



University Students' Council Standing Policy
Performance Based Funding

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Acknowledgments

Land Acknowledgement

Western University is situated on the traditional territories of the Anishinaabeg, Haudenosaunee, Lunaapeewak and Attawandaron peoples, who have long standing relationships to the land and region of southwestern Ontario and the City of London. The local First Nation communities of this area include Chippewas of the Thames First Nation, Oneida Nation of the Thames, and Munsee Delaware Nation. In the region, there are eleven First Nation communities and a growing Indigenous urban population. Western University values the significant historical and contemporary contributions of local and regional First Nations and all of the Original peoples of Turtle Island (North America).

Other Acknowledgements

Dr. Marc Spooner, a professor in the Faculty of Education at the University of Regina and author of *Dissident Knowledge in Higher Education*, is being acknowledged for providing valuable resources and insight.

Key Terms

| | |
|---|--|
| Band of Tolerance: | A minimum and maximum performance target range for Strategic Mandate Agreement (SMA) 3 metrics. |
| Core Operating Grant (COG): | A grant whereby colleges and universities are given a portion of operating funding based on a specific level of eligible enrolment. |
| Corridor funding model: | The funding allocation to colleges and universities that is based on weighted grant units (WGU). Sometimes referred to as the “bums to seat approach”. |
| Differentiation Envelope: | One of the three components of government grants to public institutions that includes the Performance/Outcomes-Based Funding Grant. |
| Enrolment Envelope: | One of the three components of government grants to public institutions that includes the Core Operating Grant. |
| Institutional metric: | A performance metric that can be decided on by the institution it applies to. |
| Performance based funding (PBF): | A system whereby a portion of an institution’s funding allocation is contingent on meeting specific performance metrics. |
| Performance Target: | A benchmark of achievement for a particular metric. |
| Performance/ Outcomes-Based Funding Grant: | A grant whereby a portion of total operating grant funding for colleges and universities is based on performance against outcomes in metrics aligned with government priority areas. |
| Special Purpose Grants/Other Institutional Grants: | One of the three components of government grants to public institutions whereby government funding is allocated to address system priorities. |
| Strategic Mandate Agreement (SMA): | A bilateral agreement between the Ministry of Training, Colleges and Universities (MTCU) and public colleges and universities that highlight performance metrics. |
| System-wide metric: | A performance metric that applies to all institutions. |
| Weighted Grant Unit (WGU): | Funding units defined by the MTCU. |

Overview of Concerns and Recommendations

Concerns with Specific Metrics

Metric #3: Graduation Rate

- C:** Metric #3 only rewards completion and not student progress.
- R:** Advocate for the provincial government to amend Metric #3.

Metric #4: Graduate Employment Earnings

- C:** Metric #4 only considers earning potential as a measure of meaningful employment, when other factors should be analyzed, including job satisfaction, job impact, and other personal considerations.
- R:** Advocate for the provincial government to amend Metric #4 to examine undergraduate student satisfaction with program and program employment outcome.
- C:** SMA 3 includes metrics that emphasize graduation outcomes, such as Metric #4 and Metric #7, which can introduce the practice of 'creaming'.
- R:** Advocate for the provincial government to introduce a metric focused on the proportion of students graduating from traditionally underrepresented groups, like first-generation and differently abled students.
- R:** Advocate for the provincial government to change the 'grant mix', whereby Western University experiences an increase in the amount of funding from the Special Purpose Grant.
- R:** Advocate for the provincial government to provide incentives for institutions that serve underrepresented students by leveraging already existing precedent.

Metric #6: Skills & Competencies

- C:** Metric #6 may employ standardized tests to determine skills and competencies of undergraduate students, such as the ones piloted by the Higher Education Quality Council of Ontario (HEQCO) as part of their Essential Adult Skills Initiative or the Organization for Economic Cooperation and Development's (OECD) Education & Skills Online (ESO) Assessment.
- R:** Instead of employing standardized tests to determine skills and competencies of undergraduate students, advocate for the provincial government to introduce a performance target based on the rate of students going from a lower grade boundary to a higher one (i.e. going from a grade average of C to a grade average of B or A).

