



National Tertiary Education Union

Submission

to

Performance-Based Funding for the Commonwealth Grant Scheme

(HEReform@education.gov.au)

Contacts:

Alison Barnes, National President (abarnes@nteu.org.au)

Paul Kniest, Policy and Research Coordinator (pkniest@nteu.org.au)

Introduction

The National Tertiary Education Union (NTEU) represents the industrial and professional interests of some 28,000 staff working in higher education and research.

Before outlining our views on a better way to make our universities accountable for meeting their core responsibilities, we feel it is necessary to highlight the fundamental misconceptions underlying the decision to establish a narrowly defined performance based funding model as outlined in discussion paper for this review. While the NTEU is not denying there is room for improvement, we challenge the tenor of the discussion paper, especially where it says:

By ensuring a link between funding growth and performance the sector will now see that further growth occurs when quality is demonstrated.

and

linking fund growth to performance (will) encourage universities to introduce new and more efficient initiatives....

[Source: Department of Education Training (18 December 2018) Performance-based funding for Commonwealth Grants Scheme Discussion Paper p6 -7.]

These statements strongly imply that:

- 1) our universities are not offering high quality teaching, research or community service, and
- 2) our universities are inefficient.

The NTEU strongly disputes the validity of both of these assumptions, when there is clear evidence to the contrary. Our submission will highlight this evidence, and in doing so, question the basis for this funding proposal.

We also oppose the policy proposal to tie post 2020 increases in Commonwealth Grant Scheme (CGS) grants to increases in the 18-64 year population and question how this could, in any way, be said to represent “growth funding” when taking into account the billions of dollars of cuts to public investment in higher education. This submission will also detail our concerns with this proposal.

Quality

Australia’s higher education system is widely acknowledged as one of the best in the world. Despite our reservations about international rankings, Australian universities consistently punch above their weight in these rankings. This is particularly evident with the sector’s growth as an export industry, noting that, despite the challenges of rapid expansion in both domestic and overseas student

enrolments in recent decades, both completion rates and student satisfaction have thus far been generally maintained.

This having been said, recent releases of the Times Higher Education (THE) world rankings have warned that the performance of Australian universities might suffer in the future if the federal government's planned funding cuts to the sector go ahead. As THE editor Phil Baty [said on the release of 2017 rankings](#), "Australia must ensure that it continues to invest in its universities and remains a welcoming place for international students and staff if it wants to remain a key global player in higher education."

