

Performance funding indicators and related reforms in Australian higher education

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The Government's consultations on performance funding and low-SES participation provide opportunities for important inputs to be made. We seek to make the most of these opportunities and to work constructively with the Government in achieving important outcomes for the country.

However, in doing so we need to face up maturely to several risks:

- Focussing on implementation details rather than on policy framework design;
- Treating specific funding elements separately rather than in an integrated way;
- Undertaking a raft of activities and producing a plethora of indicators, which when taken together, do nothing to raise inputs per student, student-staff ratios, and student success;
- Being complicit in incremental processes that fail to deal with the fundamental problems, create unwarranted intrusions and stifle dynamism.

I note a certain level of frustration emerging among senior university ranks:

"A key concern I have is that with both compacts and performance funding the Government appears to be departing further and further from its policy as set out in its 2006 Higher Education White Paper – which remains official party policy. What started out as rather desirable policy objectives around institutional autonomy, the pursuit of excellence and diversity are now being diluted more and more into a narrow and highly prescriptive straightjacket for institutions."

Purposes and objectives

So let us consider the policy purposes.

Australia needs internationally competitive capabilities to sustain innovation across economic sectors and enable social and environmental challenges to be tackled cost-effectively. Particular attention has to be given to advanced human capital formation and the building of ways and means for enabling Australian researchers to access high-capacity infrastructure and knowledge networks.

Concurrently, it is necessary to reduce wastage through the exclusion of some Australians from opportunities for full participation. This is important notably for enabling people to have rewarding lives, building cohesive communities and increasing productivity.

¹ The views expressed in this paper do not necessarily represent the views of Go8 university Vice-Chancellors.

With regard to human capital formation, Australia needs to develop a coherent and sustainable policy and financing framework for 'post-mass' tertiary education – where more than half the population of school leavers are participating in post-school education and training,² and many others in older age cohorts are undertaking further learning. The Australian Government, in cooperation with the States & Territories, is looking to expand participation further towards 'near-universal' tertiary education.³

This imperative raises several challenges, especially given that (a) a larger number of participants with varying backgrounds and motivations will require more diversified ways and means of undertaking higher education, (b) much of the current framework is an incrementally modified legacy system from the 'pre-mass' era, (c) much of the physical infrastructure and teaching staff of the present higher education system is ageing and in need of replacement, and (d) fiscal capacity constraints can be expected to persist over the next several years

Importantly, it is necessary to understand in a comprehensive way what is required to achieve the higher education participation and attainment goals set by the Australian Government. The main financial challenges are:

- Securing adequate funding for increased participation without diminishing quality;
- Providing sufficient teaching personnel with adequate capabilities;
- Providing the necessary infrastructure for teaching and learning.

The first of these challenges involves:

- Building up the funding base to a level that is sufficient to support internationally-competitive quality of higher education, through a mix of increased Government funding per student and additional private finance;
- Achieving efficiencies in the provision of higher education through structural diversification of the national system, and increases in the productivity of teaching and learning within higher education institutions.

That is, it will become increasingly necessary to provide sustainable sources of income growth while containing operating costs in order to meet future demand with acceptable quality. This will require new efforts to balance the structure of incentives to achieve national goals with the creative

² In 2008, the proportion of young people (15-19 years) participating in post-school education or training was 56.7% nationally, with the proportion ranging from 35.3% in the Northern Territory to 69.8% in Victoria. Additionally, 30.5% of the 18-24 year old population participated in education or training above Certificate III on a full-time or part-time basis in 2008. [COAG, National Education Agreement 2009, Tables 41 and 42, derived from ABS *Survey of Education and Work*, 2008].

³ The Australian Government has adopted two sets of targets; one relates to skills formation and the other to higher education access and attainment of degree qualifications. With regard to goals for raising participation and attainment in Vocational Education and Training, COAG has agreed to achieve a national Year 12 or equivalent attainment rate of 90% by 2015, and provide an education or training entitlement to young people aged 15-24. In respect of higher education, the Australian Government has committed to raise to 40% the proportion of the population aged 25-34 years with at least a Bachelor's degree, and to increase the higher education participation of students from low socio-economic backgrounds to 20% of total enrolments.

harnessing of diverse institutional capabilities. This involves clarifying the respective responsibilities of the Government and universities.

The basic responsibilities of the Government in this context are to get the frame factors right (i) adequately fund enlarged participation, to maintain quality; (ii) encourage the formation of a responsive set of diverse institutions; (iii) safeguard the reputation of Australian qualifications by insisting that all accredited providers must demonstrate that they are operating above a minimum acceptable quality standard in relation to the qualifications they award, and taking firm action where there is evidence to the contrary; and (iv) promote efficiency improvements through incentives to reduce student attrition.

