



McKinsey & Company  
c/o Alberta Ministry of Advanced Education  
10030 107 St NW  
Edmonton, AB T5J 4X7

September 15, 2020

**RE: Alberta 2030 Post-Secondary Sector Review**

McKinsey & Company,

The Students' Union (SU) represents all 26,000+ undergraduate students enrolled at the University of Calgary. For over 78 years, the SU's democratically elected student leaders have advocated for affordable, accessible, and high-quality post-secondary education in Alberta. We envision a post-secondary education (PSE) system in which students are empowered to shape their own unique educational journey, where students' voices are valued by government and post-secondary institutions (PSIs), and where collaborative trust and respect contribute to an immediate and lasting impact on students, the university, and our community.

Our organization provides on-campus services and advocacy that enhance the quality of student life and education, recognize teaching and undergraduate research excellence, and support diverse communities through clubs, programming, and direct engagement in consultation with the university and all levels of government. Our annual report to the community<sup>1</sup> describes the SU's achievements and initiatives in greater detail.

The SU has diversified our business ventures to ensure long-term financial sustainability and are able to operate with only 8% of our revenue coming from student fees, one of the lowest student association fees in Canada. Our efficient, responsible management of students' investments in our campus includes over \$28 million towards in the construction and ongoing management of the MacEwan Student Centre.<sup>2</sup> The SU, through the Quality Money program, has also invested more than \$28.2 million over 15 years in student-directed initiatives that enhance the quality of student life on our campus.<sup>3</sup>

As a founding member of the Council of Alberta University Students (CAUS)<sup>4</sup>, the SU supports and endorses the recommendations included in their submission to your review. To reiterate, these include preserving the value of differentiation and local institutional autonomy provided by the current six-sector model, increasing student representation in board governance, and encouraging coordinated provincial responses to campus mental health and sexual violence crises. Furthermore, CAUS argues that funding predictability and institutional control over programs and outcomes is preferable, that work-integrated learning (WIL) opportunities must be available for all degrees, and stronger pathways for microcredentials and transfers within PSE must be created while providing increased non-repayable student financial aid.

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<sup>1</sup> <https://www.su.ucalgary.ca/about/more/annual-reports/>

<sup>2</sup> <https://www.su.ucalgary.ca/about/who-we-are/celebrating-60-years/>

<sup>3</sup> <https://www.su.ucalgary.ca/programs-services/funding-awards/quality-money/>

<sup>4</sup> <http://www.caus.net>

Students at the University of Calgary also have specific concerns that we encourage your review to address. It is concerning to us that education is increasingly seen as a commodity rather than a civil right and public good.<sup>5</sup> We firmly believe that a shift from the traditional consensus or public board governance towards a more corporate-influenced governance model for administering PSE<sup>6</sup> is flawed as it creates dangerous expectations for students and sets unreasonable precedents for instructors, academics, and institutions.<sup>7</sup> Furthermore, we don't believe that this position is antithetical to building a strong link between the economy and PSE. This principle informs the following arguments, which include recommendations to address crumbling PSI infrastructure, increase investment into PSE, and recognize the value of institutions' autonomy and resulting innovations and social contributions. Additionally, we recommend increasing the diversity and accessibility of opportunities for experiential learning (EL), ensuring clarity of institutional mandates, and prioritizing student representation in decision-making at all levels of governance, including your current PSE sector review.

### Deferred Maintenance

There is growing concern about deferred maintenance accumulating on our physical infrastructure. In the Post-Secondary Learning Act (PSLA) the Government of Alberta notes that one of the purposes of the post-secondary system is to enhance students' "social, cultural and economic well-being." However, as outlined in our comprehensive 2018 report on the subject,<sup>8</sup> the PSE system cannot succeed at these goals while hampered by a continued lack of infrastructure investment at the University of Calgary and other campuses across Alberta.

In recent years, it has been easier for institutions to secure funding for new buildings, through a mix of government funding and private donations, than to obtain funding to maintain existing infrastructure.<sup>9</sup> The University of Calgary's 2019 Comprehensive Institutional Plan specifically identified over \$536 million in deferred maintenance over and above the funding provided through the Government of Alberta Infrastructure Maintenance Program.<sup>10</sup> The university further indicated that, due to "building code issues and deferred maintenance challenges," critical buildings including essential classrooms, laboratories, lecture theatres, and core campus service facilities are unoccupied.<sup>11</sup> This crumbling infrastructure hampers student well-being and their ability to learn and lead innovation in their fields. If left unaddressed and with no additional funding to expand capacity to keep up with growing enrolment demands, a 4,600-seat deficit is projected by 2025.<sup>12</sup>

### Investment in Post-Secondary

Half of all Canadian students have school-related debt upon graduation with university students in professional programs holding more debt than others.<sup>13</sup> This situation will only

