

Improving Performance Using Incentives and Sanctions Consultation Summary Report

Introduction

In July-August 2010, NZQA consulted with the non-university tertiary education sector and other interested parties on proposals to introduce new incentives and sanctions to drive quality improvement.

The new incentives and sanctions would apply to all non-university tertiary education providers, allowing a higher level of autonomy in quality assurance matters for the highest performers.

NZQA presented its proposals through a consultation document and on-line questionnaire published on its website. NZQA also convened regional consultation meetings in Auckland, Wellington and Christchurch.

NZQA Proposals

Features of the consultation proposals were that NZQA would:

- base incentives and sanctions on the results of providers' external evaluation and review (EER)
- apply these equally across the non-university tertiary education sector
- group providers into five levels of "Quality Assurance Status", for the purposes of applying the incentives and sanctions, according to EER judgements for educational performance and capability in self-assessment:

High Confidence Status	two Highly Confident judgements
Confidence Status	one Highly Confident and one Confident judgement
Business as Usual Status	two Confident judgements
Suspended 1 Status	either judgement Not Yet Confident
Suspended 2 Status	either judgement Not Confident

- give educational performance and self-assessment an equal weighting in determining the levels

- vary the level of external scrutiny given to programme approval and accreditation and consent to assess, giving minimal scrutiny to applications from High Confidence Status providers
- vary the processing time for programme approval and accreditation applications: being 30 working days for the top two levels and 55 days for Business as usual Status, considering suspension of applications for Suspended 1 Status and suspending applications for the lowest level
- vary the tenure of programme accreditations with evidence required to renew these when a provider falls below Confident levels
- vary the frequency of external evaluation and review, with the top three levels having a maximum of four-yearly reviews and the lower two levels having a discretionary maximum set at 12-24 months and 6-12 months respectively.

Consultation Results

NZQA received 45 written responses from: 10 institutes of technology and polytechnics, 2 wānanga, 20 private training establishments, 4 industry training organisations, 1 government training establishment, 4 peak bodies, 1 professional body, and 3 individuals. The regional meetings were attended by 130 sector participants and detailed written notes were taken by NZQA advisors present.

All of these responses were collated and analysed for key themes. These are outlined in the following part of this document.

Basing incentives and sanctions on EER

Q1 How robust is it to assign a quality assurance status to a TEO based on the results of external evaluation and review (EER)?

Two thirds of the submitters made comments that supported linking incentives and sanctions to the results of EER as a robust way to improve performance. EER was *more valuable* than the former audit system, by being more comprehensive, and more accurately capturing performance. Incentives would be a *meaningful consequence* of self-assessment and EER.

Six providers stated EER does not capture their performance, as it is only a process - it is a snapshot or it is only partial especially for a larger organisation such as a polytechnic.

Many noted that the integrity of EER is critical when such meaningful consequences are attached to its results. The most critical feature is the consistency of EER judgements between different providers. Four submitters asked for a complete EER cycle to be completed before implementing incentives and sanctions.

Q1a What if any other measures could be used?

Other measures suggested as a basis for incentives and sanctions included compliance with external moderation requirements and consequences for ITO audits of providers and their sub-contracting arrangements. On the other hand, three providers objected to NZQA using moderation results as a basis for incentives and sanctions as they did not consider these to be useful measures of overall quality.

Tertiary Education Commission (TEC) performance measures were considered by some respondents to be an important source of information about a providers' quality that could be tied into the incentives package. For example, the TEC funding cap could be relaxed for high performing providers.

Using incentives to drive quality

Q2 How well do you think the proposals to use incentives and sanctions based on the quality assurance status of a TEO will drive improvements in educational quality?

14 respondents agreed with NZQA's view that incentives would drive improvements in quality. They considered that sanctions would drive improvements to a lesser extent, as these are focussed on compliance. One respondent noted that there was no direct, causal relationship established between the results of EER and the level of educational quality.

Another submitter suggested that the incentives package raises the stakes for EER results, which could lead providers to less open and robust self-assessment, diminishing opportunities for evaluative self-improvement.