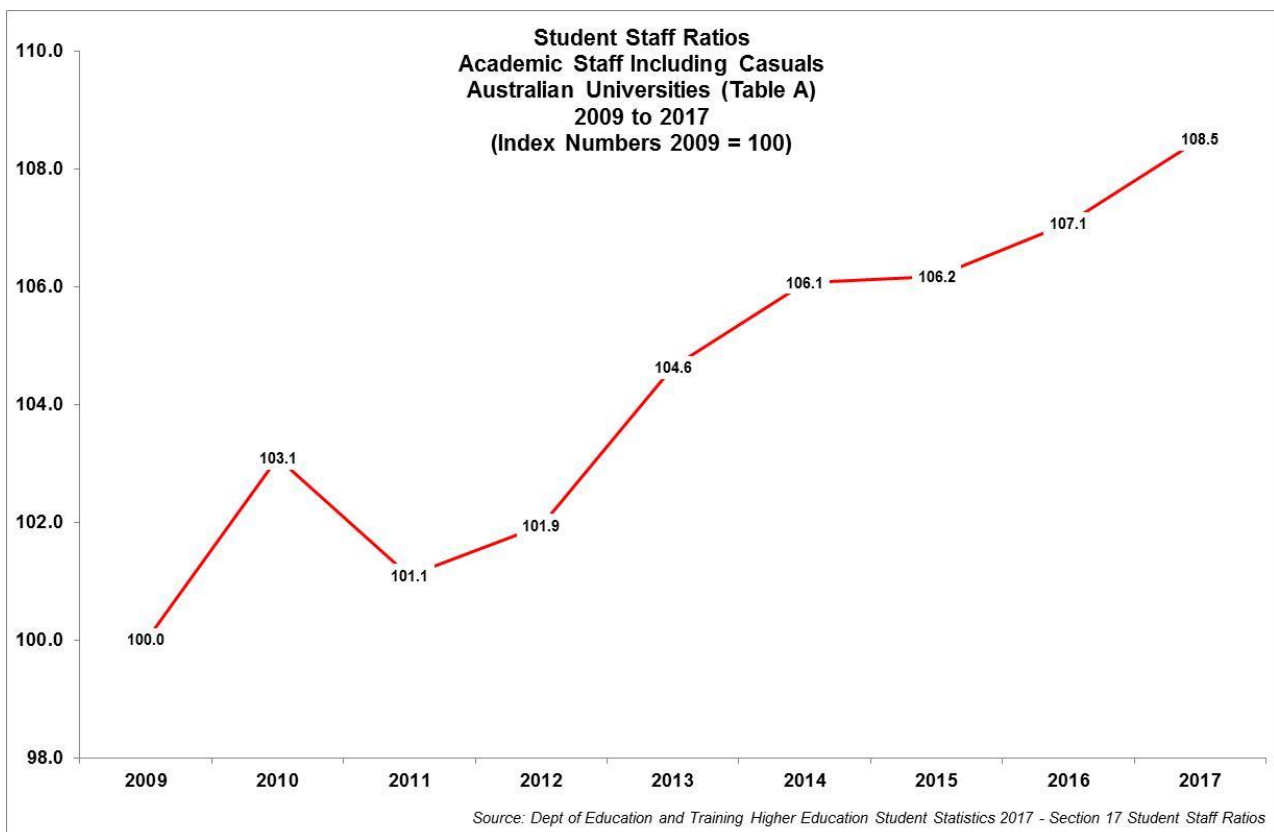
Cuts to public investment and continual Ministerial statements questioning the quality of our higher education system have the potential to undermine the reputation and standing of our higher education system.

Efficiency

Student staff ratios

Figure 1 shows that the student:staff (including casuals) ratio at our public universities has increased by almost 10% since 2009. The reason for this rests with the rapid increase in the number of students following the introduction of the demand driven system announced in 2009, which was not matched by a commensurate increase in staffing levels, either permanent or limited/casual, resulting in added pressure on the already stretched workload of staff.

Figure 1



Research publications

A recent article in the Times Higher Education on research productivity, measured as average number of research publications per staff member, noted that:

Australia had one of the largest leaps in the average score for papers per staff and is now second only to the Netherlands on the metric.

[Simon Baker (28 November 2018) [Which nations have surged forward on research productivity?](#) Times Higher Education]

We also note the results for 2018 of the 2015 Leiden Ranking, which measures the scientific performance of 750 major universities worldwide, based on Web of Science indexed publications from the period 2013–16. There were 26 Australian universities included in the 2018 ranking, for both impact and collaboration.

Excessive hours and unpaid overtime

The reason Australia has been able to maintain a world class higher education system as well as very significant improvements in both teaching and research productivity is largely because of the goodwill and extraordinary generosity of staff working in the sector.

The NTEU's 2017 [State of Uni survey](#) had over 17,000 respondents from the university sector. The survey found that, despite an 'official' 35-38 hour working week being in place, on average:

- Full time academic staff worked 52.1 (compared to 50.7 in 2015) hours per week over the course of the year, and
- Half of full time general/professional staff reported they worked uncompensated overtime, for an average 5.8 hours (5.7 in 2015) per week.

To understand the enormity of workload issues in our universities both at a micro (personal) and macro (sector wide) level, and based on a conservative estimate of 38 hour full time work week, the results show that:

- Academic staff across all of higher education worked in excess of 640,000 hours over and above a standard 38 hour just in order to satisfy the requirements of their job. This translates into over 30.7million hours a year or 17,000 full time jobs, with staff 'gifting' about \$2.1 billion in wages/salaries.
- General/professional staff worked 176,000 hours of uncompensated overtime a week, which equates to 8.5 million hours a year or 4,600 full time jobs and around \$350 million 'gifted' in wages/salaries.

