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Professor Paul Wellings
Chair, Expert Panel
Consultation on Performance-Based Funding for the Commonwealth Grant Scheme
Via email to: HEReform@education.gov.au

Dear Professor Wellings

Re: Submission to Performance-based Funding for the Commonwealth Grant Scheme

USQ welcomes the opportunity to contribute to the national discourse on the proposed performance-based funding (PBF) scheme.

As a foundation member of the Regional Universities Network (RUN), USQ gives its full support to the RUN submission to this consultation. It is noted that RUN has undertaken extensive work in this area to which all member universities, including USQ, have contributed.¹

There are a number of points which USQ wishes to emphasise. These are summarised below with full responses to the discussion questions provided in Attachment A.

- **The PBF must be fit for purpose.** It is noted that the principal aims of a PBF relate to encouraging quality and performance improvements in universities by providing positive incentives for positive behavioural change. Experience from other countries, particularly in the USA² and UK³, suggest that effectively achieving these aims holds many challenges and involves significant risks. In particular, a flawed PBF runs the risk of:
 - promoting uniformity across the sector;
 - discouraging student diversity; and
 - unfairly disadvantaging particular universities and, in turn, disadvantaging the students and communities that they serve.

It is therefore critical that Australia learns from the implementation of PBF schemes internationally and approaches the development of the PBF model with due care. It is equally critical that the selected measures of the PBF be carefully considered and tested to ensure they are fit for purpose and meet the principles of the scheme. It is also important that the expectations placed on Australia's PBF are reasonable and realistic. For example, experiences in the USA and UK suggest that while PBF

¹ Regional Universities Network (8 June 2018). *A performance framework for regional universities*: <http://www.run.edu.au/resources/RUN%20Performance%20framework%20final%20report%2012%20June.pdf>

² Li, A.Y. (25 January 2019). *Lessons Learned: A Case Study of Performance Funding in Higher Education*: <https://www.thirdway.org/report/lessons-learned-a-case-study-of-performance-funding-in-higher-education>

³ Department of Education (UK) (7 September 2017). *Teaching Excellence Framework: lessons learned*: <https://www.gov.uk/government/publications/teaching-excellence-framework-lessons-learned>

schemes do appear to be effective in improving university behaviours, their impact on performance outcomes data often can be minimal. ^{4 5}

- **Appropriate contextualisation performance data is critically important.** It is particularly important to note that the assertion on p. 14 of the discussion paper that *"...attrition relates more to which university a student goes to rather than the students characteristics and, by extension, indicates that universities should have significant control over their student attrition rates"* is not supported by current research and recent studies produced or commissioned by the Federal Government. These studies have found that factors, other than the university that students attend, impact on attrition. For example:
 - The 2017 *Universities Australia student finances survey* found that many students are undergoing financial stress to the extent of being unable to afford basic necessities and being forced to miss classes to undertake paid work; and that this, in turn can have severely negative effects on student performance and persistence. The survey results also identified particular groups at risk with low SES students – a group that has a significant overlap with other groups including people from regional areas and Aboriginal and Torres Strait Islander people – are more likely to be experiencing financial stress as student than non-low-SES students.
 - Exit surveys of mature aged students undertaken by USQ, particularly those who have studied part-time while employed, consistently points to factors involving juggling university study with concomitant family and work responsibilities as placing negative pressure on a student's capacity to complete.
 - Research conducted under a NCSEHE grant by RUN universities found that *"... the completion rates for low-SES students, students from regional and remote areas, students with a disability and Indigenous students are lower in RUN universities than in the group of metropolitan universities ... [are] more likely to relate to economic influences, situational sociocultural influences, enrolment patterns, and emotional influences than student characteristics or institutional practices."* ⁶
 - The report *Completion rates of higher education students: Cohort analysis, 2005-2014* commissioned by the Department of Education and Training ⁷ concluded that *"... there is likely to be many other factors not captured by the [Government] model that might account for completion"* (p. 7).
 - Similar conclusions have also been made by recent reports by the Higher Education Standards Panel ⁸ and TEQSA ⁹.

Research consistently points to particular 'groups at risk' being vulnerable to attrition for reasons of finances, family and work-related factors that are largely beyond the control of universities:

⁴ Li, A.Y. 25 January 2019, *op. cit.*

⁵ The Million Plus DVC(A) group in the UK concluded that the Teaching Excellence Framework (TEF) engendered positive organisational cultural change – however those changes would be hard to measure.

