Innovative Research Universities

Using Eligible Students to Drive the Scholarship Fund

The Government proposal

The Government's proposal is that all universities and other providers allocate a proportion of fee income to support scholarships for students from disadvantaged backgrounds. Each university would use the scholarship funds it raises to support its students, targeting those eligible. The university will determine how much each student receives and whether it defines how the scholarship may be used.

- The rationale for the scholarships is broadly clear but open to criticism. The intent is to reduce the risk that students from poorer backgrounds will be deterred from university or from some universities due to high fees and the cost of living while studying. The rationale for allowing universities to charge much higher fees is that the HELP scheme removes the financial deterrent; hence the most coherent argument for the scholarships focusses at living costs.
- The definition of which students are eligible remains to be settled. Some bounds will be needed, however too specific criteria could be problematic in both including some who have little need (which a university could cope with) and excluding some who do.
- The amount which is to be used for scholarships is 20% of the revenue a university (or other provider) receives above the revenue they would currently receive for that set of students. This threshold is somewhat clumsily expressed and will become a historic curiosity quickly – IRU has put to the Department of Education a means to use the calculation for 2016 as the base for giving universities and other providers a simple, dollar based, revenue benchmark above which the 20% amount applies (attached).

Problems with the proposal

By containing use of the funds to within each institution the driver of the scheme is the fees people, not eligible for scholarships, pay, rather than the needs of people eligible for support. The likely result is an inverse relationship between the amount of scholarship funds a university has and the number of eligible students it enrols.

This is based on the assumption that the universities most likely to set the highest fees are the older universities which currently have fewer such students. The low SES measure is a good proxy for this. The attached table shows the range of low SES enrolment by university.

The scholarships encourage recruitment games by institutions. Scholarships can be used to target potential students not prioritising that university. Hence a sought after applicant may face the choice of going to the initially preferred university X, with little or no support for living costs and fees, against going to University Y with a substantial scholarship.

The universities most able to do this will be those with the highest prior public investment that has created the value they will now be able to leverage into higher fees.

The scholarship program needs to refocus on support for the eligible students, ensuring they receive the funds available to use at the provider of their choice.

The IRU proposal [consistent with the Regional Universities Network argument]

The IRU proposal is that the amount destined for scholarships from each provider be pooled and redistributed back to providers based on the relative proportion of the target group of students each enrolls. Universities would retain the responsibility to decide how to allocate the scholarship funds.

A half way approach would pool a proportion of the funds only for redistribution (eg 60%).

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The proposal makes the student the driver, creating the likelihood for a given eligible person that each of the institutions they are considering will have funds to support a scholarship of similar size. Hence they make a decision on the basis of the educational value they will receive.

The rationale for forcing a redistribution of the scholarship funds is that the higher fees are only possible because of the Government's student loans (HELP) and previous Government investment in institutions which has created the universities we now have with highest public standing. The Government scheme is predicated on funds from students in an institution being used to support other students in that institution. The proposal extends the use to support for students in any institution.

Institutions with high fees but low numbers of target students would have incentive to increase the number of eligible students to retain more of the fee income from their own students. However it is likely that many will be constrained by a commitment to retain high entry requirements.

We are not advocating for a national allocation of scholarships by Government to those eligible. This would require common, easily measureable, allocation criteria and standard payment amounts. It would completely overturn the Government's proposal and remove any local level targeting of funds to individual circumstances more subtly than simple income testing can achieve.

Conor King
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Scholarship fund: threshold for determining

The IRU meeting with the Department of Education, 11 June 2014, raised the question of what simpler basis there could be for setting the initial income over which 20% is intended for the scholarship program.

The current proposal appears to be to apply an indexed set of the current rates by discipline to future years' load. The Department would use the combined CGS plus max student contribution amounts so about 8 levels. For the universities applying that to future revenue they will tend to look at the 15 or 16 different student rates created when linked to the new Government cluster funding bands.

An option? Determine a $$ amount from a base year (2014 if to be neutral on impact of new system; 2016 if you want to reflect initial responses) using the calculation you have in mind – and then use that figure, not the calculation methodology, as the base for all future years.

That way universities can know the $$ point over which the 20% applies, and the 2014 system does not live on to haunt future generations of university and Government leaders.

Variants:

the proposal sets a $$ amount for the provider and runs with it. If a provider grows or shrinks then that amount may look less suitable.

- If it grows, then potentially too much is forced into the scholarship pool, but I don't find this a major problem for some years;
- if it shrinks too little may go into the pool despite use of higher fees (eg raises twice as much per student from half as many students for a net zero revenue change).

Hence a more precise version is to divide the total dollars by EFTSL and apply a per EFTSL rate in future years. The main point again is that it is a simple figure the provider knows and can plan easily with.

The counter is that load balance may change – that would take some time to matter.

Since it is a set figure, rather than a formal formula, a future Minister could reset the figure for a provider. Indeed the legal basis would be that each year the figure is set, usually just a question of indexation, but could be a re basing.

The other challenge is new providers, or those new providers that grow rapidly. Para above applies – the rate is agreed based on the profile and where needed reset.

This approach is broadly consistent with the general statements made to date and avoids perennially looking backwards to what would have been if nothing changed in 2016.

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