



RIKSREVISIONEN  
*The Swedish National Audit Office*

RiR 2010:4 Summary

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Classification of courses at universities

## Summary

In connection with the 1993 reform to higher education in Sweden, a new system was introduced for the allocation of resources to undergraduate education at universities (including university colleges). The new resource-allocation system was intended to encourage universities to innovate, compete on quality and use resources efficiently. To achieve this, the allocation of resources to universities was to be based on their actual operations, i.e. their funding would depend on the numbers of full-year students and full-year performances in various educational areas.

The Government determined standard funding amounts per full-year student and full-year performance for each educational area. These amounts were fairly high for some areas such as engineering and fairly low for others such as the social sciences. Classifying courses – and thus full-year students and full-year performances – by educational area was to be the task of the individual universities. This was to be done on the basis of the subject content and faculty affiliation of courses. It was to be done in a way ensuring that resources were allocated fairly. This basis for the classification of courses continues to apply today (2010) even though the conditions for higher education have changed in many respects since the resource-allocation system was introduced in 1993. What is more, official inquiries have shown that the universities have diverged to some extent from the principle of classifying courses on the basis of their subject content. Those inquiries point to a need for guidelines and instructions on how to classify courses. Against this background, *Riksrevisionen* (the Swedish National Audit Office, SNAO) has examined the consequences of the direction exercised by the Government and the monitoring carried out by the National Agency for Higher Education as regards universities' classification of courses.

The audit is based on the following audit questions:

- Has the Government taken adequate action to ensure that universities follow the intentions of the Riksdag (parliament) when it comes to their classification of courses?
- Does the National Agency for Higher Education carry out appropriate monitoring?

The conclusions from the audit are that the Government has not taken adequate action to ensure that universities follow the intentions of the Riksdag when it comes to their classification of courses and that the monitoring carried out by the National Agency for Higher Education has not been appropriate.

## **Universities do not compete on equal terms**

The SNAO's audit shows that universities classify courses in different ways and have different views of what a 'subject' is. As a result, the funding allocated to universities for equivalent courses may vary. In the internal allocation of the overall grant for undergraduate education, i.e. in the allocation of resources within each university, the national standard funding levels largely determine outcomes.<sup>1</sup> These two circumstances entail that financial conditions for offering courses differ between universities.

It emerged from the audit that initiatives to classify new courses and reclassify existing ones are most often taken by departments. The classification of courses is one of the ways in which departments can influence their own financial situation. This creates incentives to classify courses as belonging to an educational area with a high standard amount of funding. Indeed, the SNAO's analysis on the basis of statistics from the National Agency for Higher Education indicates that, in 1997–2008, universities' classifications of courses changed in such a way that they received about 7 per cent more funding than they would have if they had classified courses in a similar way throughout that period.

The fact that universities can change the financial conditions for offering specific courses by changing their classification rather than by attracting more students through higher quality or by increasing educational efficiency is not, in the SNAO's opinion, compatible with the intentions of the Riksdag. The present situation, in which each university is free to determine what it means to classify courses by subject content, entails that universities do not compete on equal terms.

## **Monitoring by the National Agency for Higher Education is not appropriate**

The National Agency for Higher Education monitors developments by calculating an index of how individual universities have classified courses compared with other universities.

It emerges from the SNAO's interviews with officials at the Ministry of Education and Research and at four universities that both the Ministry and the universities are of the opinion that the Agency's monitoring shows that the course-classification system works satisfactorily. The universities also consider that the Agency's monitoring shows that their own application of that system is in line with the Riksdag's intentions. However, the Agency's index does not show to what extent universities classify in accordance with the Riksdag's intentions, but rather how universities classify relative to each other. Nor does the Agency's index show how individual courses are classified or whether universities' course classifications have changed over time. In the assessments it has made as part of its monitoring of universities' course

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<sup>1</sup> Riksrevisionen [SNAO], *Resursstyrning i högskolans grundutbildning* ['Resource control in undergraduate higher education'], performance-audit report RiR 2009:25.

classification, the Agency has stated that universities are increasingly uniform in their classification, both compared with each other and over time. However, the SNAO's audit shows that there are large differences in how different universities classify courses and that universities' course classifications have changed. The SNAO considers that the Agency should have drawn attention to the differences in how universities classify courses.

## **Insufficient direction by the Government**

The course-classification system has not been modified since 1993 even though the underlying conditions have changed. Several commissions of inquiry have found that the course-classification principles set out in the Government Bill entitled 'Higher education for enhanced skills' (1992/93:169) need to be adjusted as the conditions for higher education have changed. What is more, commissions of inquiry have also shown, first, that the universities have diverged to some extent from the principles decided by the Riksdag when classifying their courses and, second, that the universities need additional guidance on how to classify courses. This also emerges from the SNAO's audit. Even so, however, the Government has not taken any action. The SNAO considers that the Government has thus contributed to a situation where universities may receive different amounts of funding for equivalent courses, meaning that conditions for universities are not equal.

## **Recommendations**

The overall objective of the 1993 reform to higher education was to create incentives for development and quality using a system that was to be characterised by stable and unequivocal rules for the relationship between the central government and the universities. One important principle of the resource-allocation system is that the funding provided to universities should be fair. This means that equivalent courses should entitle universities to equivalent funding. This is also crucial to ensure that universities will compete on quality, as intended.

The SNAO's audit shows that the course-classification system does not work well. Against that background, the SNAO questions whether the funding given to universities can be deemed to be fair. The conditions for the classification of courses have changed since 1993 and there are no clear principles for course classification. The SNAO considers it important to remedy the shortcomings identified by its audit.

The SNAO therefore recommends that:

- the Government should carry out a review of the course-classification system with a view to creating a transparent mechanism for allocating funding to universities;
- the National Agency for Higher Education should continue, and develop, its monitoring of universities' classification of courses.