<sup>5</sup> <https://theconversation.com/why-finland-and-norway-still-shun-university-tuition-fees-even-for-international-students-36922>

<sup>6</sup> <https://onlinelibrary.wiley.com/doi/abs/10.1111/j.1468-2273.2004.00275.x>

<sup>7</sup> <https://www.insidehighered.com/views/2009/02/16/business-model-wrong-model>

<sup>8</sup> <https://www.su.ucalgary.ca/wp-content/uploads/2018/03/Campus-Infrastructure-Report.pdf>

<sup>9</sup> <https://www.ucalgary.ca/facilities/projects/capital-projects>

<sup>10</sup> <https://www.ucalgary.ca/live-d7-ucalgary-site/sites/default/files/teams/marketing/2019%20CIP.pdf>

<sup>11</sup> Ibid.

<sup>12</sup> <https://open.alberta.ca/dataset/0fe6d666-290e-422f-91a1-4690310f0b41/resource/5d3a21bd-ed41-4670-ba1d-5cc967f7db41/download/5873415-2014-campus-alberta-planning-resource.pdf>

<sup>13</sup> <https://www150.statcan.gc.ca/n1/pub/75-006-x/2020001/article/00005-eng.htm>

be exacerbated by COVID-19 as the employment rate for students fell by over 23%, and over 35% of students reported having a work placement cancelled or delayed due to the pandemic.<sup>14</sup> Students in Alberta are expected to pay high tuition subsidized in part by loans and grants, resulting in an average debt load of \$26,000 upon graduation.<sup>15</sup> Furthermore, for every 10% increase in the cost of attending post-secondary, average student debt increases 2.3%.<sup>16</sup> This debt is expected to continue to rise<sup>17</sup> given the trend towards a more even distribution of funding between the government and individuals, a principle contrary to the generous public subsidies that encouraged the growth and development of Alberta's public post-secondaries in earlier decades.<sup>18</sup> Furthermore, Alberta provides disproportionately more loans than grants when compared to other provinces student financial aid packages.<sup>19</sup> This leaves students in Alberta with more debt than those studying in other provinces, which may place undue financial burdens on graduates and disincentivize potential students from studying in our province.

The return on investment for public post-secondary spending is not negligible, with approximately \$1.36 in economic value added to the surrounding community for every dollar invested in a PSI.<sup>20</sup> Continued cuts under the auspices of bringing Alberta's PSE spending in line with the rest of the country puts the status of our institutions, the economic return on investment they bring to the surrounding community, and the perceived value of the degrees they issue at risk.<sup>21</sup> This directly compromises the global competitiveness of Alberta's future graduates and would contradict the intended outcomes of the Alberta 2030 review and proposed performance-based funding (PBF) scheme.

### Performance-Based Funding

Students expect their post-secondary education system to be affordable, accessible, and of the highest quality. We find it highly irregular that the Ministry would consider implementing a new funding model prior to the completion of a thorough PSE sector review. No government has ever implemented a PBF system while simultaneously making consecutive cuts to institutional funding across the PSE sector. While the ostensible intention of outcomes-based funding is to ensure institutional accountability and transparency, putting a portion of this funding at risk instead of incentivizing performance does little to achieve this goal and often has unintended negative consequences.<sup>22</sup> Following our critique of the initial metrics proposed by the Ministry<sup>23</sup>, we were pleased to see that the number of metrics were scaled back and the timeline for implementation was delayed.

Despite these welcome changes and delays, students remain concerned that PBF will disincentivize innovation, remove funds from the PSE sector, and dilute the quality of education while adding additional reporting requirements that encourage PSIs to prioritize competitiveness rather than teaching and learning. The purpose of university is more than job training, it is to educate and inspire. Furthermore, underlying systemic inequalities

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<sup>14</sup> Ibid.

<sup>15</sup> <https://www.cbc.ca/news/business/post-secondary-student-debt-1.4295476>

<sup>16</sup> [https://www.jstor.org/stable/24541753?seq=1#metadata\\_info\\_tab\\_contents](https://www.jstor.org/stable/24541753?seq=1#metadata_info_tab_contents)

<sup>17</sup> <https://globalnews.ca/news/4414387/canada-tuition-college-resp-2018/>

<sup>18</sup> [https://www.researchgate.net/publication/237532074\\_The\\_History\\_of\\_Post-Secondary\\_Finance\\_in\\_Alberta\\_-\\_An\\_Analysis](https://www.researchgate.net/publication/237532074_The_History_of_Post-Secondary_Finance_in_Alberta_-_An_Analysis)

<sup>19</sup> <http://higheredstrategy.com/new-student-aid-data/>

<sup>20</sup> <https://www.conferenceboard.ca/e-Library/abstract.aspx?did=6607>

<sup>21</sup> <https://www.cbc.ca/news/canada/calgary/alberta-university-spending-revenue-analysis-1.5436236>

