

Making Performance Accountability
Work: English Lessons for U.S.
Community Colleges

By Ozan Jaquette

An ACHIEVING THE DREAM Policy Brief

FEBRUARY 2006



About the Author

OZAN JAQUETTE is a doctoral student in higher education at the University of Michigan. He received an M.Phil. in comparative social policy from the University of Oxford. This policy brief has been adopted from his M.Phil. thesis entitled *Funding, Control, and Student Success: A Comparative Study of English Further Education Colleges and California Community Colleges*. Comments and questions are welcome (ozanj@umich.edu).



ACHIEVING THE DREAM: COMMUNITY COLLEGES COUNT is a national initiative that promotes change to improve student success at community colleges. The initiative works on multiple fronts—including efforts at community colleges and in research, public engagement and public policy—and emphasizes the use of data to drive change.

Achieving the Dream is funded by Lumina Foundation for Education, KnowledgeWorks Foundation, and Nellie Mae Education Foundation. Support for this publication was provided by Lumina Foundation.

www.achievingthedream.org



JOBS FOR THE FUTURE seeks to accelerate the educational and economic advancement of youth and adults struggling in today's economy. JFF partners with leaders in education, business, government, and communities around the nation to: strengthen opportunities for youth to succeed in postsecondary learning and high-skill careers; increase opportunities for low-income individuals to move into family-supporting careers; and meet the growing economic demand for knowledgeable and skilled workers.

Jobs for the Future
88 Broad Street
Boston, MA 02110
617.728.4446
www.jff.org

Making Performance Accountability Work: English Lessons for U.S. Community Colleges



Table of Contents

Executive Summary	1
Introduction	4
English Further Education Colleges: Close Cousins of U.S. Community Colleges	5
The 1992 Reforms: Incorporation and Performance-Based Funding	6
The Per-Pupil Funding Formula: Aligning Incentives with Public Policy Goals	7
Regulating Further Education	11
Performance Accountability from a College’s Perspective	14
Recommendations	15
References	18
List of Tables and Figures	
Table 1: Success Rates at English Further Education Colleges	4
Table 2: Real Funding per Full Time Equivalent Students in English Further Education	6
Table 3: Program Weighting Factors	8
Table 4: Disadvantage Uplift Factor Over Time	9
Figure 1: Funding per Instructional Hours	10

Acknowledgements

I would like to thank the following people: George Smith at the University of Oxford for helping me gain access to the data and for being a wonderful advisor; Principal Geoff Pine for taking the time to speak with me; Cliff Harbour at Colorado State University for his past and current moral support; Richard Kazis, Sue Goldberger, and Marc Miller at Jobs for the Future and Carol Gerwin for taking an interest in this research and for their skillful editing; and Mike Cooper, Peter Davies, and Mick Fletcher at the Learning & Skills Development Agency for putting up with my constant questions! You have done great things for English further education, and I hope you find greener pastures as LSDA dissolves.

This brief utilizes five years of cross-sectional, student-level data (1998–99 to 2002–03) from the Individualized Learner Record, a data set maintained by the Learning & Skills Council. I received access to this data through my former employment at the Social Disadvantage Research Centre at Oxford University, which has a data-sharing agreement with the Learning & Skills Council.

Making Performance Accountability Work: English Lessons for U.S. Community Colleges

Executive Summary

Most states have experimented with performance accountability as a way to drive improvement in public higher education institutions and systems. However, efforts to implement performance funding in the United States have yielded mixed results.

A more encouraging story has unfolded in England. There, a nationwide accountability system for further education colleges—England’s community-college counterparts—has led to impressive increases in student outcomes since it was implemented in 1992. Ten percent of total funding for these institutions now depends on student success, while colleges receive extra money for students who are less prepared and typically cost more to educate. A rigorous regulatory system helps prevent unintended consequences, such as a lowering of academic standards.

Success rates, defined as completion of the “qualification” or credential program in which a student initially enrolled, rose 10 percent between 1998 and 2003. Students who come from “disadvantaged” backgrounds, including basic skills learners, those living in deprived areas, and political asylum seekers, have made particularly large gains. Ethnic minorities and students with disabilities also made large gains.

Making Performance Accountability Work: English Lessons for U.S. Community Colleges, prepared for *Achieving the Dream*, a national initiative to improve student success at community colleges, takes a detailed look at the policy innovations England designed to provide incentives to improve student outcomes, particularly for underprepared and harder-to-serve students. This policy brief describes the reforms that dra-

matically changed the policy landscape in England and explains the performance funding and regulatory control system that have driven improvement in this new landscape.

The 1992 Reforms: Incorporation and Performance-Based Funding

Today, about 3 million students are enrolled in England’s general further education colleges, out of a population of 50 million people. While further education colleges share many similarities with U.S. community colleges, there are important differences. Most significant is the English government’s strict central control over individual institutions. Relatively new, the bureaucracy was created in 1992 at a time of dramatic reforms in English further education known as “incorporation”—so-named because the reforms forced colleges to behave more like private corporations.

The 1992 reforms stripped local education authorities of their funding and regulatory powers. Centralized agencies were created to regulate funding, inspection, and external grading of student exams and papers, while individual colleges became responsible for their own financial administration and solvency and administrators gained power over day-to-day operations. Since then, funding has followed individual students to whatever college they decide to attend.

In addition, the government created a centralized data system to track the progress of all students. This enabled England to implement the performance-based, per-pupil funding formula that is the centerpiece of its accountability system.

The Per-Pupil Funding Formula and Regulatory Oversight: Aligning Incentives and Safeguards with Public Policy Goals

Incorporation unleashed entrepreneurial energy among college administrators, but linking institutional funding to student performance helped channel this energy toward two major policy goals: increasing student access and increasing student success.

The new formula required that a percentage of each institution's base funding—called achievement funding—would be dependent on student success. Payments are reduced when students fail to complete credentials or courses. At first achievement funding comprised 5 to 7 percent of total funding. Since 2002-03, it has accounted for 10 percent of total funding.

U.S. researchers have cautioned that performance funding policies can create unintended consequences, such as a retreat from open access policies or a decline in academic standards. But England designed its performance funding system with special features to guard against such problems.

The per-pupil funding system distributes government funds to individual institutions according to a multi-part formula that encourages their central mission of serving disadvantaged students, who often require extra expenditures to become successful. Indeed, the formula provides incentives not only to enroll needier students, including low-income students and students with disabilities, but to make concerted efforts to help them succeed. The formula accomplishes this by providing more money for educational services that are more costly to provide than average. This moderates the incentive to skew enrollment toward those with a higher likelihood of success.

England also recognized the limitations of the formula's safeguards and took the additional step of establishing a strong framework of semi-autonomous regulatory agencies to monitor the further education system. A rigorous government inspection system grades colleges on instructional quality, support services, and student engagement. This helps ensure that resources go toward the many different aspects of educational quality, not just the measurable outcomes rewarded through performance funding. External grading of student exams and papers helps prevent pressure to increase student success by lowering academic standards.

Recommendations

The English system of performance funding tells an encouraging story of how policy can have a positive influence on institutional behavior. At least for now, the English have achieved many of the goals they established when embarking upon this new system of performance funding tied to greater institutional flexibility and entrepreneurialism. However, the English case study provides as many cautions for U.S. policymakers as it does guidance for designing and implementing better performance measurement and funding systems.

Making Performance Accountability Work in Community Colleges is not an argument for trying to transfer the English system whole cloth to the United States. That said, some of the generalized lessons derived from the English experience can be applied in the U.S. context—and some point out the difficulty of designing a powerful performance funding mechanism for the kind of decentralized postsecondary education systems typical in the United States.

Performance funding can be structured in ways that drive quality without lowering standards—but success depends upon implementation of a number of related and linked policies designed explicitly to achieve that goal. A common concern in the analysis of performance funding systems in the United States is the danger that institutions will find ways to meet higher performance standards by shifting enrollment toward better prepared students who are more likely to succeed. The English case demonstrates that this dynamic is not inevitable.