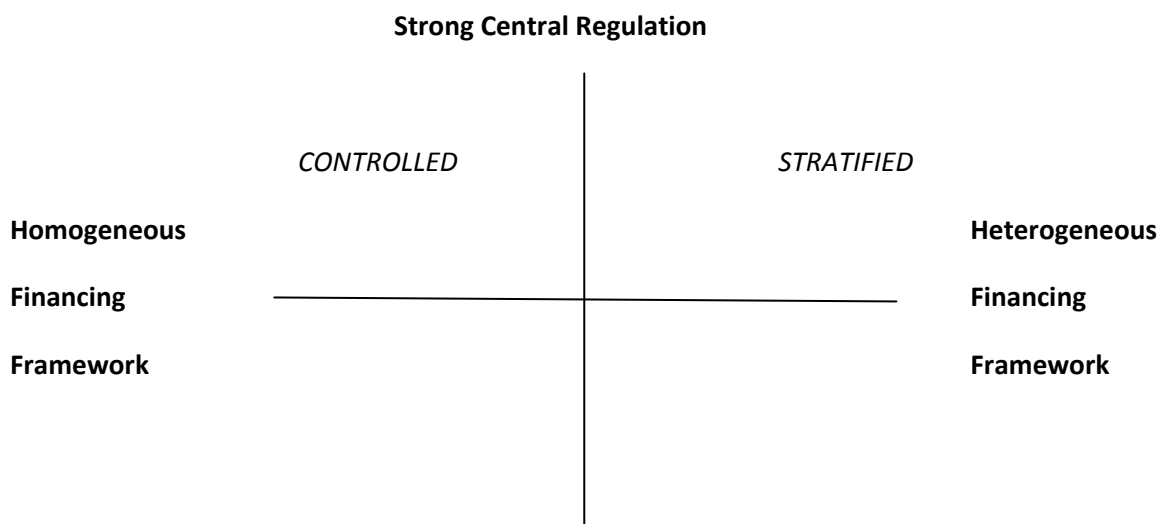
Universities are responsible to the Government for the achievement of the undertakings to which they commit as a contract of funding. Universities also have wider responsibilities to other communities that support them in various ways.

There has been a long established understanding internationally that universities, not governments, are responsible for setting academic standards in teaching and research. Peer review and hard-earned reputation are powerful drivers towards excellence. It is also widely accepted that universities function best where they are free to innovate and respond to changes in knowledge development and student demand. The Australian Government's policy move to a student demand driven model is predicated on this very premise.

Essentially, an approach to performance-related funding can be developed which encourages the sector to meet the increasingly diverse needs of the student body accessing higher education, and allows individual universities to contribute variously to their fullest extent to achieve the Government's objectives.

Such an approach can be contrasted with a 'principal-agent' model of relations where governments treat universities as their policy delivery agencies, rather than as partners who have different but complementary roles to play. These options might be depicted along two continua: one from strong centralisation of operational control through to one of strong institutional autonomy of operation; and one where the financing (including performance funding) ranges from common treatment of universities to customised treatment.

Scenarios for Australian universities



Strong Institutional Autonomy

The consultation papers on performance funding and low SES measures reflect greater sameness than difference of approach to universities, and a much greater than expected level of central influence over institutional operations, notwithstanding the rhetoric of respect for university autonomy and the intention for government, as expressed in the 2008 Budget papers, to get out of the way. So how do we make sense of where the Government is coming from:

- First, the Government suggests that it is committing significant additional funding. The consultation paper on performance indicators proclaims the benefits of improved indexation, performance funding and equity loadings – but without recognition of the student growth that needs to be accommodated and the added capability requirements (infrastructure and academic workforce): “Complementary higher education reforms, including the introduction of a demand driven funding system, increased indexation and additional equity loading provide institutional incentive for student participation and inclusion”. Of course, for us it is a choice of least worst alternatives, given the Howard Government’s disinvestment, cultural antagonism and strong central intervention
- Second, largely reliant on the Bradley report for policy direction (however deficient) the Government is understandably seeking concrete initiatives in its first term (to fill the rhetorical space of the ‘education revolution’). It wants to see tangible reforms – quid pro quo for additional public investment – demonstrable signs of Government work to improve system functioning (responsiveness, quality and efficiency), with a political focus on a few simple banner reforms. The Departments are driven to develop program guidelines quickly so that funds can be allocated.
- The risk is a tendency to reductionism through simplistic assumptions about cause and effect, readily collectable metrics rather than meaningful information, common rather than tailored approaches, and a plethora of fads, perhaps well-intentioned but also partly driven by fashion or ideology without evidence about effectiveness in terms of educational outcomes. In this respect, the quality of inputs matters (students, teachers, facilities, funding).

