

15 February 2019

Professor Paul Wellings CBE
Chair
Expert Panel
Department of Education and Training
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Dear Professor Wellings

Swinburne University of Technology welcomes the opportunity to submit a response to the Australian Government's *Performance-based funding for the Commonwealth Grant Scheme* discussion paper and the Performance Based Funding (PBF) scheme proposed by the paper.

Swinburne commends the Australian Government for prioritising student success and satisfaction in this paper. We strongly support performance based funding for universities and the protection of taxpayer investment in higher education. Further, we firmly believe that excellence in teaching and learning must be central to the mission of all universities.

However, Swinburne believes that any equitable performance funding scheme must acknowledge and support the significant differences that exist between universities and their respective missions, as has been successfully demonstrated by the UK Teaching Excellent Framework (TEF). Building in this flexibility is essential to support regional populations and their priorities, and to avoid homogeneity in the higher education sector and its student offerings. The TEF has demonstrated that undifferentiated measurement leads to a compliance approach and stifles innovation.

Further any effective scheme must support and encourage delivery that adds value to students from all walks of life. In the particular case of attrition and retention, while Swinburne is committed to lowering our institutional attrition rate, we concur with previous assertions from the Higher Education and Standards Panel (HESP) that the association of higher attrition rates with poor admissions standards or increased student numbers is not supported by evidence.¹

¹ *Higher Education Standards Panel, Improving Completion, Retention and Success in Higher Education, 2017*



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Similarly, given the changing nature of the economy and workforce, care must also be taken to avoid creating a system which embeds undergraduate completions as the only indicator of university success and value. This would effectively amount to stifling innovation and freezing universities in time. The Australian Qualifications Framework (AQF) Review has already signalled the importance of micro-qualifications and credentials and the danger for the future workforce of reinforcing a linear approach to learning.

For this reason, we believe that a performance funding scheme should not be considered in isolation, but rather as a companion piece to the review of the AQF currently underway.

We further believe that a fit for purpose PBF scheme should give due consideration not just to the individual missions of providers, but to the individual student cohorts they serve, building on the evidence base from the TEF. Swinburne offers the following feedback and recommendations on the areas identified for discussion in the paper:

Determining growth in universities' CGS funding

Irrespective of the merits of a PBF scheme for universities, Swinburne reasserts our strong support for demand-driven funding for domestic undergraduate students. Further, we do not concur with the assertion in the discussion paper that the demand-driven system did not significantly address large equity issues in attainment. To contest this claim Swinburne points to the 89% growth in Aboriginal and Torres Strait Islander enrolments, doubling of disabled undergraduate students, and 48% growth in enrolments of students from regional and remote areas in a decade of demand-driven funding from 2008.²

Given this support for demand-driven funding, Swinburne does not believe that population growth in the 18 to 64 demographic is a suitable or adequate measure for determining potential growth in universities' CGS funding. McKinsey research has found that 60% of current jobs comprise at least 30% of activities that are automatable with current technologies. Given the disruption and need for retraining this exponentially growing technological revolution will create, population growth as a proxy for education and training demand is not a sound constraint.

This feedback notwithstanding, if Government decides that population growth is to be the determinant of 'potential' growth, Swinburne would support a PBF scheme based on a regional population growth (i.e. States) rate rather than a national rate, in order to better reflect the individual student cohorts and local population needs at each university.

With respect to whether a PBF component would be added to universities' Maximum Basic Grant Amounts (MBGA) from 2021, or whether a separate, contestable funding pool would be created (which would grow each year), Swinburne submits that in either scenario the MBGA must grow with CPI so as not to further erode current funding levels and effectively shrink universities. This is particularly important given the economic imperative to expand those existing and create new courses designed to meet the future digital economy.

² *Department of Education and Training, 2018*

Performance metrics and attrition

Swinburne is concerned by the focus on attrition as a key student success metric in the discussion paper. Swinburne remains committed to improving student retention and completion rates, and we have achieved a significant reduction in the attrition rate for our on-campus learners through early interventions, and improved communications, a trend we expect to continue into the future.

Despite these continuing and successful efforts, it must be noted that the Grattan Institute determined in 2018 that part-time study was the single largest risk factor for student attrition.³ Given this immutable risk, and given that Swinburne's delivery to part-time students has grown significantly over the last decade as Swinburne has commenced and grown its online delivery, it should be no surprise that Swinburne's overall attrition rate has also increased over this time (while our on-campus attrition has remained static), as identified by the Panel in the discussion paper. This will necessarily increase, as noted in the next section below.

In addition to the attrition risk presented by part-time study (which is virtually synonymous with online study), Swinburne's online student cohort has significant representation of low SES, regional, remote and indigenous students. All these attributes are known risk factors for attrition, particularly in the first year of study. Swinburne is concerned that a disproportionate focus on attrition could penalise universities such as Swinburne and other online providers whose mission is to support non-traditional students.

Also highlighted and acknowledged in the discussion paper are Swinburne's high employment outcomes and student satisfaction ratings (7th and 8th best out of 41 universities respectively). We firmly believe that these results are not linked in a paradoxical fashion to attrition, but rather are a by-product of Swinburne's dual missions of excellence in teaching and learning and equity and access for our students. Swinburne has no intention of turning away learners experiencing educational disadvantage in order to capture a greater share of performance funding from the Government. Therefore, we submit that if attrition is to be given any consideration in a PCF, that at the very least a regression analysis (Logit or OLS) of universities' individual student cohorts be undertaken, and that attrition be given no greater weighting than student satisfaction and employment outcomes in when determining performance payments.