<sup>22</sup> <https://journals.sagepub.com/doi/full/10.3102/0162373720953128>

<sup>23</sup> <https://www.su.ucalgary.ca/wp-content/uploads/2020/02/UCSU-PBF-Critique.pdf>

could negatively impact marginalized students' access to PSE if institutions are incentivized to admit students they believe have the best chance of being employed upon graduation. Through an environmental scan (appended with references for your convenience) we have determined that the abrupt shift to PBF, combined with metrics that are beyond the immediate control of PSIs subject to external market forces, and the penalty-based rather than incentive-based system will negatively impact the ability of Alberta's PSIs to deliver high-quality education and innovation. Any metrics tied to institutional funding should account for institutional variation, vary in scope and be limited in number, include short term, interim, and long-term outcomes, and be gradually implemented with both a learning year and a "stop loss" mechanism in place.<sup>24</sup>

### Experiential Learning

As we suggested in our critique of PBF, we highly encourage the Ministry to support and provide a framework for increased experiential learning (EL) opportunities in all areas of PSE. The emphasis on work-integrated learning (WIL) is encouraging; however, EL encompasses more than work placements and internships traditionally considered as WIL. Concerningly, only one in two graduates in 2015 had access to a WIL opportunity.<sup>25</sup> We know that businesses are looking for university graduates who understand the skills required for specific jobs, and that they are calling for increased access to PSE along with wider availability of WIL.<sup>26</sup> However, businesses are also interested in citations, publications, patents, inventions and innovations, and start-ups along with research, technical writing, laboratory experience, performances, presentations, and other elements of core coursework that can be captured under the EL umbrella.<sup>27</sup> This holistic perspective is important because most existing WIL and employment outcomes data excludes incomes and experiences of students who pursue graduate studies or further education, which can be up to one third of all students with a Bachelor's Degree or diploma.<sup>28</sup>

EL opportunities can and should be made available within all university programs, including social sciences, arts, and humanities, as they have been shown to improve employment outcomes for graduates in these areas.<sup>29</sup> Unfortunately, only 19 percent of humanities graduates in 2015 had such an opportunity.<sup>30</sup> Properly supported, arts students can expect to see increasing incomes<sup>31</sup> as employers' demand for university graduates increases.<sup>32</sup> Despite participation in an EL opportunity not leading to increased employment outcomes within three years of graduation, graduates are more likely to find a job in their field of study, less likely to be overqualified for their eventual jobs, and earn, on average, 7% more than students who do not have the same opportunity.<sup>33</sup> While we support increasing EL opportunities, we believe students should be more than just "ready to work" upon graduation. They should be ready to innovate, research, continue their studies, and contribute to society by developing knowledge, thinking critically, and applying theories

<sup>24</sup> See [Appendix A](#) for a full executive summary with references.

<sup>25</sup> <https://www150.statcan.gc.ca/n1/pub/75-006-x/2020001/article/00003-eng.htm>

<sup>26</sup> <https://www.businesscouncilab.com/work/a-prosperity-framework-for-alberta/>

<sup>27</sup> <https://www.businesscouncilab.com/ideas-and-work/work/task-force-on-future-training-and-skills-final-report/>

<sup>28</sup> <http://higherstrategy.com/new-data-on-labour-market-outcomes/>

<sup>29</sup> <https://www.conferenceboard.ca/e-library/abstract.aspx?did=9463>

<sup>30</sup> <https://www150.statcan.gc.ca/n1/pub/75-006-x/2020001/article/00003-eng.htm>

<sup>31</sup> [https://www.vice.com/en\\_ca/article/eva5d4/new-study-debunks-myth-that-arts-graduates-end-up-in-low-paying-jobs](https://www.vice.com/en_ca/article/eva5d4/new-study-debunks-myth-that-arts-graduates-end-up-in-low-paying-jobs)

<sup>32</sup> <https://www.cdhowe.org/intelligence-memos/finnie-mueller-sweetman-debunking-barista-fallacy-new-way-measuring-earnings>

<sup>33</sup> <https://www150.statcan.gc.ca/n1/pub/75-006-x/2020001/article/00003-eng.htm>

and methodologies learned through experiential elements of their degrees. Government has a responsibility to students to ensure that institutions are providing these opportunities, and that industry understands the skills that students develop during the course of their studies.