For some submitters the proposals would not improve quality because they operate at the margins, either because the incentives were too minor to drive improvement or because the sanctions existed already.

11 submitters pointed to poor quality providers and expressed the hope that more stringent sanctions would be applied to the providers that NZQA assigned the "suspended statuses" to, and that existing sanctions would be applied more quickly and followed-up by NZQA.

ITPs stated that they already enjoyed the proposed incentives through their ITP Quality "Quality Assured (QA) Status" therefore the proposals amounted to only sanctions. ITP QA Status allows reduced external scrutiny to course approval applications, which is similar to NZQA proposed incentive for high performance.

Another respondent considered the terms 'incentives and sanctions' as signifying a compliance approach unsuited to the high trust environment. They viewed this as pertinent to the relationship between wānanga and the Crown, which they consider has not yet been properly resolved

Relative value of the different mechanisms

Q3. Which of the four mechanisms would encourage your organisation most to improve its performance? What will be the effect of the mechanism?

The NZQA consultation document proposed four mechanisms to incentivise quality improvement. NZQA would vary the:

1. level of external scrutiny applied to applications for programme approval and accreditation, and consent to assess
2. processing time for applications for programme approval
3. tenure of programme accreditations
4. frequency of EER.

Four submitters stated the mechanisms were interlinked and equally valuable.

Level of external scrutiny

Respondents supported reducing external scrutiny of programme applications, where NZQA had high confidence in a provider. They agreed that Academic Board minutes or the equivalent would be suitable evidence that could be used instead of NZQA's standard programme approval application documents.

Some submitters asked what sort of evidence would be equivalent to Academic Board minutes when (for example) a small private training establishment did not have an Academic Board.

One ITO was uncomfortable with the proposition that a high-quality provider would not need a site visit to gain a new consent to assess a (higher) sub-field or domain, where it already holds field accreditation for the Directory of Assessment Standards.

Processing time

Varying the processing time according to NZQA's level of confidence in a provider was a controversial proposition. Many providers acknowledged this would be an effective incentive, but some commented that quality assurance services should be available to all, without differentiation. Others viewed NZQA's current turnaround for programme approvals as too slow, while ITPs noted that ITP Quality standard was 15 days.

Accreditation tenure

Submitters agreed that it was fair that a provider with a poor EER report should not be able to automatically renew its programme accreditation or consent to assess. An ITP noted that removing programme accreditation would have a marked impact on a provider and should therefore be approached cautiously. Two ITOs suggested that providers who had not recently used their accreditations for national standards [now called "consent to assess"] would need to re-apply, terming this "use it or lose it".

Frequency of EER

Respondents indicated in the main that varying the frequency of EER was a very powerful incentive, because of the cost and time associated with the EER visit. However, some respondents also stated that the proposals lacked sufficient differentiation between Highly Confident, Confident and Business as Usual status. Suggestions were to vary EER frequency between five and three years according to higher than "Confident" judgements.

Other possible incentive and sanction mechanisms

Q4. What other mechanisms could be included in this policy?

NZQA asked whether respondents could suggest other possible mechanisms that could be used as incentives and sanctions, there were 19 suggestions:

1. applying reduced scrutiny to degree approvals (the implications for degree approvals were not specifically explored in the consultation document) (2)
2. apply reduced scrutiny to consent to assess as well as programme approval and accreditation (1)
3. consider how to reduce costs (1 written submission, but repeated in all three regional meetings)
4. exempt high performing private training establishments from Student Fee Protection audits (1)
5. fast track applications for consent to assess (1)
6. fewer financial audits for private training establishments (4)
7. a Gold Star Status for specialist subject areas (1)
8. incentivising collaboration between providers and others (Which may be a reference to the new rules for the New Zealand Qualifications Framework) (3)
9. waiving NZQA visits for new site approvals (2)
10. issuing a quality assurance document/certificate indicating EER results or "Quality Assurance Status" that must be displayed on the provider's premises (4)
11. a lower fee for high performers (6)
12. increasing moderation visits as a sanction for non-compliance (1)
13. public accolades for high performers (1)
14. link it to funding (2) note that others cautioned against this
15. rationalise the numbers of ITOs that accredit providers - allow NZQA to do accreditation [now called "consent to assess"] in bulk (2)
16. vary the extent of TEOs' regional delivery, which is currently restricted by TEC (1)
17. tie incentives to international education levers, for example, participation in Education New Zealand expo fairs and applying sanctions on education agents (2)
18. use it or lose it accreditations (1)
19. waive Category A change applications for high performers (1)