For the government to push for even further improvements in efficiency from our universities is not only an insult to all working in higher education, it shows a lack of understanding as to what is actually happening at our universities, especially in the context of declining levels of public investment.

We therefore reject the assumptions that underpin the discussion paper, and instead put forward the view that our universities are both efficient and effective at offering high quality teaching, research and community service.

This is in the context of an environment where public funding is being continually eroded by government.

Funding

Declining public investment in higher education

In our 2019-20 Budget Submission, the NTEU showed that public investment in higher education has been slashed by more than \$10billion since 2011. The 'hit list' of major cuts included:

- \$1.4billion from converting Student Start-up Scholarship to loans;
- \$698million from abolishing performance funding for universities;
- \$648million in cuts to the Sustainable Research Excellence (SRE) scheme;
- \$298million from abolishing the Capital Development Pool;
- \$90.7million from the Higher Education Participation and Partnerships Program;
- \$35m from cost recovery from providers in relation to cost of the Higher Education Loans Program (HELP) and the Tertiary Education Quality and Standards Agency (TEQSA);
- the freeze on university funding announced in the 2017-18 MYEFO statement cuts a further \$2.2billion from higher education over the forward estimates;
- the freeze on research support block grants another \$328m; and
- \$3.7 billion for university infrastructure in the Education Investment Fund (EIF) re-purposed to National Disability Insurance Scheme (NDIS).

So-called growth funding

It is totally disingenuous for the discussion paper to say that the performance based funding in anyway represents growth funding. In addition to the savage cuts in public investment outlined above, this so-called growth funding comes after the government's decision to freeze Commonwealth Grants Scheme (CGS) funding at 2017 levels for 2018 and 2019. When the freeze is lifted in 2020 we do not return to demand driven funding based on Commonwealth supported student load and indexed to the Consumer Price Index, but funding tied to the growth in the 18-64 year population, which is forecast to be in the 1.1% to 1.2% range in the foreseeable future. It is expected to deliver somewhere in order \$70m per annum for the whole sectors.

As Figure 2, taken from [the NTEU's 2019-20 Pre-Budget Submission](#) shows, the funding freeze and subsequent increased in CGS funding represents a real and sustained cut in real public investment in higher education, when compared to business as usual (demand driven system with enrolments increasing in line with population growth). The Budgetary savings amount to in excess of \$6billion to

2025. However, the real impact of the policy on universities and their students will really depend on each university responds in terms of how many Commonwealth supported student they elect to enrol.

The following analysis and charts taken from the NTEU's [Overview of the 2018 Budget](#) shows that if:

- universities elect to maintain student participation rates (increase enrolments in line with population growth) (Scenario 1 – Figure 3 they will experience a very substantial cut in real funding per student,
- universities elect to maintain real funding per student at 2018 levels (scenario 2 – Figure 4) they will have to cut enrolments of Commonwealth supported places (CSPs) substantially. Adopting this strategy will result in tens of thousands of students missing out places they would expect to be offered in previous years (Figure 5).

