Australian Government

Department of Education, Employment and Workplace Relations

An Indicator Framework for Higher Education Performance Funding

Discussion Paper

December 2009

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1. Context

In 2008, the Government launched a major review to examine the future direction of the higher education sector, its fitness for purpose in meeting the needs of the Australian community and economy, and options for reform. The review was conducted by an independent expert panel, led by Emeritus Professor Denise Bradley AC. The panel reported to the Government in December 2008, making a total of 46 recommendations to reshape Australia's higher education system.

In early 2009, and in the 2009-10 Budget, the Government responded to the recommendations of the Review with a ten-year plan to reform Australia's higher education system. The Government's response is based on the conviction that Australia needs to extend the reach and enhance the quality and performance of its higher education system if it is to prosper into the future.

To extend reach, the Government holds an ambition to increase the educational attainment of the population such that by 2025, 40 percent of all 25-34 year olds will have a qualification at bachelor level or above. The Government also seeks to increase the higher education participation of those people who are currently underrepresented in higher education. In particular, by 2020, the Government expects that 20 per cent of higher education enrolments at undergraduate level will be of people from low socio-economic backgrounds.

To enhance quality, the Government has announced a range of measures, including the creation of a new national body with responsibility for regulation and quality assurance, the Tertiary Education Quality and Standards Agency (TEQSA). TEQSA will accredit providers, evaluate the performance of institutions and programs, encourage best practice, simplify current regulatory arrangements and provide greater national consistency.

The Government will also introduce higher education performance funding for teaching and learning, which will serve the dual objectives of extending reach and enhancing quality. Under these arrangements, universities will be required to negotiate targets against indicators of performance that have a direct line of sight to the Government's broader objectives. In the simplest terms, if universities achieve their targets, they will receive performance funding. The funding available to the sector as a whole will be $135 million per calendar year[1]. Targets and performance funding will be key elements of the compacts between government and universities.

1 Subject to indexation.

2. Purpose of this paper

Earlier this year the Government established an expert group, the Indicator Development Group, to assist in the development of a framework of indicators that could be used to negotiate targets with universities for the purposes of performance funding for teaching and learning (see Membership of the Group at Appendix A, and its Terms of Reference at Appendix B). The Department has prepared this Discussion Paper based on discussion with and advice from the Indicator Development Group. This discussion paper provides a draft indicator framework for the purpose of eliciting the views of universities and other stakeholders on a set of proposed indicators.

The Government is committed to working through the proposed measures suggested in this paper with the sector with the intent of presenting a final set of indicators early next year.

The framework is presented in two parts. The first part describes the interim indicators that could underpin the negotiation of targets in 2010 for performance in 2011. It also identifies additional indicators that will be developed in 2010 and implemented in 2011 for assessing performance from 2012. A second part of the paper describes the relationship between performance funding and other elements of the Government's higher education reform package, including compacts, the Higher Education Participation and Partnerships Program (HEPPP), and the teaching and learning standards being developed for implementation by TEQSA.

The paper does not describe in detail how the indicators will be used to negotiate targets, nor does it describe in technical terms how TEQSA will assess universities' performance against the targets or how performance against the targets will relate to the allocation of funding. These matters will be outlined further in early 2010.

3. Objective of Higher Education Performance Funding

The formal objective of higher education performance funding is to ensure that universities are contributing in negotiated ways to the national attainment and participation ambitions and enhancing the quality of their teaching and learning by working towards agreed institution-level performance targets.

Complementary higher education reforms, including the introduction of a demand driven funding system, increased indexation and additional equity loading, provide institutional incentive for student participation and inclusion. In this context, improving the quality of learning outcomes is an appropriate priority for performance funding for universities. The targets will provide a major incentive for institutions to drive improvements in teaching quality. Following consideration of feedback by the sector, the Minister will determine the final indicator framework in early 2010.

4. Implementation

The indicators proposed in the following section will be used to negotiate performance targets with universities in the latter part of 2010. The targets will be detailed in the compacts that each university will enter into with the Australian Government.

In 2011, those universities that have negotiated and agreed targets with the Government will receive a student load-based share of more than $90 million. This represents a facilitation payment. It is designed to help universities to position themselves to meet the targets into the future.

In 2012, universities' performance against the relevant targets will be assessed by TEQSA. Universities that are judged to have met their targets will receive performance funding.

The targets will be **institutional targets against sector-wide measures and indicators**. This means that where the Government might establish, say, student engagement among the measures of teaching and learning quality, it could negotiate an institution-level target with *every* university against each indicator or, in some cases, it could set a consistent target across the sector. Universities will be able to negotiate targets in accordance with their individual circumstances and strategic ambitions, but the requirement for each university to agree a target against this indicator would not be negotiable. If a university chose not to negotiate a target against the indicator, it would forfeit eligibility for the associated amount of funding.