Accurate student record data is a prerequisite for holding institutions accountable for student outcomes. When England moved to the per-pupil performance funding system, the government designed and implemented a data system that could track the outcomes that performance funding was designed to improve. In the United States, though, student record data systems are collected at the state level—and there is significant variation across states in the capacity of their data systems to track student progress.

Successful implementation depends upon broad agreement on a limited number of goals to be rewarded. England's performance funding formula rewards fairly straightforward goals. The multiple missions of community colleges and the more ambitious niche this sec-

tor occupies in the U.S. higher education system pose challenges when it comes to identifying goals to be rewarded by a performance funding system.

Incentives have to be significant and relatively predictable—but they also must be designed to avoid backlash and resistance as spending rises. Perhaps one of the most important contributors to the success of the English system was the commitment of the national government to accompany the demand for better institutional performance with the availability of increased resources. State performance funding in the United States has typically been too small and spread across too many performance indicators to make much of a difference.

External regulation is critical—which might require greater centralization than the U.S. political culture will accept. The final critical component of the English performance funding system is external regulation, particularly the external assessment of quality of courses and programs. The centralized and hierarchical structure of English education policy ensures that regulatory agencies are responsive to changes in governmental priorities. The primacy of institutional autonomy in U.S. postsecondary education makes it difficult to find ways to bring the strengths of external regulation into the U.S. context.

Introduction

With rising concern about student outcomes—especially graduation—in community colleges, almost every state has experimented with performance accountability as a way to drive improvement. However, efforts to demand more accountability from higher education for student performance have yielded mixed results. A previous Achieving the Dream policy brief, *State Systems of Performance Accountability for Community Colleges: Impacts and Lessons for Policymakers*, by Kevin Dougherty and Esther Hong (2005), concluded that performance accountability demonstrated potential to realize important public goals but had yet to show a significant impact, in part because relatively little funding is at stake and even those resources are rarely stable.

Dougherty and Hong found that community colleges with performance accountability systems have changed their structures and operations in order to increase retention, graduation, and job placement rates, and there is evidence that these changes have helped improve student outcomes. However, the extent of improvement is unclear. There is no clear correlation between strength of performance accountability system and improvements in student outcomes, such as retention, graduation, and remediation success. Moreover, the incentives built into performance accountability systems can create troubling unintended consequences, including a decline in academic standards and a tendency to limit enrollment to students with a high likelihood of success.

A more encouraging story has unfolded across the Atlantic. In England, a nationwide accountability system for its further education colleges—its community-college counterparts—has led to impressive increases in student outcomes since it was implemented in 1992. There, 10 percent of total funding for these institutions now depends on student success. Success rates, defined as completion of the “qualification” or credential program in which a student initially enrolled, rose 10 percent between 1998 and 2003 (Learning & Skills Council 2005) (*see Table 1*).

“Disadvantaged learners” made particularly large gains. These are students who “come from backgrounds which have disadvantaged them,” including

TABLE 1
Success Rates at English Further Education Colleges (percent)

	1998-99	2002-03
OVERALL SUCCESS RATE	56.9	66.9
DEPRIVATION INDEX		
Deprivation less than 10	60.9	69.4
Deprivation 10-<20	59.5	68.7
Deprivation 20-<30	56.6	66.7
Deprivation 35-<50	52.9	64.5
Deprivation 50+	49.4	62.9
ETHNICITY		
White	58.4	68.3
Bangladeshi	46.6	67.0
Black-African	44.4	59.5
Black-Caribbean	46.3	57.5
Black-Other	45.2	56.8
Chinese	52.2	67.9
Indian	55.5	68.3
Pakistani	48.9	60.8
Asian-Other	51.3	62.3
GENDER		
Male	53.0	64.6
Female	59.3	68.4
QUALIFICATION LEVEL		
Entry & level 1	55.7	68.5
Level 2	55.2	62.6
Level 3	55.1	64.5
Level 4 or higher	54.3	60.3
QUALIFICATION DURATION		
Less than 24 Weeks	66.0	74.9
24-<48 Weeks	53.8	62.1
48+ Weeks	46.6	56.5
MODE OF ATTENDANCE		
Full-time, full-year	56.7	62.2
Full-time, part-year	66.2	75.5
Part-time	56.3	67.3
Open/distance learning	44.1	52.0
FUNDING DETERMINANTS*		
Receives additional learning support	61.4	73.8
Basic skills learner	55.8	72.8
Receives access funding	n.a.	65.0
Receives disadvantage uplift (zip code)	52.0	63.7
Disadvantage uplift (political asylum)	47.8	57.5
SAMPLE SIZE	1,509,393	1,771,842

* See page 7, “The Per-Pupil Funding Formula.”

basic skills learners, those living in deprived areas, and political asylum seekers. Ethnic minorities and students receiving “additional learning support” funding also made large gains. (See the endnotes for information on the data sample used.¹) The seven-year results are even better, with success rates growing 18 percent between 1997 and 2004 (Learning & Skills Council 2005).²

Although cross-national comparisons must be undertaken with care, the English experience provides valuable parallels and policy insights for the United States. The two education systems share similarities, and the performance accountability policies proposed in some states resemble those in England. However, the English accountability system was designed with several critical differences that appear to have contributed to its greater effectiveness:

- Performance funding is counterbalanced by paying institutions more for enrolling students who are less prepared and typically cost more to educate. These include disadvantaged students, basic-skills students, and students with disabilities. This moderates the incentive to skew enrollment toward those with the highest likelihood of success.
- A rigorous government inspection system grades colleges on instructional quality, support services, and student engagement. This helps ensure that resources go toward improving the many different aspects of educational quality, not just the measurable outcomes rewarded through performance funding.
- A system of external grading for exams and papers helps prevent pressure to increase student success by lowering academic standards.

This policy brief, prepared for *Achieving the Dream*, a national initiative to improve student success at community colleges, takes a detailed look at policy innovations England designed to provide incentives for improving student outcomes, particularly for underprepared and harder-to-serve students. It describes the reforms that have dramatically changed the policy landscape in England and explains the performance funding and regulatory control system that have driven improvement in this new landscape.

English Further Education Colleges: Close Cousins of U.S. Community Colleges

English further education colleges began as vocational training institutions and, in a country obsessed with class, were held in low regard by the more genteel echelons of society (Pratt 2000). As educational opportunity reached a larger proportion of society, and as jobs increasingly required a stronger foundation of academic knowledge, enrollment in further education colleges skyrocketed and provision became a mix of academic and vocational instruction (Melville 2000).

Today, more than 4 million students are enrolled in further education colleges, out of a population of 50 million people.³ By far the largest set of further education institutions are the general further education colleges, with 3 million students enrolled in the 2003-04 academic year.⁴ This policy brief focuses on these institutions.

Like U.S. community colleges, English further education colleges have a mission to serve disadvantaged students (*see box, “Similarities and Differences”*). Both types of institution are the main education providers for low-income adults, students seeking vocational training, and students who need adult basic education, such as literacy instruction. In both countries, enrollment is highest for courses in business, information technology, and health care.

There are other similarities as well. English further education colleges offer “qualifications,” with coursework ranging from a few weeks to several years. These qualifications closely resemble “certificates” offered by U.S. community colleges. For example, English colleges offer full-time, full-year qualifications in database management, which are analogous to earning an advanced certificate in U.S. community colleges. However, further education colleges generally do not offer degree programs, such as the Associate’s degree, and they generally lack the well-articulated transfer function that exists in U.S. community colleges.

Government funding for further education colleges resembles the funding for community colleges in many states. In the 1998-99 academic year, the average per-pupil funding from the English government was \$6,240 (Naitonal Statistics 2005).⁵ This was slightly higher than the U.S. median per pupil expenditure, \$5,614.