⁶ Nelson, K. *et al.* (2017). Understanding the Completion Patterns of Equity Students in Regional Universities: <https://www.ncsehe.edu.au/wp-content/uploads/2017/06/Nelson-Completion-patterns.pdf>

⁷ Department of Education and Training (2017). *Completion rates of higher education students: Cohort analysis, 2005-2014*: <https://docs.education.gov.au/node/41841>

⁸ Department of Education and Training (June 2017). *Improving retention, completion and success in higher education: Higher Education Standards Panel*:

https://docs.education.gov.au/system/files/doc/other/final_discussion_paper.pdf?_cldee=cy5kZWxvYmVsQHVu aXZlcnNpdGllc2F1c3RyYWxpYS5lZHUuYXU%3d&recipientid=contact-71985e40bc94e61180e8c4346bc5c274-e302ef9090fe498a8ae1087eb9908f82&esid=599e2736-b350-e711-811b-e0071b68f7c1

⁹ TEQSA – Characteristics of Australian higher education providers and their relation to first-year student attrition: <https://www.teqsa.gov.au/latest-news/media-releases/teqsa-study-highlights-common-characteristics-linked-attrition>

- A recent study by The Grattan Institute found that online, part-time and mature-age students have among the lowest completion rates.¹⁰ Low completion rates were also noted for Aboriginal and Torres Strait Islander students and students from remote areas.
- Research supported by the National Centre for Student Equity in Higher Education in 2015 found lower completion rates for low-SES, non-metropolitan and Aboriginal and Torres Strait Islander students and that when analysed by SES, age and type of attendance, completion rates of students become lower the more of the 'at-risk' groups to which a student belongs.¹¹
- In summing up the Higher Education Standards Panel discussion paper of June 2017¹², the then Chief Executive of Universities Australia stated: "After reviewing the evidence, it concludes yet again that students with the highest attrition rates are those most likely to be juggling university with jobs or caring for their families. That's particularly true for students who are mature age, part-time or studying online".¹³

To suggest then, then: "... that universities should have significant control over their student attrition rates" does not reflect current evidence and would be a flawed basis for considering a PBF.

USQ serves a high proportion of 'at risk' students – over 30% low-SES, 45% rural and remote students and 70% part-time students. In this way, USQ, and similar institutions, carry a disproportionate load in providing access to and broadening student representation in higher education. It is essential for the success of the PBF and to ensure an equitable Australian higher education system that the performance of these students is appropriately contextualised for all performance measures used in the PBF. Such contextualisation is critical to negate the risk of universities introducing admissions policies which may reverse the advances made over the last 15 years to increase and broaden participation, if certain groups of potential students are perceived simply as risks to institutional performance.

It is suggested that attrition and completion rates should be weighted according to student profile, rather than benchmarked, to ensure that universities are not penalised for enrolling students from disadvantaged groups. Weighting is preferable to benchmarking against similar institutions. It is simpler and more accurate.

Further to the question of contextualisation, USQ strongly supports the proposal included in the RUN submission to this consultation process of the inclusion of a 'provider submission' process; based on the process used successfully in the UK's Teaching Excellence Framework (TEF) process.

- **A statement regarding the quality of learning and teaching.** Related to the above point, it is also noted that it is flawed to believe that non-contextualised measures of student outcomes can be used as a proxy measure for teaching quality. Universities with high proportions of students from identified disadvantaged groups have tended to receive little credit for the contribution they make to broadening

¹⁰ Cherastidtham, I., Norton, A., and Mackey, W. (2018). *University attrition: what helps and what hinders university completion?* Grattan Institute: <https://grattan.edu.au/wp-content/uploads/2018/04/University-attrition-background.pdf>

¹¹ Edwards, D. & McMillan, J. (2015). *Completing university in a growing sector: Is equity an issue? Report submitted to the National Centre for Student Equity in Higher Education, Australia. Australian Council for Educational Research (ACER), Melbourne:* <https://www.ncsehe.edu.au/publications/completing-university-in-a-growing-sector-is-equity-an-issue/>

¹² Department of Education and Training (June 2017). *Improving retention, completion and success in higher education: Higher Education Standards Panel: op. cit.*

¹³ Universities Australia (14 June 2017). The facts on university attrition: expert report to government, media release: <https://www.universitiesaustralia.edu.au/Media-and-Events/media-releases/The-facts-on-university-attrition--expert-report-to-government#.XGIocYcUk3G>

higher education participation. In order to support educationally disadvantaged students to achieve graduation standard requires a much greater 'value add' than is required for high performing independent learners.