Metric #7: Community/Local Impact

- C:** SMA 3 is punitive to all institutions, with consequences especially pronounced for smaller, less research-intensive institutions.

R: Join forces with OUSA and other student unions in Ontario, especially those a part of smaller, less research-intensive institutions, to centralize advocacy efforts on this front.

Metric #8: Researching Funding & Capacity - Federal Tri-Agency Funding Secured

C: Metric #8 focuses on the amount of federal Tri-Agency funding secured; however, a lot of research within the arts and humanities does not rely on these funding sources.

R: Advocate for the provincial government to include an arts and humanities specific funding source to be measured in this metric.

C: Metric #8 and Metric #9 determine research funding, either from federal Tri-Agency funding or other private external sources.

R: Advocate for the provincial government to introduce a metric focused on measuring undergraduate student satisfaction (the overall satisfaction with education received).

General Concerns

C: There is a greater incentive for institutions to place lower weightings on metrics which encompass performance targets that cannot be easily met in a short time period (and vice versa), rather than working towards long-term goals.

R: Advocate for the provincial government to increase the minimum weighting from 5% to 8%, starting in 2021.

C: SMA 3 has eradicated all institutional metrics, except for one, replacing them with system-wide metrics.

R: Advocate for the provincial government to use these nine system-wide metrics in SMA 3 as priority areas, as seen in SMA 2.

C: The metrics in SMA 3 are not particularly student focused, except for Metric #5 (Experiential Learning) and Metric #6 (Skills & Competencies).

R: Advocate for Western University to formally consult the USC during SMA negotiations.

R: Advocate for the provincial government to include a student focused objective in the MTCU's objectives of PBF.

R: Advocate for the provincial government to introduce metrics focused on the following: student retention between year one and two of an undergraduate program of study and proportion of operating expenditures spent on student services, net of student assistance.

C: Many metrics in SMA 3 fall short in reflecting the breadth of university programs, and each program's relative importance.

- R:** Advocate for the provincial government to introduce a metric that focuses on bolstering programs that are underdeveloped.
- C:** Since no additional money is rewarded for exceeding the maximum performance target range, there is no incentive for institutions to go above and beyond their identified performance targets.
- R:** Instead of unallocated funds (made available through the underachievement of other institutions in a particular metric) to be redistributed to all institutions who have met their performance target (i.e. institutions who have earned 100% of their allocation in said metric), advocate for the provincial government to redistribute these unallocated funds to institutions who have surpassed their performance target for student focused metrics, like Metric #5 (Experiential Learning).
- C:** The proposed increases in the percentage of operating grant funding comprised of PBF are difficult for institutions to adapt to.
- R:** Advocate for the provincial government to make the proposed percentage changes based on subtler incrementations by leveraging existing precedent.

Objective of the Paper

The purpose of this policy paper is twofold:

1. to provide an understanding of Western University's funding model, specifically addressing **performance based funding (PBF)** and **Strategic Mandate Agreements (SMA)** and
2. to assess SMA 3 through the identification of concerns and appropriate recommendations, benefits, and issues that require solutions, in an endeavour to best equip the USC to advocate on behalf of undergraduate students at Western University.

Importance of the Paper

This policy paper was commissioned for a number of reasons:

- Currently, there is a lack of understanding regarding the university funding model and how SMA influence university choices. Students should be aware of these changes and the potential consequences they face.
- Current literature regarding university funding, PBF, and SMA is difficult for the average undergraduate Western University student to understand. Technical jargon and inconsistencies in reporting act as major impediments to understanding.
- The information, analysis, and recommendations explicated in this policy paper have direct relevance to undergraduate students. University performance metrics that are to be implemented by the Government of Ontario have the ability to influence (1) programming for undergraduate students and (2) supports for undergraduate students.
- University funding has become a topical issue. As the Government of Ontario moves to introduce PBF as a primary mechanism for university funding, there is potential to engage in substantial advocacy efforts. SMA 3 is projected to be instituted in April, 2020, which means that negotiations are currently underway. If the USC has a clear stance on university funding beforehand, advocacy efforts will be more meaningful. The Government of Ontario states that "colleges and universities will have the opportunity to reset and realign metrics prior to the application of metrics in SMA 3"¹.
- No formalized policy paper has been written on this subject matter. The USC does not have a Council ratified policy paper on university funding. Additionally, although OUSA has written two opinion blogs on this topic, a formalized policy paper has yet to be written.

¹ "2017-20 Strategic Mandate Agreement: Western University." Ministry of Ontario . Accessed January 11, 2020. <https://www.ontario.ca/page/2017-20-strategic-mandate-agreement-western-university>.

Performance Based Funding (PBF) and Strategic Mandate Agreements (SMA)

PBF is a system whereby a portion of an institution's funding allocation is contingent on meeting specific performance metrics.

SMA are bilateral agreements between the MTCU and public colleges and universities that highlight performance metrics. SMA are a key component of the ministry's accountability framework for the postsecondary education system.

History of University Funding - SMA

SMA 1 (2014-2017):

During the first round of SMA in 2014 (SMA 1), the MTCU "committed to engaging the university and college sectors on changes to their respective funding models in order to better support funding predictability and stability, as well as support differentiation and student focused outcomes"². SMA 1 marked the first time the ministry discussed current strengths and future aspirations with each institution in the context of the government's priorities and activities across the rest of the sector³. SMA 1 proposed some **system-wide metrics**, and invited institutions to propose **institutional metrics** in the agreements. A system-wide metric is a performance metric that applies to all institutions. An institutional metric is a performance metric that can be decided on by the institution it applies to. Targets were not included, and institutional metrics were optional⁴.

Additionally, in 2016 during the first phase of SMA, several components of the university funding model were introduced, including:

- Element #1: Enrolment Envelope;
- Element #2: Differentiation Envelope; and
- Element #3: Special Purpose Grants/Other Institutional Grants.

For more information on these components, see "Government Grants" on page 16 in this paper.

² Ministry of Ontario Ministry of Training, Colleges and Universities. Ontario's Postsecondary Education System Performance/Outcomes Based Funding – Technical Manual. September 2019. Accessed January 11, 2020. http://www.uwindsor.ca/strategic-mandate-agreement/sites/uwindsor.ca.strategic-mandate-agreement/files/performance_outcomes-based_funding_technical_manual_-_v1.0_-_final_september_419_en_0.pdf.

³ Ministry of Ontario Ministry of Advanced Education and Skills Development. Transitioning to Strategic Mandate Agreement 3 for Ontario Universities and Colleges. March 2018. Accessed January 11, 2020. https://opseu.org/wp-content/uploads/2018/05/sma-consultation_document-march13-en-final.pdf.

⁴ Ministry of Ontario Ministry of Training, Colleges and Universities. Ontario's Postsecondary Education System Performance/Outcomes Based Funding – Technical Manual. September 2019. Accessed January 11, 2020. http://www.uwindsor.ca/strategic-mandate-agreement/sites/uwindsor.ca.strategic-mandate-agreement/files/performance_outcomes-based_funding_technical_manual_-_v1.0_-_final_september_419_en_0.pdf

SMA 2 (2017-2020):

The second round of SMA (SMA 2) in 2017 involved implementing Element #1: the Enrolment Envelope. Universities entered enrolment corridors in 2017-18⁵.