As noted above, the parameters and processes involved in setting targets will be further outlined in 2010. Responses to this Discussion Paper will help refine the indicator framework early in 2010. This will in turn inform the development of guidelines for allocation of performance funding by mid 2010. The Government will advise the sector of performance funding guidelines which will form the basis of negotiation of performance targets between universities and the Australian Government as part of the Compact process later in 2010.

5. Indicators

As announced in the 2009-10 Budget, the Government's conception for the indicator framework was that it should include indicators relating to participation, attainment, engagement and quality. These measures were chosen because they correspond to the Government's wider agenda for higher education – that is, to increase the number of Australians with bachelor-level qualifications; to increase the higher education participation of people from underrepresented groups; to enhance engagement and thus improve student outcomes; and to improve the quality of learning and teaching.

For greater clarity and specificity, it is proposed to rename the measures as follows:

- Student participation and inclusion
- Student experience
- Student attainment

- Quality of learning outcomes

The rationale for each of the indicators is provided in the relevant section below.

6. Principles underpinning choice of indicators

On advice from the Indicator Development Group, a set of principles has been developed to guide the choice of indicators for performance funding arrangements. Performance indicators should:

- be relevant and have ‘face validity’ – i.e. appear appropriate, and measure what they purport to measure;
- be statistically sound and methodologically rigorous, including in terms of construct and predictive validity;
- be derived from high quality, objective data sources, and where possible collected at ‘arms length’ by an independent body, as well as not easily manipulated;
- be as simple, transparent and explicable as possible, using crude data unless there is a compelling case for statistical adjustment;
- have an explicit and consistently used definition (both in terms of what is being monitored and how it is being measured) and be able to be measured reliably over time;
- make the best possible use of existing data sources;
- be collected and analysed cost-effectively and with regard to the administrative burden on universities and the burden on respondents;
- not be excessively lagged, providing information in a timely manner;
- have the potential to be disaggregated (where possible and desirable) along relevant dimensions to show differences between important population subgroups and other groupings;
- inform and encourage policy and practice at both the national and institution level, without having a perverse influence on behaviour; and
- accommodate and to the extent possible, facilitate institutional diversity.

Practicality dictates that the extent to which any indicator satisfies each one of the above principles will vary and inevitably some compromise will be required.

PART A

MEASURES AND INDICATORS FOR NEGOTIATING PERFORMANCE TARGETS FROM 2010

7. Student Participation and Inclusion

The Government has set a national ambition to lift the participation of people from low SES backgrounds to 20 per cent of undergraduate enrolments by 2020. The participation measure is designed to encourage universities' efforts in ways that contribute to the achievement of this ambition.

The participation and inclusion measure is also intended to encourage increases in the higher education participation of the *general* population, as this is tied in with the achievement of the Government's attainment ambition that 40 percent of all 25-34 year olds will have at least a bachelor-level qualification by 2025.

Student participation and inclusion measure and indicators for negotiating performance targets in 2010

The following performance goal is proposed for this measure.

Proposed performance goal for the participation and inclusion measure
Increase participation of people from low SES backgrounds in undergraduate higher education.

It is proposed that there be two separate indicators and up to four specific targets against the participation and inclusion measure (as shown in Table 1).

One indicator could relate to the domestic undergraduate student population. In 2010, each university would be required to negotiate a target to increase the number of commencing domestic undergraduate students in 2011. This is consistent with the Government's general expectation that universities will grow over time to help meet the national attainment ambition. However, it may be that in future, not all universities will be seeking to grow at the same time or at the same rate. Therefore, the parameters for negotiating targets against this indicator may need to be sufficiently flexible to accommodate universities' strategic ambitions with respect to size and other factors, and perhaps take account of growth prior to 2011. From the Government's point of view, this would be acceptable as long as the aggregated institutional targets were aligned with the growth expected at the national level.

The other indicators would relate to the number of domestic undergraduate students in specific target groups. There will be a separate measure of the number of low SES students and up to one other under-represented group nominated by the university. The choice of low SES as a target group is consistent with the Government's vision to promote widespread and equitable access to a diverse tertiary education sector, allowing each individual to develop their full potential.

Allowing universities to identify one other under-represented group for target setting purposes responds to the need to recognise universities' missions. Some universities might seek to increase the participation of low SES Indigenous or low SES regional students. The participation of under-represented groups would need to be disaggregated from the Department's Higher Education Student Collection, i.e. it would not be appropriate to use internal data for the indicator.

