution would then provide an institutional statement describing their responses to the report, and actions taken to make improvements. Based on the Sutherland Report (2002), in the early 2000s, the UGC asked its universities to enhance the accountability and quality of their institutional governance, by reviewing their governance structures, increasing transparency and external participation of lay members, and undergoing a comprehensive management

audit. By 2009, all UGC-funded institutions had completed their internal reviews (see next section).

Moreover, between 2011 and 2013, the UGC conducted a review of its institutions' financial governance, including such areas as long-term financial outlook and cost-recovery and -charging mechanisms. The purpose of financial review was to improve UGC-funded institutions' financial transparency, to help their management teams and councils make decisions "in a better informed manner" (University Grants Committee, 2013a, p. 7), and ensure they were both financially sound and making appropriate use of public money (University Grants Committee, 2013b).

To follow up on this financial review, in 2014–15, the UGC asked each institution to explain how it had allocated costs for UGC-funded and non-UGC-funded activities. To ensure public money was used only on UGC-funded activities, in 2017, the UGC introduced the Academic Timesheet System, requiring academic, teaching, and research staff at UGC-funded universities to report their hours spent on UGC-funded activities. This initiative is well intended and is expected to minimize cross-subsidization of non-UGC activities with UGC resources, and to guard against the misuse of taxpayer money by universities for profit-making purposes, and thus should be supported. Despite this, the initiative has been strongly opposed by staff unions at UGC-funded universities, who argue that asking staff to keep a time log of their activities is "intrusive, degrading and infringing academic freedom" (Academic Staff Association of the University of Hong Kong, Confederation of Tertiary Institutes Staff Unions, City University of Hong Kong Staff Association, & Hong Kong Baptist University Faculty and Staff Union, 2017), and treats university staff as if they were workers in a factory. Moreover, they assert, it is not easy to make clear-cut distinctions between UGC- and non-UGC-funded activities in many cases, such as engagement in community services and participation in seminars and conferences.

Empowering and Regulating University Councils in Institutional Governance

Following in the footsteps of such countries as Britain and Australia (Fielden, 2008; Stuart, 2017), in the 2000s the UGC began to empower and regulate university councils, as a part of its NPM institutionalization, to improve its oversight capabilities and ensure university councils monitored their universities' management and expenditures using "good, solid financial transparency and robust governance" (Public Accounts Committee, 2017, p. 62). To that end, since the early 2000s, the UGC completed two important review reports on its institutions' governance—the 2002 Sutherland Report, and the 2015 Newby Report—which, together with follow-up reports by individual UGC-funded institutions, were important channels for transplanting governance concepts and practices from top modern universities in Anglo-phone countries, and adopting them into the Hong Kong public education system. With an emphasis on public accountability, the reports provided the UGC with a

legitimate mandate to force its institutions to review and change their governance and management structures, and laid a strong foundation for empowering university councils in internal governance, while simultaneously opening them to public scrutiny.

The first review report, *Higher Education in Hong Kong*, was completed in 2002 by Steward Sutherland (a UGC member and principal and vice-chancellor of the University of Edinburgh) and focused on UGC-funded institutions' governance and management structures. Sutherland (2002) found that university governance in UGC-funded institutions was marked by seven features: (1) wide distribution of governance across the institution; (2) collective responsibility; (3) large governing bodies; (4) wide representation of different stakeholders, ranging from internal members (including staff and students) to political, administrative, and other lay members; (5) consensus-based decision-making; (6) intertwined relations between advisory, governance, and management bodies; and (7) a lack of business skills applied in governing and management. This type of traditional governance was not in line with international governance trends in top, modern public universities around the world, particularly in terms of institutions' efficiency and flexibility when coping with the new demands, risks, and rapid changes of international competition in a global age.

To deal with these issues, Sutherland (2002) emphasized the importance of public universities' accountability to the public and highlighted the inevitable tensions between university autonomy and public accountability. To avoid meddling with university governance, Sutherland recommended the university council of each UGC-funded institution review its governance and management structures (including ordinance) to ensure fit for purpose, and urged the UGC to hold its institutions accountable by developing fit-for-purpose governance structures, and external and internal quality assurance processes.

