

Feb. 6, 2020

## **CAFA's Consultation Submission: Outcome Based Funding Model**

Thank you for meeting with The Confederation of Alberta Faculty Associations (CAFA) on January 30, 2020. As engaged and critical stakeholders pertaining to the proposed performance metrics within the Post-Secondary Education sector we are following-up through this written correspondence to clarify our comments and provide further input. As noted by our President, Dr. Heather Bruce, "the government's success is our success" and therefore we look forward to hearing back from you to learn how our feedback has been utilized within the finalized performance metrics model.

### *Overview*

CAFA is deeply disappointed that the government of Alberta has decide to go forward with a PSE funding model that uses unscientific performance funding as a central pillar. While CAFA supports a multi-year funding model, which the new Investment Management Agreement purports to accomplish, we are concerned that attaching the three years of funding to performance indicators will lead to unpredictability and an ever shrinking funding envelope. One academic observer noted that "rather than incentivizing improvement, performance indicators are used as a justification to reduce a budget without taking time to understand *why* that department [or institution] is underperforming."<sup>1</sup>

CAFA recognizes that quantitative measures on their own are incapable of capturing the all-important qualitative aspects of advanced education. Between 1997-98, the Government of Alberta piloted a similar performance indicator funding project at public universities: the Government of Alberta introduced a Performance Envelope of funding based on their white paper, *New Directions for adult learning in Alberta*.<sup>2</sup> Instead of punishing institutions with grant reductions, the 1990's Performance Envelope allowed for institutions to compete to receive additional funding on top of their Campus Alberta Grants. It was a funding envelope that was supposed to reward excellence and accountability in the PSE sector. This pilot program did not produce the meaningful improvements it promised and was quietly not renewed. The current Government of Alberta's Outcome Based Funding Model doesn't just repeat mistakes of the past, but it also compounds the problem of intermingling our stagnant economy with our outstanding education system.

### *The Truth about Performance Funding*

Performance funding models do not produce the desired results that governments or business want to see. In the most comprehensive study of performance-funding in the USA,<sup>3</sup> there were differential effects on *Immediate Impacts* (such as institutional awareness of the government's policy goals and incorporating performance-funding into financial decisions) and on *Ultimate*

*Outcomes* (such as graduate rate or workforce outcomes). Performance-funding does have a positive correlation on *Immediate Impacts*—as it produced higher institutional awareness of government goals and their own ranking compared to other institutions. However, this study found no evidence that performance-funding was associated with improved *Ultimate Outcomes*, such as: graduation rates, employment rates, or graduate earnings. One reason for this could be that *Immediate Impacts* can be influenced by the institution itself; an example is hiring more internal researchers to compile and promote performance indicators (with the accompanying red tape and financial burden to the institution). Universities are not in control of *Ultimate Outcomes*, as these are more directly related to the cyclical economy which drives employment rates, wages, and even can push or pull students from completing their degrees.

During CAFA's consultation meeting, CAFA heard that two of the jurisdictions that the Alberta Outcome Based Funding Model was based on are Hong Kong and Tennessee. While Hong Kong has two labour market performance indicators (an employers' survey and percentage of graduates employed full-time after graduation), the large majority of the performance indicators related to educational and research processes at the universities.<sup>4</sup> For example Hong Kong has sector wide performance indicators that tracks student satisfaction, research income, expenditures on public engagement, international education opportunities and the university's fiscal surplus; their institution specific performance indicators include diversity of their professoriate, student publications in journals, and number of patents in the U.S.A. Hong Kong's universities have direct control over the decisions that can lead to performing well (or poorly) on the government performance indicators, since they are unequivocally linked to educational, not economic, priorities.