As the next generation of leaders, workers, and innovators, students understand better than anyone what they need from their degrees in order to succeed in the evolving and dynamic careers of the future. While the effectiveness of online learning depends on how courses are designed<sup>34</sup>, which requires additional government support and funding to ensure in addition to supporting equitable access, this digital learning environment can prepare students for jobs of the future. Pedagogy is adapting to reflect the new remote reality of many jobs, and this must be acknowledged and its development supported.<sup>35</sup> The skills developed through PSE will be increasingly important as students graduate in a global recession, yet unemployment or underemployment can be mitigated with appropriate EL opportunities during an undergraduate degree.<sup>36</sup> Students look to institutions not only for the credentials or knowledge they can obtain, but often decisions to participate are guided by opportunities to engage with unique learning environments that students feel are relevant to both their career aspirations and their personal development. Focusing on skills, not just credentials, improving accessibility of labour market information, and ensuring every student in every student in every program has access to at least one EL opportunity will increase retention and ensure students are supported at every step of their education and through the start of their careers.<sup>37</sup>

The University of Calgary's Experiential Learning plan includes WIL as one of five categories of EL, under which 28 activities are identified.<sup>38</sup> These activities, properly funded and developed, could increase the attractiveness of a post-secondary education at UCalgary, thereby driving enrolment and strengthening participation. They define EL as "learning-by-doing that bridges knowledge and experience through critical reflection," a vision that was developed through stakeholder consultation and a thorough review of best practices and literature.<sup>39</sup> Their EL plan (2020-25)<sup>40</sup> provides a framework for implementation and evaluation that could stand as a template for province-wide application, increasing not only the value of degrees obtained in Alberta, but job-readiness through intentionally designed courses that challenge and advance perspectives while preparing students to thrive in an increasingly competitive and dynamic job market. Earnings of Canadian PSE graduates increase significantly over time, regardless of their field of study<sup>41</sup>, and providing EL opportunities for all students in any program will improve outcomes for both undergraduate students and those who choose to pursue further studies.

### Six-Sector Model and Degree Pathways

Students will look to different institutions depending on the program they wish to complete. The current six-sector model helps to focus their search as it clearly delineates the types of

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<sup>34</sup> <https://www.macleans.ca/education/why-learning-from-home-is-an-unlikely-training-ground-for-a-post-pandemic-world/>

<sup>35</sup> <https://theconversation.com/5-ways-university-education-is-being-reimagined-in-response-to-covid-19-144052>

<sup>36</sup> <https://thoughtleadership.rbc.com/the-recession-roadblock-the-long-term-career-consequences-of-graduating-into-a-downturn/>

<sup>37</sup> <https://www.conferenceboard.ca/e-library/abstract.aspx?did=9099>

<sup>38</sup> <https://taylorinstitute.ucalgary.ca/experiential-learning-continuity>

<sup>39</sup> <https://www.ucalgary.ca/provost/teaching-learning/experiential-learning>

<sup>40</sup> <https://ucalgary.ca/provost/sites/default/files/EL%20Plan%202020-25.pdf>

<sup>41</sup> <https://imic-cimt.ca/projects/studentoutcomes/>



programming available at each unique level. All PSIs in the province, regardless of where they sit within the six-sector model, are producers of talent and drivers of economic growth. UCalgary's position as a CARU<sup>42</sup> appeals to a wide range of students and outcomes, including whether they intend to pursue research or studies in science, arts, kinesiology, or humanities, professional programs in law, education, nursing, medicine, or social work, advanced degrees in engineering or sciences, or creative pursuits in music and fine arts. Having this diversity of programming occurring at UCalgary contributes to campus culture, freedom of choice to explore alternate interests during an undergraduate degree, and overall well-rounded and experienced graduates.

There are also direct pathways from undergraduate degrees to graduate programs offered at UCalgary, a benefit that may be appealing to students wishing to pursue these opportunities without needing to relocate. Unlike other systems that have prescriptive pathways of tertiary education<sup>43</sup>, the freedom of choice enjoyed in Alberta allows students to upgrade, return as mature learners, or choose a pathway that suits their specific learning style. The six-sector model provides clarity of role and purpose, and we encourage this clarity to be maintained in future iterations of the PSE system in Alberta.

### Student Representation

Students are the largest stakeholder group in the PSE system, and our voices matter in the governance of both the PSE system and individual PSIs. Institutional governance models must be allowed to remain flexible based on the PSI's sector placement and the unique needs of each campus community; however, all levels of PSI governance must include more student representation. This includes Boards of Governors, Senates, and the General Faculties Councils<sup>44</sup>. Previous amendments to the Post-Secondary Learning Act<sup>45</sup> that have strengthened student representation on boards across the PSE system must be acknowledged, along with the fact that more can be done to enhance students' positions on these representative bodies. Student associations in Alberta have responsibly demonstrated their ability to hone group decision-making abilities and demonstrate their commitment to the long-term interests of the institution.<sup>46</sup> When students are included and respected in the decision-making processes and development of consensus on tuition, fees, and strategic direction, valuable long-term partnerships are forged that strengthen PSIs and the quality of student life.<sup>47</sup> While CARU institutions require at least two student representatives on their boards, student perspectives are often drowned out by the voting power of members-at-large and university administration.<sup>48</sup> If the voices of students are truly valued, we must have equitable opportunities to influence decisions that will impact us and our futures.

