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Abstract

This paper analyzes the effect of the introduction of performance-related funding in the German

university sector. Starting in the 1990‘s, the federal states of Germany introduced incentive-based funding systems in order to increase universities‘ performance and efficiency. We estimate the effects of this reform on four common outcome indicators of the funding models: The number of students and graduates, which are supposed to measure teaching performance, and the number of PhD graduates and the amount of third-party funds, which quantify research output. Using a difference-in-differences estimator, our results suggest that for increasing the outcomes in teaching, a weak incentive is sufficient while the research outputs are only affected if the incentive is strong enough. We further identify different responses by university types, which shows that the results are mainly driven by technical colleges. According to our findings, it is crucial to design the funding models carefully to provide the “right” incentives and hence to achieve the underlying goal of the reform.(HRK / Abstract übernommen)

Signature

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