Figure 2

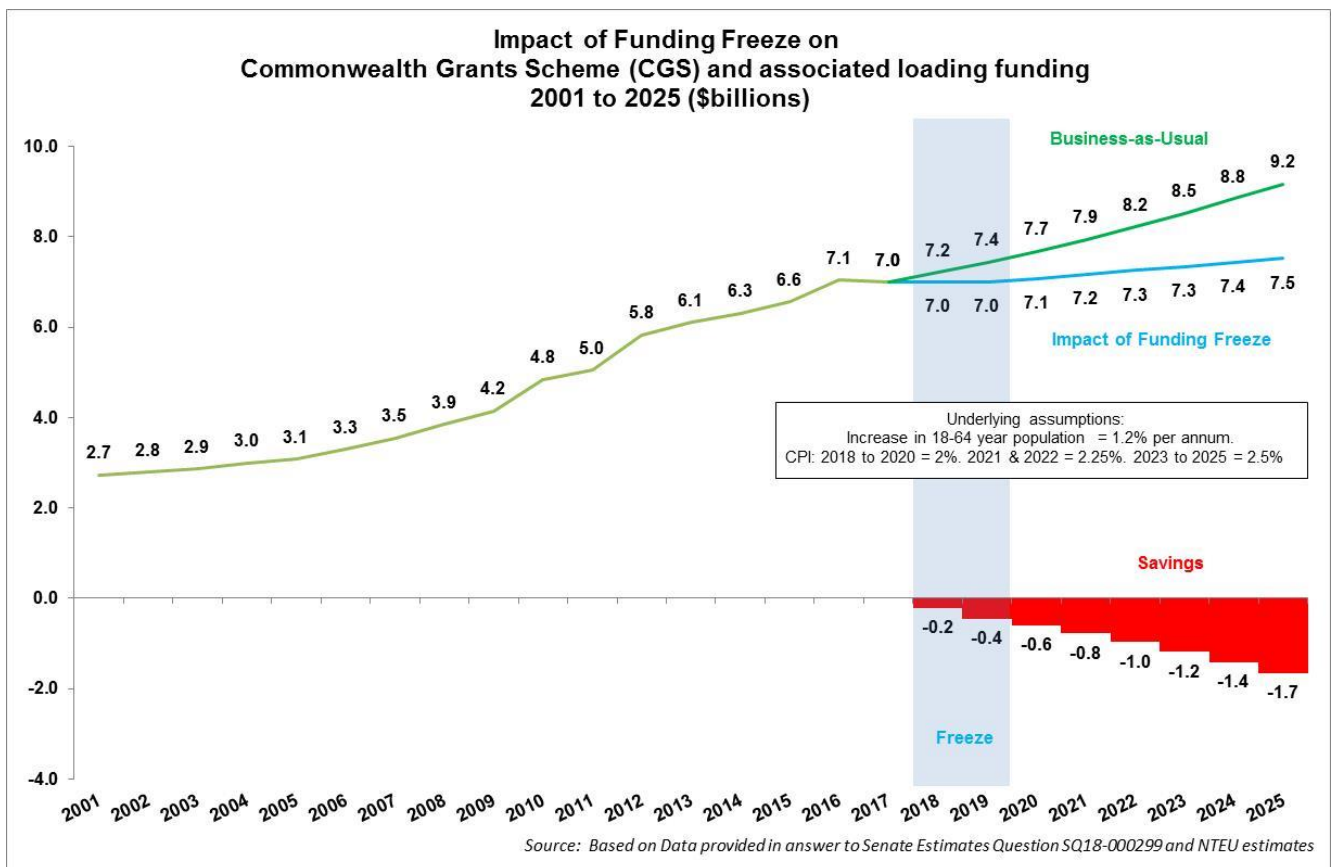


Figure 3