The most popular suggestions were: fewer financial audits for high performers (4 responses); a lower fee for high performers (6 responses) and NZQA issuing a displayable document indicating EER results (4 responses).

Impact of incentives and sanctions on the sector

Q5. Taken overall, what impact will the proposed incentives and sanctions have on your organisation?

Over half of the respondents identified positive impacts for their organisations or the sector. They counted improvements in their self-assessment capability and consequent positive impact on EER results as potential positive effects (six providers). Some noted that evaluative self-assessment has already had a positive impact, for example, *there is early identification of issues ... Change in the quality of discussions of our activities; a deeper understanding ... Involvement of far more staff in the process*. Providers also looked to the cost-related benefits of reduced scrutiny and longer EER cycles. Sanctions would strengthen the sector as a whole, particularly the wider benefits of stronger NZQA and Immigration NZ sanctions on poor international student providers.

Some respondents stated the proposals would have a detrimental financial impact on some organisations. ITPs have significant fees to process course approval and accreditation applications that could increase if they fall below “Confident”. Some identified that renewing accreditations would cost more than at present. Others stated that EER visits were too expensive anyway, because two reviewers were sent by NZQA and this was unnecessary for small providers. Also, they viewed more frequent EER visits for low performers as potentially penalising those struggling to improve.

Some noted that tying the proposed QA Statuses to the levers exercised by other agencies, such as funding, required careful thought, one respondent fearing that it would encourage 'gaming' and another pointing to possible *double incentives or sanctions*.

A strong plea for remedial support from NZQA was made by four respondents; suggestions included: an annual workshop to share good practice between providers, NZQA guidance on how to improve on NYC judgements, strong and immediate support measures that identify and target specific quality problems, and improving the NZQA training for self-assessment.

Consistency and equity

Q6. How well will the proposals outlined create a consistent and equitable approach to improving quality across the non-university tertiary education provider sector?

NZQA intends applying the same incentives and sanctions equally across the non-university tertiary education sector on the same basis of EER results. When asked how consistent and equitable this was, submitters' main responses were:

- it was inequitable because it did not apply to all providers, particularly the universities, or to the ITOs (although NZQA had indicated that suitable incentives and sanctions would be introduced for ITOs when the system was completed)

- consistency was fairer than the current system
- a ‘one size fits all’ system was inequitable for Māori.

ITPs that responded regard the system as amounting to sanctions rather than incentives because the *proposed Highly Confident Status has the equivalent level of scrutiny of applications as the current Quality Assured Status* and there were fewer incentives available than *the array of sanctions*.

Size of provider was another consideration that could create inequity, the larger the provider the more difficult it was to evidence self-assessment throughout the organisation. On the other hand, larger organisations could better support evaluative capacity.

Ideal number of levels

Q7. The paper proposes assigning a TEO to one of five levels of quality assurance status. How many levels do you think are needed to differentiate between TEOs? Please explain your reasoning.

Using EER results could potentially result in 16 different levels to distinguish between all EER results for educational performance and self-assessment capability. This would be too many for a practical, cost effective system so NZQA needed to group ('segment') providers in meaningful ways.

The ideal number of levels for differentiating between providers prompted divergent responses. Nine respondents stated that five levels were sufficient and appropriate, one commenting that too few levels made the jumps between the levels too big. Three ITPs commented that three levels were sufficient.