### Student Consultation

Looking to the next ten years, we encourage the Government of Alberta to re-examine their intentions for post-secondary education. Long-term employment outcomes of all university programs, including social science and humanities, are higher earning and more intrinsically rewarding, but immediate investments are needed in career transition support

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<sup>42</sup> <https://www.alberta.ca/types-publicly-funded-post-secondary-institutions.aspx>

<sup>43</sup> <https://www.nzqa.govt.nz/assets/Studying-in-NZ/New-Zealand-Qualification-Framework/requirements-nzqf.pdf>

<sup>44</sup> <https://open.alberta.ca/publications/p19p5>

<sup>45</sup> <https://www.alberta.ca/release.cfm?xID=6190390565D00-E51A-A3F7-DD250CFB7BFFDED2>

<sup>46</sup> <https://files.eric.ed.gov/fulltext/EJ616590.pdf>

<sup>47</sup> <https://www.su.ucalgary.ca/programs-services/funding-awards/quality-money/>

<sup>48</sup> <https://open.alberta.ca/publications/p19p5>

and experiential learning opportunities to ensure students can realize this potential.<sup>49</sup> As Hauserman and Stick (2005) note, “in the past, postsecondary institutes have viewed the student as the customer, but the shift in government policy in the last decade has made the government the customer.”<sup>50</sup> As they further illustrate, the outcome of the government defining goals for PSE by its own terms of reference in the early 2000’s was a decrease in the perceived quality of education, an increase the level of government red tape, and a decrease institutional autonomy to innovate.<sup>51</sup>

The purpose and function of a university is to provide students a systematic, objective understanding of proven methods, findings, and knowledge, to encourage the pursuit of methodological or practical innovation, and to develop new knowledge through the processes of teaching and learning.<sup>52</sup> Students do not support the ‘business-factors’ approach to higher education as it shifts a greater level of costs to students and includes detrimental monetary penalties to institutions while increasing red tape, decreasing quality, and detracting from the purpose of the institution.

The decisions made in the Alberta 2030 review will impact both current and future generations of post-secondary students. We believe that no decisions should be made about students without involving students in the decision-making process.

We invite you to consult directly with students on these and all other issues that will be addressed by your review of Alberta’s post-secondary education system. Our Students Legislative Council (SLC) is a democratically elected body representative of students in every faculty at UCalgary, and the diversity of perspectives we can provide will be invaluable in your consultation process. The SU executive team are happy to facilitate a guided conversation with, or gather feedback from, SLC or with students-at-large on our campus to provide nuanced insight into the post-secondary landscape from students’ perspectives.

I look forward to scheduling a series of meaningful consultations with your team soon.

Respectfully submitted,

A handwritten signature in black ink that reads "Frank Finley". The signature is written in a cursive, slightly stylized font.

**Frank Finley**  
President  
The Students’ Union, The University of Calgary

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<sup>49</sup> <https://www.conferenceboard.ca/press/newsrelease/2018/02/22/social-sciences-humanities-degree-holders-find-rewarding-work-eventually-but-face-employment-challenges-as-new-graduates>

<sup>50</sup> [https://www.researchgate.net/publication/237532074\\_The\\_History\\_of\\_Post-Secondary\\_Finance\\_in\\_Alberta\\_-\\_An\\_Analysis/link/00b49538807a262741000000/download](https://www.researchgate.net/publication/237532074_The_History_of_Post-Secondary_Finance_in_Alberta_-_An_Analysis/link/00b49538807a262741000000/download)

<sup>51</sup> Ibid.

<sup>52</sup> <https://theconversation.com/6-ways-universities-are-being-put-to-the-test-by-coronavirus-142222> (comment by Bohdanna Pankiw)

## Appendix A: Performance-Based Funding Executive Summary

### **What is Performance Based Funding (PBF) and why is it used?**

PBF is a funding model that links public funding for post-secondary institutions (PSI) to “specific institutional outcomes”<sup>i</sup> (e.g., how many students complete their degrees and graduate annually at UofC). Proponents of PBF argue that it will increase transparency and accountability at PSIs. PBF is also known as performance funding, outcomes-based funding, and incentive funding.

### **PBF in Canada and countries similar to Canada who use PBF?**

There are four provinces in Canada that are currently considering or working towards implementing a PBF system: Ontario, Alberta, Manitoba, and New Brunswick. In Ontario, the government announced its plans to implement PBF for its 45 publicly assisted PSIs in its 2019 Budget.<sup>ii</sup> Starting in 2020-21, 25% of funding for these PSIs will be tied to performance outcomes and the government plans to increase this amount to 60% by 2024-25.<sup>iii</sup> The Ontario PBF model has 10 performance metrics with six of them focusing on skills and jobs outcomes and four focusing on economic and community impact outcomes.<sup>iv</sup> In Alberta, the current funding model for PSIs is one where funding is allocated based on how much an institution has received in the past. PBF will be implemented in Alberta starting in April 2020. In this first year, 15% of PSIs’ current grant funding will be tied to performance outcomes. The Albertan government plans to have 40% of funding to PSIs tied to performance outcomes by 2022-23. The Manitoba government first announced in late 2019 that they are looking to change to PBF model.<sup>v</sup> Since then, no further details have been released other than the fact that a PBF system is currently being developed.<sup>vi</sup> New Brunswick is in a similar situation as Manitoba in that the government has expressed interest in implementing a PBF system but no specific details or plans have been released yet.<sup>vii</sup>

