

# ADOPTION OF A VOUCHER SYSTEM IN GOVERNMENT FUNDED UNIVERSITIES

## PERSPECTIVES OF HIGHER EDUCATION STUDENTS AND WORKERS OF HONG KONG

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**I**NSTEAD of a direct transfer of public funds from government to higher education institutes, a student-centred funding method termed education voucher system is used. The core idea of a voucher system is that the public funding for tuition is being driven by student's choice. This change of mode of funding has two significant effects, students now have choices and institutes now have to compete for students.

*The survey results evidence that both supply and demand sides agree that: a voucher system will give students more choices; achieve equal rights of choice in education; unpopular programmes and unpopular institutes might be axed; top-up tuition fees should be introduced; staff spending more efforts in productive activities might affect education quality; private institutes should have equal rights of getting public funds; student choice might stimulate student interest, participation, enthusiasm and dedication for his/her studies; student should compete for limited and only the best students should be given vouchers; competition for voucher might increase incentives to improve education quality; institutes might respond better to students' demands and labour demands; voucher might also lead to ultimate use of public funds; institutes might have more autonomy under voucher system and autonomy might bring about benefits to higher education; however education quality might not be maintained without government's performance indicators as a control measurement; students and the Government would benefit from a voucher system.*

*However, both the supply- and demand-sides do not agree with the government proponents of a voucher system that it should be introduced soon but rather they prefer to wait until other countries have tried such a system. Moreover, they do not agree that the government provide higher education purely based on student preference as it might lead to over or under supply of certain skills.*

### Introduction

Voucher system has two main influences on education system: student choice and financing mechanism. Vouchers have been one of the main items in the education reform agenda over the last three decades. Voucher systems have attracted a number of discussions and debates worldwide since their introduction by Friedman in 1955.

Many educationalists and economists advocate the use of voucher as a means to improve the quality and efficiency of education, yet in practice, vouchers system did not win much significant success up to now, for example, a consultant team raised five "education voucher" schemes to the Ministry of Education of Finland, but the government and society did not give an active response (Ahonen, 1996), in Australia, the Wran Committee discussed the possibility of adoption of education vouchers into higher education in 1988, another committee, the West Committee presented a report to the Minister for Education, Employment, Training and Youth Affairs, suggesting a student-centred funding system, with public funding for tuition costs being driven by student choice for both undergraduates and research students, and with higher education institutes being able to set their own fee levels, but such suggestion was defused by the new government in 1998 (Harman, 1999).

For Hong Kong, the Institutes Grants Committee has presented the report on Higher Education in Hong Kong (UGC, 2002). The report suggests a new funding model named 'financial rebalancing'. Although the word

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‘voucher’ has not been used in the report, this financial rebalancing funding model is similar to a voucher system as it proposes money moves with students (UGC, 2002, p.75–77).

As there are no experiences of adopting voucher system by the education system in Hong Kong, perspectives of key stakeholders must be considered before it is implemented. Studies and experiences from other countries undertaken before a voucher system is to be implemented on a large scale for higher education are also very rare. This study has collected stakeholders’ opinions and attitudes towards the adoption of a voucher system for higher education in Hong Kong.

## Summary of Current Research

The idea of the education voucher system is by no means a recent innovation (West & Pennell, 1997). It was advocated by Milton Friedman as early as since 1955 and he was the first economist credited with the idea of educational vouchers as a means of restoring market competition in education.

Friedman put the idea of education voucher into his well-known work *Capitalism and Freedom* in 1962. Some researchers look at voucher system from a marketing perspective, while several other economists, especially from the U.S. and the U.K., have further analysed the voucher concept and created other perspectives, for education voucher.

Two main schools of thought corresponding to two dominant objectives of the voucher system had identified (Jongbloed and Koelman, 2000), namely the liberal market approach that suggests improving school quality and efficiency by competition among schools, and the social policy approach that emphasises the equality of educational opportunity as a policy objective (Jongbloed and Koelman, 2000). These two approaches are represented by Friedman (1955) and Jencks (1970) respectively. Both approaches coexist in the United States, but the liberal market approach has dominated the attentions in U.K. and Australia.

West (1997), Albrecht & Zideman (1992) and Zhang (2000) had identified the rationale and functions of voucher systems, such information can be used to setup a framework for discussion and collecting opinions from stakeholders. West (1997) listed four contributions of voucher systems: (1) Consumer choice, which refers to a freedom of choice of institutes and a shift of focus from institutes-centred to student-centred; (2) Personal advancement, which is based on the belief that people want to shape their own destinies, such a decision can stimulate interest, participation, enthusiasm and dedication; (3) Promotion of competition, based on marketing sense, under competition only the good and strong players can stay, so it can be further deduced that competitions provide institutes with incentives to improve quality and to introduce dynamic innovation while at the same time costs can be reduced; (4) Equal opportunity, which envisages that disadvantaged students will not be discriminate.

Four functions of voucher funding had been identified by Albrecht & Zideman (1992): (1) Incorporating marketing mechanisms: the marketing issues had not been discussed much in the study, but a more detail elaboration of marketing orientation can be found in Johnstone’s study (1998). Johnstone distinguished four points: Tuition fees and productive activities; Education providers from private sector; Decentralization from central government to the regions; and Institutional autonomy. Devolution of authority from central government to institutes; (2) Equity: voucher funding can stimulate increased provision of educational places, so it can increase overall student access to institutes; (3) Increasing efficiency and quality by competition. Competition exists in both the demand- and supply-side with different effects: Students compete for limited supports and only the best students are given vouchers. In order to compete for students, institutes have to respond the students and labour demands; and (4) Autonomy: those governments without institutional capacity need not to search for indicators for assessing institutes.

Four main expectations of voucher has been discussed (Zhang, 2000): (1) Equal right of choice in education (without financial barrier); (2) Improvements of quality and efficiency of education institutions; (3) Ultimate utilisation of the limited public funds; and (4) Private institutions have the equal right to get public funds.

## Features of a voucher system

From the ideas discussed in previous section, the rationale, dimensions and functions of voucher systems have been synthesized and categorized as follows:

### **Student Choice**

Voucher can provide consumers with choices (West, 1997), and equal right of choice in education (Zhang, 2000).