Similarities and Differences: Community Colleges vs. Further Education Colleges

Similarities

- Mission to serve disadvantaged students
- Main providers of education for low-income adults, including literacy
- Main providers of vocational education
- English “qualifications” resemble U.S. “certificates;” several qualifications (e.g., the Higher National Diploma) are similar in length and scope to U.S. Associate’s degrees.
- Similar levels of government per-pupil funding
- Enrollment is highest in business, IT, and health care courses

Differences

- In addition to being the dominant provider of adult education further education colleges enroll over half of the 16- to 18-year-olds enrolled in full-time education; 16- to 18-year olds in the United States attend high school.
- Strict central-government control in England vs. autonomy or state-supervised control in the United States
- Public funding for further education colleges comes solely from the central government; public funding for community colleges comes from state governments, local governments, and the federal government.
- Further education colleges do not have the transfer function of U.S. community colleges, and “qualifications” are typically shorter and have fewer sub-units than Associate’s degrees.
- The centralized governmental inspection agency inspects further education colleges once every four years; community colleges are accredited once every five to ten years based on a “peer review” system.
- In England all final exams and papers go to external graders who don’t know the identity of the student; in the United States, course instructors grade their students’ work.

Recently, per-pupil funding for English further education colleges has risen, while funding has stagnated in most U.S. states (*see Table 2*). The primary reason for the English increase is that the government views further education as an investment in national economic competitiveness. Because the central government is solely responsible for both funding and regulation, it has considerable leverage to ensure that the goals of the further education sector reflect the changing goals

TABLE 2.
Real Funding per Full-Time Equivalent Students in English Further Education*

Year	English Further Education Colleges		
	FTE Students	Total Funding (millions)	Avg. \$ per FTE Student
1994-95	914,000	\$6,552	\$7,169
1995-96	989,000	\$6,609	\$6,683
1996-97	1,027,000	\$6,674	\$6,499
1997-98	1,020,000	\$6,507	\$6,380
1998-99	1,004,000	\$6,265	\$6,240
1999-00	977,000	\$6,523	\$6,677
2000-01	953,000	\$6,783	\$7,118
2001-02	970,000	\$7,478	\$7,709
2002-03	1,051,000	\$7,976	\$7,589
2003-04	1,117,000	\$8,487	\$7,598

* Conversion using Consumer Price Index and Exchange Rate, September 2004
Source: National Statistics (2005)

for economic development. The situation is different in the United States, where public funding for community colleges comes from local, state, and federal governments, and regulatory control is weak.

The 1992 Reforms: Incorporation and Performance-Based Funding

While further education colleges share many similarities with community colleges, there are important differences. Most significant is the English government’s strict central control over individual institutions. Relatively new, the bureaucracy was created in 1992 at a time of dramatic reforms in English further education known as “incorporation”—so-named because the reforms forced colleges to behave more like private corporations.

Until then, funding for further education colleges came from a combination of local property taxes and central-government block grants to local education districts. The districts hired and fired staff, designed curricula, administered finances, and allocated funds to individual colleges.

The 1992 reforms stripped local education authorities of their funding and regulatory powers. Centralized agencies were created to regulate funding, inspection, and external grading of student exams and papers.

Since then, funding has followed individual students to whatever college they decide to attend. The rationale for student choice was—like other voucher systems—to increase quality by creating competition. Each college became responsible for its own financial administration and solvency, and each college’s board of governors received more power to oversee school finances and employ senior management.

In addition, the government created a centralized data system to track the progress of all students. This data was used as a benchmarking tool to compare performance across institutions and enabled the government to implement a performance-based funding formula. (This system provided the data used in this study.)

The new funding agency devised a per-pupil funding formula in which a percentage of base funding—called achievement funding—depends on student success. At first achievement funding comprised 5 to 7 percent of total funding, depending on qualification type; since 2002-03, achievement funding has accounted for 10 percent of total funding for all qualifications.

The changes did not come easily, and several initial problems exemplify typical growing pains that come with major policy change. First, incorporation gave CEO authority to further education college principals who had never been responsible for financial matters. Many principals invested college funds unwisely, and a few did so illegally (Shattock 2000). Second, the initial per-pupil funding formula contained a strong “entry funding” element that encouraged institutions to overemphasize enrollment growth, creating a “grow or die” mentality among college administrators. This led to dubious recruitment practices (Rospigliosi 2000). Problems were exacerbated by a steady drop in per-pupil funding from the Conservative government through the late 1990s (*see Table 2*). Therefore, colleges were forced to increase enrollment while total public funding for further education colleges remained essentially fixed. As institutions sought to remain financially solvent, they cut teacher salaries and benefits, leading to poor relations with faculty and low morale (Taubman 2000). Financial difficulties forced several colleges to either merge or close completely.

In response to these problems, the funding agency decreased the enrollment growth incentives in the funding formula and made incremental policy changes to stabilize the system. The further education sector was further stabilized when the new Labour government, led by Tony Blair, increased total funding for further education.

Despite initial problems with incorporation, most college principals supported the reforms because it freed them from close oversight from local government. Incorporation eliminated the power of local education authorities, which had played a middle-man role, and it redistributed this power to the central government and individual colleges. The central government used its new funding and regulatory powers to control the goals of individual colleges, while the colleges gained new powers over day-to-day operations. Geoffrey Pine, principal of Greenwich Further Education College,⁶ summed up the views of many of his colleagues during a presentation he made at the 2005 American Association of Community Colleges Convention: “We have more freedom than we ever did under the local education authority. If I want to start a new course, I can do it in one week. Under the local education authority I would have [had] to wait a whole year” (Pine, Lee, and Whittingham 2005).

The Per-Pupil Funding Formula: Aligning Incentives with Public Policy Goals

Incorporation unleashed entrepreneurial energy among college administrators, but it was linking funding to student performance that helped channel this energy toward two major policy goals: increasing student access and increasing student success. The new per-pupil funding system distributes government funds to individual institutions according to a multi-part formula that encourages their central mission of serving disadvantaged students, who often require extra expenditures to become successful (*see sidebar, “Per-Pupil Funding Formula*). Indeed, the formula provides incentives not only to enroll needier students, including low-income students and students with disabilities, but to make concerted efforts to help them succeed. The formula accomplishes this by providing more money for educational services that are more costly to provide than average and reducing payments to institutions when students fail.

**Per-Pupil Funding Formula:
Amount the Institution Receives for Each Qualification**

The formula has changed incrementally since its creation, with significant changes taking effect in the 2002-03 academic year. Each part of the formula reinforces the mission of further education colleges.

$$\begin{aligned} \text{\pounds per qualification} = & [(\text{Base Rate} - \text{Achievement Funding}) \\ & \times \text{Program Weighting Factor} \times \text{Disadvantage Uplift} \\ & \times \text{London Weighting Factor}] \\ & - \text{Student Fees} + \text{Additional Learning Support} \end{aligned}$$

Base Rate = Base funding for each qualification

Achievement Funding = Deduction from base rate if student fails

Program Weighting Factor = Higher weighting for more costly programs

Disadvantage Uplift = Additional funding to reflect that some students cost more to educate

London Weighting Factor = Additional funding to account for higher cost of provision in London

Student Fees = A student who is not eligible for a tuition remission must pay the college; this amount is deducted from what the funding agency pays the college.

Additional Learning Support = Additional funding for students with special learning needs

Base Rate

Base-rate funding encourages colleges to improve retention. The base rate is the core amount the central government gives colleges for each qualification a student works toward. The total available is determined by the number of “guided learning hours” (instructional hours) the college provides for a particular qualification. However, the actual amount a college receives is tied to student retention, providing a strong incentive for administrators to do their best to keep students in school.

The academic year is divided into three funding periods. An institution receives funding only for a student who is present on the census date for that period. For example, if a student enrolls in a September-to-July qualification program but drops out in December, the institution receives 30 percent of the base rate, because the student left school after just one-third of the program and was not successful.

Achievement Funding

Achievement funding encourages college to help students succeed. It is a deduction for failure. For any student who does not earn the qualification in which they enroll, base-rate funding declines by 10 percent. Suppose a qualification with 440 guided learning hours had a base rate of £1,594 (the actual base rate for a qualification of that many hours in 2002-03). The institution receives the full amount if the student completes the qualification. However, the institution receives only 90 percent of base-rate funding, or £1,435, if the student stays enrolled throughout the qualification but does not receive high enough grades to pass the qualification.