Targets will be set to maintain a base-line number of students in each of these groups *and* to increase the access rate for each group. In this case access rate will be defined in terms of the proportion of commencing students from the relevant target group.

Consideration could also be given to expanding the scope of the participation and inclusion measure to include post-graduate coursework and research students. As noted in the Centre for the Study of Higher Education report, *Participation and Equity*, students from low SES backgrounds comprise less than 10 per cent of postgraduate students nationally. As the sector expands and diversifies, there is likely to be a growing imperative to ensure that people from low SES backgrounds, and other under represented groups, are afforded every opportunity and encouragement to pursue their studies at the highest levels.

Table 1: Indicators for negotiating student participation targets with universities in 2010

INDICATOR	GOAL	TARGET POPULATION	REFERENCE POINT/S FOR NEGOTIATING TARGET	REFERENCE POINT FOR MEASURING PERFORMANCE	HOW TARGET MAY BE ARTICULATED	DATA AVAILABLE TO MEASURE PERFORMANCE
STUDENT PARTICIPATION	Increase the participation of people from low SES backgrounds in undergraduate higher education	Domestic undergraduate students	Number of commencing domestic undergraduate students in 2010	Number of commencing domestic undergraduate students in 2011	Agreed increase (*n)* in number of students.	Late 2011 based on half year enrolment data
		Under-represented groups, including low SES students, and, where negotiated, one other under-represented group.	Number of domestic undergraduate students (target groups[2]) in 2010 Access share[3] in 2010	Number of domestic undergraduate students (target groups) in 2011 Access share in 2011	Universities will be required to maintain a base-line number of students for each target group (based on number of students in 2010) PLUS negotiate a percentage point increase in access share for those groups	Late 2011 based on half year enrolment data

[2] *There will be separate indicators for low SES and one other underrepresented group - share of commencing students*

3 Access share refers to the relative proportion of first year places for each target group

New student participation and inclusion measures for negotiating performance targets from 2011

Recognising the limitations of the current postcode-based measure of SES, in the 2009-10 Budget the Minister announced the Government's intention to develop an improved measure of the SES of higher education students, which would better reflect the individual circumstances of students and their families.

The new measure will eventually be used in the performance funding arrangements, and also to distribute low SES equity loading which will be provided to universities as a financial incentive to expand their enrolment of low SES students and to fund the intensive support that some students may need to progress through their studies. It is anticipated this measure will be available in time to set 2012 targets in 2011. An interim measure partly based on the current postcode measure of SES and partly on Centrelink data of income support recipients at each institution is proposed to allocate funding for the Higher Education Participation and Partnerships Program (HEPPP) in 2010.

There is a separate discussion paper on the development of a new SES measure. See www.deewr.gov.au/tahes for more information.

8. Student Experience

The student experience measure would be distinguished as a ‘process’ measure rather than outcome measure and encompass engagement and student satisfaction indicators (see below and **Table 2** overleaf).

Student experience measure and indicators for negotiating performance targets in 2010

The following performance goal is proposed for this measure.

Proposed performance goals for the student experience measure
• Improve the overall teaching, learning and support provided to students

Engagement

For the performance funding targets to be agreed in 2010 for 2011, it is proposed that engagement would be represented by the proxy indicator of first year retention rates. It is acknowledged this indicator is rather narrow in scope and that a more comprehensive indicator of the overall quality of the student’s university experience, including engagement, would be developed over the medium term, as discussed below.

Attrition of first year students is due to a complex range of factors, many of which are personal and may be unrelated to the students’ experience of university. However, there is evidence that at least *some* of the factors leading to a student’s decision to drop out of their course may be within a university’s power to influence. For example, Long, Ferrier and Heagney (2006) found that among the reasons for discontinuing their study, some students indicated that they felt stressed and anxious about their study, others did not like the way the course was taught, others did not feel adequately prepared, while others felt lonely, isolated and unwelcome at university. In these respects, attrition may be seen as an indicator of students’ disengagement with university, while, conversely, retention may be regarded as an indicator of engagement, and could serve as a useful interim indicator against the student experience measure.

One problem of using first year retention as a indicator is that many students who leave university are not ‘lost to the system’ – they may re-enrol at another university, either immediately or in later years – or they may come back to the same university to enrol in a different course. It would seem unfair to ‘penalise’ universities for not meeting retention targets when it could be argued that they have provided many of their discontinuing students with an excellent foundation for their future studies. Indeed, some universities actively work to attract students who may not be able to gain access to their course of choice at another university, with the intention that they will help those students to transfer to their preferred university at the end of the first year. This must be valued as a service in the name of the Government’s vision to increase the rate of higher education participation.