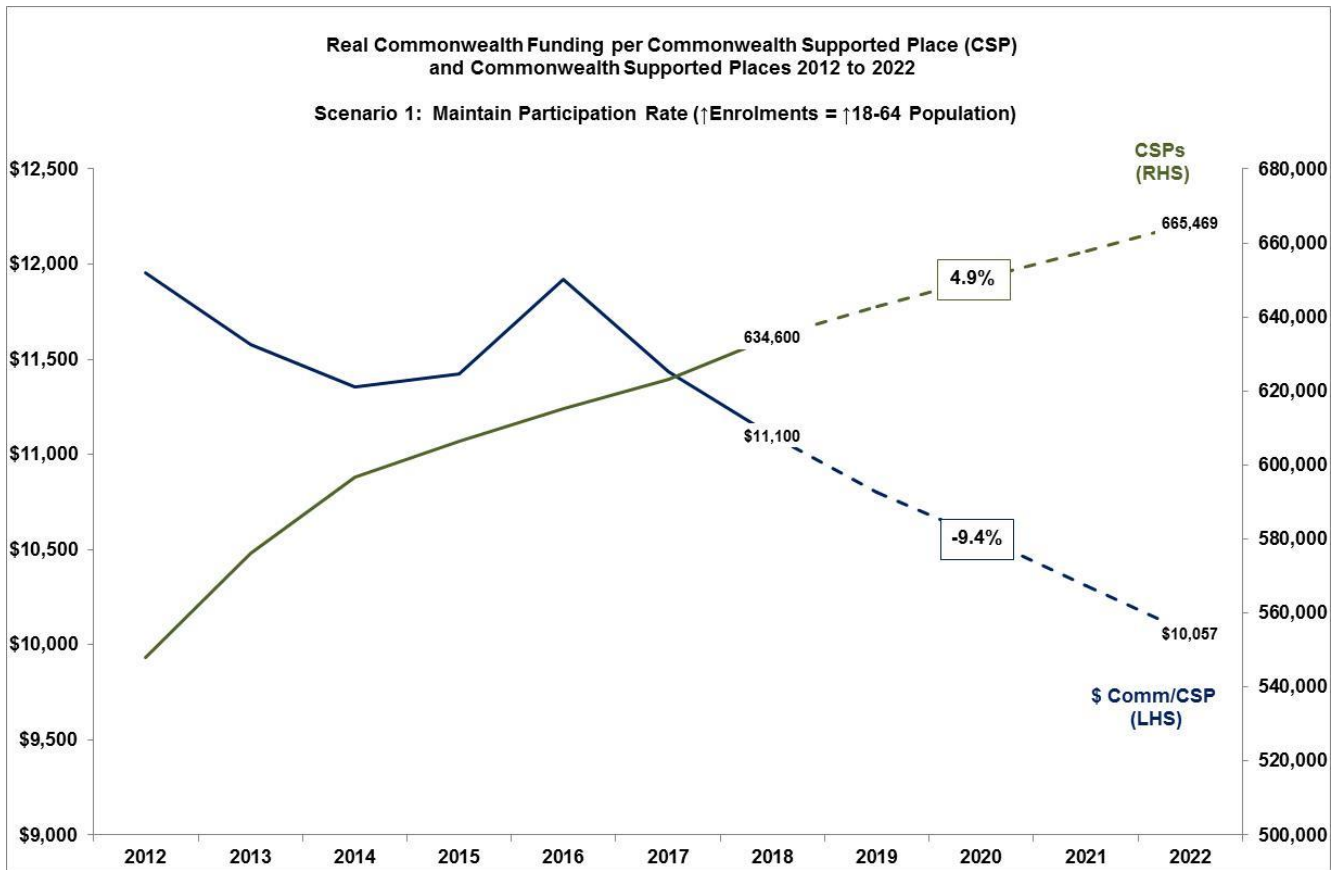


Figure 4