- **A statement regarding the importance of maintaining healthy sector diversity.** As noted in the RUN submission to this consultation process: "*RUN universities significantly exceed the national average for part-time, off-campus, mature-age, Indigenous, low-SES, regional and remote students and students with disabilities. This is a positive and should be viewed as such, rather than a situation with the potential to compromise receipts of performance-based funding.*" Unfairly penalising universities which support high proportions of what can be considered as 'at risk' students, risks promoting dysfunctional behaviour, for example, through admissions policies that further disadvantage these students.

It is important that the PBF does not serve to discourage diversity in the Australian higher education sector by promoting conformity to a particular model of a university. A 2013 research briefing by The LH Martin Institute and ACER entitled *Profiling diversity of Australian universities*¹⁴ used cluster analysis to demonstrate that a healthy degree of institutional diversity in the Australian university sector; noting:

There is a good deal of consensus that institutional diversity in higher education is a good thing. Simply put, systems with more diverse institutions perform better than systems with less diverse institutions.

A challenge for the PBF is to operate such that it appropriately assesses performance in ways which do not confuse quality and difference.

- **Determining universities' maximum PBF amount.** Regional-based (Statistical Area) population growth rates are the most appropriate determiner of the maximum PBF amount for each university. This approach best recognises the diversity of university missions in serving community needs, and therefore directly aligns with the Federal Government's goal for the PBF system design.

It is noted that while USQ's headquarter campus in Toowoomba is in a region experiencing a growth rate around the national average (1.25%), our Ipswich and Springfield campuses serve a region with a growth rate of 4.2% (in the top 20 growth rates of the nation). Linking load increases with the general population growth in the 16-64 age group rather than considering specific localities will further disadvantage communities experiencing high growth rates and diminish opportunities for securing the higher education places required by universities to meet the education needs of these communities.

- **A 2020 start date is unlikely to be feasible.** USQ questions the feasibility of a 2020 start date for the introduction of the PBF. Given that so many of the details of the scheme are yet to be finalised and with the first half of 2019 involving a Federal election, it is unlikely that the details will be finalised and universities given sufficient time to prepare for the scheme by a start date of 2020. It is also unlikely that 2018 attrition data will be available from the Federal Department of Education and Training in time for such a launch.
- **Consideration of employing a 'shadow scheme' implementation.** Further to the matter of implementation, given the complexity and sensitivity of the scheme, it is suggested that the Federal Government consider rolling out the PBF as a 'shadow

¹⁴ Coates, H. et al. (2013). *Profiling diversity of Australian universities*, LH Martin Institute and ACER: https://research.acer.edu.au/cgi/viewcontent.cgi?article=1035&context=higher_education

scheme' for an appropriate trial period to assess all potential issues before the scheme can be put in practice.

In addition to these main points, detailed responses to discussion questions are provided as Attachment A.

If required, I would be pleased to elaborate on the matters raised in this submission.

Again, thank you for the opportunity to contribute to this important discourse.

Yours sincerely

A handwritten signature in black ink, appearing to read 'G. Mackenzie', with a long horizontal flourish extending to the right.

Professor Geraldine Mackenzie
Vice-Chancellor

Attachment A: USQ Responses to Discussion Questions

USQ's responses are directed through the lens of RUN's proposed performance framework ¹ which was submitted to the Government in September 2017, and to the RUN submission to the current consultation process. Consequently, the following USQ discussion re-emphasises key points made by RUN and also highlights certain areas that require further clarity from the Federal Government.

1. How should the PBF scheme be implemented?

Overview: USQ supports the use of regional population data to calculate each university's share of the PBF amount, coupled with consideration of higher education participation and attainment in a region, and regional skills needs.

- a) The maximum yearly PBF amount will be set by the national population growth rate of the 16-64 age group (that is, about \$70m each year). However, the Government is considering different options on how to set the maximum fund for universities.

USQ believes it is highly appropriate to use regional-based population growth rates to determine the maximum amount for each university. There may be certain complexities in designing this due to the multi-campus (and therefore multi-regional) nature of universities' structures and operations. However, this approach directly aligns with the goal the Government is seeking for the design of the PBF system in recognising the diversity of universities' missions relating to serving the needs of their local communities.

USQ is experiencing strong growth in enrolments, particularly in the Ipswich/Springfield area. ² It is a concern that the use of the national growth rate (16-64 age bracket) to determine the CGS reduces USQ's ability to support degree programs in parts of its regional catchment experiencing smaller growth - including the regional city of Toowoomba. USQ communicated these concerns to the Minister in a teleconference last year, highlighting that load increases linked to general population growth in the 18- to 64-year-old population (rather than specific statistical areas/regions) will disadvantage regional communities and diminish opportunities for securing higher education places.

