

Performance agreements in higher education: a new approach to higher education funding

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Ben Jongbloed

with Frans Kaiser, Frans van Vught & Don Westerheijden

Outline

1. Performance agreements: a new policy tool
2. The Dutch experiment: intentions & outcomes
3. Encouraging study success and diversity in the Netherlands
4. Reflections/lessons

Performance Agreements: a new governance tool for higher education



A new perspective?

For decades: emphasis on decentralisation:

‘state supervision’ model

But ... critical issues emerging:

1. Quality, diversity, search for excellence
2. Global competition
3. Need for (more) transparency

New role for government:

towards ‘state contract’ model

Performance agreements

- *Mutual* bilateral contracts between government and individual institutions
- Focus on ‘institutional profiles’
- New, additional policy tool
- Objectives:
 - Better quality of outcomes
 - More diversity at system level
 - And .. more transparency for stakeholders

Performance-based funding: Formula funding vs Performance agreements

- Performance-based formula funding
 - A formula to distribute state budget to higher education institutions
 - Correlating funding with (quantitative) measures of institutions' past activity
 - That applies to all higher education institutions (of a certain class) in the same way
- Performance agreements
 - Bilateral agreements between the government and individual higher education institutions,
 - Which set out specific goals that institutions will seek to achieve in a future time period



Performance agreements: international examples

Country	Name of the Performance agreement and year of introduction	How is agreement linked to budget?	Period (in years)
Australia	Mission-based compacts (2011)	Agreement is condition for receiving public funding and is accountability instrument	3
Austria	<i>Leistungsvereinbarungen</i> (2007)	Budget linked indirectly (after negotiation) to agreed indicator targets	3
Canada (Ontario)	Strategic Mandate Agreements (2014)	Budget not linked to agreement but meant to strengthen institutional differentiation and strategic dialogue	3
Denmark	<i>Udviklingskontrakter/</i> Development Contracts (2000)	No direct link to funding. Is a Letter of Intent and an outcome of dialogue with ministry	3
Finland	Performance Contracts (1994)	Agreement is linked to 25% of public funding (the strategic component); remainder (75%) is indicator-driven	4
Germany (e.g. North-Rhine Westphalia))	<i>Ziel- und Leistungsvereinbarungen</i> (± 2002)	No link to budget, but meant as a negotiation and accountability device	2
Hong Kong	Academic Development Plans (2005)	Links the Performance and Role-related funding (10% of public funds) to an agreed Acad. Dev 't Plan, based on institution's mission	3
Ireland	Institutional Performance Compacts (2012)	Compact determines 0.8% of funds, but mostly meant to strengthen strategic dialogue with funding authorities	3
Netherlands	Performance Agreements (2012)	Determines 7% of an institution's education budget and meant to enhance institutional differentiation	4
Scotland	Outcome Agreements (2012)	Non-compliance with agreement has various consequences (also financial)	3
United States (e.g. Louisiana)	Performance Agreements (2011)	If targets and underlying story are judged as sufficient the institution qualifies for rewards (performance funds; more financial autonomy)	6

The Performance Agreements experiment in the Netherlands: intentions & outcomes



Veerman Committee



2010 Advice “*Threefold differentiation*”
between types of HEIs, between HEIs of
same type; between programmes

**Threefold
differentiation**
for the sake of quality
and diversity in
higher education

- Use mission-based funding to improve the quality and encourage profiling in Dutch higher education:
 - Improving quality of education and graduation rates of students;
 - Enhancing differentiation within and between HEIs: distinct education profiles and more focused research areas
 - Strengthening the valorization function in universities and UASs (i.e. knowledge dissemination, commercialization, promoting entrepreneurship).

