THE EDUCATION WAR ON ATTRITION

The drop out rate at Australian universities may be steady but we need a national debate on where the policy flaws are and who should carry the cost of student attrition

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The release of new university attrition data by the federal government begs the question: should universities be held more accountable for their student outcomes, both in terms of completions and graduate employment?

Peak body Universities Australia took news of 2016 attrition rates as a positive, noting that the average first year dropout rate of just under 15 per cent has barely changed in a decade despite a dramatic increase in domestic student numbers from 814,000 in 2009 to nearly 1.1 million in 2016. But others see a darker side to the narrative.

Grattan Institute expert Andrew Norton has noted on many occasions that while the overall attrition rate is steady, there is a strong and abiding correlation between a student’s final school score (ATAR) and attrition: the lower a student’s ATAR, the higher their chances of dropping out.

A Federal Department of Education cohort analysis shows that 95 per cent of students with an ATAR of 95- plus completed their degree within nine years, but 40 per cent of students with ATARs of just 50-59 left before completion.

Another factor strongly correlated with a high risk of attrition is online study, with less than half completing their degree within nine years, according to a study from the Australian Council for Education Research.

Performance-based funding

Federal education minister Simon Birmingham used the new data to reinstate his calls for the introduction of a performance-based fund.

The idea was originally introduced as part of Senator Birmingham’s higher education legislation changes but these are unlikely to come back to the Senate following their rejection by a number of key independent senators.

The idea was that the government could withhold up to 7.5 per cent of Commonwealth grants if a university didn’t meet certain criteria or if its performance declined.

While the government never detailed how it expected the performance-based fund to work, or what criteria it would use, commentators suggested it would likely include attrition and graduation rates, graduate employment, student satisfaction, STEM enrolments and the like.

Perverse consequences

Performance-based funding has been implemented overseas with mixed success. A report for the Council of Ontario Universities claims that of the 26 American states that experimented with performance-based funding between 1979 and 2009, 14 discontinued their programs while another two abandoned it before introducing a heavily revamped version. The levels of withheld funding ranged from 100 per cent in Tennessee to five per cent in Arkansas, which puts the Australian proposal for 7.5 per cent at the lower end.
The most pressing concern over performance-based funding is its potential to undermine efforts to make university admissions fairer and more equitable. As La Trobe University equity expert Dr Andrew Harvey has pointed out, universities would be discouraged from enrolling financially disadvantaged, Indigenous and rural and regional students because they are far more likely to drop out than their wealthy metropolitan peers. Certainly, evidence from the US suggests this has been the case in a number of states.

Dr Harvey also says performance-based funding has been found to lead to red tape and compliance costs that distract institutions from their main game: educating students and carrying out research.

Another option might be to make universities responsible for their students’ loans. The issue was first raised during attempts by the previous Abbott federal government to deregulate university fees. The underlying logic was that institutions would be discouraged from raising fees too steeply if they were held responsible, at least in part, for students repaying their loans.

Essentially, if students dropped out or graduates didn’t earn enough to make repayments, universities would be held accountable. The annual income threshold for a student to start making repayments is AU$55,874.

The idea was first pitched by Australian National University economists Professor Rabee Tourkey and Professor Rohan Pitchford who argued universities should “have skin in the game”. Under current policy settings, universities receive funding on a per-student basis. Given there are no caps on the number of students they can enrol, the incentive is to accept more students, arguably risking quality as unprepared students struggle to pass (or drop out).

But universities face no consequences for attrition other than lost revenue, and absolutely no ramifications if students fail to thrive following graduation. Professors Tourkey and Pitchford’s suggestion was that universities should have a share of their student contributions withheld until graduates fully repay their loans.

However, research published this week by Australian National University’s Dr Mathias Sinning reveals that the gender pay gap, part-time work and caring duties is playing havoc on loan repayments and “a considerable number of female university graduates rarely or never cross the minimum income threshold that would require them to repay their student loans”.

In 2016, the total outstanding Higher Education Loans Program debt was AU$52 billion, and rising fast. Around 20 per cent of former students never repay their debt in full causing the government to write off more than AU$1.6b a year.

However, just like performance-based funding there could be potentially negative consequences from making universities responsible for student loans. Would universities stop offering subjects and disciplines with low graduate salaries, such as the performing arts, science, nursing and teaching? Why should universities be punished for students changing their minds about what and where they want to study, or for their dropping out for personal reasons such as ill-health? Can universities be expected to predict workforce demand with any reliability and adjust their course offerings accordingly?

What all this points to is the need for a robust national debate about whether attrition and poor graduate outcomes are the symptoms of a flawed system. Surely, we need to ask some incisive questions about whether vulnerable and disadvantaged students are benefitting sufficiently from the current tertiary education model or whether cheaper, industry-embedded options should be added to the mix.

Certainly, there is huge cost to both government and individuals if they drop out or if they graduate but fail to make their most of their degree. The issue is whether universities should share in the cost and risk as well.