However, the movement of students between universities is arguably less relevant in the performance funding arrangements than it was for the Learning and Teaching Performance

Fund. In setting targets against an indicator of first year attrition, the Government has the capacity to take account of universities' missions in addition to trends in retention rate for each university. Universities will be able to negotiate targets that are appropriate for their circumstances, and 'nuanced' for context.

On balance, the Government is considering using first year retention as an interim measure because it should respond quite readily to institutions' efforts to provide additional support and improve the transition and experience of first year students. That is, efforts to enhance commencing students' experience should be reflected in the retention rates.

Student perception of the quality of teaching and the quality of their overall experience

Student self-reports, including of their perceptions of teaching and support and their overall satisfaction, as revealed through the Course Experience Questionnaire, provide valuable insights into the quality of the student experience. For the 2011 targets, it is proposed that an indicator be constructed from the CEQ Overall Satisfaction Item and Good Teaching Scale, against which universities would negotiate a single target.

For the 2012 targets, the Government will consider developing a new indicator of overall quality of the student's university experience, discussed below.

International students

Consideration could be given to inclusion of on-shore and off-shore international students within scope of the engagement and satisfaction measures.

Note, however, that performance funding is primarily conceived of as a mechanism for driving improvements in relation to the education of domestic students and that provision of higher education to international students should be fully funded by their tuition fees.

Irrespective of the decision to include international students in the measures for the purposes of negotiating targets and allocating funding, the Indicator Development Group recommends that equivalent performance measures be constructed for domestic and international students to facilitate comparison and analysis on relevant dimensions of performance.

Postgraduate students

The Government may consider including an indicator of the postgraduate student experience against this measure in the future. It may be timely to address this through the advent of performance funding, TEQSA, and teaching and learning standards.

Table 2: Indicators for negotiating student experience targets with universities in 2010

INDICATOR	GOAL	TARGET POPULATION	REFERENCE POINT/S FOR NEGOTIATING TARGET	REFERENCE POINT FOR MEASURING PERFORMANCE	HOW TARGET WILL BE ARTICULATED	DATA AVAILABLE TO MEASURE PERFORMANCE
STUDENT EXPERIENCE	Improve student engagement and satisfaction	(Engagement) First year domestic undergraduate students	Retention of 2009 cohort of first year students in 2010	Retention of 2010 cohort of first year students in 2011.	Percentage point improvement in retention rate	Late 2011 based on half year enrolment data
		(Satisfaction) Graduating domestic undergraduate students	Satisfaction of students who completed their course requirements in 2009[4]	Satisfaction of students who completed their course requirements in 2010	Percentage point improvement on 'satisfaction score', comprising CEQ Good Teaching Scale and Overall Satisfaction Item (equal weightings for each item).	During 2011

[4] Derived from Course Experience Questionnaire

New student experience indicators for negotiating performance targets from 2011

The sector's understanding of student experience has been enhanced by surveys such as the Australasian Survey of Student Engagement, the Course Experience Questionnaire, and the First Year Experience Survey, but consideration may need to be given to creating an indicator specifically designed to capture the information needed to inform the performance funding arrangements. Note that it would be important to consider the administrative burden on universities and the burden on respondents of multiple surveys.

The Government is considering developing a new **'University Experience Survey'**, which would collect information about students' engagement and satisfaction with their university studies *at the end of the first s*emester or *the beginning of the second semester of their first year of university study.* It is appropriate for this instrument to focus on the experiences of first year students, because it is during their first year that students are most at risk of attrition. This indicator would encourage universities to direct a significant part of their efforts to support and nurture commencing students.

The items in the survey would have a strong theoretical and empirical underpinning. The goal would be to develop an instrument of 25-30 items, including 2 open-ended items (i.e. best aspect and needs improvement). The open-ended items would not be used as the indicator but would contribute to institutional improvement strategies. The instrument would need to be validated, including through pilots with samples of first year students.

It is proposed to develop the instrument in 2010 for administration commencing in 2011. The Government would run a competitive process early in 2010 to secure a suitable supplier.

The data collected in 2011 would be used to negotiate engagement and satisfaction targets for 2012. These may be instead of, or in addition to the student experience indicators proposed for 2011 targets.

9. Student Attainment

The Government is considering whether to use an attainment measure to help meet its attainment target or whether these would be better served through placing more emphasis on student engagement and learning outcomes which will drive improvements in attainment.

Student attainment measure and indicators for negotiating performance targets in 2010

The following performance goal aligns with the Government's attainment objective.

Proposed performance goal for the student attainment measure

- Increase the number of students who graduate with a bachelor degree, particularly low SES students

Completion rates are probably the most intuitive indicator of attainment – they show the extent to which students are achieving perhaps the best understood and most visible outcome of their higher education experience, that is, graduating with a degree.