Most qualifications consist of only a single component, but colleges can receive partial achievement funding when a single qualification has multiple components. For example, if a student enrolled in an Advanced Vocational Certificate of Education—one of England’s longer qualifications—successfully completes three out of the five modules, the college would receive three-fifths of the achievement funding. In the 2002-03 academic year, just 1.5 percent of the qualifications received partial achievement funding. An analogous program in the United States would pay achievement funding for each individual course a student successfully completed.

Program Weighting Factors

Program weighting factors provide higher funding for instruction that costs more to provide (see Table 3). For example, equipment costs make it more expensive

TABLE 3.
Program Weighting Factors

Factor	Weight	Example
A	1	Accounting, history, economics, psychology
B	1.12	Information technology, teacher training, dance, pharmacology, chemistry
C	1.3	Hair styling, photography, catering, interior design, metallurgy
D	1.6	Music technology, food preparation, animal care, engineering
E	1.72	Gardening, fish production
Basic skills	1.4	Adult literacy, numeracy

Source: Learning & Skills Council (2002)

to training medical technicians than to teach history. The goal is to eliminate disincentives against providing expensive programs. Weighting factors also create financial incentives to increase student success in high-cost areas; when a student succeeds, achievement funding is also multiplied by the program weighting factor.

Disadvantage Uplift

The disadvantage uplift addresses a major criticism of performance funding: that it produces troubling unintended consequences by forcing colleges to focus resources on students who are most likely to succeed, thereby eroding their traditional mission of serving the needy.

England actually encourages colleges to help disadvantaged students, despite the pressure to ensure student success. Because recruiting and retaining disadvantaged students costs more than for other students, the disadvantage uplift provides institutions with extra funding for taking on students from low-income communities and students with characteristics that make them more costly to enroll. The amount of uplift funding grows significantly when students succeed. This creates a financial incentive for administrators not only to enroll disadvantaged students but to increase their success rates as well.

The disadvantage uplift is relatively new. When the performance funding formula was introduced in 1993, it coincided with a massive policy effort to increase enrollment of low-income students. The disadvantage uplift responds to criticism that mechanisms in the original funding formula encouraged enrollment growth but without paying institutions more for

enrolling disadvantaged students who cost more to educate (Kennedy 1997). The disadvantage uplift, introduced in the 1998-99 academic year, initially applied only to homeless students and students who were living in “deprived” zip codes. Deprivation was measured locally using an index that combines income, education, housing, and other factors. The next year, the uplift was extended to additional categories, including basic-skills students, students receiving government benefits, and students with mental health problems or drug dependencies, as well as political asylum seekers, refugees, and ex-convicts.

Over time, the average value of the uplift has increased, as has the percentage of students qualifying for the extra funding (*see Table 4*). Most students who are eligible for disadvantage uplift funding qualify because they live in a deprived zip code. Adult basic education learners are another major category of beneficiaries.

London Weighting Factor

The London Weighting Factor reflects the higher cost of provision in London, paying London-area colleges an additional percentage of the base rate for every student they enroll. The amount is 6 percent of base rate for Outer London, 12 percent for Inner London, 18 percent for Central London. This weighting factor resulted from lobbying by London colleges, followed by government research into the cost of provision.

Student Fees

Students are expected to pay a tuition fee equal to 25 percent of the national base rate for their qualification. That amount is deducted from the amount the central

TABLE 4.
Disadvantage Uplift Factor Over Time

	1998-99	1999-2000	2000-01	2001-02	2002-03
Uplift factor for homeless and residential care as a percent of base rate	9%	9%	12%	12%	12%
Uplift factor for all other categories as a percentage of base rate ⁷	6%	6%	8%	10%	10%
Students on zip code uplift	29.2%	26.9%	26.7%	26.1%	29.1%
Students on adult basic education uplift	0.0%	6.2%	7.8%	8.5%	9.8%
Students on any other uplift	0.0%	3.9%	4.3%	4.5%	2.8%*
Students on any uplift	29.2%	37.0%	38.8%	39.1%	41.7%

Sources: Further Education Funding Council (1999a, 1999b, 2000, 2001); Learning & Skills Council (2002); Jaquette (2005).

funding agency gives the institution. However, certain students are eligible for tuition remission, including students who receive means-tested government benefits and their dependents, basic-skills students, and political asylum seekers. Colleges also may choose to waive tuition charges even for students who do not qualify for government tuition remission, but in such cases, the colleges receive no reimbursement from government tuition remission funds. In the five years of data analyzed for this study, only 29 percent of students paid full fees (Jaquette 2005).⁸

Additional Learning Support

Like the disadvantage uplift, additional learning support is a tool for providing extra funds for students who cost more to educate—in this case, students requiring instructional support beyond that in a standard learning program. Created in 1993, ALS funding pays for meeting the needs of basic skills students and students with disabilities, ranging from dyslexia to physical impairment. It covers the cost of specialist staff, including additional teachers to reduce the size of basic skills classes, as well as personal care assistants, mobility assistants, readers, note-takers, and educational psychologists.

In 2002-03, the average amount of additional learning support was £668 per student (about \$1,080) (Jaquette 2005). By the 2002-03 academic year, some 9.3 percent of the 1.8 million qualifications analyzed for this study qualified for additional learning support. Four years earlier, in the 1998-99 academic year, only 5.4 percent of the 1.5 million qualifications received additional learning support.

College administrators have considerable freedom when it comes to the additional learning support funding system, and there is potential for abuse. Two evaluations highlighting these problems have found that additional learning support is popular with providers in part because of the significant discretion they have over use of the funding (Faraday and Fletcher 2003; Faraday, Fletcher, and Guidney 2000). The funds are supposed to be used for individual students, but in practice they can spread to an entire classroom. This is

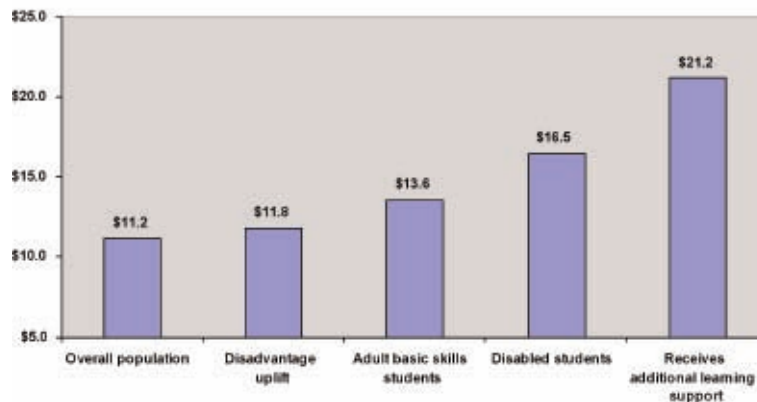
especially prevalent in basic skills classes, where ALS funding from one student is used to hire an additional teacher for the entire class. Future government policy seeks to tighten regulation of additional learning support funding.

The evidence is clear that the funds have been effective in increasing student success. Logistic regression analysis of five years of student data showed that additional learning support funding increased the likelihood of student success, especially for disabled students and basic skills students (Jaquette 2005).

Modeling the Funding Formula

Funding for English further education colleges helps overcome funding inequities by providing additional allocations for students who face additional hardships. Students receiving a disadvantage uplift bring in 7 percent more funding than those not receiving an uplift (see Figure 1, which uses student-level data to calculate funding per instructional hour for different groups of students for the 2002-03 academic year). Adult basic skills students are funded at a much higher level than the national average, often receiving additional learning support. Adult basic skills provision is a cornerstone of the “social inclusion” agenda, which seeks to decrease the number of adults who lack literacy and numeracy skills. Disabled students also receive higher funding, which is almost entirely due to additional learning support. Success rates in further education increased by over 10 percent from 1998-99 to 2002-03, with the largest gains coming from students facing the most difficult circumstances. The policy lesson here is that funding for outcomes can work only in concert with differential funding for differential inputs.