With respect to the possible performance measures set out in the discussion paper, Swinburne would strongly argue for the use of the regression analysis set out in Example Scheme C of the paper with respect to calculating attrition. Swinburne concurs with the HESP that this regression analysis would go some way towards placing providers with vastly different student cohorts and missions on a more level playing field.⁴ It would better meet the purpose of the PBF.

We believe that while the use of modified attrition rates (OLS or Logit) would provide useful benchmarks for providers, the creation of an arbitrary threshold for attrition or retention rates could have a perverse effect on the diversity of admissions and the integrity of student assessments. These risks were also outlined by HESP Chair Professor Peter Shergold in 2017⁵.

³ Norton, A., *Cherastidtham, I, University Attrition: What helps and what hinders university completions? Grattan, 2018*

⁴ *Higher Education Standards Panel, Improving Completion, Retention and Success in Higher Education, 2017*

⁵ Peter Shergold, *The Australian*, June 14 2017

Based on the experience of the TEF, Swinburne supports a modified version of the PBF benchmarking model outlined in Figure 3, wherein universities which are ranked highly in up to three specified performance metrics would receive performance funding. We would support consideration of a short institutional submission along the lines of TEF, to provide a clear articulation of why each university chooses their metrics, how they are investing for continuous improvement and innovation, and the expected evidence-based outcomes.

This allows reward for those universities which can demonstrate meaningful action to address performance areas in which they are either deficient or are otherwise in most need of improvement. Such an approach would need to be respectful of universities' autonomy. Receipt of such funding would also need to be contingent on well documented, evidence-based measures being employed. The benefit would be the ability to reward genuine efforts at improving performance rather than attempts to 'game' arbitrary targets. The operation of such a funding mechanism in the Australian context would not be dissimilar to the Higher Education Participation and Partnerships Program (HEPPP).

Rethinking the value of multi-year degree completions

Further to the McKinsey research and AQF review cited above, Swinburne believes that the future growth of micro-credentialing will lead to fewer students completing multi-year undergraduate qualifications. Any future PBF must acknowledge and provide exit measurement points at greater intervals than currently exist.

If the Government's position is that it will only grow funding for full degrees, we risk locking the Australian university system in time, as identified by the Australian Industry Group⁶ and Business Council of Australia⁷ in recent policy papers.

Practical implementation and alternate savings measures

With respect to the establishment of a PBF in the timelines outlined in consultations and ministerial statements to date, Swinburne questions the feasibility of fully implementing a PBF scheme in 2020. Given the Minister for Education of the day would receive the final report of the Expert Panel in June, this would leave just six months to design and implement the final PBF scheme. In order to avoid serious unintended consequences, Swinburne submits that 2020 would have to be considered a trial, with no public funding attached to performance against metrics until 2021. Following the experience of the TEF and the Excellence in Research Australia implementation, regular review to allow continuous improvement of the system is critical.

A trial period would enable the Government of the day to determine what quantitative measures and expert interventions would be necessary to ensure a scheme that did not asymmetrically reward universities which conformed to arbitrary benchmarks.

⁶ *Australian Industry Group, 2018*

⁷ *Business Council of Australia, 2017*

Further, given that a desired outcome of a PBF scheme is the achievement of budgetary savings and the protection of taxpayers' investment, Swinburne submits that a previously abandoned proposal put forward by former Tertiary Education Minister Chris Evans⁸ to provide a mechanism for the repayment of student loan debts held by Australians living overseas, which currently does not exist, be revisited. As employment of Australian graduates offshore increases, those graduates should have an automated mechanism in place to begin payment of their debt immediately post graduation, wherever they are located outside Australia.

Recommendations

Recommendation 1 – Use of regional measures of population growth

Swinburne recommends that if population growth in the 18 to 64 age demographic is the sole determinant of potential PBF growth, we support regional i.e. state level growth over national population growth to calculate maximum potential payments.

Recommendation 2 – Growing MBGA by CPI regardless of performance funding

Swinburne recommends whether or not PBF payments received under a performance scheme are added to a university's MBGA, that the MBGA grow in line with CPI to avoid shrinking funding into the out years in real terms.

Recommendation 3 – Reward for high achievement in one or more performance categories and regression analysis of attrition

Based on the experience of the TEF, Swinburne supports a modified version of the PBF benchmarking model outlined in Figure 3, wherein universities which are ranked highly in up to three specified performance metrics would receive performance funding. We would support consideration of a short institutional submission along the lines of TEF, to provide a clear articulation of why each university chooses their metrics, how they are investing for continuous improvement and innovation, and the expected evidence-based outcomes. Swinburne further asserts that any metric tied to attrition must use a regression analysis to correct for universities' individual student cohorts.

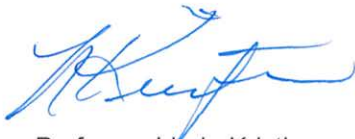
⁸ Minister Chris Evans, *The Australian*, 2013

Recommendation 4 – Measure success at several exit points

In line with the review of the AQF, Swinburne recommends that consideration be given to the value add of micro credentials and how such completions are recognised in a PBF scheme.

Thank you for the opportunity to provide feedback to the discussion paper and for the consultation on these matters to date.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Linda Kristjanson', with a stylized flourish at the end.

Professor Linda Kristjanson AO, FAICD, FTSE, PhD

Vice-Chancellor and President

Swinburne University of Technology