Universities fear 'catastrophic' funding cuts under new performance targets

Timna Jacks, 15 May 2017

Victorian universities suffering the country's lowest completion rates fear they will be subject to "catastrophic" funding cuts under a new federal government policy linking funding to performance.

Universities will face a 7.5 per cent cut to their Commonwealth Grant Scheme from 2019 if they do not satisfy new performance targets, including retention, completion and student satisfaction.

Peter Dawkins, vice-chancellor of Victoria University, says a 7.5 per cent cut to his funding would be "catastrophic". Photo: Luis Ascui

The government's new higher education reforms also include a 2.5 per cent efficiency dividend, which will put some universities at risk of losing up to 10 per cent of their funding.

Vice Chancellors warn this could unfairly penalise universities that enrol disadvantaged and low-performing students.

Victoria University and Federation University are among universities with the country's lowest completion rates, federal education department data shows. The universities cater to a high number of students who are mature-age, disadvantaged, and from non-metropolitan areas.

Victoria University's vice chancellor Peter Dawkins – who is trying to boost the university's 26.4 per cent attrition rate by launching a more flexible first-year model – said a 7.5 per cent cut to his funding would be "catastrophic".
"If you just used the raw retention rates and compared our retention rate with one of the Group of Eight universities, it's not reasonable to expect that it would be the same."

La Trobe University's vice chancellor John Dewar said his university, which has an 18.7 per cent attrition rate, will lose $90 million over the next four years if it fails to reach the new benchmarks.

"We are proud of our diversity at La Trobe including our regional footprint, but we don't want to be forced to behave like other more old-fashioned universities just to protect our budget – and nor should we be."

University Australia's chair Barney Glover said a 7.5 per cent cut "extraordinary impact" on a university's bottom line, and would likely result in course and staff cuts.

He said the government was taking a "punitive way of improving performance".

"Australia has one of the best-performing systems in the world ... we've got to to be very careful before we launch into schemes that put significant amounts of money at risk ... and tinker with a system that is in fact working very well."

Federal Education Minister Simon Birmingham pledged to work "hand-in-glove" with the sector during the consultation period.

He said the measures would not necessarily involve a "one size fits all approach".

"Some elements of a performance measure would have to be tailored for the unique circumstances each individual institution," he said.

The Grattan Institute's higher education expert Andrew Norton said creating a robust measure would be difficult.

"There are methodological issues of how do you design a system that is robust and measures the institution's real behaviour, rather than picking up random noise caused by the labor market or other factors causing students to drop out," he said.

Next year, the 7.5 funding will be dependant on admissions transparency reform and research transparency initiatives. The benchmarks will kick in the year after.

Director of La Trobe University's Centre for Higher Education Equity and Diversity Research, Dr Andrew Harvey, said the timeline for developing the performance was ambitious.

The UK government recently introduced a similar model, but the complex process of creating the metrics took several years, he said.

Federation University's vice chancellor Professor Helen Bartlett and Swinburne University of Technology vice chancellor Professor Linda Kristjanson, were not opposed to performance targets, provided that they did not punish universities for their students' outcomes.

Mr Birmingham introduced a higher education panel to evaluate university admissions and launched a website to improve transparency, after Fairfax Media revealed NSW universities were enrolling students with ATARs far lower than the published cut-off.