Even so, specific proposals have partial merit and cannot be simply dismissed – which makes it difficult to get message across in media soundbites; e.g. higher Education teaching qualifications; increased low-SES access to Bachelor degree; tighter educational standards.

Of course there are ambiguities not only in the Government’s policy settings but also in university responses. There are differences in the circumstances and positioning strategies of universities, which means that some will support and others will oppose particular policy measures, some will go for growth even at lower than adequate funding rates, (seeking cash now and building up the

enrolment pipeline for open-ended automatic funding per place at full funding rates post 2012, going to or above the 10% 'over-enrolment' to be funded from 2010.

Some within our group, for instance, see the need for a broader policy framework but are concerned that advocacy for that could be portrayed as resistance or rejection of the Government's emphasis on greater access of low SES to undergraduate education. However, I don't think we should be silent on such matters. To the contrary we have a responsibility to argue for good policy and present evidence to back up claims, and if we stay silent the Government will not appreciate that there are better ways to achieve its objectives.

In constructing a sustainable policy framework for post-mass higher education, we should understand several tendencies. The first is for governments to pay less than the actual costs of the services they want – and we know the consequences: blow-outs in student staff ratios, run-down of infrastructure, loss of attractiveness to talent.

The second tendency is for public concerns about the maintenance of academic standards to be raised in the media by parents and others, with governments feeling obliged to respond. Governments tend to regard the tertiary education sphere much as they regard the secondary schooling sphere: accountability for results; efficiency and productivity; quality assurance of minimum standards; an inclination to homogenisation with little appreciation of different provider purposes. Areas traditionally regarded as matters of university autonomy are seen to be open for governments to intervene.

A third tendency, which flows from the sound policy principle of transparency and openness in decision making about the allocation of resources, is that policies and procedures are and are seen to be even-handed and non-discriminatory. A one-size-fits-all approach can be seen in the use of normative financing, such as through formulaic schemes, where all institutions receive the same unit of resource for similar activities, such as for teaching in a particular field of study. Qualitative differences are not taken into account normally, partly because they are not readily measurable or their assessment is contestable, or there is a reluctance to expose poor performance. Hence, the policy approach creates incentives for sameness,ⁱ whereas differentiation requires discrimination which in turn requires good information and the exercise of judgement.

Higher Education Performance Funding

The Go8 supports the Government's objective to ensure that Australia has a quality-assured higher education system which is accessible to all who can benefit. Go8 universities are committed to work purposefully to achieve the five key goals outlined in the discussion paper:

1. Increase participation of people from low SES backgrounds in undergraduate higher education;
2. Improve the overall teaching, learning and support provided to students;
3. Increase the number of students who graduate with a bachelor degree, particularly low SES students;
4. Improve students' cognitive learning outcomes;
5. Improve universities' teaching and learning performance.

Pursuit of these objectives should not diminish the important roles that research-intensive universities play, especially in disciplinary leadership, research, research training and postgraduate education.

Policy considerations underpinning the performance funding framework

A threshold issue for the performance funding framework is the balance between sector-wide as distinct from institution-specific indicators. The discussion of this important matter is ambiguous in the discussion paper and needs to be clarified.

The use of sector-wide measures

Sector-wide indicators are appropriate where there is a national quantitative target to be achieved, such as goals 1 and 3 in the above set of 5 objectives. In these areas (setting aside for now the complexities of identifying low SES background students) institution-level targets could be negotiated against a common measure, so that progress towards the national goals can be monitored. The specific targets for individual institutions would have regard to their circumstances, capacities and missions.

The use of institution-specific measures

Institution-specific measures should be used principally for the other three goals which relate to qualitative dimensions of performance improvement. There may be some common indicators, such as measures of student satisfaction, where reasonably robust instruments (e.g. the Course Experience Questionnaire) have been developed, and where valid inter-institutional comparisons can be made. As discussed below, there are serious risks associated with the common use of instruments that have not been designed or validated for the proposed use.

However, above and beyond the minimum national standard for a given qualification, there are qualitative differences that reflect diverse orientations to learning and teaching, not only across fields of study but also across universities. The purpose of a performance funding approach should not be to homogenise higher education or stifle dynamism, but rather, to reward the continuous improvement efforts of each university, consistent with its chosen educational orientation.

Arguably, “TEQSA actually mitigates the need for a bank of common sector-wide performance measures”. However, perhaps there is a middle path whereby universities select a number of particular indicators from a broader common menu – I suggest this may be a practical way forward.

ⁱ Van Vught. F. (2008). Mission Diversity and Reputation in Higher Education, *Higher Education Policy*, 21. 151-174.