2012: Starting the Performance Agreements experiment

- 7% of Educational budget at stake
 - for period 2013-2016
 - 5% tied to seven mandatory indicators (2015 outcome)
 - 2% for profiling (through competitive funds)
- Overseen by Review Committee:
 - = Independent advisory body chaired by Frans van Vught (ex-director of CHEPS)
 - that regularly meets HEIs and gives final (2016) verdict

Higher Education and Research Review Committee



Frans van Vught



Henriëtte Maassen
van den Brink



Jan Kamminga



Olchert Brouwer



Arie Nieuwenhuijzen
Kruseman



Reviewcommissie
Hoger Onderwijs en Onderzoek

Time line of Performance Agreements

2012

- Institutional bids (ambitions; obligatory indicators; profiling plans)
- Review Committee advises minister (Good – Very good – Excellent / No advice)
- Minister follows advice, determines funding shares 2013–2016

2013

- Review Committee: first system level monitor report

2014

- RevComm makes Mid-Term review regarding profiling

2015

- Review Committee: system level monitor report

2016

- Final evaluation, of mandatory indicators and of profiling achievements
- Minister decides on Budgetary consequences for HEIs

2018

- ‘Quality Agreements’ to inform funding shares for 2019-2022

Performance agreements: seven mandatory indicators



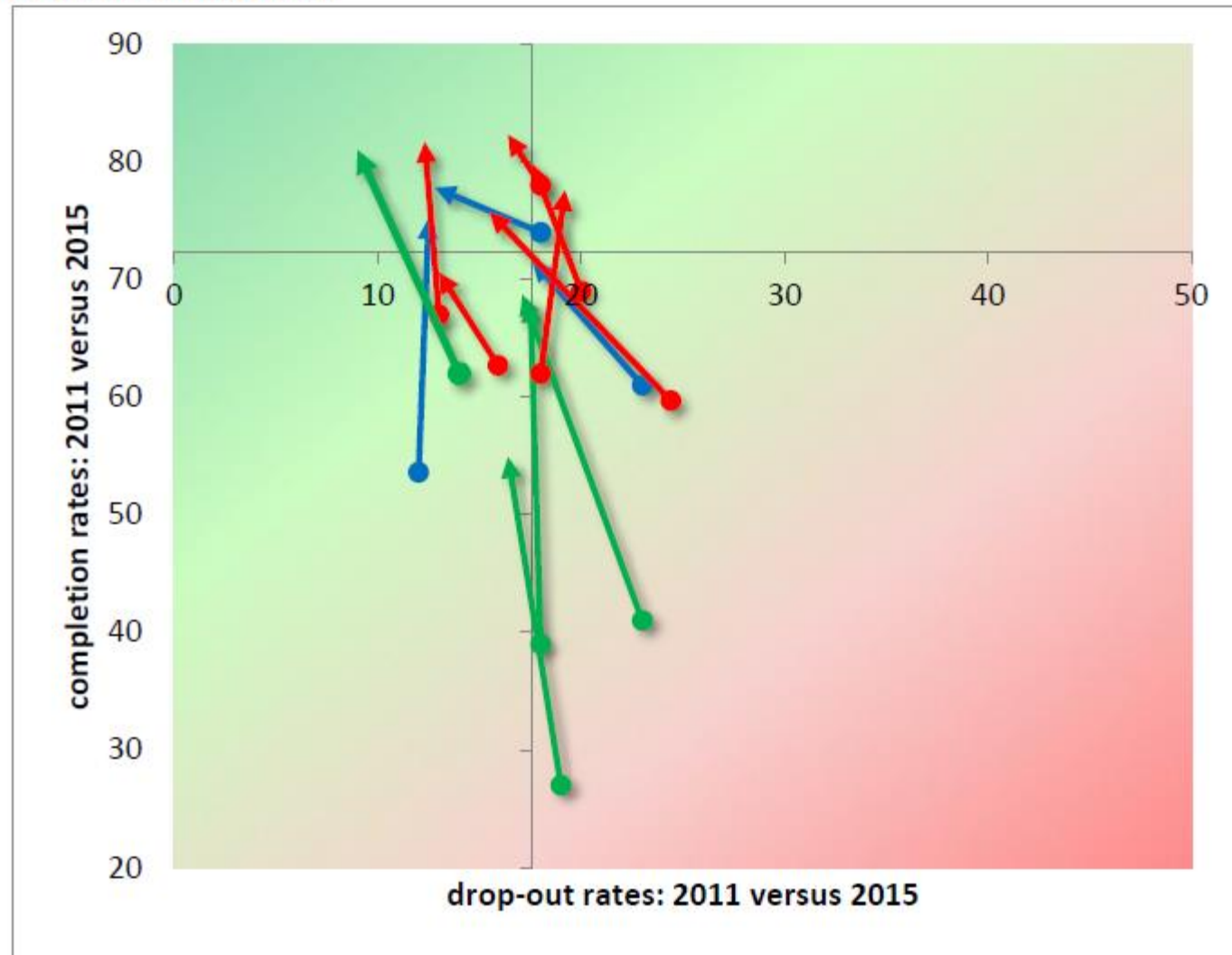
1. **Drop out rate** in first year of bachelor programmes
2. Study switch first year bachelor programmes
3. **Completion rate** of bachelor students continuing after first year, measured after C + 1 years
4. Quality/excellence: three possible indicators:
 - Percentage of programmes with a 'good' or 'excellent' accreditation judgment
 - Student satisfaction score: percentage of students rating their study-programmes 4 or 5 (on 5-point scale)
 - Percentage of students in excellence (honours) tracks
5. Quality of teachers: UAS: % holding master/PhD-degree; universities: % holding university teaching qualification
6. 'Educational intensity': minimum standard of 12 'contact hours' per week in the first year for each bachelor programme
7. Indirect costs: staff/support staff ratio, or overhead as % of turnover