In the U.S., 35 of its 50 states have some kind of PBF model in place.<sup>viii</sup> Tennessee is commonly referred to as the most successful case of PBF in the U.S. In Tennessee, PBF metrics were introduced in 1979/80. Changes in 2010 made it so that PBF now makes up 100% of funding from government to PSIs.<sup>ix</sup> However, it is important to note that “in its first three decades, Tennessee’s policy provided that **core state funding would be supplemented with additional funds** based on a campus’s scores on its individually prescribed performance indicators.”<sup>x</sup> These PSIs compete for a share of available government funding each year which means that they are assessed on how well they do on achieving certain outcomes relative to their peers. Tennessee’s system uses a three-year average of the outcomes they want PSIs to achieve as their comparison benchmark.<sup>xi</sup>

Outside of North America, New Zealand is a country similar to Canada that uses PBF (known there as performance-linked funding). PBF in New Zealand was introduced in 2012 but it was discontinued by the government in 2018.<sup>xii</sup> Before it was discontinued, New Zealand’s PBF system made it so that 5% of public funding to PSIs were tied to institutions’ performance on four metrics: course completion, qualification completion, first year retention, and progression. PSIs’ performance in these areas in previous years were used as the comparison benchmark.<sup>xiii</sup> New Zealand also uses a PBF model for research conducted at



PSIs.<sup>53</sup> Known as the Performance-Based Research Fund (PBRF), this system assesses the “research performance of [PSIs] and then fun[ds] them on the basis of their performance”<sup>xiv</sup> but it does not directly fund research projects. Instead, it is used to “suppor[t] research, including post-graduate level teaching support.”<sup>xv</sup>

### **What does the literature on the impact of PBF say?**

Governments claim that PBF will help increase transparency and accountability at PSIs and benefit students by ensuring universities and colleges are actively working towards goals such as providing students with experiential learning opportunities; however, there is a “growing body of empirical research demonstrating that PBF does not produce desired results.”<sup>xvi</sup> The main concern surrounding PBF models is that they can lead to PSIs engaging in counterproductive practices and/or unintended consequences that may negatively affect students.

For example, in order to reach performance outcomes, PSIs may shift their priorities and goals to meet government-established outcomes but sacrifice quality of education in the process. This concern has been raised in regard to metrics on student graduations. In this case, PSIs may shift their focus to making it easier to graduate instead of focusing on creating high-quality programs that may be more challenging to complete in order to receive funding. A similar concern has been raised in the literature in regard to scholarly publications. Pressures on PSIs to produce a certain amount of publications per year may affect professors who may choose quantity over quality when it comes to publications of their studies. Relatedly, in order to meet graduation targets, PSIs may focus on recruiting individuals who are more likely to graduate which could negatively affect accessibility for those students who are considered less likely to graduate. As such, reduced accessibility to post-secondary education is a significant unintended consequence of a PBF model that PSIs should be aware of.<sup>xvii</sup>

Additionally, research on the causal link between PBF and educational outcomes has produced mixed findings. This is because variations in implementation methods, different metrics, and inconsistent data makes it challenging for researchers to conduct empirical analyses on the effect of PBF on targeted outcomes. As Miller and Morphew note, “PBF is linked to few positives and, sometimes, even negative effects on outcomes.”<sup>xviii</sup> The financial impact of PBF also remains debated; although there are claims that PBF will help PSIs be more effective and efficient in their spending, a study by Rabovsky that spanned 11 years found that “PBF policies affect[ed] institutional spending only minimally.”<sup>xix</sup> Given these mixed research findings and conclusions in the literature, researchers caution PSIs, policymakers, and government on interpreting and making claims about the impacts of PBF. Finally, how PBF systems are designed (what performance metrics are used, what the comparison benchmarks are, whether the funding will be additional funding to PSIs or drawn from existing base allocations) and how they are implemented (how many years it takes to implement, what percentage of PSIs’ funding are tied to performance outcomes each year) matter.<sup>xx</sup> Often, when PBF fails, it is due to poor design, poor implementation, or a combination of both. Failure to differentiate between institutional missions, taking a uniform allocation approach, and/or failing to gain institutional support are some key issues that have contributed to the failure of PBF in the U.S. (e.g., South Carolina, California,

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<sup>53</sup> See Notes for how PSIs are assessed for funding under this model