Figure 1: Funding per Instructional Hour in 2003 US dollars



Examples of How England's Per-Pupil Funding Formula Works

Consider the following calculations for three hypothetical students. The London Weighting factor is not included in this exercise.

£ per qualification = [(Base Rate – Achievement Funding) x Program Weighting Factor x Disadvantage Uplift] – Student Fees + Additional Learning Support

Example 1: No special factors

A student who is not disadvantaged enrolls in a qualification in accounting. The qualification offers 440 guided learning hours, with a base rate of £1,594. The program weighting factor is 1. The student pays full tuition to the college.

If the student is successful in earning a qualification, the college would receive £1,196:

$$[(£1,594 - £0) \times 1 \times 1] - 25 \text{ percent } (£1,594) + £0 = £1,196$$

If the student is not successful, the college would receive £1,036:

$$[(£1,594 - (£1,594 \times 10 \text{ percent})) \times 1 \times 1] - 25 \text{ percent } (£1,594) + £0 = £1,036$$

Example 2: Student from deprived zip code

A student from a disadvantaged postal code enrolls in the same qualification and qualifies for a disadvantage uplift of 10 percent.

If the student is successful, the college would receive £1,355:

$$[(£1,594 - £0) \times 1 \times 1.1] - 25 \text{ percent } (£1,594) + £0 = £1,355$$

If the student is not successful, the college would receive £1,180:

$$[(£1,594 - (£1,594 \times 10 \text{ percent})) \times 1 \times 1.1] - 25 \text{ percent } (£1,594) + £0 = £1,180$$

If the student drops out one-third of the way into the class, the college would receive £128:

$$[(£1,594 - (£1,594 \times 10 \text{ percent})) / 3] \times 1 \times 1.1] - 25 \text{ percent } (£1,594) + £0 = £128$$

Example 3: Adult basic education student

A student enrolls in an adult basic education qualification with the same number of guided learning hours as above. The program weighting factor for basic-skills qualifications is 1.4. The student's tuition is paid by the government, so there is no reduction for a student tuition payment. Additionally, adult basic education students receive a disadvantage uplift of 10 percent.

If the student is successful, the college would receive £2,455:

$$[(£1,594 - £0) \times 1.4 \times 1.1] - £0 + £0 = £2,555$$

If the student is not successful, the college would receive £2,210:

$$[(£1,594 - (£1,594 \times 10 \text{ percent})) \times 1.4 \times 1.1] - £0 + £0 = £2,210$$

Student drops out one-third of the way into the class (therefore receiving only one-third of the national base rate):

$$[(£1,594 - (£1,594 \times 10 \text{ percent})) / 3] \times 1.4 \times 1.1] - £0 + £0 = £736$$

Regulating Further Education

The English per-pupil funding formula is designed to prevent several possible pitfalls of performance funding systems, such as restricting access to students with a high likelihood of success. However, policymakers also recognized the limitations of the formula's safeguards. College administrators could still find ways to keep student success rates artificially high if they wanted to guarantee certain funding levels—for example, by lowering academic standards or restricting access to more difficult programs. Fear that colleges would “game the system” has been a major impediment to implementing performance-based funding in the United States (Dougherty and Hong 2005).

To address these problems, a strong framework of semi-autonomous regulatory agencies monitors the further education system and protects against potential unintended consequences. These agencies also seek to improve student performance by pressuring institutions to implement government directives in certain ways. Three key regulatory agencies are: the Learning & Skills Council, which is in charge of funding and planning; the Inspectorate, which is in charge of inspecting each college once every four years; and the Qualifications and Curriculum Authority, which is in charge of curriculum design and external grading of exams.

All three agencies are funded by and accountable to the Department for Education and Skills, which ultimately controls all aspects of education, from pre-school to further education, to university education. If the DfES changes a policy or its overall strategy, the regulatory agencies must change accordingly and the effects reverberate quickly through individual colleges. The clear, hierarchical control of the DfES contrasts sharply with education policy in the United States, which is the result of power struggles between lobbying groups and enables England to implement particularly rational education policy. The DfES, in turn, is largely accountable to Her Majesty's Treasury. Increasingly, DfES policy is oriented toward improving the nation's economic competitiveness.

The Learning & Skills Council: Funding, Planning, and Data Collection

The Learning & Skills Council plays several important roles in the funding and planning of all post-compulsory, non-university education. First, it administers the

per-pupil funding formula and the allocation of funds to individual colleges. To increase stability, colleges are guaranteed at least 90 percent of the previous year's funding (Learning & Skills Council 2002). The LSC has 47 satellite offices that are responsible for coordinating local education provision with regional and national skill needs.

The Learning & Skills Council also plays a critical role in collecting and disseminating information about student retention and success rates and calculating payments to colleges based on these results. Colleges send outcome data for all students to the council, which publishes reports on student success and informs other regulatory agencies (e.g., the Inspectorate) about colleges with weak performance in particular areas. The council's Web site makes the data publicly available in user-friendly formats to help college administrators and policymakers compare the performance of individual institutions with similar colleges and the national average.⁹

In addition to collecting this data, the Learning & Skills Council has begun to seek a broader set of performance measures to determine the effectiveness of individual colleges. Called the "New Measures of Success," they include responsiveness to employers, value-for-money indicators, measures of learner satisfaction, and improved information on what students do after completing or withdrawing from a qualification (for example, whether a student dropped out to accept a new job). The rationale is that student success and student retention—which dominate the funding formula—are not the only indicators of educational quality. However, it appears the new measures will not be incorporated into the funding formula because of the administrative complexity.¹⁰

Maintaining Standards: Inspection and External Grading

Two agencies—the Inspectorate and the Qualifications and Curriculum Authority—regularly evaluate colleges to help ensure that pressure to increase student success rates does not lead to lower academic standards or a narrower institutional mission.

The Inspectorate is widely regarded as the most important regulatory force in further education. A central goal of its work is to ensure that colleges focus their resources on the diverse aspects of education that,

according to the government, cumulatively define educational quality. The Inspectorate is divided into two agencies that are jointly responsible for inspecting colleges: the Adult Learning Inspectorate and the Office for Standards in Education.¹¹

The Inspectorate's "common inspection framework" comprises seven core questions, focused on how well each college meets the learning needs of its students (*see box, "Common Inspection Framework for English Further Education Colleges"*). Three questions relate directly to student success, while the rest focus on harder-to-quantify areas, such as the effectiveness of college leadership in meeting student needs.

Inspections devote considerable time to these so-called "soft" outcomes and processes, guarding against the unintended consequence that performance funding could encourage colleges to focus only on measurable outcomes. For example, colleges are graded on instructional quality and student engagement, as well as the quality of their guidance counseling and tutoring services. Colleges also must create "individual learning plans" for each student, and inspection scrutinizes the effectiveness of these plans. Each college was inspected once during the four-year cycle between April 2001 and summer 2005 (Office for Standards in Education 2001). A new cycle, using a revised "common inspection framework," is beginning.

Inspections involve a team of inspectors, typically last one week, and require pre-inspection reports and post-inspection action plans. Inspections have sharp teeth: receiving poor grades for a particular program can lead to a freeze in program enrollment, the closing of the program, or even closure of the institution. Colleges must make action plans and report on their progress for areas deemed "in need of improvement."

Inspection is also a tool to increase student success. Some government officials believe that inspections do more to improve student success rates than any other policy. There are several reasons. First, high or improving success rates are a prerequisite for good inspection grades. Second, inspection results are publicly available on the Office for Standards in Education Web site, creating an incentive for institutions to increase success rates in order to maximize institutional prestige and attract new students.¹² Third, the lay boards of governors that oversee each college can—and sometimes

Common Inspection Framework for English Further Education Colleges

Inspection should answer the question: *How effective and efficient is the provision of education and training in meeting the needs of learners, and why?*

The following key questions guide inspection:

Achievement and Standards

1. How well do learners achieve? (Note: student success data from individualized learner records is the main data source.)