- b) Note is made that RUN also recommends considering the higher education participation and attainment rate at a regional level, also at SA3, as well as population growth at this level, when calculating an institution's share of PBF. Regional skills need is also a relevant consideration. USQ supports this proposition.
- c) USQ supports adding the PBF to the Maximum Base Grant Amount (MBGA) after 2021.
- d) However, USQ does **not** support keeping the PBF separate, such that the amount of funding at risk would grow each year as this would simply add to uncertainty of future funding and make forward planning more difficult.
- e) USQ questions the feasibility of a 2020 start date for the introduction of the PBF. Given that so much of the detail of the scheme is yet to be finalised and with the

¹ Regional Universities Network (8 June 2018). *A performance framework for regional universities*: <http://www.run.edu.au/resources/RUN%20Performance%20framework%20final%20report%2012%20June.pdf>

² It is noted that while USQ's headquarter campus in Toowoomba is in a region experiencing a growth rate around the national average (1.25%), our Ipswich and Springfield campuses serve a region with a growth rate of 4.2% (in the top 20 growth rates of the nation).

first half of 2019 involving a Federal election, it will be unlikely that the details will be finalised and universities given sufficient time to prepare for the scheme by a start date of 2020. It is also unlikely that 2018 attrition data will be available in time for such a launch.

- f) Further to the matter of implementation, given the complexity and sensitivity of the scheme, it is suggested that the Government consider rolling out the PBF as a 'shadow scheme' for an appropriate trial period to assess all potential issues before the scheme can be put in practice.

2. What performance measures should the PBF scheme draw on?

Overview: USQ supports the use of a combination of core, optional and institution-specific measures to determine performance.

USQ supports attrition and completion rates being weighted according to student profile, not benchmarked.

- a) USQ supports the use of a combination of core, optional and institution-specific measures to determine performance; and the following core measures as proposed in the RUN paper *A performance framework for Regional Universities*³:
- Completion (weighted)
 - Attrition (weighted)
 - Student satisfaction
 - Participation rates for equity groups (low SES, Indigenous, regional and remote, disability)
 - Employer satisfaction
 - Employer outcomes.

It is noted that there is significant alignment of these measures and those proposed in the discussion paper.

There is also a list of other measures provided as candidate measures for the scheme, however no clear guideline is provided as to how these will be selected. The student profile characteristics that appropriately contextualise these measures also need to be clearly defined. USQ recommends that in addition to low-SES, regional/remote, and indigenous characteristics, other contextualising cohorts such as part-time, external, disability, and mature-age should also be included.

- b) The discussion paper does not mention the total number of measures that the Federal Government intends to constitute the PBF system. RUN's proposed scheme recommended a total of 10 measures comprising six core, three optional, and one institution-specific. This number is consistent with many international jurisdictions that have implemented performance-based funding. USQ encourages finding a total that strikes a balance between practicality and fairness.
- c) USQ recommends that HELP debts not expected to be repaid (DNER), flagged as a potential future addition to the suite of performance measures, should **not** be part of the suite of performance measures. Universities have limited control over this measure and as such it goes against one of the design principles of the PBF framework which states 'measures should be within the control of a university'. Furthermore, repayment is closely linked to graduate outcomes, therefore many other graduate employment measures would be a better proxy for DNER. The

³ Regional Universities Network (8 June 2018). *Op. cit.*

complexity of setting a benchmark for DNER and the challenge of getting quality data in this area would make it an unreliable measure of performance.

- d) The discussion paper places an emphasis on first-year attrition, which contrasts with RUN's proposed use of overall attrition which USQ supports. While it is well understood that attrition is most problematic at the first-year student cohort, research^{4 5} demonstrates that this is dependent on student characteristics which are strongly aligned with characteristics of the student constituencies of regional universities: part-time, external, mature-age, and equity group (with the impact of belonging to multiple equity groups compounding).
- e) First-year attrition as a proxy measure of teaching quality will be counterproductive, as numerous studies^{6 7} have shown most first-year students drop out of regional universities due to factors beyond the university's control, such as finances, family obligations, health, stress, and juggling concomitant responsibilities of work and family. It is vitally important to recognise that while most RUN universities are in the high scale of attrition measure, they demonstrate a mean in student experience measures that is above the national mean.
- f) The discussion paper stipulates the use of adjusted attrition rather than normal attrition; a position which USQ supports. Similar to most RUN universities, USQ's normal attrition is typically higher than adjusted attrition for reasons that are well understood, implying that the latter provides a fairer and more appropriate measure of actual performance. Adjusted attrition accounts for the significant percentage of attrited students who use regional universities as 'stepping stones' for their first-preference universities.
- g) Many students captured in student attrition figures are actually not dropping out of higher education altogether but will eventually return to study. At present, little is known about these so-called 'stop outs'. With student identifiers providing the ability to track student movements over time, it is suggested that the Department of Education and Training seek to collect data on 'stop outs' with a view to increasing our understanding about this particular student enrolment behaviour.

