

Executive Summary

Enrolment in higher education in Portugal reached its highest ever level in 2020/21, when almost 412 000 students were enrolled in one of the country's 106 higher education institutions (HEIs). Over 80% of these students were enrolled in public universities and polytechnics, with just over 50% in public university programmes and around 30% in public polytechnic programmes. The higher education attainment rate among those aged between 30 and 34 in Portugal increased by 16 percentage points between 2012 and 2021 – from just under 28% to almost 44% – and is now above the average of the 27 European Union (EU) member states. Recent higher education graduates in Portugal are more likely to be employed and earn, on average, around 50% more than their peers without tertiary qualifications. While employment in knowledge-intensive services and high-technology manufacturing in Portugal is lower than in many other OECD countries, employment in skills-intensive sectors is forecast to grow strongly in the coming decade.

Despite its considerable successes, Portugal's higher education system faces challenges. The population of Portugal is ageing at a faster pace than populations in most OECD countries. The population aged 20-29 that constitutes the bulk of current demand for higher education is projected to decrease in Portugal by 13.5% between 2020 and 2035, with the greatest decreases (of up to one-third) in Alentejo, the North Region (Norte) and Madeira. This contrasts with a projected 10% growth in this age cohort in the Lisbon metropolitan area in the same period. While public universities generally fill more than the basic number of regulated study places they have available, student demand for places in public polytechnics is more variable, with some institutions, particularly in Alentejo and the Central Region (Centro) already struggling to attract students. These demographic trends will inevitably require the higher education system to adapt.

Total spending on public higher education institutions in Portugal in 2018 was the equivalent of 0.9% of the nation's Gross Domestic Product (GDP), compared to an average in OECD countries of 1.1%. On average, around 70% of total income in public universities and 80% in public polytechnics comes from public sources. Following the significant public funding reductions implemented after the 2008 financial crisis, total core funding from the state budget for public HEIs in Portugal increased by 15% in nominal terms between 2017 and 2021. However, the decision not to apply a formula-based allocation process from 2009 onwards has led to core-funding allocations to individual institutions becoming progressively misaligned with real enrolment levels.

This OECD review has analysed the way in which core public funding for day-to-day operations is allocated to public higher education institutions in Portugal, the way in which public funds are used to support the strategic development of the higher education system and the use of public resources to promote the accessibility of higher education. The review has drawn on national and international evidence and data sources, as well as extensive consultations with higher education institutions and stakeholders in Portugal. The table overleaf summarises the main findings and the policy recommendations to Portugal in these areas that have resulted from the review.

Table 1. Summary overview of main findings of the review and policy recommendations

Main finding	Recommendations
1. Core funding for higher education institutions	
Ensure clarity about the purpose of the core operating grant to public HEIs	
Since 2009, core funding to public HEIs in Portugal has been allocated on an incremental, historical basis, without application of the funding formula established in law. This has led to significant divergence in the level of funding that public HEIs receive per student.	1. Ensure that the design of a future model for allocating the core operating grant is guided by the principles of transparency, equity and efficiency, with complementary support outside the core model for institutions in regions with declining populations.
In contrast to some other OECD systems, Portugal does not provide HEIs directly with a distinct core grant for research – the core operating grant partly funds the salaries of staff engaged in research.	2. Ensure the purpose of the core operating grant for public HEIs, including its contribution to co-financing research, is made explicit in future secondary legislation.
Short-cycle Professional Higher Technical Programmes (TeSPs) now form part of polytechnics' "core business". Until at least 2027, a significant proportion of funding for TeSPs will come from EU funds.	3. From 2027 onwards, aim to integrate funding of TeSPs into the core-funding formula, in recognition of these programmes' status as a core component of polytechnics' educational activity.
Develop a new model for allocating core public funding to HEIs, guided by the principles of transparency, equity and efficiency	
Current disparities in the level of core funding per student received by public HEIs are inequitable and significantly disadvantage institutions that have experienced enrolment growth in recent years.	4. Develop, using zero-based budgeting, a new model to allocate the core operating grant from the state budget to public HEIs, in which a majority of core funding is allocated using a formula.
As in other OECD systems, fixed costs in HEIs in Portugal (permanent staff and buildings) represent a high share of total costs.	5. Consider allocating a minority of the core operating grant to public HEIs (perhaps between 15% and 25%) as a fixed funding component, which remains stable for an extended period.
Although underlying staff costs in universities are higher than in polytechnics, the cost factors for different study fields used in the 2008 iteration of the funding formula may not be fully justified.	6. Review the validity of the 2008 cost factors used in the previous model, assessing if the differences between subject fields and between university and polytechnic programmes reflect real costs.
International experience suggests that it is important to limit the number of parameters in funding formulas and provides mixed evidence of the effectiveness of output and outcome-related funding.	7. Link all or most variable core funding in the new model to simple student-related parameters. Alongside enrolment, consider the use of output parameters (degrees and doctorates awarded).
Recognise that implementation of a new funding allocation model will require a transition period and additional resources	
Restoring allocation of core funding to a rational basis with a new formula-driven model will inevitably lead to some institutions receiving a lower share of the budget envelope. They will need time to adapt.	8. Introduce the new funding allocation model progressively, with a transition period to allow institutions that, under the model, will receive a lower share of the budget envelope to adapt.
Alongside revision of the core-funding model, it would be advisable to provide additional support to HEIs in areas facing demographic decline, while also reviewing tuition-fee policy (see below).	9. Design the transition period to account for planned complementary funding for strategic investment and adjustment and possible revisions to tuition-fee policy.
Portugal spends a lower percentage of its GDP on higher education than the average of OECD countries, while the introduction of a new funding model creates opportunities to secure additional resources.	10. Seek to mobilise additional public resources for core funding of public higher education institutions, highlighting how these resources will support clear quality and efficiency objectives.
2. Supporting the future development of the higher education system	
Update the country's vision for the higher education system, recognising more explicitly the need for restructuring	
The current "Contract for the Legislative Term" (Contrato de Legislatura), establishing shared policy priorities, ends in 2023.	11. Prepare and adopt a new national strategy for the sustainable development of the public higher education system from 2024.
There is a need to build on existing efforts to encourage and support institutions to make clear strategic choices about the areas in which they wish to focus.	12. Include in the strategy a greater focus on the need for individual HEIs to develop distinct profiles and centres of excellence.
There is no reason to believe the demographic decline of interior regions can be fully stopped – let alone reversed.	13. Ensure that the strategy adopts an explicit and realistic approach to adapting the public HE system to demographic change.
Require HEIs to develop clear profiles and realistic development strategies in institutional agreements	
The experience of other OECD jurisdictions suggests that a system of institutional strategic development agreements would help to support institutional profiling and targeted investment in Portugal.	14. Introduce a system of institutional agreements for public HEIs, with an agreement concluded between government and each HEI, indicatively for a four-year period.
Implementation of such a system of agreements will require capacity in the public administration.	15. Form a small secretariat to organise the institutional-agreement system and to monitor progress on an annual basis.
Experience from other OECD systems, notably Ireland, has illustrated the value of involving international peers in the agreement process.	16. Involve international experts as peer reviewers in the assessment of institutional plans and achievement of intended results.
To be effective, institutional-agreement systems require an appropriate monitoring process, which is sufficiently light touch to avoid undue burden on institutions, but adequate to monitor progress in relation to agreed goals.	17. Conduct light-touch monitoring on an annual basis, using existing data collection processes, wherever possible.
	18. At the end of the (indicatively) four-year implementation period, conduct a thorough review of progress.