The Quality of Education and Training

2. How effective are teaching, training and learning?
3. How are achievement and learning affected by resources?
4. How effective are the assessment and monitoring of learning?
5. How well do the programs and courses meet the needs and interests of learners?
6. How well are learners guided and supported?

Leadership and Management

7. How effective are leadership and management in raising achievement and supporting all learners?

Source: Office for Standards in Education & Adult Learning Inspectorate (2001)

do—use poor inspection reports as a basis for firing principals.

In the United States, accreditation of institutions and specific programs is the closest mechanism community colleges have to inspection. Accreditation ensures that accredited institutions pass a *minimal* baseline of quality—to keep out “diploma mills”—and also provides an opportunity for institutional improvement in areas identified by the institution. English inspection, on the other hand, seeks to maximize quality across institutions in areas specified by central government. U.S. accreditation utilizes “peer review” in that professors from similar departments at other institutions grade and make recommendations concerning quality. Inspectors for English further education colleges are employed by the Inspectorate. U.S. accreditation agencies are affiliated with the educational institutions rather than the government; accrediting agency trustees are typically college and university presidents. Education providers are responsible for judging educational quality, which is the form of “self-regulation” advocated by the Council for Higher Education Accreditation (Eaton 2003). This arrangement would

be unacceptable in England because it violates the principle of separating provision from regulation that governs all social policies in England.

The *Qualifications and Curriculum Authority* is responsible for external grading of student work.¹³ Exams and projects that comprise students’ final grades go to external graders. The principle is that when institutions face strong pressure to increase student success, they should not determine what constitutes success. The vast majority of qualifications are evaluated in this way. Of the 8.3 million qualifications analyzed for this study in the 1998-99 to 2002-03 academic years, 83 percent were externally graded (Jaquette 2005).

Most of the qualifications that do not go through the external grading process are personal-interest qualifications (e.g., yoga), “taster” qualifications designed to help students reenter formal education, or courses for students with learning disabilities (Further Education Funding Council 2000). For these qualifications, the external grading process is usually less rigorous: an external grader views a sample of student work in each class to ensure that the grades instructors give are not too lenient.

There are significant differences in success rates between qualifications that are externally graded and those that are not. Between 1998-99 and 2002-03, success rates for externally graded qualifications grew from 56 percent to 64 percent. Success rates for non-externally graded qualifications grew from 60 percent to 76 percent during the same period (Jaquette 2005). There may be good reasons for not externally grading many of these qualifications. However, these results suggest that external grading is important to maintaining academic standards when institutions face strong pressure to increase success rates.

In theory, a qualification represents a set of skills that are demanded by employers (Shavit, Mèuller, and Tame 1998). English further education policy, which is largely motivated by economic concerns, seeks to ensure that curricula reflect changing employer needs and that employers can be confident that the holder of a qualification actually possesses the skills it represents. U.S. education policy lacks external examination for degrees, except for professional degrees that require licensure examinations. Without a system of external examination, performance funding for graduation rates may only lead to declining academic standards.

Performance Accountability from a College's Perspective

Several strong policy mechanisms in the performance accountability system governing English further education colleges spur ongoing improvement. Ultimately, though, the college leaders responsible for putting policies into practice, not the mechanisms themselves, lead to improvements in student outcomes. The extent to which college leaders accept government directives and the manner in which they choose to implement them have a crucial impact on the effectiveness of any such system. This section explores the success of England's performance accountability system from the perspective of the further education college administrator, focusing on the experiences of one college and its principal.

Greenwich College, located in East London, enrolls over 20,000 students and serves a predominantly disadvantaged population. Geoffrey Pine, the principal, has led the school since incorporation reform in the early 1990s. Improvements at Greenwich College since then have been impressive, particularly for a school whose students traditionally have fared poorly in further education. Success rates for Greenwich students older than 19 rose from 48 percent to 59 percent between the 2000-01 and 2002-03 academic years. That compares to an average increase from 58 percent to 65 percent for all colleges serving disadvantaged populations. While Greenwich has slightly lower success rates than its peers, it has been making stronger gains. Geoffrey Pine was interviewed in August 2005. While the views of one principal cannot represent the views of all college leaders, his comments offer insight into performance accountability in England.

Why did further education colleges accept the challenge of increasing student success rates after the 1992 reforms? This question is particularly relevant to the debate over the use of performance accountability as a policy tool in the United States, where community colleges have typically resisted such a system. According to Pine, a government audit in 1993, while incorporation reforms were being implemented, brought to light the high dropout and low success rates at English colleges.¹⁴ To policymakers and college leaders alike, the results were unacceptable: "All the success rates and achievement rates were very poor indeed. And so there was a general feeling that this was not acceptable, that you couldn't take students into a college and let them

fail." This sentiment highlights the importance of collecting and disseminating data on success rates as a first step toward driving improvement.

The new performance accountability system also came with additional funding to support the equity agenda that is important for colleges. Principal Pine stated:

I've been hugely supportive of incorporation and most government policies and even the current priorities. There is a priority for giving adults who haven't got the qualification, a free entitlement to a level 2 qualification. Absolutely right. And a focus on basic skills where you have large sectors of adults in this population who have basic skills development needs. Absolutely right. I would go to the walls to support those initiatives. . . . [B]y and large what the government has been doing has been absolutely in line with what we as an institution believe should be happening to support the social inclusion and widening participation agendas. It's only now that I think some of those issues are beginning to unravel finally.¹⁵

A common argument against efforts to implement performance accountability in U.S. community colleges is concern that pressure to increase success rates would compel colleges to enroll only the best students. According to Pine, that did not happen in England to the extent people thought it would. Instead, colleges improved their support systems for failing students (e.g., guidance counseling, diagnostic testing, special instruction for students with learning disabilities). Those changes were a main driver of improved success rates at Greenwich College:

There may have been elements of [seeking only the stronger students], but actually what started to happen is that people started to analyze the reasons why students were failing and there were a whole batch of reasons why. One of the obvious and simple ones is that people were often taken on to the wrong course. There hadn't been those attempts to identify what the most appropriate course was through advice and guidance.

Better diagnostic testing also helped: it identified many more students with learning disabilities. Colleges used the information to design more sophisticated learning support systems. According to Pine, Greenwich College staff were trained to identify dyslexia. "We discovered that whole swaths of students had never been diag-

nosed at school.” Starting in the 2003-04 academic year, all Greenwich students have received diagnostic testing. This strategy is not unique to Greenwich.

To what extent has the external performance accountability system served as a catalyst for creating internal accountability measures? The English government emphasizes the need for “quality assurance” from each college, by which it means that all students should receive high-quality services tailored to their individual needs. Pine says that the government inspection process plays an important role in quality assurance:

Given that we have a cycle of inspection and you are judged as an institution very much on what those [inspection] reports have to say, unless you have an internal system for both monitoring and raising quality then you are completely exposed in that kind of environment. And obviously where colleges had not done very well principals have had to resign, so from the stick angle, you made sure that you had a quality assurance system that worked.

In response to this pressure, Greenwich College created its own internal accountability system. At its core is a sophisticated management information system for tracking student progress, course retention, and success, as well as teacher quality and other factors. The MIS team ensures that relevant information gets to staff who need it and that staff are trained to use the MIS system. Using this data, the college conducts an annual review of retention and success rates at the classroom level and compares the results to performance from past years and to national benchmarks. For classes needing improvement, learning area managers, who are responsible for the performance of their curriculum area, are expected to devise and carry out improvement plans.

Complementing this quantitative review is a comprehensive, qualitative review of teacher performance and curriculum quality. Each Greenwich College teacher receives annual graded observations and must fill out self-assessment reports. Students complete surveys of course satisfaction and interim course evaluations, and they even participate in “Quality Team Meetings.” Any staff member with unsatisfactory performance receives help to improve. According to Pine, these efforts to improve instruction are a major factor behind the college’s increase in success rates: “We have gotten better at identifying poor teaching and raising the awareness

of differentiated learning styles, differentiation within the classroom, and all those various other elements that constitute good teaching and enable learning to happen.” Most colleges now have similar systems in place to evaluate and improve teaching quality.