### **Diversification of education**

In order to compete for students, institutes have to respond the student and labour demands (Albrecht & Ziderman, 1992). Competition can also increase incentives for dynamic innovation (West, 1997).

### **Diversification of fund sources**

Under marketing orientation, tuition fees and productive activities can produce funds for education (Johnstone, 1998);

### **Equity**

Voucher system can provide students with equal opportunity without discrimination (West, 1997; Zhang, 2000). Zhang (2000) further suggests that private institutes should have the equal right of getting public funds. Voucher funding can stimulate increased provision of educational places, so it can increase overall student access to institutes (Albrecht & Ziderman, 1992).

### **Performance of the demand-side**

People want to shape their own destinies by choosing their preferred academic programs and institutes, such a decision can stimulate interest, participation, enthusiasm and dedication (West, 1997). Students may perform even better if only the best students are given vouchers (Albrecht & Ziderman, 1992).

### **Performance of the supply-side**

In order to compete for students, institutes have to respond the students and labour demands (Albrecht & Ziderman, 1992). Competition can also increase efficiency and quality (Albrecht & Ziderman, 1992 ; West, 1997; Zhang, 2000 ), lead to ultimate use of the limited public funds (Zhang, 2000), and reduce costs (West, 1997).

### **Autonomy**

Institutes no longer need to be assessed by government's performance indicators (Albrecht & Ziderman, 1992), and thus they will have more autonomy (Johnstone, 1998).

## **Research Questions**

After a review of the literature on functions and effects of the voucher system, this research will try to answer two questions:

*What do the demand-side and supply-side stakeholder see as elements of a voucher system contributing to a successful funding model for local government-funded universities in Hong Kong?*

*Do the demand-side and supply-side stakeholders support the adoption of voucher system as a funding model for local government-funded universities? Why?*

Other focused questions of the study include:

- Can voucher system give student a freedom of choices? Is such freedom good to students?
- Will voucher system lead to diversification of education? What would be the benefits and harms that such diversification will bring to higher education?
- Will voucher system lead to diversification of fund sources?
- Can voucher achieve equal opportunity in education?
- Under a voucher system, students can shape their own destinies. Can such a decision stimulate interest, participation, enthusiasm and dedication for their studies?

- Can voucher system provide incentives for the supply-side to improve performance (such as education quality, and better use of public funds)?
- Will vouchers system offer more autonomy to higher education institutes? How will autonomy affect education quality?
- Who will benefit from a voucher system?

## **Research Design and Method**

In order to gain contributions from the key stakeholders (demand side and supply side), the research focused on the seven features of a voucher system: student choice; diversification of education; diversification of funding sources; performance of the demand side; performance of the supply side; and autonomy. After gaining responses from the demand side and supply side, an analysis of the discrepancy between the two key stakeholders, and the discrepancy between the stakeholders and the researchers who propose voucher systems would be given. Based on the analysis, it is hoped that an ideal voucher model can be proposed for further discussion.

All participants were classified as either demand side or supply side. Focus group interviews with structured questions were used for demand side (university students). Individual interview with same set of structured questions were used for supply side (both academic and administration staff). As the structured questions were related to both demand side and supply-side, the questions for both sides will be the same.

The reasons of using structured focus group interviews for demand-side were: (1) to gather data relating to the feelings and opinions of a group of people who are involved in a common situation; (2) the moderator can stimulate participants to discuss their opinions; and (3) by listening to other members' views can encourage interaction and participation. The number of participants for each focus group was around five students.

Structured individual interviews were used for the supply side as the participants of the supply side had academic professionals or executive staff members, who would have sufficient experience in voicing their opinions.

## **Sampling Strategy**

The target respondents were students, academic staff, and administrative staff members of all government-funded universities in Hong Kong.

Eight focus groups (each group consisted of 5 students) and sixteen individual interviews (both academic and administration staff) were arranged for the eight local government funded higher education institutes. Thus a total of 40 demand side responses were obtained and 16 from the supply side.

The students of each university were approached by email inviting them to the interview. An invitation for the interview was also sent to staff members of each university. Students and staff members were randomly picked from each university.

## **Interview Process**

Interviews were conducted in a face-to-face mode. Questions for interviews were listed in an interview template (Appendix-A). Each interview lasted for about 30 minutes. Notes made during interviews were used to recall what participants said and also to provide contextual understanding. The opinions were captured in plain English but a clear note of the respondents' views on the question were expressed on a 3-point scale "like, neutral, and dislike" (similarly for "agree", "neutral" and "disagree").

All information about the interview was read out by the interviewer prior to the interview. Participants were given an information sheet and consent form for reading by the interviewer prior to the focus group and individual interviews.

## **Finding and Analysis**

A summary of the analysis of the survey follows (detail statistics are contained in Appendix-B). The analysis includes finding discrepancy and consensus between the opinions and attitudes of the two key stakeholder

groups. In conclusion, the discrepancy and consensus between the stakeholders and the University Grants Committee of Hong Kong who proposed voucher systems will also be given.

### **Student Choice**

There is no sharp discrepancy between demand and supply side on the issue of student choice. Over 50% of the respondents (both demand and supply side) supported giving students free choice in selecting programmes and institutes. A strong common view could be observed that students should have freedom of choice and students will be frustrated if they are forced to study the programs or attend institutes that they do not want. Despite this, 37% of supply-side and 35% of the demand-side still held opposite opinions. Such a freedom might create chaos and might lead to an unmatched supply (over or under) of graduates to actual labour market needs.

The arguments from both the demand- and supply-side that supported the benefits of free choice were: (a) students should have more choices, and freedom of choice; (b) with choices, a student might be able to enrol into a program that matches his/her interest and need; and (c) the demand side further reflected that allowing a student to switch among different institutes freely can broaden his/her views.