Main finding	Recommendations
Allocate strategic funding to all public HEIs and provide adjustment funds to institutions with the greatest need to adapt	
International experience has shown the value of allocating strategic development funding to HEIs to support future-oriented activities.	19. Provide multi-annual allocations of strategic development funding to all public HEIs (e.g. 5% of the core-funding envelope).
As institutional agreements provide a solid accountability framework, allocation of funds should be as simple as possible.	20. Allocate the majority of strategic development funding to institutions as a lump sum payment on a pro-rata basis.
HEIs in interior and island regions in Portugal will require additional investment to help them adapt to the changing demographic context.	21. In addition to the strategic development funds, provide adjustment funding to institutions with the greatest restructuring needs.
Ensure other policy tools support institutional profiling and system coherence	
Study-place allocation must ensure there are sufficient places to serve currently under-served student populations in metropolitan areas but can also be used for strategic steering of the HE system.	22. Revisit the criteria used to allocate study places through the numerus clausus system to align them better with student demand, employment outcomes and centres of excellence.
As noted in a previous OECD review, legal teaching-load requirements unnecessarily restrict workload models in HEIs.	23. Amend legislation governing employment of academic staff to facilitate more flexible workload models.
There is scope for the Agency for Assessment and Accreditation of Higher Education (A3ES) explicitly to consider institutional profiles as part of their quality assessments of HEIs.	24. Ensure complementarity with institutional profiles and strategic development agreements is considered as part of A3ES institutional evaluations.
A review of Foundation for Science and Technology (FCT) funding instruments and an assessment of the capacity of these to support institutional profiling would help to inform appropriate policy decisions.	25. Ensure FCT research funding allocation criteria are supportive of the broader profiling and restructuring agenda.
3. Resourcing accessible higher education	
Maintain commitment to territorial coverage of higher education, with a strong focus on quality and relevance in regional locations	
Particularly for individuals from low-income backgrounds, having a higher education campus in their home locality or region is likely to increase their chances of entering and completing higher education.	26. Maintain physical accessibility of campuses as a criterion for planning the future of the higher education system, focusing on ensuring territorial coverage for entry-level tertiary programmes.
Demographic changes mean restructuring of the institutional network will be needed, while there is a strong case for concentrating specialised provision in a limited number of locations.	27. Recognise that maintaining the territorial coverage of the higher education network does not imply maintaining the existing configuration of institutions.
Consider linking tuition fee levels to socio-economic criteria, while increasing financial support to the students most in need	
Recent reductions in tuition fees have been applied equally for all students. A more targeted approach would represent a more effective use of limited resources and benefit those most in need.	28. Introduce a differentiated system of tuition fees with the lowest fees for grant recipients and graduated higher fees for other students.
In common with systems in several other OECD systems, the current system of student grants in Portugal requires students to enrol for at least 30 credits.	29. Review the current eligibility criteria for student grants to evaluate if the system is sufficiently flexible to support an increasingly diverse student population, particularly adult learners.
The outcomes of the +Superior programme for grant recipients have not been thoroughly evaluated.	30. Commission an independent evaluation of the +Superior programme.
Explore methods to ensure more equitable investment in student services across the territory	
Variation in per-student investment in Social Action Services does not appear to have a clear justification. More systematic analysis is required to establish the causes and justification for the differences.	31. Analyse the factors that explain the current variation in the per-student levels of investment in student services between public HEIs and consider the case for minimum levels of provision.
There are limited incentives for HEIs to share student services. There is scope to incentivise such sharing of resources, where practical.	32. In locations with multiple public HEIs, require HEIs to develop solutions that allow student services to be shared between institutions.
The National Plan for Housing in Higher Education (PNAES) has increased supply of subsidised student housing. Future investments must pay careful attention to projected changes in student demand.	33. Ensure that future investments in publicly funded student housing are targeted in locations with the greatest unmet need for student housing.



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