Nevada, Washington, Florida).<sup>xxi</sup> It is also important to recognize the impact politics can have on the long-term success of PBF. As McLendon and Hearn note (based on the findings of Joseph Burke), “the extent of political influence in the design and development of performance-funding approaches play[s] a significant role in the ultimate stability of the programs. Specifically, the least stable programs have been those in which legislators, governors, businesspeople, and community leaders have been most influential, while the most stable ones exhibit the greatest involvement of state higher education officials.”<sup>xxii</sup>

### Policy recommendations for PBF implementation

- *Account for different post-secondary institutional missions*<sup>xxiii</sup> — PBF should not take a one-size-fits-all approach. Given that different PSIs have different purposes and goals, PBF should be designed and implemented in a way that keeps this in mind.
- *Create metrics that “var[y] in scope but [are] limited in number”* – When designing metrics, quality should be prioritized over quantity. Having too many metrics can be counterproductive as it can “dilute institutions’ focus areas and make data collection and reporting more difficult.”<sup>xxiv</sup> In addition, having “[a] smaller set of measurable outcomes is important for long-term political and institutional support.”<sup>xxv</sup>
- *Include short-term/intermediate/progress metrics* – PBF metrics should consider both intermediate and long-term outcomes (e.g., measuring both course completions/credit hour milestones and degree completions).<sup>xxvi</sup>
- *Have a “learning year” before actual implementation* – During this year, PSIs would “receive reports on the measures that [PBF] would have been based on had it been a year of actual implementation, thus providing information for them to anticipate the impact of the new policy.”<sup>xxvii</sup> This has been done in Ohio and Washington and it can help PSIs with planning for the fiscal challenges associated with a funding change like this.
- *Having a gradual increase in the percentage of funding tied to performance outcomes and using a “stop-loss” provision during the first few years* <sup>xxviii</sup> — Gradual increases can help ensure overall stability and long-term success whereas a stop-loss provision can ease the transition to PBF by “prevent[ing] institutions from losing more than a certain level of funding each year.”<sup>xxix</sup>

### Notes

#### PBF in New Zealand

- There are 2 types of PBF in New Zealand:
  1. Performance-linked funding (PLF) – was introduced in 2012; traditional type of PBF that focuses on educational outcomes (this is the type of PBF most relevant to the Albertan PBF case)
  2. Performance-Based Research Fund (PBRF) – was introduced in 2004 and has a specific focus on institutional research performance
- Performance-linked funding
  - Discontinued in 2018
  - PLF made up 5% of funding from government to PSIs; PSIs were assessed for funding based on their performance on 4 performance metrics (course completion, qualification completion, first year retention, progression) in previous years

- PBRF has 3 components that are used to assess PSIs for funding meant to support research:
  - Quality Evaluation – makes up 55% of the PBRF; is “an assessment of the research performance of staff at eligible [PSIs]”<sup>i</sup> done by expert peer review panels
  - Research Degree Completion – makes up 25% of the PBRF; looks at how many post-graduate, research-based degrees were completed at participating PSIs
  - External Research Income – makes up 20% of the PBRF; looks at the “amount and type of income received by participating [PSIs] from external sources for research purposes”

<sup>i</sup> Graham Miller and Christopher Morpew, “Merchants of Optimism: Agenda-Setting Organizations and the Framing of Performance-Based Funding for Higher Education,” *The Journal of Higher Education* 88, no. 5 (2017): 754-784

<sup>ii</sup> Ontario Ministry of Colleges and Universities, “Ontario Ensuring All Students Reach Their Full Potential,” Ontario Newsroom, Government of Ontario, July 29, 2019, <https://news.ontario.ca/maesd/en/2019/07/ontario-ensuring-all-students-reach-their-full-potential.html>.

<sup>iii</sup> The Canadian Press, “Funding for Ontario colleges and universities to be tied to ‘performance outcomes,’” CBC News, The Canadian Press, last modified April 11, 2019, <https://www.cbc.ca/news/canada/toronto/ontario-colleges-university-performance-funding-budget-1.5094751>.

<sup>iv</sup> Joe Friesen, “New metrics for Ontario university and college funding include employment and graduation rates,” The Globe and Mail, The Globe and Mail, April 16, 2019, <https://www.theglobeandmail.com/canada/article-new-metrics-for-ontario-university-and-college-funding-include/>.

<sup>v</sup> Government of Manitoba, “Manitoba Government Releases Colleges Education Review,” Manitoba Newsroom, Government of Manitoba, March 19, 2019, <https://news.gov.mb.ca/news/index.html?item=43374&posted=2018-03-19>.

<sup>vi</sup> The Canadian Press, “Manitoba government issues new mandate letter for post-secondary schools,” Ottawa Citizen, The Canadian Press, last modified January 17, 2020, <https://ottawacitizen.com/pmn/news-pmn/canada-news-pmn/manitoba-government-issues-new-mandate-letter-for-post-secondary-schools/wcm/3615519f-5377-47d2-af23-f3b0c86cb856>.