Moreover, the current method of calculating completion rates is considered problematic because of its volatility – particularly at the university level. Therefore, until a better measure of completion can be developed (see below), it is proposed that retention and progress rates be used as proxy measures of student attainment if this measure is adopted.

As with participation, it is proposed that there could be two separate indicators and up to four specific targets (see **Table 3** overleaf).

Similarly, the attainment measure could capture information for both domestic and on-shore and off-shore international undergraduate students.

The second indicator would relate to the retention and progress of low SES and up to one other under-represented group nominated by the university.

Table 3: Indicators for negotiating student attainment targets with universities in 2010

INDICATOR	GOAL	TARGET POPULATION	REFERENCE POINT/S FOR NEGOTIATING TARGET	REFERENCE POINT FOR MEASURING PERFORMANCE	HOW TARGET MAY BE ARTICULATED	DATA AVAILABLE TO MEASURE PERFORMANCE
STUDENT ACHIEVEMENT	Increase the number of students who graduate with a bachelor degree, particularly low SES	Domestic undergraduate students	Progress rates in 2009 and retention rates for domestic undergraduate students (2009 students continuing in 2010)	Progress rates in 2010 and retention rates for domestic undergraduate students (2010 students continuing in 2011)	Percentage point improvement in progress and retention rates	Mid 2011 Late 2011 based on half year enrolment data
		Under-represented groups, including low SES students and one other nominated under-represented group	Progress and retention rates (low SES, and other nominated groups of domestic undergraduate students) (2009 students continuing in 2010)	Progress and retention rates (low SES, and other groups of domestic undergraduate students) (2010 students continuing in 2011)	Percentage point improvement in progress and retention rates for each group	Mid 2011 Late 2011 based on half year enrolment data

New student attainment indicators for negotiating performance targets from 2011

As noted above, if the Government does ultimately wish to adopt an attainment indicator this measure would be better served by developing a robust indicator of **completions**.

The current method of calculating completion rates is quite volatile, particularly at the university and sub-university level. The current method divides the number of completions in the reference year by the number of commencements *n* years before, where *n* is the number of years of full-time study needed to complete a degree. This is a fairly crude cross-sectional method and strongly influenced by changes in student flows into the system, which is particularly relevant in the post-Bradley context. It does not account for students who take longer than the minimum period to complete their qualification.

A more robust and accurate method of estimating completion rates would involve following cohorts of students using administrative data on *individual* enrolments and completions. This method would allow us to track the actual outcomes of individual students, including those who take longer than the usual time to complete the requirements for their degree.

The Government could consider implementing this alternative method of calculating completion rates for use in negotiating targets with universities in 2011, taking advantage of the tracking facility provided by the CHESSN, which came into existence in 2005.

For compact negotiations in 2011, completions could be used in addition to progress and retention as an indicator of attainment, or instead of them.

In setting completion targets, the Government would have the capacity to take account of universities' individual circumstances, including the relative proportions of full-time and part-time students. Universities will be able to negotiate targets that are appropriate for their circumstances, and 'nuanced' for context.

10. Quality of Learning Outcomes

The Government has a strong agenda to improve the quality of learning and teaching in universities. It wants all students to get the best outcomes from their degrees because this helps to ensure their personal economic and social prosperity *and* makes the greatest contribution to our national productivity. This is effectively a value for money proposition, where value is not simply economic but also social and cultural. It also links to the Government's national attainment ambitions.

Quality of learning outcomes measure and indicators for negotiating performance targets in 2010

The following performance goals are proposed for this measure.

Proposed performance goals for the quality of learning outcomes measure

- Improve students' cognitive learning outcomes
- Improve universities' teaching and learning performance

Cognitive learning outcomes

It is acknowledged that the best kind of indicator against this measure would be, as recommended by the Bradley Review, 'direct measures of learning outcomes' for the performance funding arrangements – that is, a means of identifying the extent to which students have achieved the specified outcomes of their degrees, and the skills that they have developed as a result of their higher education experience.

Direct measures of learning outcomes would ideally include discipline-specific measures as well as measures of the high order conceptual, analytical, communication and problem solving skills that students might be expected to develop during the course of their degree, and which might help to distinguish higher education outcomes in general from more vocationally-oriented outcomes.

The development of discipline-specific indicators could be addressed in the context of developing teaching and learning standards, which are taking place in the implementation of TEQSA (see Part B). The standards may be informed by the outcomes of the OECD's feasibility study, *Assessing Higher Education Learning Outcomes (AHELO),* which is exploring whether it is possible to measure and draw discipline specific and generic comparisons internationally of what students know and can do as a result of studying for bachelor level qualifications.