Tennessee is the jurisdiction that has had the longest history with outcome based funding: in 1979, Tennessee started outcome based funding by providing a funding envelope, on top of their regular grants, that PSE institutions could compete for. By 2011, Tennessee had adopted a hundred percent of all government grants being attached to performance metrics. For example, at Tennessee State University, there are five key performance indicators: Access and Diversity; Academic Quality and Student Success; Business Friendly Practices; Engagement; and Revenue Generation.<sup>5</sup> Each of these performance indicators is directly within the universities' ability to influence and control—even the Business Friendly Practices is not driven by external economic factors, but is a measure of practices in the classroom or in work-integrated learning opportunities.

In the Canadian context, the research on performance-funding does not show much difference than the USA based studies. HEQCO produced an international review of performance-funding and concluded that there was little evidence that this type of funding can be associated with improved student outcomes.<sup>6</sup> They did temper this with the acknowledgement that more longitudinal research needed to be done to truly examine the effectiveness of these newly implemented programs. As previously stated, performance-funding has been tried and abandoned in Alberta in the 1990's because it was found to be unsustainable.<sup>7</sup>

## *Labour Market Metrics tying the hands of Universities*

CAFA is perplexed by the fact that four of the Government of Alberta's new performance indicators have nothing to do with the education process: graduate employment rate, employment in a related job, time to find employment, and graduate median income. Academic staff associations understand that for students and their parents a large draw to universities is the promise of a better job and life—but universities don't provide job training (like Alberta's excellent college and polytechnics) but instead build up a knowledge base that graduates use, and improve upon, for the rest of their career trajectory. Forcing Alberta universities to be accountable for economic ecosystems, outside of their control, will create a situation where PSE funding is attached to the levels of foreign capital investment and the international price of oil.

Tying funding to graduate earnings is a mistake on a variety of levels. First, it assumes that graduates go into the workforce as full-time workers, and this is not true with more workers going into the gig economy (it also assumes that students don't travel, open businesses, pursue further studies, or volunteer after graduation). Most graduates with a BA or a BSc—not with the more technical programs—will have to work for some years in the gig economy until they find a full time job (BMO commissioned a report that found 30% of millennials in the gig economy where only working in the gig economy until they could secure permanent work, and 27% of all respondents claimed this<sup>8</sup>). A metric that ties graduate income to university funding needs to be at the 10-year mark when graduates have finished up working the gig economy and have caught up to the average in their sector. The data source the Government of Alberta seeks to use for the graduate median income performance metric (Benefits of Post-Secondary Education) is a tax return linked data set that includes graduate wages at one year, two years, five years, and ten years after graduation.<sup>9</sup> The choice to only measure graduate income at the one year mark is ideological, and chooses only to judge universities on the success of their graduates at their entry level jobs and not the jobs that will encompass most of the graduates' careers.

Also, HEQCO's— the government body in Ontario pushing for performance indicators—own data shows that while postsecondary credentials will increase your earnings that “same program graduates from high-income families outperform those from low-income families in the labour market. Birthright perseveres.”<sup>10</sup> The fact that parental income is the strongest correlation with graduate income means that universities with students from higher income families will automatically do better: this will unfairly punish the undergraduate universities and rural CARI universities in Alberta. The universities have no direct influence on the future wages of their graduates and attaching university funding to graduate wages is a recipe for falling funding grants until Alberta's stagnant economy starts to recover.

Another proposed performance indicator attaches university funding to their graduates' full-time employment a single year after graduation—but that does not deal with the reality that many graduates enter the workforce in free-lance positions or cannot find local jobs in their field within the one year window. Further compounding this problem is the fact that the Government of Alberta is the primary employer for certain degrees (such as nursing or education). Introducing labour market metrics while simultaneously instituting a hiring freeze, or introducing layoffs, for

these fields will be punishing to universities that offer these professional degree programs. Universities did not see funding increases when unemployment rates were low, but now that unemployment rates are rising, binding government funding to employment rates is likely to produce deeper funding cuts over the next few years. As such, a short-term evaluation of this measure is not prudent and is most troubling.