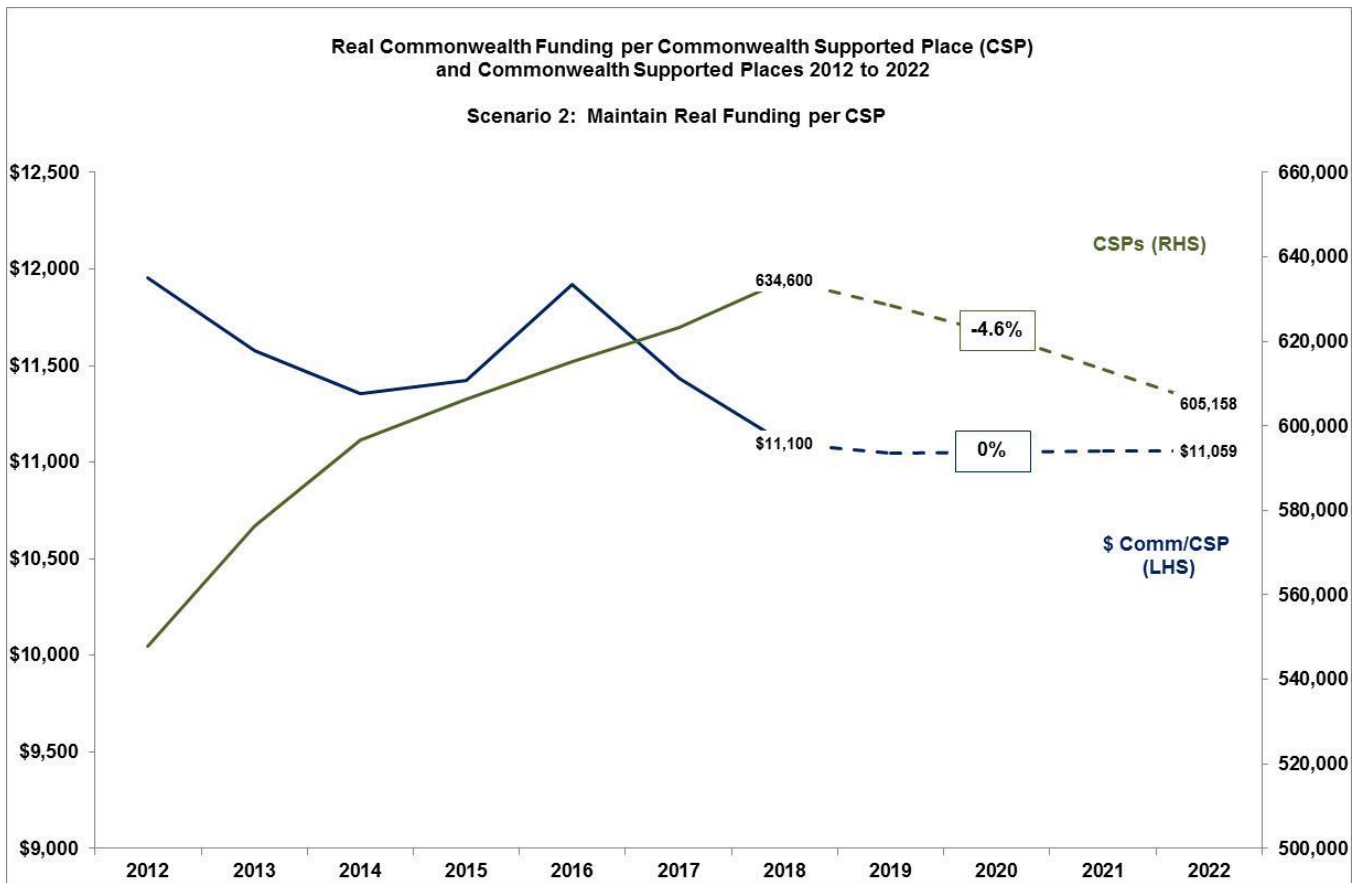
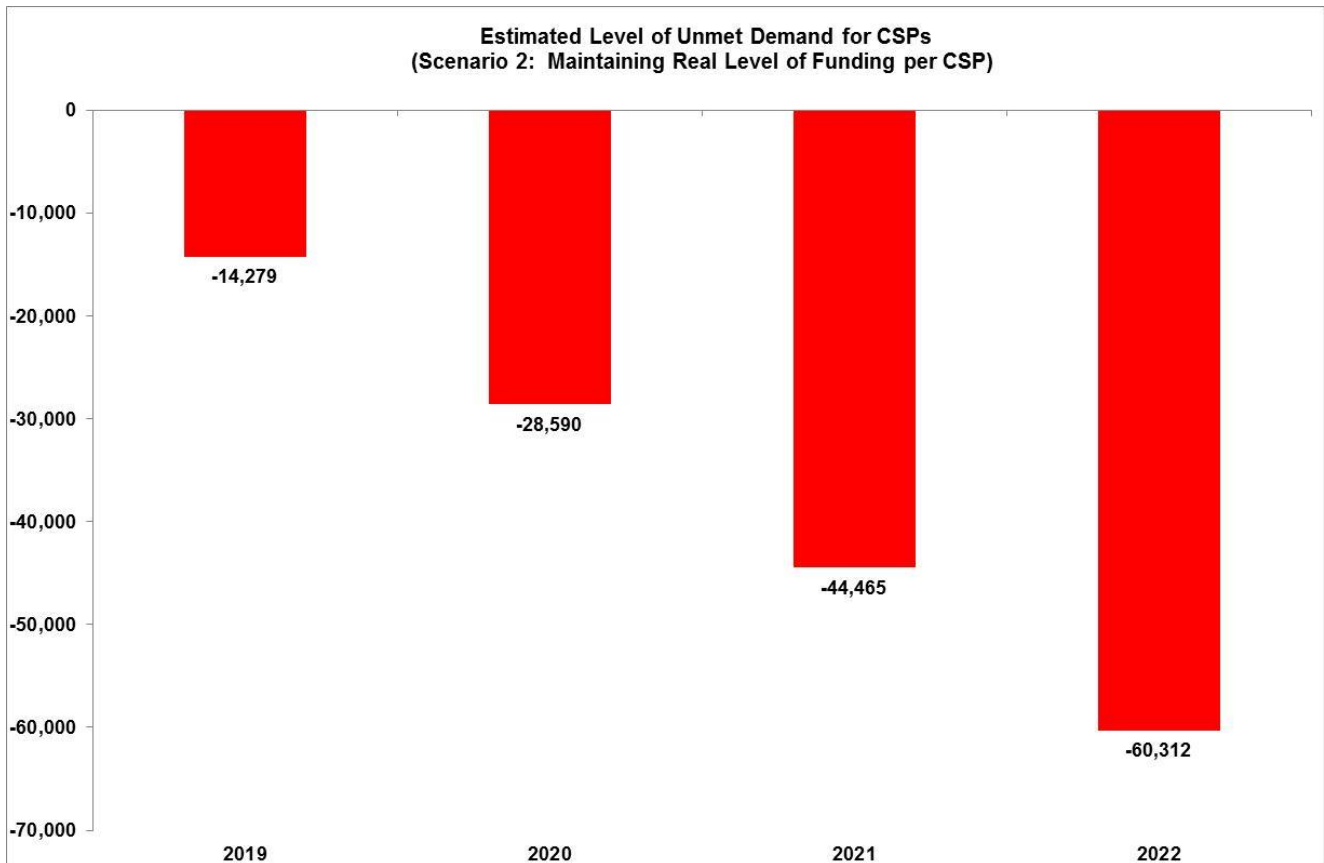