There is likely to be value in moving immediately to implement the Graduate Skills Assessment as a 'value-add' indicator of generic skills. It would not be possible to administer and analyse the results of the survey in time for the performance target negotiations process in 2010. As an interim indicator for 2010, it is therefore proposed to include an indicator that uses the CEQ Generic Skills Scale, noting that it has the specific limitations associated with a self-reported indicator.

Once again, it may be appropriate to include international and domestic undergraduate students in this measure.

Teaching and learning performance

The quality of teaching is central to student outcomes. While there is a strong preference for performance to be assessed using outcome measures, given the importance of the quality of teaching inputs, there is a case for considering an input measure against this goal.

Increasing student-staff ratios and improved use of technology are some of the many factors that impact on student-teacher relationships and the teaching-learning environment. Additional funding provided through indexation, performance funding and funding to support students from low SES backgrounds will undoubtedly better position universities to address the quality of teaching.

There is a distinction here between teaching quality and teacher quality. The former has been addressed above through the student experience of teaching quality, as measured initially by the CEQ Good Teaching Scale.

Appropriate professional development and qualifications will help elevate the status of teaching and learning and enhance the quality of teaching.

While not a professional requirement, the Graduate Certificate in Higher Education is increasingly promoted at the institutional level as a desirable qualification for academic staff. The Government may consider measuring the proportion of staff with a Graduate Certificate in Higher Education or equivalent to provide institutions with incentive to focus on the quality of teaching.

The Government is open to considering other indicators of teaching and learning outcomes which will increase the focus on quality teaching within universities.

Table 4: Indicators for negotiating learning outcome targets with universities in 2010

INDICATOR	GOAL	TARGET POPULATION	REFERENCE POINT/S FOR NEGOTIATING TARGET	REFERENCE POINT FOR MEASURING PERFORMANCE	HOW TARGET WILL BE ARTICULATED	DATA AVAILABLE TO MEASURE PERFORMANCE
Quality of Learning Outcomes	Improve universities' teaching and learning performance	Teaching only and teaching and research staff in academic organisation units	Proportion of teaching only and teaching and research staff in academic organisation units with a Graduate Certificate in Higher Education or equivalent in 2010	Proportion of teaching only and teaching and research staff in academic organisation units with a Graduate Certificate in Higher Education or equivalent in 2011	Agreed increase (*n)* in proportion of teaching only and teaching and research staff in academic organisation units with a Graduate Certificate in Higher Education or equivalent.	In 2011
	Improve students' cognitive learning outcomes	Graduating domestic undergraduate students	Students' satisfaction with generic skills acquired during their degrees (derived from CEQ Generic Skills Scale) – students who completed their course requirements in 2009	Students' satisfaction with generic skills acquired during the course of their degrees (derived from CEQ Generic Skills Scale) – students who completed their course requirements in 2010	Percentage point improvement satisfaction with generic skills	During 2011
	Improve students' employment outcomes	Graduating domestic undergraduate students	Employment and further study outcomes for students who completed their course requirements in 2009 (derived from GDS)	Employment and further study outcomes for students who completed their course requirements in 2010 (derived from GDS)	Percentage point improvement in employment and further study outcomes	During 2011

New quality of student outcomes indicators for negotiating performance targets from 2011

The **Graduate Skills Assessment** (GSA) is an indicator of generic skills. It was commissioned by the Department and developed by the Australian Council for Educational Research (ACER) in 1999. In developing the assessment instrument, ACER conducted extensive consultation with universities, business and other stakeholders to identify a set of 'valued' generic skills that might be expected of students completing higher education courses.

Four skill areas were identified:

- Critical Thinking –ability to comprehend, analyse and evaluate statements and passages that present viewpoints.

- Problem Solving - problem solving skills related to generally applicable and accessible everyday problems that vary in complexity.

- Interpersonal Understanding - ability to show insight into the feelings, motivation and behaviour of other people, issues related to helping or working with others, including effective feedback, listening, communication, teamwork and leadership.

- Written Communication - language, expression, organisation and thought.

The GSA has two parts, a multiple choice test (2 hours) and a written test (1 hour). The multiple choice test assesses critical thinking, problem solving and interpersonal understanding. The written test assesses written communication through two writing tasks, a report and an argument task.

It is timely to consider how the GSA may be used as an indicator of the value that universities 'add' to students.

As a value add indicator the GSA might be administered to students in their first year at university, and then again in their final year. This would provide a measure of the value added to each individual student, but in practical terms it would also mean the test would be administered for the first time in 2011, and again to the same cohort of students in 2014. The data would not be available for target setting until 2015.