On the other hand, the arguments against free choice were: (a) the supply-side reflected that unpredictable student moves might create chaos (both the demand and supply side expressed the worry of chaos), which would make it very difficult for institutes to plan what programmes to be offered and how much resource (funds and venues) should be allocated to a programme (this view of difficult planning was from the supply side); (b) both supply side and demand-side questioned that student choice might be affected by short-term trend which might result in over or under supply of graduates of certain skills; (c) the supply side further mentioned that unpredictable student enrolment might also result in extra pressure to staff members - for a sudden surge of enrolment, it might substantially increase staff workload; for a sudden drop of enrolment, there might be insufficient funding for operation; and (d) the demand side indicated that some students might not understand their real interest until they have studied a programme for some time.

In regard to equal right of choice, 56% of supply side and 50% of the demand side thought that free choice can achieve it; their main reason was that students would no longer be restricted by the government-control enrolment quota system. In order to get more funds, an institute or a programme might enrol as many students as possible; this might relieve the problem of a student being excluded from his/her choice due to insufficient education place restricted by the quota system.

However, even though the quota problem might be relieved, 31.3% of supply side and 40% of demand side still felt unsure as unpopular programmes might be axed, and then it would also deprive students' rights in choosing such programmes.

When analysing what factors affect student choice, surprisingly it revealed that the major factor was career prospect – actually very few respondents (less than 20%) would make their choice based on personal interest. Other major factors include reputation of an institute, reputation of a programme, learning environment and facilities, and teaching quality.

Although over around 50% of all respondents supported free choice, even more respondents (62.5% of supply side and 65% of demand side) disagreed that government should provide higher education to students purely based on students' preferences. The main argument put forward was that student choice may likely be affected by short term trends, and it might result in sever over- or under-supply of certain skills. In this case, it would lead to a waste of resources. Moreover, 56.3% of supply side and 62.5% of demand side showed concern that unpopular programmes might be axed and only well-established institutes with good reputations might have sufficient funds for operation, in result, only these few institutes can survive and they might be able to make a monopoly of the higher education market.

### **Diversification of education**

A majority of around 70% of respondents believed that fewer programmes and institutes would exist after adopting the voucher system, as they expected many financially-non-viable programmes and lower reputation

institutes would close. Only trendy/popular and low-costing programmes would be offered in the market. Even diversification of education might happen, some respondents still indicated possible harms: (a) resources would be spread over too many different programmes, thus most programmes might have fewer resources; (b) some programmes might meet students' interest, but these programmes might not have any social, cultural, or economic value to society.

In order to attract more students, 60% of the demand side predicted that more dynamic innovation in education might happen, while only 37.5% of the supply side shared the same view. On the other hand, 43.8% of the demand side argued that once a popular or cost effective teaching method was found, others might just mimic the method rather than innovate new ones.

### **Diversification of fund sources**

As the unit cost of each program or institutes might not be the same, top-up tuition fees might need to be introduced. To this issue, the majority of the respondents (75% of supply-side and 62.5% of demand-side) supported top-up fees as they agreed that one who benefits more should pay more. However, 25% of both the demand and supply sides insisted top-up fees would distract a student's decision from choosing programmes purely based on his/her interest or need.

In case an institute requires staff members to spend more time and efforts in productive activities, most respondents (75% of supply-side and 87.5% of demand-side) questioned how education quality could still be maintained if staff members spent less time and efforts in teaching or education activities, even worse, they might shift the focus from improving education to profit-making business.

### **Equity**

Equity of a voucher system mainly relates to three issues: equal opportunity without discrimination; student access; and who should get public funds.

There are no strong opinions about discrimination among the demand side. However 50% of the supply-side indicated that there would be less discrimination as the government-control quotas no longer exist. On the other hand, 32.5% respondents argued that quotas, thought not controlled by the government, might still exist due to other physical limitations, such as venues and resources that are available to a programme or an institute. Some respondents (25% of supply-side and 30% of the demand-side) further questioned that stop running unpopular or high-costing programmes would also discriminate students opting for such programmes.

In regard to student access, 75% of the supply-side (22.5% more than that of demand-side) expected institutes would try to increase their revenue by offering more places.

One interesting finding about whether private institutes should have the equal right of getting public funds, both supply and demand sides had very similar opinions: 50% of supply side and 52.5% of demand-side agreed both private and public institutes should have equal right of getting public funds; but still many respondents (43.8% of supply-side and 42.5% of demand side) held opposite attitude. Those who supported the idea of equal right thought that funds should also go to good performers, irrespective of whether they are private or public institutes. While those who objected to it expressed a strong demand for protecting local institutes.

### **Performance of the demand-side**

81.3% of supply side and 70% of demand side believed that letting students make their own choices would stimulate interest, participation, enthusiasm and dedication for their studies, while 25% of demand side argued that giving students too much freedom might encourage students to switch among programmes and institutes frequently and aimlessly.

In regard to competition for vouchers, both the demand side (68.8%) and supply side (62.5%) anticipated that competition would increase student incentives to perform better. However, 31.3% of supply side and 22.5% of demand side argued that the basic idea of a voucher system is to achieve equal opportunity of

education without discrimination, so as long as a student could live up to a certain standard, the student should be given a voucher.

### **Performance of the supply-side**

The observation also shows that both the supply and demand side had similar ideas of the effect of voucher on the performance of the supply side, one slightly discrepancy was that the supply side was even more positive to this issue.

81.3% of the supply-side and 70% of demand-side believed that institutes competing for students would increase incentives to improve education quality as they considered that quality education is always an attractive point to most students. Only a minority of (18.8% of supply side and 5% of demand side) challenged that institutes might spend more efforts in marketing or packaging the programmes, rather than in improving education quality.

Moreover, under market orientation, 87.5% of the supply side and 67.5% of the demand side shared a common view that institutes will respond to student demands, while 16.3% of the respondents thought that only those demands that would not affect profit making would be considered. In regard to labour demand, almost 90% of the respondents expected such demand would also be responded, such a result could be explained by the fact that most respondents considered career prospect the most important factor that effects student choice.

As it was commonly believed that market orientation would bring substantial uncertainty and instability to institutes, more than half of respondents (75% of supply side and 55% of demand side) agreed that institutes would be more cautious in spending their money, while 12.5% of supply side and 15% of demand-side challenged that some institutes with strong earning power might spend even more in luxuries than before as their earning and spending decisions are no longer controlled by the government.