Figure 5



Given the prevailing circumstances the NTEU believes that any consideration of performance based funding must be tied to genuine real growth funding. At a very minimum this would require the government to reverse the current funding freeze, tie CGS funding to Commonwealth supported student load and reintroduce appropriate indexation.

In addition to providing genuine growth funding the NTEU believes that the performance based funding model as is being proposed in the discussion paper is not fit for purpose, for the reasons outline below. We are advocating for a broader accountability based regulatory and funding framework to encourage universities to meet the expectations of their students, staff and their communities.

Perverse consequences of performance funding

Even if this performance based funding was being introduced as genuine and real growth funding, the NTEU would remain opposed in principle to use of a narrowly based student outcomes funding mechanism as is being proposed in the discussion paper. There is plethora of literature questioning the efficacy of performance based funding in education as well what are sometimes referred to as unintended consequences.

In a study of over 500 higher education institutions across all states of the USA, covering the period 1993 to 2010, [Rutherford and Rabovsky](#) found that up until 2014:

.. performance funding policies are not associated with higher levels of student performance and that these policies may in fact contribute to lower performance over a longer period of time.

There is also substantial research that shows that educational institutions in some cases respond to narrowly based student outcomes performance based funding by either restricting student entry (raising the expected level of academic preparedness of new students), or even more troubling, easing academic standards to improve pass rates. Restricting entry will disproportionately impact on disadvantaged students and therefore while you might improve student outcomes you will reduce equity. Reducing academic standards will undermine the reputation and standing of our universities. While policy makers might find some comfort in calling these unintended consequences, we would emphasise that while unintended, they are highly predictable.

There are also far more prosaic issues that raise serious concerns about trying to introduce a mechanism that purports to measure one university's performance relative to all other universities. In addition to the very real problems of defining and benchmarking indicators or metrics that accurately reflect the outcome you are trying to measure, we ask whether it even makes sense to compare such metrics between a Group of Eight University with an institution like the Batchelor Institute of Indigenous Tertiary Education (BIITE) or regionally based institution like Central Queensland University (CQU) which has multiple campuses and study centres in all Australian States and Territories except Tasmania and the Northern Territory.