NZQA asked how well the levels are differentiated between the quality and performance of providers, in terms of the incentives and sanction at each of the five the levels. For example, *no real difference between the levels ... should be more pronounced ... 'high confidence' and 'confidence' status are effectively the same for three of the levels*.

13 respondents stated there was insufficient differentiation between the mechanisms for each of *the mechanisms ... not enough to provide sufficient incentive for organisations to strive for the highest ratings*.

Suggestions to improve the distinction between levels

Q8. What suggestions do you have to improve the criteria to distinguish between each quality assured status? For instance could “highly confident” status be expanded and still represent “high quality?”

A frequent response was that EER judgements for the level of self-assessment capability should be given a lesser weighting when determining incentives or sanctions, especially because the evaluative approach to quality assurance was still new. Respondents stated that it takes time for a provider to improve on a Not Yet Confident result for self-assessment and imposing sanctions by setting the bar at Confidence in self-assessment would be unduly harsh.

NZQA also asked whether the Highly Confident Status could be expanded and still represent high quality. Some were resistant to this idea – it *should remain an aspirational goal with significant rewards*, stating that it would diminish the value of self-assessment, which was intrinsic to the evaluative approach.

On the other hand, five respondents stated it was acceptable to expand High Confidence Status to include Confident for self-assessment, where an organisation had a good track record of quality audits. The reason offered was that the alternative was a return to evaluation of programme documentation with its associated time and costs. Submitters either acknowledged that distinctions between levels should be criterion-based, or viewed that such criteria should be further developed.

Other suggestions made for improving the differentiation between the statuses included more:

- variation in the frequency of EER according to the level, either making a Confident or Business as Usual provider have three-yearly EER and/or allowing a highly confident provider five-yearly EER
- variation in processing times for programme approval applications for example 30 working days for High confidence, 60 working days for Confidence and 90 working days for Business as Usual status
- variation in the level of reduced external scrutiny for the top two levels; one suggestion was for 'minimal scrutiny' for "Confidence Status, as distinct from reduced scrutiny.

Suggestions to improve proposals overall

Q10. What suggestions do you have on how to improve the proposals?

The most frequent suggestions to improve the proposals related to concerns about the terminology used:

- Business as Usual Status was an inappropriate term for a provider with two Confident judgements from EER, implying that no improvement is needed. One suggestion was to use the term *Confidence* instead.

- Suspended status was misleading as students may relate it to a provider that was no longer operating, a suggestion was that *Partially Confident* or *Probationary* status may be more accurate.
- NZQA could use the terms *Excellence, Merit, Achieved, Not Achieved*.

One respondent pointed out that the EER itself provides a quality assurance status simply by stating education performance and self assessment judgements. The respondent expanded by stating that introducing a new nomenclature relating to 'status' will complicate matters for a *tired audience*. They suggested that NZQA uses EER results more directly to discern any incentives/sanctions. The four grades of HC, C, NYC and NC are already known, and it would be clearer to link any incentives and disincentives to these, rather than introducing another terminology. A new set of terms risks these replacing the already-existing more nuanced EER results.

Eight respondents asked NZQA to clarify the link to the changes ensuing from the targeted review of qualifications. One noted that NZQA intends introducing more stringent programme approvals to discourage a proliferation of new programmes, which seems to work against the suggested incentive of reduced external scrutiny.

Three ITOs stated that ITOs should also/contribute to determining an organisation's quality status, or to be the programme approver.

Some argued for more self-accreditation and autonomy at the higher performance levels, for example. the ability to self-approve and accredit programmes in Levels 1 to 6.

Another suggestion was that NZQA introduce account managers familiar with specific providers and their issues.

Next steps

The consultation results outlined in this report will be taken into account by NZQA's Board in determining the final package of new incentives and sanctions. Careful consideration will be given to the sector's detailed feedback on the nature of the incentives and sanctions and suggestions for nomenclature.

NZQA anticipate that final decisions will be made by its Board in December 2010, with introduction of the changes to quality assurance requirements being introduced to the non-university tertiary education sector in March-April 2011.