<sup>vii</sup> CBC News, “New Brunswick MLAs ponder performance-based funding for universities,” CBC News, CBC News, last modified February 7, 2020, <https://www.cbc.ca/news/canada/new-brunswick/cbc-nb-political-panel-podcast-university-funding-1.5455391>.

<sup>viii</sup> Janet French, “The MacKinnon report suggested it: But what is performance-based funding for schools and universities?” Edmonton Journal, Edmonton Journal, last modified October 15, 2019, <https://edmontonjournal.com/news/local-news/explainer-what-is-performance-based-funding-for-schools-and-universities>.

<sup>ix</sup> Tennessee Higher Education Commission, “Outcomes-Based Funding Formula,” Outcomes Based Funding Formula Overview, Government of Tennessee, n.d., [https://www.tn.gov/content/dam/tn/thec/bureau/fiscal\\_admin/fiscal\\_pol/obff/1\\_-\\_Outcomes\\_Based\\_Funding\\_Formula\\_Overview\\_-\\_One\\_Page.pdf](https://www.tn.gov/content/dam/tn/thec/bureau/fiscal_admin/fiscal_pol/obff/1_-_Outcomes_Based_Funding_Formula_Overview_-_One_Page.pdf).

<sup>x</sup> Michael McLendon and James Hearn, “The Resurgent Interest in Performance-Based Funding for Higher Education,” *Academe* 99, no. 6 (2013): 25-30

<sup>xi</sup> Tennessee Higher Education Commission, “Outcomes-Based Funding Formula,” Outcomes Based Funding Formula Overview, Government of Tennessee, n.d., [https://www.tn.gov/content/dam/tn/thec/bureau/fiscal\\_admin/fiscal\\_pol/obff/1\\_-\\_Outcomes\\_Based\\_Funding\\_Formula\\_Overview\\_-\\_One\\_Page.pdf](https://www.tn.gov/content/dam/tn/thec/bureau/fiscal_admin/fiscal_pol/obff/1_-_Outcomes_Based_Funding_Formula_Overview_-_One_Page.pdf).

<sup>xiii</sup> New Zealand Government, “Details of performance linked funding confirmed,” Scoop Parliament, Scoop Parliament, August 3, 2010, <https://www.scoop.co.nz/stories/PA1008/S00022/details-of-performance-linked-funding-confirmed.htm>; Tertiary Education Commission, “Performance-linked funding,” Tertiary Education

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- <sup>xvi</sup> Graham Miller and Christopher Morphey, "Merchants of Optimism: Agenda-Setting Organizations and the Framing of Performance-Based Funding for Higher Education," *The Journal of Higher Education* 88, no. 5 (2017): 754.
- <sup>xvii</sup> Graham Miller and Christopher Morphey, "Merchants of Optimism: Agenda-Setting Organizations and the Framing of Performance-Based Funding for Higher Education," *The Journal of Higher Education* 88, no. 5 (2017): 754-784
- <sup>xviii</sup> Graham Miller and Christopher Morphey, "Merchants of Optimism: Agenda-Setting Organizations and the Framing of Performance-Based Funding for Higher Education," *The Journal of Higher Education* 88, no. 5 (2017): 758.
- <sup>xix</sup> Graham Miller and Christopher Morphey, "Merchants of Optimism: Agenda-Setting Organizations and the Framing of Performance-Based Funding for Higher Education," *The Journal of Higher Education* 88, no. 5 (2017): 758.
- <sup>xx</sup> Graham Miller and Christopher Morphey, "Merchants of Optimism: Agenda-Setting Organizations and the Framing of Performance-Based Funding for Higher Education," *The Journal of Higher Education* 88, no. 5 (2017): 754-78; Amy Li, "Performance Funding in the States: An Increasingly Ubiquitous Public Policy for Higher Education," University of Washington, n.d., <http://sites.psu.edu/higheredinreview/wp-content/uploads/sites/36443/2016/02/Li-2014.pdf>; Amy Li, "Lessons Learned: A Case Study of Performance Funding in Higher Education," Third Way, Academix Series, Third Way, last modified January 25, 2019, <https://www.thirdway.org/report/lessons-learned-a-case-study-of-performance-funding-in-higher-education>.
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- <sup>xxii</sup> Michael McLendon and James Hearn, "The Resurgent Interest in Performance-Based Funding for Higher Education," *Academe* 99, no. 6 (2013): 27.
- <sup>xxiii</sup> Amy Li, "Performance Funding in the States: An Increasingly Ubiquitous Public Policy for Higher Education," University of Washington, n.d., <http://sites.psu.edu/higheredinreview/wp-content/uploads/sites/36443/2016/02/Li-2014.pdf>.
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