Encouraging study success & diversity in the NL through performance agreements

- Two indicators of performance
- Evidence of profiling

Research universities: 2011 versus 2015

Completion rate and drop-out; initial situation (year 2011) and realisation (year 2015), research universities



Three groups:

Technical/agric. Universities (4)

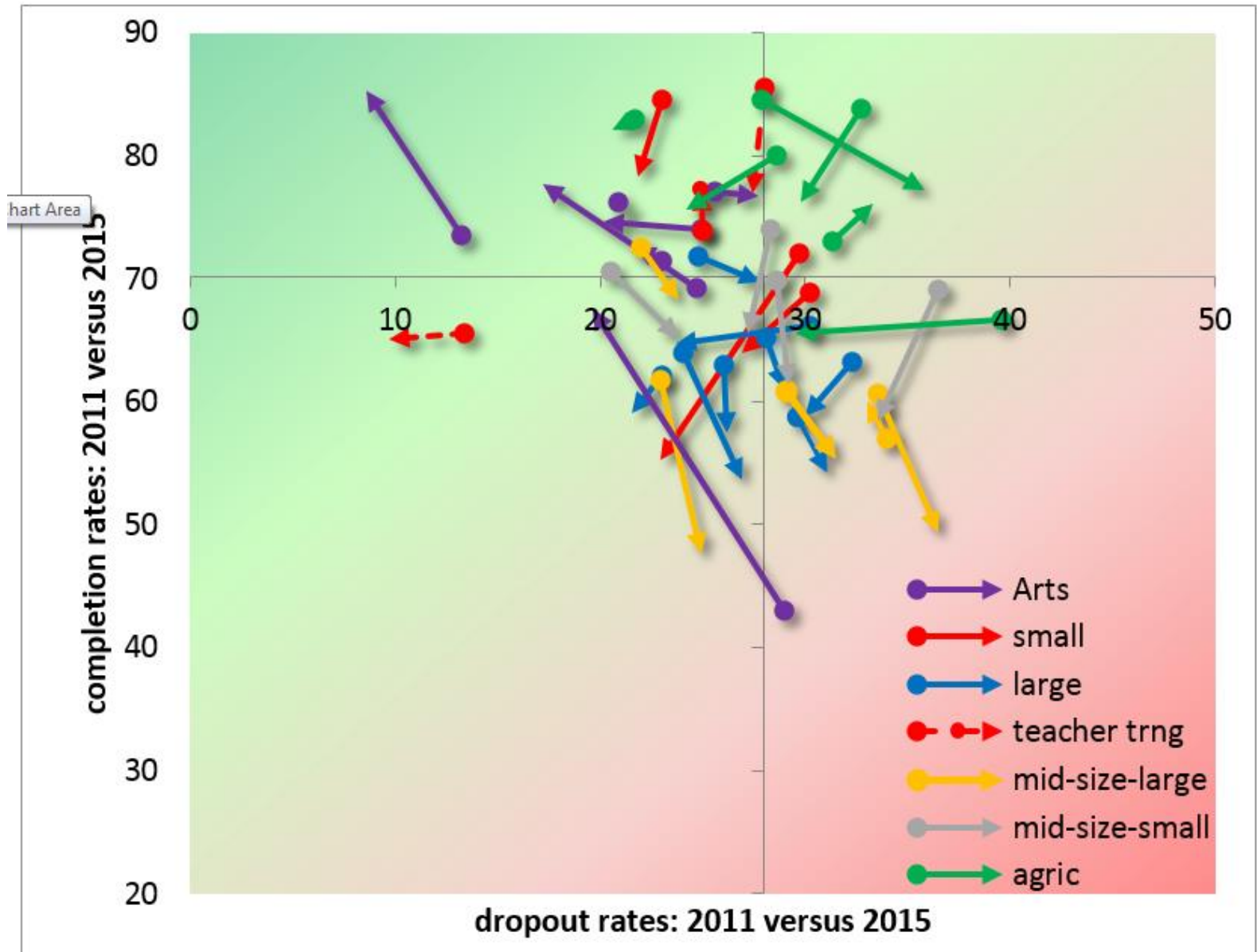
Large comprehensive (3)