### **Autonomy**

As institutes no longer need to negotiate funding with government under voucher systems, so 75% of supply side and 62.5% of demand side predicted institutes would have more autonomy than before. However, few supply side (6.3%) and demand side (15%) questioned that the control of institutes might just be shifted from government to student and labour demands.

Although over 60% respondents (75% of supply side and 62.5% of demand side) expected more autonomy, only around 50% (56.3% of supply side and 45% of demand side) were sure whether autonomy could bring benefits to higher education. The major opinions against autonomy identified were: (a) the demand-side questioned that institutes might have the autonomy of doing things good (such as improving education quality) or bad (such as focusing just on profit-making business); (b) some needed programmes but with little demand or profit might be obsolete; and (c) the supply-side pointed out that more autonomy might lead to less coordination among institutes, which might result in over or under supply of graduates of certain skills or knowledge.

With the above reasons, over 50% of the respondents worried that education quality might be degraded without government's performance indicators.

### **Overall opinion and attitude**

Around 80% of the respondents (87.5% of supply-side and 75% of demand-side) reflected that students could benefit from a voucher system. Two reasons were observed: (a) students might have better choice of selecting the programmes or institutes they want, and (b) institutes would respond to student demands. Very few respondents (around 11%) thought that staff members might benefit most respondents would expect heavier workload, higher job pressure, and more instability for staff members under voucher systems. More demand side (37.5%) than the supply side (25%) expected that some institutes might benefit from attracting more funds than before, but such an advantage might be only limited to those with good reputation. Over 75% respondents (87.5% of demand side) considered government would benefit from voucher due to less administrative and negotiation work with institutes about fund allocation and quality control.

Although most respondents regarded students the main beneficiary under a voucher system, surprisingly, around 70% respondents showed no enthusiasm in implementing it. Some important findings observed for this are: (a) the supply-side reflected that uncertainty of student enrolment might create substantial difficulty for institutes to plan programmes and resources ahead; (b) the demand side indicated that they do not want to see education to be too commercialized; (c) both the demand- and supply side wanted to have more implementation details; (d) compared with other countries, Hong Kong is a small society with less variety in economic development, so Hong Kong cannot offer too much freedom in higher education, i.e. the development of higher education must match the economic development of Hong Kong, and only at a governmental level might have a better vision for such planning; and (e) although voucher systems are being used in some primary and secondary schools in some countries, but the structure and variety (in term of number of subject offered) of primary and secondary education are less dynamic than that of higher education, so chaotic situation not happen in primary/secondary education does not mean it will not happen in higher education.

Due to the above reasons, most respondents (75% of supply-side and 90% of demand side) would like to wait for the experiences of more successful cases from other countries.

## Conclusion

A survey of opinions and attitudes of the seven features and effects of a voucher system had been conducted. The survey results show two major findings: (1) for many features and effects of a voucher system, the attitudes of the supply- and demand side are rather similar, the discrepancies are mainly in the magnitude of attitudes, and in the reasons that support their views; (2) the stakeholders (both demand and supply side) have quite a number of different opinions from what are expected from the researchers who propose voucher systems.

The discrepancies between the demand- and supply side:

The demand-side was much sure that voucher would create incentives for dynamic innovation, and productive activities would affect education quality. On the other hand, the supply-side were more positive to several aspects of voucher systems: (1) Achieving equal opportunity without discrimination; (2) Increasing overall student access by stimulating provision of educational places; (3) Responding to student demands; and (4) Leading to ultimate use of funds.

The discrepancies between the stakeholders (demand and supply side) and the researchers:

There is a significant conflict between supporting freedom of choice in education and institute funding purely based on student choice. Majority of the respondents agreed that voucher can achieve equal right of choice in education and students will perform better as they can choose the programmes and institute they want. However, on the other hand, respondents worried that institute funding purely based on student choice might result in unmatched supply (over or under) of graduates of certain skills or knowledge. Respondents also predicted that fewer types of programmes would be offered in the market as only profitable programmes would be run.

It was commonly believed that the supply side would perform better under market orientation, but several possible adverse effects were also reflected: (a) education might be too commercialized; (b) staff members might need to get involved in excessive productive activities which would affect teaching and education quality; and (c) more educational places might be offered to increase overall student access, but few types of programmes could be found, especially the low-demanded and high-costing equipment-intensive programmes.

Over 70% of the respondents were not eager to have the voucher system implemented in the higher education of Hong Kong as the details of implementation have not yet been worked out, and the price paid for the freedom of choice (instability to staff and institutes, difficulty in resources planning, and unmatched supply of graduates to labour demands) seems too high.

If the government determined to adopt the voucher system, the majority of the stakeholders would like to wait for more successful cases from other countries, and more than half of the stakeholders agreed that private institutes should also have the equal right of getting public funds.

## Future Research

The stakeholders of this research were limited to local government-funded higher education institutes, the main reason was that the report of Higher Education in Hong Kong (2002) presented by the University Grants Committee proposes a financial rebalancing model (UGC, 2000, p.75–77) to finance all eight government-funded universities. As over 50% of the stakeholders suggested that private institutes should also have the equal right of getting public funds, a future survey of the stakeholders in the private sector could give important input to the reflection of the features and effects of voucher systems. Such information would be valuable to the government and the UGC when considering the design and implementation of an appropriate and acceptable voucher system.