Further, international student enrollment is a proposed metric and yet upon graduation many of these students may choose to return to their home countries or may be unable to secure employment in Canada due to Visa requirements. Again, these are outcomes that are not within a University's control and the proposed model is utilizing metrics that are inherently in opposition to one another: number of international students and employment upon graduation.

### *Red Tape and the Myth of Unaccountable Universities*

Many of the Government of Alberta's talking points about the Outcome Based Funding Model revolves around increasing the accountability of universities and its staff. CAFA has always believed in accountability—we want the people of Alberta to be aware of the importance and quality of the work done by academic staff at Alberta universities. Academics (including professors, librarians, researchers, instructors, and some administrative staff) all have multiple evaluation and accountability processes throughout their careers: beginning from our graduate work; through our hiring, tenure and promotion procedures; and finally, in our research grant competitions and the peer-review process of academic publications. These evaluations determine if academics receive promotions, tenure, sabbatical leaves, and our merit based wage increases. Academics are used to measuring our teaching and research outcomes, but it is one thing to measure something and another to be measured against something. Even more so, when the performance targets we are being measured against will likely change from year to year.

During the consultation meeting, CAFA heard that the new performance funding model and its accompanying reports will not produce more red tape because the data sources are already collected by either the institutions or the ministry itself. While many of the performance indicators are compiled from existing data sources, individual institutions will still have to hire or redirect administrators to both produce these reports and to continually track their institutions' progress against the targets. The Government of Alberta's desire to reduce administrative costs is a good idea, but one that is undermined by the increase of administrative labour involved in the reporting and tracking of performance indicators.

The myth of the unaccountable university and the increasing demands for red tape converge in one troubling way for academic staff associations: the transparency metric on faculty workload. During our consultation CAFA heard that this new metric was not going to be tied to funding, but instead is only for transparency of the PSE system. The underlying assumption here is that academic staff are unaccountable and need to be monitored. During the consultation meeting, the ministerial staff claimed that the workload metric has not been finalized. The problem with attempting to compress faculty workload into a single quantitative score is that while this is simpler for teaching loads, it is difficult to quantify academic staffs' contribution to research and

service in a one year time frame. Faculty rotate the time-consuming service in their departments and institutions, and often important research (including data collection and analysis) takes place on a cycle longer than one year.

HEQCO often calculates workload by counting courses that faculty teach, but not counting reading courses, graduate supervision, distance learning or undergraduate research projects.<sup>11</sup> Their study does not take into account service and only measures research by funding dollars brought in and by number of citations—it only includes peer-review publications and does not include book-chapters, monographs, or artistic works.<sup>12</sup> During CAFA's consultation meeting, the ministerial staff did state that they were not looking to the Ontario model to base their new metric on, but HEQCO's research does point to the difficulties, if not impossibility, of creating a single quantitative score that encapsulates all of the workload of academic staff.

### *A Stable Funding Model*

CAFA strongly believes that a stable, long-term funding model will increase the productivity of and strengthen Alberta's PSE sector. We do not believe that the new Investment Management Agreement will provide universities and colleges with this outcome.

During CAFA's consultation meeting, it was stated that the government expected that institutions should budget for 100% of their Campus Alberta Grants, because the performance targets will be set realistically and the institutions will always get some of the performance envelope money. However, it is realistic that this type of planning will lead to annual budgetary shortfalls. For example in 2022-23, if a university met 95% of its performance indicators, it would still see a Campus Alberta Grant being paid out at 98%: while this does not seem like a large reduction of funding, for the University of Alberta this would mean that the university would have a budgetary shortfall of roughly 20 million dollars.<sup>13</sup> A cut this large would involve significant changes to the in-year budget, and would lead to a situation similar to the confusion that Alberta's universities are current experiencing.

The current model as presented by the government does not outline what will happen to funds not allocated to institutions that do not meet their performance targets. As well, the current model is one of punishment, with no incentives provided to those that meet or exceed targets. Further, the risk of exceeded targets being used as future performance goals acts as a disincentive to outperform the set metrics. These details must be clearly thought out and documented in any future plans.