Additionally, in 2017, five priority areas were identified:

1. Enhancing the *Student Experience* to improve student success and outcomes.
2. *Innovation in Teaching and Learning Excellence*, including enhanced experiential, entrepreneurial, personalized and digital learning that contribute to a highly skilled workforce.
3. Improving *Access and Equity* for qualified students.
4. Enhancing *Applied Research/Research Excellence and Impact* to further raise Ontario's profile as a globally recognized research and innovation hub.
5. *Innovation, Economic Development, and Community Engagement*, including the role institutions play in contributing to communities, economic development and building partnerships with business, industry, and other stakeholders.⁶

These five priority areas encompassed both system-wide and institutional metrics, with more focus on institutional metrics than seen in SMA 1. For example, in Western University's SMA 2, under the priority area of "Applied Research/Research Excellence and Impact", the following system-wide and institutional metrics were determined:

| System-Wide Metrics | 2019-20 Target |
|---|----------------|
| Tri-council funding (share within Ontario, by council – 3-year avg) | 7.1%< |
| SSHRC | 8.8% |
| NSERC | 8.7% |
| CIHR | |
| Total Number of Papers (5 year total) | 16,500 |
| Average # of Papers per Full-Time Faculty (5 year avg) | 2.25 |
| Total Number of Citations (5 year total) | 152,0009.4 |
| Citations per Paper Published (over 5 years) | |
| Institutional Metrics | 2019-20 Target |
| Total Research Revenue | \$215,000 |
| All sources per tenured/probationary faculty member | |
| Grads to Total | 20% |
| Western, Graduate enrolments as % of total full-time | |
| Research Chairs: Externally-funded and Western-endowed | 110 |
| Total research chairs | |
| Thesis downloads | 600,000 |

⁵ Ministry of Ontario Ministry of Training, Colleges and Universities. Ontario's Postsecondary Education System Performance/Outcomes Based Funding – Technical Manual. September 2019. Accessed January 11, 2020. http://www.uwindsor.ca/strategic-mandate-agreement/sites/uwindsor.ca.strategic-mandate-agreement/files/performance_outcomes-based_funding_technical_manual_-_v1.0_-_final_september_419_en_0.pdf

⁶ Ministry of Ontario Ministry of Advanced Education and Skills Development. *Transitioning to Strategic Mandate Agreement 3 for Ontario Universities and Colleges*. March 2018. Accessed January 11, 2020. https://opseu.org/wp-content/uploads/2018/05/sma-consultation_document-march13-en-final.pdf.

⁷ "2017-20 Strategic Mandate Agreement: Western University." Ministry of Ontario. Accessed January 11, 2020. <https://www.ontario.ca/page/2017-20-strategic-mandate-agreement-western-university>.

These five priority areas created a foundation for Element #2 to be institutionalized.

SMA 3 (2020-2025):

On April 11, 2019, the Ontario government announced that performance/outcomes-based funding would be implemented through the next round of SMA (SMA 3). Starting in the first year of SMA 3 (2020-21), a system-average of 25% of the MTCU operating grant funding will be provided on the basis of meeting performance metrics. By 2024-25, this contingency will increase to 60%⁸. As of October, 2019, only 1.6% of operating grant funding was provided on the basis of meeting performance metrics⁹. See *Figure 2 for a representation of these increases*.

Figure 2: Table of Anticipated SMA 3 Funding Changes¹⁰

| SMA 3 | | | | |
|--|---------|---------|---------|---------|
| Anticipated Increases in Performance/Outcomes-Based Funding | | | | |
| 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 |
| 25% | 35% | 45% | 55% | 60% |

As the proportion of institutions' operating grant based on performance/outcomes-based funding increases, funding will be transferred from the Enrolment Envelope, through a reduction in WGU rates, to each institution's Differentiation Envelope to create an institution-specific performance/outcomes-based funding allocation. This allocation is institution-specific since institutions have differing compositions of their government grant allowances, as well as differing proportions of COG delivered on the basis of WGU. These differences in proportions are a function of historical factors and program, grant mix, and overall revenue derived from

⁸ Ministry of Ontario Ministry of Training, Colleges and Universities. *Ontario's Postsecondary Education System Performance/Outcomes Based Funding – Technical Manual*. September 2019. Accessed January 11, 2020.

http://www.uwindsor.ca/strategic-mandate-agreement/sites/uwindsor.ca.strategic-mandate-agreement/files/performance_outcomes-based_funding_technical_manual_-_v1.0_-_final_september_419_en_0.pdf

⁹ _____. "Performance-Based Funding in Higher Education." Canadian Association of University Teachers Education Review. Last modified October 2019. Accessed January 11, 2020. https://www.caut.ca/sites/default/files/caut-education-review-performance-based_funding_in_higher_education.pdf.