Recommendations

England’s experiences implementing a performance accountability system to spur improvement in its further education colleges yield several lessons for U.S. policymakers. In the English system, performance accountability mechanisms serve as a foundation on which improvement can be built. Currently, 10 percent of total government funding to institutions depends on student success, yet performance funding is just one base of the foundation. A weighted funding formula that provides higher rates of funding for serving disadvantaged students to help colleges fulfill their mission of serving the neediest students is another critical component that accounts for the effectiveness of the English system. The other bases of the system—external grading and inspection—ensure that colleges maintain academic standards and focus their resources on the diverse processes that collectively comprise quality in education. The example of Greenwich College suggests that government micro-management of institutions is not requisite for improvement. Colleges will devise their own innovative solutions to increase student success when faced with the pressure to show results.

England’s national voucher system was successful in raising success rates for all groups, especially the most “disadvantaged.” It did so by combining vouchers with a funding formula guided by clear and consistent policy goals, backed by strong and independent regulatory bodies that promote quality in the face of pressures to “game” the funding system. States with more centralized community college systems may be in a stronger position to incorporate some of the lessons from England and to implement an effective regulatory framework along with performance funding. A nuanced view of voucher systems and market mechanisms in education is appropriate: the ultimate success or failure of reform depends as much on the policy details as it does on the overall mix of market and regulatory mechanisms.

This paper is not an argument for trying to transfer the English system whole cloth to the United States. Such cultural borrowings typically fail before they even take root. That said, some of the generalized lessons derived from the English experience can be applied in the U.S. context—and some point out the difficulty of designing a powerful performance funding system for a more decentralized postsecondary education system like those in the United States.

Performance funding can be structured in ways that drive quality without lowering standards—but success depends upon implementation of a number of related and linked policies designed explicitly to achieve that goal.

A common concern in the analysis of performance funding systems in the United States is the danger that institutions will game the system and achieve better outcomes by “creaming”—that is, they will change the composition of the student body to exclude those less likely to succeed or lower the standards for course and program completion (Dougherty and Hong 2005). In either case, institutions find ways to meet higher performance standards without addressing their Achilles heel: the difficulty of helping underprepared students gain the skills that matter in the educational or labor market.

The English case demonstrates that this dynamic is not inevitable. In recent years, the English government appears to have provided incentives to its further education colleges that have been large enough and designed well enough to drive changes in institutional behavior that have improved outcomes for the most disadvantaged and underprepared students without compromising educational standards or tilting enrollment toward those more likely to succeed.

The linked components of this system include: data systems that can measure institutional progress in retention and completion of courses and programs; funding tied to a very limited set of improvement goals that are clearly signaled to and agreed upon by the institutions; incentives that are large enough to influence institutional behavior; and external regulation that guards against dilution of standards.

Accurate data on student outcomes is a prerequisite for holding institutions accountable for student outcomes.

When England moved to performance funding, the centralized national system made the commitment to upgrade the data collection system that tracks performance of individual students as they move through further education. The government created a data system that could track the outcomes that performance funding was designed to improve. In the United States, student data is collected at the state level—and there is significant variation in the capacity of state data systems to track student progress.

Successful implementation of performance funding depends upon broad agreement on a limited number of goals to be rewarded.

England’s performance funding is based upon student retention in and completion of a qualification program. The funding formula also rewards institutions for completion of individual components of qualifications, which would be analogous in the United States to tying funding to completion of single courses or clusters of related courses. The goals being rewarded are fairly simple. Further education college programs tend toward provision of shorter duration certificate programs than in the United States, where transfer to a four-year college is an important mission and two-year occupational programs are more common.

In this regard, the multiple missions of the community college and the more ambitious niche it occupies in the U.S. higher education system pose challenges when it comes to identifying the goals to be rewarded by a performance funding system. Should U.S. performance funding systems reward completion of two-year, terminal degrees, transfer readiness, employment outcomes, partial completion of programs of study? Recent research in Washington state has found that completing at least one year of community college and earning a credential of some kind is the key to significant economic payoff from attending a community college (Prince and Jenkins 2005). Does this mean that performance funding should not kick in until after a student has achieved those two milestones? Getting state-level agreement on the target goals for performance funding is a complex endeavor. Where state authority is limited and the community college and higher education systems are quite decentralized, arriving at performance funding priorities and goals that would be

embraced by all the state's varied institutions poses that much more of a challenge.

Incentives must be significant and relatively predictable—but they also must be designed to avoid backlash as their cost rises.

Perhaps one of the most important contributors to the success of the English system in the past decade was the commitment of the national government to couple the demand for better institutional performance with the availability of increased resources for the system and its institutions. In the United States, performance funding typically has been structured as an “add-on,” a small increment above basic funding, rather than as a significant component of “base funding,” as in England. State performance funding in the United States has typically been too small and spread across too many performance indicators to make much of a difference (Dougherty and Hong 2005).

In addition, the inception of U.S. performance accountability coincided with state budget crises and declining funding for postsecondary education. Many initial experiments with performance funding were abandoned because states were unwilling to spend on performance funding when they could not fulfill their operating budget obligations (Burke and Minassians 2003). In contrast, England implemented its system with the promise and the reality of a significant increase in per-pupil and overall funding. Again, the centralization of the English governmental system was advantageous: the government made a serious commitment to improving institutional effectiveness and had the means to support the new policy financially. In the United States, where funding sources for higher education are more varied—combining tuition, state support, local funding, and federal financial aid—the ability to design a large and unambiguous enough set of rewards and signals to institutions is more complicated.

The English system is built upon the provision of additional resources to institutions to encourage them to provide additional services to those who are harder and more expensive to serve. The disadvantage uplift and additional learning support factors in the funding formula are critical to the English system's power. But this can be a double-edged sword. On the one hand, the government is structuring the financial incentives to achieve its policy goal—and this is important. On the

other hand, this approach runs the risk that, over time, the categories of individuals eligible for additional funding will be expanded through political negotiations in ways that become hard to sustain and may even create a political backlash against the policy. This is certainly a risk for the United States, where anti-government sentiment and politicking is strong. It may in time become a problem for England as well, where this dynamic has already begun and the cost to the treasury of the additional learning support factor has risen quickly.

External regulation is critical—which might require more centralization than the United States will tolerate.

The final critical component of the English performance funding system is the external regulation, particularly the external assessment of quality of courses and programs. The U.S. tradition of decentralization and institutional autonomy runs counter to the idea of governmental inspection and assessment agencies for postsecondary education, which is a staple of European systems. Not surprisingly, given this tradition, U.S. oversight of higher education institutions is based on voluntary, peer-review accreditation processes organized at the regional level and by programs-specific accreditation bodies. Regulation and provision in England are clearly separated and distinct. Since incorporation reform in 1992, government priorities have changed from increasing student access, to increasing success, to aligning individual skills with employer needs. The centralized and hierarchical structure of the English education bureaucracy ensures that regulatory agencies are responsive to changes in governmental priorities.

This is not the case for U.S. postsecondary education. Here, accreditation sets up a different dynamic: it emphasizes flexibility and responsiveness to the variety of institutional missions, goals, and market niches in higher education. Relying on a process that is collegial in tone, it is less prescriptive in its recommendations for improvement. Institutional effectiveness and quality are evaluated in large part in terms of the college's own priorities and goals. Given this longstanding tradition, bringing the strengths of external regulation into the U.S. context presents a very difficult challenge.

References

Many sources contributed to the ideas presented in this brief. The most important ones are listed below. For a more complete bibliography, please refer to *Funding, Control, and Student Success: A Comparative Study of English Further Education Colleges and California Community Colleges* (Jaquette 2005), which can be requested from the author.

Audit Commission & Office for Standards in Education. 1993. *Unfinished Business: Full-time Educational Courses for 16-19 Year Olds*: HMSO.

Burke, Joseph and Henrik Minassians. 2003. *Performance Reporting: "Real" Accountability or Accountability "Lite": Seventh Annual Survey 2003*. Albany: State University of New York, Rockefeller Institute of Government.