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## Appendix A – Interview Template

Topic	Discussion Thread	Respondent feedback
Student Choice	<p>Do you support giving students free choice of study program and institutes? Why? (Free choice means you can select any program you like and switch among local universities within the years of study)</p> <p>What benefits and harms free choice might bring?</p> <p>Can free choice achieve equal right of choice in education?</p> <p>What will be the main factors affecting a student's choice of study program and institutes?</p> <p>Should the government provide higher education to students purely based on their preference?</p> <p>With a funding model is based on student choice, some unpopular programs or institutes might not have enough funding for operation, in result, these programs or institutes might be obsolete, what is your opinions for that?</p>	
Diversification of education	<p>In order to compete for students, institutes have to respond the students and labour demands. Will it lead to diversification of education? Will it increase incentives for dynamic innovation for education? Why?</p> <p>What would be the benefits and harms that such diversification will bring to higher education?</p>	
Diversification of fund sources	<p>As the unit cost of each program or institutes might not be the same, top-up tuition fees might need to be introduced, do you support these top-up fees?</p> <p>For some study programs and institutes that do not have sufficient student enrolment to support the operation cost, more time of the staff members might need to spend more efforts in other productive activities, will this affect the education quality?</p>	
Equity	<p>Can voucher achieve equal opportunity without discrimination?</p> <p>Can voucher funding stimulate provision of educational places, so it can increase overall student access to institutes?</p> <p>Should private institutions have the equal right to get public funds? Why?</p>	
Performance of the demand-side	<p>Under a voucher system, students can shape their own destinies. Can such a decision stimulate interest, participation, enthusiasm and dedication for their studies?</p> <p>Should students compete for limited supports and only the best students are given vouchers?</p>	
Performance of the supply-side	<p>As institutes will compete for student,</p> <p>Will it increase incentives to improve education quality? Why?</p> <p>Will institutes respond to the students' demands? What benefits and harms for this?</p> <p>Will institutes respond to the labour demands? What benefits and harms for this?</p> <p>Will it lead to ultimate use of the limited public funds? Why?</p>	
Autonomy	<p>Do you think institutes will have more autonomy under voucher system?</p> <p>Can autonomy bring benefit higher education? Why?</p> <p>Under voucher system, institutes need not be assessed by government's performance indicators, will this affect the quality of education?</p>	

## Appendix B – Interview Statistics

### Student Choice

Question	Support		Neutral		Not Support	
	No.	%	No.	%	No.	%
(1) Do you support giving students free choice of study program and institutes?						
Supply-side	8.0	50.0	2.0	12.5	6.0	37.5
Demand-side	22.0	55.0	4.0	10.0	14.0	35.0
	<b>Can</b>		<b>Neutral</b>		<b>Cannot</b>	
(3) Can free choice achieve equal right of choice in education?	No.	%	No.	%	No.	%
Supply-side	9.0	56.3	5.0	31.3	2.0	12.5
Demand-side	20.0	50.0	16.0	40.0	4.0	10.0
	<b>Should</b>		<b>Neutral</b>		<b>Should not</b>	
(5) Should the government provide higher education to students purely based on their preference?	No.	%	No.	%	No.	%
Supply-side	3.0	18.8	3.0	18.8	10.0	62.5
Demand-side	8.0	20.0	6.0	15.0	26.0	65.0
	<b>Worry</b>		<b>Neutral</b>		<b>Not worry</b>	
(6) With a funding model based on student choice, some unpopular programs or institutes might not have enough funding for operation, in result, these programs or institutes might be obsolete, what is your opinions for that?	No.	%	No.	%	No.	%
Supply-side	9.0	56.3	1.0	6.3	6.0	37.5
Demand-side	25.0	62.5	2.0	5.0	13.0	32.5

### Diversification of educations

Question	Will		Neutral		Will not	
	No.	%	No.	%	No.	%
(7a) In order to compete for students, institutes have to respond the students and labour demands. Will it lead to diversification of education?						
Supply-side	2.0	12.5	3.0	18.8	11.0	68.8
Demand-side	9.0	22.5	2.0	5.0	29.0	72.5
	<b>Will</b>		<b>Neutral</b>		<b>Will not</b>	
(7b) Will it increase incentives for dynamic innovation for education?	No.	%	No.	%	No.	%
Supply-side	6.0	37.5	3.0	18.8	7.0	43.8
Demand-side	24.0	60.0	6.0	15.0	10.0	25.0

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**Diversification of fund sources**

Question	Support		Neutral		Not Support	
	No.	%	No.	%	No.	%
(9) As the unit cost of each program or institutes might not be the same, top-up tuition fees might need to be introduced, do you support these top-up fees?						
Supply-side	12.0	75.0	0.0	0.0	4.0	25.0
Demand-side	25.0	62.5	5.0	12.5	10.0	25.0
	<b>Will</b>		<b>Neutral</b>		<b>Will not</b>	
(10) For some study programs and institutes that do not have sufficient student enrolment to support the operation cost, more time of the staff members might need to spend more efforts in other productive activities, will this affect the education quality?						
Supply-side	12.0	75.0	0.0	0.0	4.0	25.0
Demand-side	35.0	87.5	4.0	10.0	1.0	2.5

**Equity**

Question	Can		Neutral		Cannot	
	No.	%	No.	%	No.	%
(11) Can voucher achieve equal opportunity without discrimination						
Supply-side	8.0	50.0	4.0	25.0	4.0	25.0
Demand-side	12.0	30.0	16.0	40.0	12.0	30.0
(12) Can voucher funding stimulate provision of educational places, so it can increase overall student access to institutes?						
Supply-side	12.0	75.0	2.0	12.5	2.0	12.5
Demand-side	21.0	52.5	13.0	32.5	6.0	15.0
	<b>Should</b>		<b>Neutral</b>		<b>Should not</b>	
(13) Should private institutions have the equal right to get public funds?						
Supply-side	8.0	50.0	1.0	6.3	7.0	43.8
Demand-side	21.0	52.5	2	5.0	17.0	42.5

**Performance of the demand-side**

Question	Can		Neutral		Cannot	
	No.	%	No.	%	No.	%
(14) Under a voucher system, students can shape their own destinies. Can such a decision stimulate interest, participation, enthusiasm and dedication for their studies?						
Supply-side	13.0	81.3	1.0	6.3	2.0	12.5
Demand-side	28.0	70.0	2.0	5.0	10.0	25.0
	<b>Should</b>		<b>Neutral</b>		<b>Should not</b>	
(15) Should students compete for limited supports and only the best students are given vouchers?						
Supply-side	11.0	68.8	0.0	0.0	5.0	31.3
Demand-side	25.0	62.5	6.0	15.0	9.0	22.5

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**Performance of the supply-side**