Other units (6)

Average completion rate increased: 60% -> 74%

Average drop-out decreased: 17% -> 15%

Universities of Applied Sciences: 2011 versus 2015



Average completion rated decreased: 70% -> 67%

Average drop-out decreased slightly: 27% -> 26%

Encouraging diversity?



Indicators:

1. the range of programmes offered by a HEI, to see whether it is broadening the scope of its programmes and covering more or fewer disciplinary areas,
2. whether a HEI focuses on particular programmes within its programme range
3. the market share of the programmes provided by the HEI.

Mixed results:

- HEIs have undertaken substantial efforts for institutional profiling in the areas of education, research, and knowledge valorization, but
- impact not yet visible in terms of diversity indicators (i.e. concentration rates; market shares per programme; range of programmes/disciplines covered)

Performance contracts in NL: did performance increase?



- System level quality (education) has increased
- System level efficiency (study success) increased in research universities, but not in UAS
- Important trade-offs: Quality-Efficiency-Access
- Initiatives for institutional profiling visible (education, research, 'valorisation') but results not felt yet
- System level diversity: mixed results: HEIs tend to broaden their activities across more disciplinary / multidisciplinary programmes & research areas

Some reflections on Dutch experiment

(based on three evaluations)



On the positive side



- Improvement of students' study success put more prominently on the institutions' agendas
- Intensification of the debate about the drivers of study success (both among HEIs and within HEIs)
- More attention for the profiling (differentiation, focus areas) of HEIs
- Improvement of the dialogue between stakeholders in higher education
- Increased transparency and accountability, thanks to the setting of targets and the use of indicators
- Appreciation of the possibility for HEIs to share their 'story behind the numbers' with the Review Committee

On the negative side



- Decline of the HEIs' autonomy, due to the setting of national targets and uniform indicators
- Additional bureaucracy and administrative cost due to the emphasis on indicators
- Financial penalty associated with the non-achievement of goals perceived as unfair by UAS
- Choice and definition of indicators had some unintended effects
- Start-up of experiment was rushed
- Experiment quite removed from 'shop floor level', with a small role only for students

Lessons for effective design of Performance Agreements



- Allow sufficient time for proper set-up and evaluation of the PAs
- PAs are taken more seriously if financial consequences are attached (reward “overachievement”; avoid budget cuts in case of underperformance)
- PAs to include goals and indicators that are specific to the HEI (and leave rest to ‘ordinary funding formula’)
- Goals and indicators to be decided in dialogue HEI + relevant stakeholders, but accountability is required (*“In God we trust. All others must bring data!”*)
- Performance is a multi-faceted and highly contextual concept (allow for “menu” approach: uniform goals + institution-specific goals)
- PAs to be integrated in broader policy mix: avoid duplication and conflicting aims

Thank you for your attention!

Vă mulțumesc pentru atenție

Email: B.W.A.Jongbloed@UTwente.NL

Website CHEPS: www.utwente.nl/bms/cheps

Website Review Committee: www.rcho.nl