Dougherty, K. J., and Hong, E. 2005. *State Systems of Performance Accountability for Community Colleges: Impacts and Lessons for Policymakers*. Boston, MA: Jobs for the Future.

Eaton, J. S. 2003. *The Value of Accreditation: Four Pivotal Roles*. Washington, DC: Council for Higher Education Accreditation.

Education Commission of the States. 2000. *State Funding for Community Colleges: A 50-state survey*. Denver, CO: Center for Community College Policy, Education Commission of the States.

Faraday, S., and Fletcher, M. 2003. *Funding Additional Learning Support*. London: Learning and Skills Development Agency.

Faraday, S., Fletcher, M., and Gidney, M. 2000. *Evaluation of the Additional Support Mechanism*. London: Further Education Development Agency.

Further Education Funding Council. 1999a. *Extension of the Widening Participation Factor for 1999-2000* (No. 99/42). Coventry: Further Education Funding Council.

Further Education Funding Council. 1999b. *Tariff 1999-2000* (No. 99/01). Coventry: Further Education Funding Council.

Further Education Funding Council. 2000. *Guidance on the Tariff 2000-01*. Coventry: Further Education Funding Council.

Further Education Funding Council. 2001. *Guidance on Further Education Funding and Eligibility Rates 2001-02*. Coventry: Further Education Funding Council.

Jaquette, O. 2005. *Funding, Control, and Student Success: A Comparative Study of English Further Education Colleges and California Community Colleges*. Oxford University, Oxford, UK.

Kennedy, H. 1997. *Learning Works: Widening Participation in Further Education*. Coventry, UK: Further Education Funding Council.

Learning & Skills Council. 2002. *Funding Guidance for Further Education in 2002/3*. Coventry: Learning & Skills Council.

Learning & Skills Council. 2005. *Further Education and Work Based Learning for Young People - Learner Outcomes in England 2002/2003*. Coventry, UK: Learning & Skills Council.

Melville, D., & Macleod, D. 2000. "The Present Picture." In A. Smithers & P. Robinson, eds. *Further Education Reformed: Shaping the Future*. London: Falmer Press.

National Statistics. 2005. *Statistics of Education: Education and Training Expenditure Since 1993-94*. London: National Statistics.

Office for Standards in Education, & Adult Learning Inspectorate. 2001. *The Common Inspection Framework for Inspecting Post-16 Education and Training*. London: Office for Standards in Education.

Pine, G., Lee, R., and Whittingham, S. 2005. "Accountability - How It Works in a UK College." Paper presented at the 2005 American Association of Community Colleges Annual Convention, Boston, MA.

Pine, G. 2005. Interview conducted by the author. Greenwich Community College, London, UK. August 5.

Pratt, J. 2000. "Emergence of the Colleges." In A. Smithers and P. Robinson, eds. *Further Education Reformed: Shaping the Future*. London: Falmer Press.

Prince, D., and Jenkins, D. 2005. *Building Pathways to Success for Low-Skill Adult Students: Lessons for Community College Policy and Practice from a Statewide Longitudinal Tracking Study*. New York: Community College Research Center.

Rospigliosi, G. 2000. "Franchising." In A. Smithers and P. Robinson, eds. *Further Education Reformed: Shaping the Future*. London: Falmer Press.

Shattock, M. 2000. "Governance and Management." In A. Smithers and P. Robinson, eds. *Further Education Reformed: Shaping the Future*. London: Falmer Press.

Shavit, Y., Mèuller, W., and Tame, C. 1998. *From School to Work: A Comparative Study of Educational Qualifications and Occupational Destinations*. Oxford: Oxford University Press.

Taubman, D. 2000. "Staff Relations." In A. Smithers and P. Robinson, eds. *Further Education Reformed: Shaping the Future*. London: Falmer Press.

Tocqueville, A. d. 1862. *Democracy in America*

Notes

¹ Results based on student level administrative data, called the Individualized Learner Record (ILR), from the 1998-99 to the 2002-03 academic years. This data includes *all* students in English further education. For this paper, the data set was restricted in the following ways to maximize comparison to community colleges:

- The data only includes students enrolled in general further education colleges and tertiary colleges, which most loosely resemble U.S. community colleges; it excludes sixth-form colleges, which educate 16- to 18-year-olds, and specialist colleges, which focus on particular subjects such as horticulture or drama.
- Because further education colleges enroll a large proportion of 16- to 18-year-olds, the data set only keeps “adults,” which are defined as students who are at least 19 years old at the beginning of the academic year.
- Because this analysis focuses on government funding policy, students not funded by the central government funding agency were dropped.
- “Franchised” qualifications (where the further education college outsources training to a specialist provider) were dropped.
- The data only includes students enrolled in qualifications that had 20 or more instructional hours. The rationale was to exclude qualifications that would have a high success rate due to their short duration.
- The data only includes qualifications where the student success outcome was known. Observations were deleted if the qualification was continuing to the next academic year, if the exam results were unknown, or if the students were “partially successful.” To illustrate, in the 2002-03 academic year, success rates were known for 86.5 percent of the sample. There was right censoring, but not left censoring; a student who started a two-year course in year X-1 would be dropped from the data in year X-1, but would appear in year X when their outcome was known. This ensures that there is no duplication of student qualifications from one year to the next.

² Success rates are higher in the English government report for two reasons. First, the government used seven years of data compared to five years used here. Second, the government report did not restrict the data sample whereas this study did. The biggest difference results from the government not including qualifications with less than 20 instructional hours.

³ Further education colleges are one provider of English post-compulsory education, which ends at age 16. The other types are universities, work-based learning providers (apprenticeships), and adult and community learning centers.

⁴ Further education colleges can be divided into four types: sixth-form colleges, which educate 16- to 18-year-olds; specialist colleges, which focus on specific fields such as horticulture or performing arts; private institutions; and general further education colleges.

⁵ Government funding per full-time equivalent student is defined as total public funding divided by total number of full-time equivalent students.

⁶ The college is actually called Greenwich Community College, not Greenwich Further Education College. There is no difference between Greenwich and other English further education colleges. This brief refers to it as Greenwich Further Education College to avoid confusion.

⁷ The zip code uplift can be greater or less than the amount indicated depending on how “deprived” the local area is. The percentages in this table indicate the average of the zip code uplift. For other uplift categories—such as adult basic education or political asylum seekers—the amount of the uplift factor does not deviate from the amount indicated in this table.

⁸ Currently, the central government is seeking larger investments in education by both individuals and employers. This is difficult because English citizens consider education a public good and are much more debt-averse than Americans. Recent policy changes have increased tuition from 25 percent of the national base rate to 27.5 percent. The central government is increasing funding for longer, more expensive adult education courses that are in the national economic interests, at the expense of shorter courses and those that are not in the national economic interest. These initiatives have been met with criticism from colleges and academic researchers, reflecting the tensions inherent in economically motivated education policy.

⁹ See <http://benchmarkingdata.lsc.gov.uk/index.cfm>.

¹⁰ For more information, see the New Measures of Success Web site: www.lsc.gov.uk/National/Partners/PolicyandDevelopment/AdultandCommunity/nms.htm

¹¹ In July 2005 the DfES announced its intention to merge these institutions.

¹² Inspection reports for all English further education colleges are available at: www.ofsted.gov.uk/reports/index.cfm?fuseaction=listColleges&type=fecollege

¹³ In England, the external grading role of the Qualifications and Curriculum Authority is actually called “external accreditation.” This paper refers to this as “external grading” to avoid confusion with the role played by U.S. accrediting associations, which is closer to the role played by the Inspectorate than the role played by the Qualifications and Curriculum Authority.

¹⁴ A 1993 government report, *Unfinished Business*, highlighted the high dropout and low success rates in further education colleges (Audit Commission 1993).

¹⁵ This last sentence reflects dissatisfaction with recent government policies, which seek larger financial investments from both students and employers. This sentiment is part of a larger dissatisfaction with “Skills Agenda” policies, which critics state have undermined the synergy between equity and the economy that had made English policy so effective. These issues, however, postdate the research conducted for this brief.