Question	Will		Neutral		Will not	
	No.	%	No.	%	No.	%
As institutes will compete for student,						
(16) Will it increase incentives to improve education quality?	No.	%	No.	%	No.	%
Supply-side	13.0	81.3	0.0	0.0	3.0	18.8
Demand-side	28.0	70.0	10.0	25.0	2.0	5.0
(17) Will institutes respond to the students' demands?						
Supply-side	14.0	87.5	0.0	0.0	2.0	12.5
Demand-side	27.0	67.5	5.0	12.5	8.0	20.0
(18) Will institutes respond to the labour demands?	No.	%	No.	%	No.	%
Supply-side	14.0	87.5	1.0	6.3	1.0	6.3
Demand-side	36.0	90.0	2.0	5.0	2.0	5.0
(19) Will it lead to ultimate use of the limited public funds?	No.	%	No.	%	No.	%
Supply-side	12.0	75.0	2.0	12.5	2.0	12.5
Demand-side	22.0	55.0	12.0	30.0	6.0	15.0

**Autonomy**

Question	Will		Neutral		Will not	
	No.	%	No.	%	No.	%
(20) Do you think institutes will have more autonomy under voucher system?	No.	%	No.	%	No.	%
Supply-side	12.0	75.0	3.0	18.8	1.0	6.3
Demand-side	25.0	62.5	9.0	22.5	6.0	15.0
			<b>Can</b>	<b>Neutral</b>	<b>Cannot</b>	
(21) Can autonomy bring benefit higher education?	No.	%	No.	%	No.	%
Supply-side	9.0	56.3	5.0	31.3	2.0	12.5
Demand-side	18.0	45.0	14.0	35.0	8.0	20.0
			<b>Will</b>	<b>Neutral</b>	<b>Will not</b>	
(22) Under voucher system, institutes need not be assessed by government's performance indicators, will this affect the quality of education?						
	No.	%	No.	%	No.	%
Supply-side	9.0	56.3	4.0	25.0	3.0	18.8
Demand-side	21.0	52.5	15.0	37.5	4.0	10.0

**Overall opinion and attitude**

Question 1	Student		Staff		Institutes		Govt.	
	No.	%	No.	%	No.	%	No.	%
(23) Who will benefit from a voucher system?	No.	%	No.	%	No.	%	No.	%
Supply-side	14	87.5	2	12.5	4	25.0	12	75.0
Demand-side	30	75.0	4	10	15	37.5	35	87.5

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Question 2	Both local government-funded and self-financing institutes		Neutral		Local Government Funded institutes	
	No.	%	No.	%	No.	%
(24) Do you support the introduction of voucher system into:	No.	%	No.	%	No.	%
Supply-side	8.0	50.0	1.0	6.3	7.0	43.8
Demand-side	21.0	52.5	2.0	5.0	17.0	42.5
	<b>Support</b>		<b>Neutral</b>		<b>Not Support</b>	
(25) How eager do you want to have the voucher system implemented in higher education institutes in Hong Kong?	No.	%	No.	%	No.	%
Supply-side	3.0	18.8	2.0	12.5	11.0	68.8
Demand-side	2.0	5.0	9.0	22.5	29.0	72.5
<b>Question</b>	<b>Should</b>		<b>Neutral</b>		<b>Should not</b>	
(26) The experiences of adopting voucher system in higher education from other countries are very rare, should we be one of the pioneers or should we wait for more successful cases from other countries?	No.	%	No.	%	No.	%
Supply-side	12.0	75.0	2.0	12.5	2.0	12.5
Demand-side	36.0	90.0	2.0	5.0	2.0	5.0

## Appendix C – Summary of Comments

### Student Choice

Question	Respondent feedback
(1) Do you support giving students free choice of study program and institutes? Why? (Free choice means you can select any program you like and switch among local universities within the years of study)	<p>54% of respondents supported giving students free choice, the main reason was that students have freedom of choice (student should not be forced to study the programs or institutes that they do not want), and if students could switch among different institutes, it could broaden they views.</p> <p>36% of respondents did not support free choice, the main reason is that it might create chaos and lead to unmatched supply of labours to actual market need.</p>
(2) What benefits and harms free choice might bring?	<p>Benefits:</p> <ul style="list-style-type: none"> <li>● Students have freedom of choices.</li> <li>● Matching student wants and needs.</li> <li>● Broaden students' view.</li> </ul> <p>Harms:</p> <ul style="list-style-type: none"> <li>● It is very difficult for institutes to plan the programmes and the resources (funds and venue/ space) that allocated to a programme.</li> <li>● The number of student produced may not meet economic and society need.</li> <li>● Student may know their real need after studying a program for some time.</li> <li>● It leads to instability to institutes.</li> </ul>
(3) Can free choice achieve equal right of choice in education?	<p>52% of respondents thought that free choice could achieve equal right of choice mainly due to students are no longer limited by the government-control enrolment quota system, students now have better chance of entering into a programme based on their choices rather than their examination results.</p> <p>However, still 38% were not sure due to the fact that for some unpopular programmes, they might no longer exist and this deprives students from choosing such programmes.</p>
(4) What will be the main factors affecting a student's choice of study programme and institutes?	<p>Almost over 80% of respondents regarded career prospect as the main factor affecting a student's choice. Other factors include institute reputation, programme reputation, student's interest, learning environment and facilities, and teaching quality.</p>
(5) Should the government provide higher education to students purely based on their preference?	<p>64% respondents did not agree the funding to be purely based on students' preference, the main reason is that many students' choice are affected by short-term trend, whereas the government might have better information about the longer term social and economic development of the society, and some also mentioned that over-supply of some programme would lead to a waste of resources.</p> <p>Those (20%) who supported funding based on student preference think that free market orientation (student choice) is more effective than government planning.</p>