An alternative or perhaps interim indicator might be to administer it to first and final year students each year, and compare the outcomes for the two cohorts.

In either of the above scenarios there are options to use a sampling or census approach, and there are advantages and disadvantages associated with each. If the latter approach is chosen it might be necessary to use multi-variate techniques to account for differences in the characteristics of first and final year students.

In implementing the GSA it may be necessary to refine the instrument in the context of its use for performance funding.

In this context it is worth noting that in developing teaching and learning standards, TEQSA will review the progress and outcomes of the OECD's AHELO study and may also explore the use of moderation as an alternative way of assuring the assessment of graduate outcomes.

PART B

LINKS BETWEEN PERFORMANCE FUNDING AND OTHER ASPECTS OF THE HIGHER EDUCATION REFORM AGENDA

11. Compacts

Compacts will outline the relationship between the Commonwealth and individual universities and provide a framework for jointly achieving the Government's reform agenda and institutions' individual missions.

Compacts will comprise at least the following three parts:

1. a preamble which, on a whole-of-university basis, defines an institution's particular mission and describes how it will fulfil that mission;
2. a teaching and learning component, which will include the targets for performance funding, and
3. a research component.

Compact negotiations will commence in the second half of 2010. The measures and indicators agreed as a result of the performance funding part of the consultation process will underpin the performance targets. They will relate to universities' performance in 2011. Performance against the targets will be measured as the relevant data become available in 2012. TEQSA will assess whether universities have met their targets, and its advice will inform the allocation of performance funding in late 2012.

Universities will be required to negotiate targets on an annual basis, although there are options for some of the targets to be negotiated for several years in advance. The parameters for target-setting will be detailed in the performance funding guidelines, which will be released for comment in the first half of 2010.

If the indicators proposed in this performance funding framework are agreed, there will be an interim set of indicators for negotiating performance targets for 2011 in 2010, and additional indicators to be developed and administered in conjunction with the sector for implementation for targets for 2012.

There may be a further process to review the performance funding arrangements once the discipline-based academic standards have been developed. Indicators may be added or substituted at this time.

12. Higher Education Participation and Partnerships Program

Three preconditions are necessary to realising the Government's participation ambition, i.e. that by 2020, 20% of undergraduate students will be from a low SES background.

1. Address the aspirations and achievement of low SES school students and other potential low SES applicants.

This will be addressed by the partnerships element of the Higher Education Partnerships and Participation Program (HEPPP), which will see universities working with schools, vocational education providers and community organisations to encourage and support low SES people to make the transition to university.

It will also be addressed by work being progressed to meet the COAG Year 12 attainment targets, including the Low SES School Communities National Partnership.

2. Ensure that more places go to low SES applicants.

The participation (equity loading) element of the HEPPP will work to achieve this. It will induce universities to offer more places to low SES applicants and support their retention and completion rates.

The participation targets under the performance funding arrangements will also work to achieve this. Under these arrangements, universities will be required to negotiate and meet concrete goals to increase the number and proportion of low SES undergraduate students. The targets will be public and tied to funding and therefore hold universities accountable for their performance. These targets will also, in aggregate, allow the Government to map progress towards the achievement of the national participation ambition on an annual basis.

3. Ensure that low SES students can realise their full academic potential.

The participation (equity loading) element of the HEPPP will also work to achieve this objective because it will provide the means necessary for universities to offer additional levels of academic and social support to those low SES students who may need it.

The achievement, engagement and quality targets negotiated under the performance funding arrangements will establish concrete goals and provide a financial incentive for universities to improve teaching and learning outcomes, including specifically for low SES students.

The HEPPP and performance funding have been conceived as separate and distinct initiatives. HEPPP has a specific equity focus, while performance funding has broader objectives that are also strongly tied to the improvement of education standards. In this sense, performance funding is as much about providing a new lens through which to examine the outcomes of Australian higher education as it is about driving specific changes in universities' behaviour.

13. TEQSA and Teaching and Learning Standards

The development of objective and comparable standards of assessment is fundamental to ensuring the quality of learning outcomes in the higher education sector. Under the new standards-based quality assurance framework, TEQSA will take the lead in establishing minimum standards that higher education providers are required to meet to ensure the overall quality and performance of the sector.

In developing a standards-based framework which includes agreed academic standards, it is important that the academic community is actively involved in the new quality assurance arrangements and feels it has ownership of them. To this end, it is expected that TEQSA will facilitate discipline-based communities in the development and implementation of discipline specific standards.