3. How should the PBF scheme be designed?

Overview: As outlined in response to Question 2, USQ supports a PBF scheme that has both core, optional and institution-specific measures.

A particular emphasis needs to be given to considerations of supporting equity goals across the sector.

It is recommended that the Federal Government consider including a 'provider submission' process, like that used in the UK's TEF process as a basis for providing additional contextualisation information.

⁴ TEQSA (6 June 2017). *Characteristics of Australian higher education providers and their relation to first-year student attrition*: <https://www.teqsa.gov.au/latest-news/media-releases/teqsa-study-highlights-common-characteristics-linked-attrition>

⁵ Edwards, D. & McMillan, J. (2015). *Completing university in a growing sector: Is equity an issue? Report submitted to the National Centre for Student Equity in Higher Education, Australia. Australian Council for Educational Research (ACER), Melbourne*: <https://www.ncsehe.edu.au/publications/completing-university-in-a-growing-sector-is-equity-an-issue/>

⁶ Nelson, K. *et al.* (2017). *Understanding the Completion Patterns of Equity Students in Regional Universities*: <https://www.ncsehe.edu.au/wp-content/uploads/2017/06/Nelson-Completion-patterns.pdf>

⁷ Edwards, D. & McMillan, J. (2015). *Op. cit.*

- a) USQ supports a PBF scheme that has both core, optional and institution-specific measures to allow universities to capture something of the individual nature of their institutions, students and communities.
- b) The opportunity for universities to select optional measures that match their missions and student profiles goes directly to the objective of ensuring the sector's diversity is considered. RUN has performed significant work in this area and has suggested several examples of institution-specific measures for this purpose, such as HEPP evaluation, success of arrangements for articulation with TAFE, and support for disaster relief.
- c) The paper does not discuss how each university will be assessed in awarding the PBF funds other than the mention of meeting benchmarks set for each measure. There are many factors that are necessary for consideration for performance assessment beyond the 'standard performance metric' system. One way to achieve a fully contextualised and fair PBF system is to include a **'provider submission' process**. This is one of the key elements of RUN's proposal which is based on the UK's TEF process. That is, universities should provide a short submission providing relevant contextualisation details to an independent panel for their assessment of approving funding.

4. How should performance measure benchmarks be set?

Overview: In general, USQ supports a PBF scheme which would require universities to demonstrate a minimum acceptable level of performance every year across the selected measures in order to grow their CGS funding, rather than a more complex system.

As proposed in the RUN submission, USQ supports attrition and completion rates to be weighted according to student profile, not benchmarked, to ensure that universities are not punished for enrolling students from relevant student groups. Weighting is preferable to benchmarking against similar institutions. It is simpler and more accurate.

5. Should the PBF funding of unsuccessful universities be redistributed?

Overview: USQ's preference would be for any unallocated funds to be redistributed, either to fund more enabling and sub-bachelor places at institutions in need of more pathway places, or to support students from disadvantaged backgrounds, such as scholarships.

- a) The paper proposes some options on how to handle funds not awarded to unsuccessful universities. USQ's preference is for this funding not to be lost from the sector; however, the option of pooling funds for redistribution to successful universities using a pro-rata calculation, while clearly providing a financial benefit to the institutions concerned, would do little to enhance further the effectiveness of the PBF.

6. How much "lag" is acceptable between PBF data and the funding year?

Overview: Any lag should be minimised as much as possible.

- a) Significant lag data poses challenges for the design of the scheme, particularly regarding key measures such as attrition and retention which could have up to two years' lag. It is difficult to ascertain an appropriate way to navigate and manage this, given the retrospective nature of data collection. This raises

the question of whether PBF is the most effective way for the Federal Government to achieve its objectives.

- a) It would also be likely that if a university is not currently achieving set measures, it may optimally take a minimum two years (more likely, longer) before any chance of earning performance funding presents itself. This is due to the lag in the data used to measure, then considering the extra time required to initiate strategies aimed at addressing the metrics upon which funding will be based.

7. How should the PBF scheme be regulated?

Overview: Amending the Commonwealth Grant Scheme Guidelines to include the PBF requirements would appear to be the most straight forward way to regulate the PBF.

In addition, if a Regional, Rural and Remote Education Commissioner was appointed, that position could comment on the impact of the PBF on regional universities.