In response to the Sutherland Report, different UGC-funded institutions began to review their university governance. HKU was one of the most responsive in terms of changing its governance and management structures. In 2002, HKU commissioned a panel, convened by John Niland (then the vice-chancellor of the University of New South Wales and a UGC member), to review its governance and management structures. In 2003, HKU (2003) accepted the recommendations of panel's review report, *Fit for Purpose*, and the university council abandoned its "advisory body" role and became HKU's de facto and de jure supreme governing body (Review Panel on the Centenary Ceremony, 2012, p. 129). It now has powers over and responsibilities for the university's direction, its policies and policy implementation in such important employment areas as appointments, contracts, developments and appraisals, promotions, and pay conditions (HKU, 2015). Similar to public universities in Britain and Europe, the HKU's council was downsized from 54 members, to not more than 24, and the ratio of external and internal members decreased to 2:1 from about 5:3, making internal members a minority. Moreover, the council operates on a trustee model, with responsibility for university governance shared among stakeholders. All council members are appointed or elected *ad personam* and are expected to be trustees who represent the university's interests, rather than those of the constituencies from which they were drawn. Staff and student council members are not required to step

down from offices in their respective associations, but are required to sign a written undertaking that they will serve in a “personal capacity, not necessarily adhering to the stance taken by their association” (Niland, 2009, p. 11).

Other UGC-funded institutions have made similar changes to their university governance, albeit at different paces. CUHK, which has the largest council and no student council member (see later), has not yet settled the final size and composition of its council (Taskforce for Reviewing the Size and Composition of the Council, 2016). By 2009, all UGC-funded institutions had reformed their governance and management structures, largely according to Sutherland’s recommendations (Newby, 2015). Despite this, the UGC (2010) reminded university councils of its important role in checking and challenging university management, if necessary.

The UGC’s second review report on university governance was *Governance in UGC-funded Higher Education Institutions in Hong Kong*, completed by Howard Newby (then a UGC member and former vice-chancellor of the University of Liverpool). This report focused on issues concerning the quality and effectiveness of university councils and emphasized the need to ensure university councils served the public good, by focusing on why and how to regulate them and assess their performance. Newby (2015) reaffirmed Sutherland’s arguments for shared governance by legitimate stakeholders, and the need “to strike an appropriate balance university autonomy and public accountability” (p. 37). However, drawing on international comparison of top universities in such Anglophone countries as Canada, the UK, and the US, Newby argued that good and effective governance and robust accountability are not a threat to, but protection of university autonomy, and an important condition for a university’s overall performance, particularly its research output.

Using university autonomy as a pretext for reinforcing public accountability, Newby (2015) made five recommendations concerning how the government, via the UGC, could regulate university councils’ control of their institutions in general, and of their senior management teams in particular: (1) recruiting and appointing external council members based on a template of skills and expertise needed to govern universities, and providing them with necessary induction and professional development; (2) establishing a written accountability framework that clearly delineates the relationship between the government and university, and based upon which the council and vice-chancellor will annually report on the implementation of their fiduciary responsibilities; (3) asking universities to formulate key performance indicators that can be used by their councils to assess their progress in achieving institutional priorities and desired outcomes; (4) overseeing key strategic risks and conducting risk management by drawing up a risk register the council can use to assess how well senior management identifies, manages, and handles major institutional risks, particularly financial and reputation risks; and (5) publishing a detailed council delegation scheme, charting its subcommittees and their mechanisms for reporting to the council.

These recommendations all reflect a strong need to hold universities councils publicly accountable by regulating their university governance duties and empowering them to implement their fiduciary responsibilities. The first two recommendations could help clarify the role of the government in university governance and normalize

the recruiting of external council members based on clearly defined terms and conditions. The last three recommendations are related to the creation of internal structures mechanisms for university councils to steer, supervise, and assess their senior management teams. They are expected to help UGC-funded universities improve their governance structures and increase their transparency, thus helping the UGC and the public assess their performance and progress.

How Newby's recommendations will affect university governance in public universities remains to be seen. However, the UGC has struck a task force on the implementation of Newby's recommendations, and has asked its institutions to review their governance structures and processes, in light of those recommendations. In 2017, the UGC began to ask its institutions to submit a university accountability agreement with institutional performance measures and indicators, together with an academic development proposal when applying for funding for the 2019–22 triennium (Mok, c. 2017). Therefore, it is very likely that, similar to the 2002 Sutherland Report, UGC-funded institutions will follow through and act upon these new recommendations, and their senior management teams will be under tighter supervision by their councils, based on their self-designed key performance indicators.

Although Newby (2015) acknowledged “the recent political history in Hong Kong” when he conducted his consultation, in April 2015 (p. 19), his recommendations do not touch on some controversial political and university issues confronting UGC-funded institutions, including the civic engagement of students and academics in political affairs, the automatic chancellorship of the HKSARCE, the dominance of external members on empowered university councils, and internal conflicts between university councils and their students and staff over institutional autonomy. These issues will be examined in the next three chapters.

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