DEEWR is currently progressing work across a number of areas in relation to academic standards. The Australian Learning and Teaching Council is taking the lead on a Learning and Teaching Academic Standards Project, which will facilitate the formulation of academic standards in six discipline groupings by discipline communities and their representatives. It is expected that the project will be completed by the end of 2010 and form part of the basis for comparative benchmarks of quality and performance for the new standards-based quality assurance framework.

The Australian Government is also participating in the Assessment of Higher Education Learning Outcomes (AHELO) project. This is an OECD feasibility study into the assessment of higher education learning outcomes. The aim of AHELO is to test the science and practicality of assessment of learning outcomes across institutions and countries. Should the feasibility study prove successful there will still be a significant amount of development and testing required so that full implementation in the short term is unlikely. In the longer term, the findings of this project will help inform the development of the standards framework for higher education.

Once discipline-based academic standards have been developed, there will be an opportunity to consider whether any of the performance information made available in that context might be used in negotiating performance targets. Likewise, some of the new indicators developed for performance funding might inform the assessment of academic standards.

14. APPENDICES

APPENDIX A: Members of the Indicator Development Group

Mr Jason Coutts (Convenor)
Manager, Equity, Performance and indigenous Branch, Higher Education Group

Professor Trevor Gale
Director, National Centre for Student Equity in Higher Education, UniSA

Dr Linda Hort
Principal, ANU College

Professor Richard James
Director, Centre for the Study of Higher Education, University of Melbourne

Professor Kerri-Lee Krause
Chair in Higher Education and Director of the Griffith Institute for Higher Education

Professor Simon Marginson,
Centre for the Study of Higher Education, University of Melbourne

Professor Geoff Scott
Pro-Vice-Chancellor Quality, University of Western Sydney

Professor Jan Thomas
Deputy Vice Chancellor (Academic), Murdoch University

Professor Charles Webb
Deputy Vice-Chancellor, Teaching and Learning, Charles Darwin University

APPENDIX B: Indicator Development Group Terms of Reference

Taking account of the Government's objectives for higher education performance funding, the Indicator Development Group will propose a theoretical framework of measures and indicators which may be used to negotiate individual and sector-wide performance targets with universities in 2010 for the purposes of providing performance funding in 2012.

The performance targets will be expressed in terms of participation, engagement, attainment and quality. The primary focus will be on indicators that reflect the quality of teaching and learning within universities.

The Group will carefully consider the design of the targets to provide maximum incentive for institutions to drive improvements in teacher quality and education standards.

The Group will:

- review prospective measures and indicators in view of how they might be applied in agreeing targets and for funding purposes;
- consider the appropriateness of the performance goals;
- balance the need to include a variety of performance indicators with the need to ensure that institutions face sufficient incentive for each particular indicator;
- develop a draft indicator framework to be used in consultation with the sector in November 2009
- participate in consultations with the sector, if required;
- review feedback from universities on the draft indictor framework; and
- recommend an indicator framework to the Minister by February 2010.

The Group may request the Department to undertake or commission analysis to support its review of the suitability of indicators. The Department may also undertake or commission such analysis for the consideration of the Group, including in relation to the measurement of the socio-economic status of students.

The Group will have the capacity to consult with relevant representative groups, such as the Indigenous Higher Education Advisory Council and student groups, in developing the framework.

In framing its recommendations to the Minister the Group may recommend the development of new indicators and/or measures that could apply in setting performance targets beyond 2012. The Group may also wish to alert the Minister to any limitations of the data, particularly in respect of target setting.

APPENDIX C: How to Make a Submission

We would welcome your comments on the questions and issues raised in this paper. Submissions received through this process will be used to inform deliberations by the Indicator Development Group and subsequent advice to the Deputy Prime Minister, the Hon Julia Gillard MP.

Submissions should be lodged by close of business **5 February 2010.**

By email: teachingandlearning@deewr.gov.au

By post: Jason Coutts, Branch Manager
Equity, Performance and Indigenous Branch
Higher Education Group
Department of Education, Employment and Workplace Relations
PO Box 9880
CANBERRA CITY ACT 2601

Please clearly identify your submission showing
- Name of Organisation or Individual
- If an Organisation, please indicate the name of a contact person
- Address
- Email
- Phone

Please note that all submissions will be published on the Transforming Australia's Higher Education System website.

DEEWR will not accept submissions from individuals submitted on a wholly confidential basis, however, submissions may include appended material that is marked as 'confidential' and severable from the covering submission. DEEWR will accept confidential submissions from individuals where those individuals can argue credibly that publication might compromise their ability to express a particular view.

Please note that any request made under the Freedom of Information Act 1982 for access to any material marked confidential will be determined in accordance with that Act.

The Transforming Australia's Higher Education System website is available here: www.deewr.gov.au/tahes

15. REFERENCES

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