Question	Respondent feedback
<p>(6) With a funding model based on student choice, some unpopular programs or institutes might not have enough funding for operation, in result, these programs or institutes might be obsolete, what is your opinions for that?</p>	<ul style="list-style-type: none"> <li>● Some programmes, such as social- or culture-related, even they are not popular, they should be maintained and protected.</li> <li>● As some institutes have shorter history than others, they might not have sufficient time to build up their strength and reputation. In this case, the competition is not fair to these institutes.</li> <li>● Poor-performed programmes and institutes should be obsolete.</li> <li>● Institutes should focus on education, not commercial value of a programme.</li> <li>● Institutes would become a commercial organisation rather than a knowledge-centred educational institute.</li> <li>● Unpopular programmes or institutes might not be the poor-performer.</li> <li>● The obsolete programmes and institutes might result in fewer choices to students.</li> <li>● Changing to rapidly and instability to institutes and staff members would at end affect education quality.</li> </ul>

**Diversification of education**

Question	Respondent feedback
<p>(7a) In order to compete for students, institutes have to respond to students and labour demands. Will it lead to diversification of education?</p>	<p>71% considered that it will not lead to diversification of education, mainly due to the obsolete of many financially-not-viable programmes, only trendy/popular and low-costing programmes will be offered in the market.</p>
<p>(7b) Will it increase incentives for dynamic innovation for education? Why?</p>	<p>54% responded that it would increase incentives for dynamic innovation for education. The main reason is that institutes will try to find education method that can attract students.</p>
<p>(8) What would be the benefits and harms that such diversification will bring to higher education?</p>	<p>Still 30% responded that it would not increase incentives, as the popular education method will be mimicked by other institutes, so at end fewer methods will be found.</p> <p>Benefits:</p> <ul style="list-style-type: none"> <li>● More choices for students</li> <li>● Students have better chance in finding the programmes that meet their interest.</li> </ul> <p>Harms:</p> <ul style="list-style-type: none"> <li>● Resources will be spread over too many different programmes, so each programme might have fewer resources.</li> <li>● Some programmes might just meet students' interest, but they have no social, cultural, or economic value to the society.</li> </ul>

**Diversification of fund sources**

Question	Respondent feedback
(9) As the unit cost of each program or institutes might not be the same, top-up tuition fees might need to be introduced, do you support these top-up fees?	66% showed support to top-up fees, due to who-benefit-more-should-pay-more. 25% did not support top-up fees; their main argument was that top-up fees would distract students' choice based on their real interest.
(10) For some study programs and institutes that do not have sufficient student enrolment to support the operation cost, more time of the staff members might need to spend more efforts in other productive activities, will this affect the education quality?	84% were sure that it will affect education quality due to staff member will pay less time in education, and most of the time, they will focus too much on income rather than education. Very few (9%) thought that if such productive activities can enhance staff knowledge or experiences, which might then improve the education quality by bringing these new knowledge or experience into teaching or course content.

**Equity**

Question	Respondent feedback
(11) Can voucher achieve equal opportunity without discrimination?	Those (36%) thought voucher can eliminate discrimination argued that students will no longer discriminated by examination result under the current government-control quota system. Those (36%) remained neutral thought that although the government-control quota no longer exists, but a programme cannot enroll students without a limit, so the quota for a programme under voucher is just more flexible than before. Those (28%) held opposite idea argue that many unpopular programmes will be obsolete, so students of these programmes will still be discriminated from choosing such programmes.
(12) Can voucher funding stimulate provision of educational places, so it can increase overall student access to institutes?	59% believed that more places would be offered due to most institutes would source more funding for development. 27% said not sure. 14% believed not as not all existing programmes are profitable, so the number of places might be reduced.
(13) Should private institutions have the equal right to get public funds? Why?	52% agreed to private institutions to have the equal right of getting public funds; the main argument was that only the good performer should have public funds, irrespective of public or private. 43% did not agree with it. The main argument was that many countries have support and protection for local industries, which should include education. If most of the funds go to other institutes, probably overseas institutes, then there might be no good local institutes belong to Hong Kong.

**Performance of the demand-side**

Question	Respondent feedback
(14) Under a voucher system, students can shape their own destinies. Can such a decision stimulate interest, participation, enthusiasm and dedication for their studies?	73% said can, the main arguments was students would be more enthusiastic for their interested subjects. 21% said cannot. If students are given too much freedom, they might switch among choices too often to find their best interest, which might end up nothing within 3 or 4 years of studies.
(15) Should students compete for limited supports and only the best students are given vouchers?	64% respondents anticipated that students competing for vouchers would also increase incentives for students to perform better. 25% expressed that as long as a student could meet the basic requirement, voucher should be given to him/her.

**Performance of the supply-side**

Question	Respondent feedback
As institutes will compete for student, (16) Will it increase incentives to improve education quality? Why?	73% believed that it would as they thought that many students would be attracted by good education quality. 9% replied not sure, will not as they wondered institute efforts might be spent on better marketing and better packaging of programmes.
(17) Will institutes respond to the students' demands? What benefits and harms for this?	73% believed institutes would respond to students' demands under market orientation. 18% said will not, the main argument was that if students' demands that might affect the profit, then institutes might not be positive to them, unlike government-funded universities, institutes will be likely to forward these demands to government and request for more funding to response to students' needs. Benefits: <ul style="list-style-type: none"> <li>● Student demands can be better considered.</li> <li>● Improving education by meeting student demand.</li> </ul> Harms: <ul style="list-style-type: none"> <li>● Student demands might not be rational or related to education need.</li> </ul>
(18) Will institutes respond to the labour demands? What benefits and harms for this?	89% thought will as most of the students look for programmes that can bring them better career prospects. 5% said will not, their main argument was that students' interest might not be in line with labour market, and the first consideration of an institute will be on student enrolment rather than labour demands. Benefits: <ul style="list-style-type: none"> <li>● Programmes can meet labour demand and contribute to economic development.</li> </ul>

Question	Respondent feedback
	<ul style="list-style-type: none"> <li>● Increase student employability.</li> </ul> <p>Harms:</p> <ul style="list-style-type: none"> <li>● Only meet short-term labour demand.</li> <li>● Might lead to over-supply as there would not be any coordination among institutes.</li> <li>● Those programmes with social or cultural need but without labour demand might no longer exist.</li> <li>● The variety of labour demand is rather low, so the variety of knowledge provided by programmes will also be low.</li> </ul>
(19) Will it lead to ultimate use of the limited public funds? Why?	<p>61% believed the institutes will as voucher system creates instability to funding to institutes, so they will reserve more resources for further use.</p> <p>25% said not sure.</p> <p>14% said will not. Their argument was that ultimate use of funds would happen to not-popular programmes or institutes, for those popular programmes or institutes; they might waste more money than present situation.</p>