The Government of Alberta's claims that we need to move away from the annual funding model to a three year plan is admirable, but the unknown funding process of the Outcome Based Model will mean that the institutions are still dealing with annual budgets. No amount of goodwill on behalf of the Government of Alberta changes the fact that the Outcome Based Funding Model will mean that our institutions are still trapped in an annual cycle that makes long-term planning impossible.

## Summary

We look forward to hearing back from the Ministry and to learning how our concerns have been effectively addressed in the finalized performance metrics model. We appreciate that the government continues to publicize that consultation will be an important part of the process to determine how performance metrics will be set and implemented and only by displaying that faculty input has not only been heard, but has been utilized, will true consultation have been achieved.

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<sup>1</sup> Williams, Evan, "Tennessee: the birth and development of performance-based funding in higher education." 2014. Honors Theses. P. 6.

<sup>2</sup> AECD. *New directions for adult learning in Alberta*. White Paper. October. Edmonton, AB: Advanced Education and Career Development. 1994.

<sup>3</sup> Dougherty, K. J., & Reddy, V. *Performance funding for higher education: What are the mechanisms? What are the impacts?* Hoboken, NJ: John Wiley & Sons. 2013.

<sup>4</sup> A list of Hong Kong's performance indicators can be found at [https://www.ugc.edu.hk/eng/ugc/activity/university\\_acc\\_agree.html](https://www.ugc.edu.hk/eng/ugc/activity/university_acc_agree.html) Retrieved on Feb. 2, 2020.

<sup>5</sup> A list of Tennessee State University's performance indicators can be found at [http://www.tnstate.edu/academic\\_affairs/achievement-data\\_off.aspx](http://www.tnstate.edu/academic_affairs/achievement-data_off.aspx) Retrieved on Feb. 2, 2020.

<sup>6</sup> Ziskin, M. B., Hossler, D., Rouborn, K., Cekic, O., & Hwang, Y. *Outcomes-Based Funding: Current Status, Promising Practices and Emerging Trends*. Toronto: Higher Education Quality Council of Ontario. 2014.

<sup>7</sup> Barnettson, B., Boberg, A. "System-wide program assessment with performance indicators: Alberta's performance funding mechanism." *The Canadian Journal of Program Evaluation*. Special edition. 2000. Page 3–23

<sup>8</sup> BMO Wealth Management. *The Gig Economy*. July 2018. Page 5. [https://www.bmo.com/assets/pdfs/wealth/bmo\\_gig\\_economy\\_report\\_en.pdf](https://www.bmo.com/assets/pdfs/wealth/bmo_gig_economy_report_en.pdf) Retrieved on Feb. 2, 2020.

<sup>9</sup> <https://open.alberta.ca/opendata/alberta-post-secondary-graduate-earnings-by-field-of-study>

<sup>10</sup> Weingarten, H.P., Hicks, M., Kaufman, A., Chatoor, K., MacKay, E. & Pichette, J. *Postsecondary Education Metrics for the 21st Century*. Toronto: Higher Education Quality Council of Ontario. 2019. Page 12.

<sup>11</sup> Jonker, L., & Hicks, M. *Teaching Loads and Research Outputs of Ontario University Faculty Members: Implications for Productivity and Differentiation*. Toronto: Higher Education Quality Council of Ontario. 2014. P. 16.

<sup>12</sup> Jonker, L., & Hicks, M. *Teaching Loads and Research Outputs of Ontario University Faculty Members: Implications for Productivity and Differentiation*. Toronto: Higher Education Quality Council of Ontario. 2014. P. 17-18.

<sup>13</sup> "University of Alberta 2019-20 Budget." <https://www.ualberta.ca/vice-president-finance/media-library/ualberta/vice-president-finance/resource-planning/university-alberta-budget/university-of-alberta-2019-20-budget.pdf> Retrieved on Feb. 2, 2020.