One of the most discussed, and let’s admit it, important aspects of performance-based funding models is how to implement them without adverse impacts on equity measures.

Australia has had the threat of performance-based funding hanging over its head since it was first officially raised in the 2016 federal budget. Given the relationship between the university sector and the government, we can assume the government was viewing this thought bubble as more stick than carrot.

**PBF is still on the cards**

Just as background for those not au fait with recent HE politics in Australia. In 2014-15 the government failed to get passed into legislation its pitch to deregulate tuition fees – even though the idea was supported by 38 of 39 vice-chancellors. Those very VCs then turned against the government when, under a new minister, it tried to introduce funding cuts and a raft of other measures, including 7% funding contingent on unspecified performance criteria. “Funding cuts will be bad for the students,” cried VCs, ruthlessly demonstrating their capacity for short-term memory and any sense of humility. The government subsequently got its funding cut – although less than originally planned – by calling a halt to the demand driven system for two years. That really sent those arrogant, pompous uni types a metaphorical middle finger, didn’t it Senator Birmingham!

Apologies for the segue, now back to the point.

Performance-based funding is still on the cards, it’s just that no one knows what shape, form or financial hit it will take.

Andrew Harvey, with colleagues Beni Cakitaki and Matt Brett from La Trobe University, are very interested in how performance-based funding might, despite its intentions, work against the interests of students, especially those from equity backgrounds.

They’ve written a paper for the National Centre for Student Equity in Higher Education which explores some of the possible implications that might beset the sector if a well-meaning (or vengeful) government got the policy a bit wrong. And with a track record, in recent years of getting policy a bit wrong (I cite VET Fee-Help as my evidence), it’s a timely and important piece of work.

Harvey, Cakitaki and Brett make some simple observations: student equity should be explicit and integrated into any performance-based funding model. That PBF should measure performance rather than just outcomes and that any PBF models should be student centred.
and include the student voice in its design and metrics (UK readers will understand this better than their Australian counterparts).

The researchers note that “performance metrics are marked by paradox”.

For example, part-time and distance students who have poor completion rates, have relatively strong graduate employment outcomes. High academically achieving school leavers who enrol in Group of Eight universities tend to have poorer graduate outcomes, at least in the short to medium term.

**Equity complicates things**

And then we get into the nitty gritty – the complicating factor of equity.

“Students from the six identified equity groups typically record lower performance on most metrics than other students. The underlying reasons for this apparent under-performance, however, usually relate to factors correlated with their equity status rather than the status itself. For example, regional students are more likely to be older, distance and/or part-time, three factors correlated with lower completion rates. Indigenous students have relatively high attrition rates but record better than average short-term graduate outcomes.”

As the researchers note: “Ultimately, the factors responsible for lower outcomes need to be addressed in order to avoid conflating outcomes with performance and consequently reducing incentives for universities to widen participation.”

If a PBF model were to penalise universities with high number of older, part-time, distance and indigenous students because those students are more likely to drop out or leave and return, then those institutions would be less likely to enrol the very students for which higher education can have a transformational impact. That would be bad and work against the very principles built into HE legislation around equitable access.

They also go into some rather interesting institutional breakdowns to make their points, but I won’t go into that here.

Overall, Harvey and colleagues make the point that Australia’s HE sector is strong and, with a few exceptions, of high quality. Problems lie within the non-university provider sector which, while having some exceptional institutions, also harbours others of questionable quality. Yet, the government has not included non-university providers in its plans.

“By integrating student equity, distinguishing performance from outcomes and positioning students centrally, it is possible to envisage an effective and equitable performance funding model. Such a model would reward institutions that best contribute to the national higher education objectives,” they conclude.

Policymakers will have fun untangling that one.