

UNIVERSITY OF TWENTE.

Performance agreements in higher education in the Netherlands

Donald F. Westerheijden
PESHES Workshop
University of Twente
2018-06-11

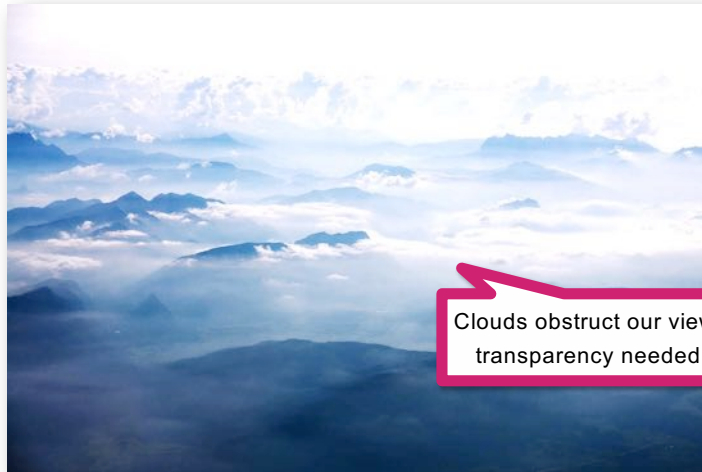
Contents

- The need for transparency
 - Information asymmetry
 - Networked governance

 - Instruments for transparency
 - Accreditation (Quality assurance)
 - University rankings
 - Performance contracts
 - In the Netherlands

 - Conclusion
- UNIVERSITY OF TWENTE.

A higher education landscape: Vertical and horizontal diversity



Performance contracts

- Performance contracts are agreements between **individual** higher education institutions and their government(s) or funding authorities
- Part of **public funding** is connected to their commitment to fulfil several **objectives** measured by target **indicators**
- Usually performance contracts invite higher education institutions to elaborate their **strategic plans**,
 - outlining their vision of the future and
 - the specific actions directed to reaching their strategic objectives.
- In some cases, **delivering** on the performance contract leads to a **financial reward** for the institution



Aims of performance contracts

- **Primarily:**
 - Reward desired behaviour
 - Increase mission diversity
 - Increase performance
- **Secondarily:**
 - Indicators → transparency



Performance contracts in the Netherlands

Context: Situation before

- Performance-based funding
 - For part of the institution's budget
 - Main indicators
 - Number of students
 - Open access, market in balance
 - 'Unit price' weighted for expensive disciplines
 - Number of degrees
 - *Note: multi-year averages*
- Same formula → same outcome = uniformity
- Two issues:
 - How to stimulate diversity?
 - Different formulae for universities and for universities of applied sciences (UAS)
 - How to simulate quality instead of quantity?

Performance contracts in the Netherlands

Context: How to simulate excellence?

- Policy #1: Multi-annual agreements
 - 2008–2010
 - Between Minister and Associations of universities/UAS
 - No consequences for individual higher education institutions
- Policy #2: **Performance agreements** with each publicly-funded higher education institution
 - N = 57
 - 2013-2016
- Evaluation (2011)
 - Completion rate rises a little
 - No increase of effort
- Aims:
 - Raise quality → national goals
 - Stimulate diversity

Performance contracts in the Netherlands

Outline national

- Start with sectoral 'Outline agreements'
 - Between Minister and Associations of universities/UAS
 - Give framework for individual agreements with higher education institutions
 - Raise quality of education: common indicators, but free to set ambition levels
 - Stimulate diversity → profiling plans
- 7% of funding at stake
 - 5% of 'own' budget regained by quality of plans for raising quality of education
 - 2% redistributed among best profiling plans
 - Fixed for next 4 years
 - Same level of rewards/punishments after 4 years for (not) reaching ambitions

Performance contracts in the Netherlands

Outline per institution

- Institutional agreements
- Individual ambitions on set of common indicators
 - Balancing act: you cannot maximise all indicators
 - Strategy depends also on context of the institution: 'difficult' student mix?
- Free-form ambitions regarding
 - Research (Uni) / Applied research (UAS)
 - Attention invited to Grand Challenges
 - Top Sectors: Centres of Expertise (UAS + business)
 - Valorisation (\approx knowledge transfer)
 - Educational profiling

Performance contracts in the Netherlands

Initial plans

	Universities	Universities of applied sciences	Total
Excellent	1	2	3
Very Good	6	23	29
Good	7	13	19
Insufficient	0	0	0
No rating	4	1	6
Total	18	39	57

Performance contracts in the Netherlands Common indicators of education quality

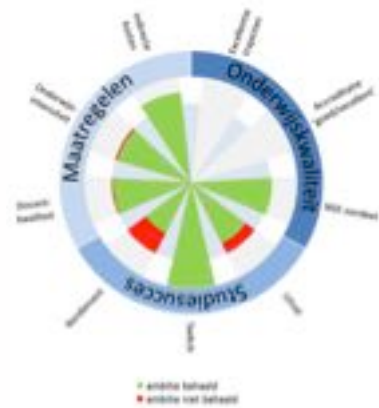
1 Quality of education	2 Study success (all three)
1a Excellence / quality (1 of 3 to be chosen)	Drop out during 1st year
<p>Most universities</p> <p>% Students in externally validated 'excellence tracks' (i.e. special, additional learning occasions leading to broader and/or higher learning outcomes, usually for highly gifted and highly motivated students)</p> <p>% Students in study programmes with good/excellent accreditation</p>	<p>Switch to another study programme in the same higher education institution during 1st year</p>
1b Measures (all three)	% of 2nd year students attaining Bachelor-degree within nominal time + 1 year (i.e. in total 4 years in universities and 5 years in universities of applied sciences)
<p>Most UAS</p> <p>Student satisfaction in general, according to national student survey (NSE)</p>	
Quality of teachers: % with Basic Certificate of Teaching in Higher Education (universities) / % Master/Ph.D. (universities of applied sciences)	
Intensity of teaching: % study programmes with <12 hours of contact/week	
Indirect costs: % teaching staff out total personnel	
Total quality of education: 4 indicators	Total study success: 3 indicators

UNIVERSITY OF TWENTE. CC BY-NC-SA | CHEPS '18-04-16 17



Performance contracts in the Netherlands Results

- 6 UAS punished for not achieving their ambitions regarding effectiveness of study (degree completion rates)
 - Minister applied only 50% of threatened budget reduction
(= 50% of 1/3 of 5% = 0.83%)
- Compared with 2011:
 - Certainly much effort for higher efficiency!
 - Educational diversity increased: Associate degrees, 'liberal arts' education
 - Research diversity: stable



Netherlands' 2nd generation performance contracts (announced 9 April 2018)

- More based on negotiations higher education institution – regional stakeholders
- National priority remains: quality of education
- Low financial consequence (but some remains!)
- Monitoring by quality assurance agency NVAO
- Gives stakeholders more ownership
 - More interest by stakeholders in transparency?



Conclusions

- Performance contracts: make higher education institutions focus on reaching targets
 - If combined with some real consequences
 - But risk of 'perverse effects'
- Diversity difficult to combine with national goals
 - Even if institutions may set own balance and ambition levels
 - Hard indicators win against soft plans
- The Netherlands' 2nd generation performance contracts
 - May become interesting experiment with strengthened roles for stakeholders
 - Emphasise national (uniform) goals, less diversity