**Autonomy**

Question	Respondent feedback
(20) Do you think institutes will have more autonomy under voucher system?	<p>66% said will as the Government now has placed too many restrictions and regulations to institutes, and the respondents also expected that institutes can respond more quick to changes and needs.</p> <p>13% said will not as they thought that the control just is just a shift from government to market and students.</p>
(21) Can autonomy bring benefit higher education? Why?	<p>48% said can, their main arguments were that Institutes can respond faster to changes.</p> <p>Institutes have more freedom in developing programmes.</p> <p>Institutes can do better planning than government, and have better information about the market and student needs.</p> <p>Institutes have better ideas about their own strength and weakness.</p> <p>34% said not sure.</p> <p>Institutes have the freedom to do better or worst.</p> <p>18% said cannot.</p> <p>Government can do a central planning for all eight institutes, which might have a better and longer-term view for education than individual institutes.</p> <p>Many institutes will turn to more commercial-oriented which is no good to higher education.</p>

Question	Respondent feedback
(22) Under voucher system, institutes need not be assessed by government's performance indicators, will this affect the quality of education?	<p>54% said will, the main arguments were Although government control is too much and tight, but they provide a good guard for quality control.</p> <p>Government might offer more objective indicators and these indicators are more related to education. Market-oriented institutes might have a different set of indicators that might not put education quality in the first place.</p> <p>34% said not sure.</p> <p>As there are little experiences in the past and a substantive portion of the education system, from primary to higher education, is under government planning and control, so it is difficult to predict the results.</p> <p>13% said would not, as under market orientation, the bad performer will be obsolete.</p>

**Overall opinion and attitude**

Question	Respondent feedback
(23) Who will benefit from a voucher system?	<p>93% - students.</p> <p>More choices and better chance of choosing the programmes or institutes they want.</p> <p>As institutes will response to student demands, student views have stronger influence and will be more seriously considered.</p> <p>7% - staff.</p> <p>Staff might get improvement due to competition.</p> <p>35.7% - institutes.</p> <p>The institutes with better reputation at present might grow faster than before.</p> <p>Institutes can focus more on their own strength and reduce wastage to the rest.</p> <p>Institutes will have better development through more flexible internal fund allocation.</p> <p>78.6% - Government.</p> <p>Less administrative work for planning and controlling institutes.</p> <p>Less cost for maintaining administrative work.</p> <p>Less argument with higher education, such as resources allocation, quality indicators and programmes development.</p>
(24) How eager do you want to have the voucher system implemented in higher education institutes in Hong Kong?	<p>9% reasoned eager, most of them believed in market orientation can bring benefit to higher education.</p> <p>20% - not sure.</p> <p>71% responded not eager, their arguments were</p> <ul style="list-style-type: none"> <li>● Due to uncertainty of enrolment, it would be difficult to plan the programmes and resources.</li> </ul>

Question	Respondent feedback
	<ul style="list-style-type: none"> <li>● Do not want to see education to be too commercialized.</li> <li>● The details of implementation have not been worked out.</li> <li>● Compared with other countries, Hong Kong is a small society with less variety in economic development, so Hong Kong cannot offer too much freedom in higher education, i.e. the development of higher education must match the economic development of Hong Kong, and only at a governmental level might have a better vision for such planning.</li> <li>● Although voucher is being used in some primary and secondary schools in some other countries, but the structure and variety (in term of number of subject offered) of primary and secondary education is much less dynamic than that of higher education, so chaotic situation not happen in primary/secondary education does not mean it will not happen to higher education.</li> <li>● If is very difficult to plan ahead of resources for programmes.</li> </ul>
<p>(25) Do you support the introduction of voucher system into (1) local government-funded universities; (2) both local government-funded and non-government-funded self-financing institutes? Why?</p>	<p>52% - both private and government, main arguments:</p> <ul style="list-style-type: none"> <li>● If government institutes do better than private ones, it will not affect them.</li> <li>● Competition can improve quality.</li> <li>● All institutes should be treated fairly.</li> </ul> <p>5% - not sure.</p> <p>43% - government only, main arguments:</p> <ul style="list-style-type: none"> <li>● Local institutes should be protected.</li> <li>● If public funds do not loop back to local economy, it will seriously damage the local economy.</li> <li>● Local institutes have a stronger commitment to Hong Kong community.</li> <li>● Hong Kong is a high-living cost city, which might attract many world-class institutes to run their education business in Hong Kong, local institutes might not survive the keen competition and this is will bring irrevocable damage to local higher education.</li> </ul>
<p>(26) The experiences of adopting voucher system in higher education from other countries are very rare, should we be one of the pioneers or should we wait for more successful cases from other countries?</p>	<p>86% - should, arguments as:</p> <ul style="list-style-type: none"> <li>● Compared with public-funds education, voucher system is offered in a limited scale, so more observations are needed.</li> <li>● The current funding methods have been used for a very long time, the results although is not very good, but also not too bad, so more evidences are needed before taking the risk.</li> </ul>

Question	Respondent feedback
	<ul style="list-style-type: none"><li>● It will surely lead to chaos in the beginning, and it will create irrevocable damages to local higher education, so a thorough understanding, observation and estimation must be made before implementation.</li><li>● We should learn from others to work out the details to suit our own.</li></ul> <p>7% not sure.</p> <p>7% should not, arguments as:</p> <p>7% not sure.</p> <p>7% should not, arguments as:</p> <ul style="list-style-type: none"><li>● There might be short-term plain, but it will bring long-term benefit to higher education.</li><li>● Any change will cause risks.</li></ul> <p>There might be short-term plain, but it will bring long-term benefit to higher education.</p> <p>7% not sure.</p> <p>7% should not, arguments as:</p> <ul style="list-style-type: none"><li>● There might be short-term plain, but it will bring long-term benefit to higher education.</li><li>● Any change will cause risks.</li><li>● Any change will cause risks.</li></ul>