

In the last three decades, the Portuguese higher education system has been through significant changes, including its rapid massification from a gross participation rate of some 7% in 1974 to over 50% at present and diversification with the emergence of a binary system and a large private sector. Simultaneously, and similarly to what happened in other Western European countries, Portugal followed the general trend towards the development of a regulation model based on institutional autonomy and stronger self-regulation, with the State reducing its level of intrusive regulation and moving to a more supervisory role.

In 1988, Parliament passed the University Autonomy Act (Law 108/88), conferring broad administrative and financial autonomy on public universities and reinforcing their academic autonomy. It contributed to the creation of a new framework for the relationship between the State and public universities.

However, despite the greater autonomy of public higher education institutions (a law on the autonomy of the public polytechnic institutes was also passed in 1990), the State remained an important partner in the higher education system (Teixeira, Rosa & Amaral, 2004), the funding system of public higher education still remaining a very powerful steering instrument to implement national higher education policies. In this article, we shall analyse how far the funding system was able to steer the public universities, with special emphasis on increasing the management efficiency of the academic and non-academic staff.