While the discussion paper acknowledges the very differing circumstances faced by different universities, the options for accommodating these differences are severely limited by the fact that it:

- is limited only to a narrow range of student outcome indicators,
- shows a very strong preference for a competitive/punitive mechanism for distribution of funds where outcomes for all institutions are compared and there are clear winners and losers.

Performance funding vs public accountability

While the discussion paper recognises the need allow for institutional differences, we do not believe that it goes far enough. As noted above, the discussion paper only refers to outputs such as completion rates and employability, without taking into account inputs such as the level or staffing or provision of student support services.

This not a radical or novel approach. [TEQSA's risk assessment framework](#) takes into account a far broader and more balanced range of indicators including not only student completions/graduate satisfaction/ graduate destinations, but also input measures including changes in student load, student

progression rates, proportion of senior academic staff, student staff ratios and the proportion of staff on casual contracts.

The NTEU is urging that rather than proceeding with a narrowly defined performance based funding scheme as outlined in the discussion paper, that the review panel recommend that the government embed the idea of performance based funding within a broader public accountability framework.

Public accountability framework

The NTEU has been advocating for the introduction of a public accountability framework for the funding and regulation of higher education for a number years. We first spelt out the broad parameters of such a framework in our [2015 Budget Submission](#) *Towards a sustainable policy framework for Australian higher education*. While the framework was primarily devised to provide a funding and regulatory framework that was sustainable for students, institutions and governments (both fiscally and politically) it was also structured so as to ensure each institution is held accountable to its students, staff and community and government, which the NTEU would argue is the appropriate benchmark with which to assess a university's achievements in the broader sense.

Public accountability agreements

Under the NTEU's proposed public accountability framework, each university would be required to enter into a public accountability agreement (PAA) with the relevant authority¹. PAAs would in effect replace existing funding agreements and as such do not add an additional layer of red tape or substantial additional compliance costs. PAAs would also be published to ensure maximum transparency. As a result of negotiation between the relevant funding authority, each PAA would specify certain goals/objectives in relation to teaching/learning, research/research training and community service obligations. The PAAs would also specify the timeframe over which these goals/objectives would be achieved and how their achievement (or lack thereof) would be demonstrated or measured. This might be through the use of public available data or via other means such as internal surveys or focus groups for example.

The importance difference between the public accountability framework and the proposed performance based funding model outlined in the discussion paper is that, under the former, each university would be judged in terms of its own goals and objectives, not those determined by a group of Canberra bureaucrats. That is not to say that universities would necessarily be given 'carte blanche'; in relation to learning/teaching, for example, each university might be expected to cover, but not necessarily limited to:

- proposed changes to student enrolments,
- student progression,

¹ The NTEU supports the establishment of independent commission or authority that has regulatory and funding responsibilities for tertiary education.

- student support services,
- academic staff profiles,
- proportion of staff employed on casual / limited term contracts, and
- proportion of teaching delivered by casual employees.

It is critical that these include mixture of both outcome and input or process measures.

Without getting into the details which were outlined in our [2015 Budget Submission](#) we would point out that the goals/objectives and how these are measured within each university's PAA will be subject to negotiation, which will not only reflect their mission and values but also take into account community or government preference and priorities. In relation to proposed changes to student enrolments, for example, the government would not only want to be satisfied that each universities has the necessary resources (staff, professional placements, academic support services etc) to ensure that each student enrolled as a genuine opportunity to complete their studies, but also that enrolment patterns reflect broader labour market or community needs.

The NTEU believes that it is far more important for a university to be able to demonstrate that it is achieving the goals and objectives which are based on its mission and values rather than a narrowly defined set of student outcome metrics.

Recommendations

The NTEU is opposed to the introduction of any form of performance/accountability based funding until the government:

- i) stabilises real funding per Commonwealth supported student by:
 - a. reversing the current funding freeze
 - b. tying Commonwealth Grants Scheme funding to Commonwealth supported student load
 - c. restoring appropriate indexation that reflects increases in university costs

and

- ii) distributes real growth funding above and beyond that outlined above through an accountability based regulatory and funding framework, and not competitive/punitive performance based framework based on a very narrow set of student outcomes metrics as outlined in the discussion paper.