¹⁰ Ministry of Ontario Ministry of Training, Colleges and Universities. *Ontario's Postsecondary Education System Performance/Outcomes Based Funding – Technical Manual*. September 2019. Accessed January 11, 2020.

http://www.uwindsor.ca/strategic-mandate-agreement/sites/uwindsor.ca.strategic-mandate-agreement/files/performance_outcomes-based_funding_technical_manual_-_v1.0_-_final_september_419_en_0.pdf

enrolment funding¹¹. Grant mix is the combination of the three elements that comprise government grants.

It is important to note that any funds above the thresholds contained in Figure 2 will not be tied to performance outcomes, instead flowing through regular payment processes as part of the Differentiation Envelope¹².

In 2019, the government also announced a finalized set of metrics against which institutional performance would be assessed, and the details of the mechanism that would be used to evaluate institutions' performance and resulting funding allocation. See Figure 3 for a table of the ten performance metrics established by the government, the operational definition of each metric, and when the metric will be activated within the SMA 3 cycle.

Figure 3: Table of Ten Performance Metrics for SMA 3¹³

| Skills & Jobs Outcomes | | |
|--|--|---------------------|
| Metric Name | Operational Definition | Activation |
| 1. Graduate Employment Rate in a Related Field | Proportion of graduates of bachelor or first professional degree programs employed full-time who consider their jobs either “closely” or “somewhat” related to the skills they developed in their university program, two years after graduation | Year 1 (2020-21) |
| 2. Institutional Strength/Focus | Proportion of enrolment (FTEs, domestic and international) in an institution's program area(s) of strength: professional and quasi-professional programs (for Western University) | Year 1 (2020-21) |
| 3. Graduation Rate | Proportion of all new, full-time, year one undergraduate university students (domestic and | Year 1 (2020-21) |

¹¹ Ministry of Ontario Ministry of Training, Colleges and Universities. *Ontario's Postsecondary Education System Performance/Outcomes Based Funding – Technical Manual*. September 2019. Accessed January 11, 2020.

http://www.uwindsor.ca/strategic-mandate-agreement/sites/uwindsor.ca.strategic-mandate-agreement/files/performance_outcomes-based_funding_technical_manual_-_v1.0_-_final_september_419_en_0.pdf

¹² Ministry of Ontario Ministry of Training, Colleges and Universities. *Ontario's Postsecondary Education System Performance/Outcomes Based Funding – Technical Manual*. September 2019. Accessed January 11, 2020.

http://www.uwindsor.ca/strategic-mandate-agreement/sites/uwindsor.ca.strategic-mandate-agreement/files/performance_outcomes-based_funding_technical_manual_-_v1.0_-_final_september_419_en_0.pdf

¹³ Ministry of Ontario Ministry of Training, Colleges and Universities. *Ontario's Postsecondary Education System Performance/Outcomes Based Funding – Technical Manual*. September 2019. Accessed January 11, 2020.

http://www.uwindsor.ca/strategic-mandate-agreement/sites/uwindsor.ca.strategic-mandate-agreement/files/performance_outcomes-based_funding_technical_manual_-_v1.0_-_final_september_419_en_0.pdf

| | | |
|---|---|---------------------|
| | international) of bachelors (first-entry), or first professional (second entry) degree programs who commenced their study in a given fall term and graduated from the same institution within seven years | |
| 4. Graduate Employment Earnings | Median employment earnings of university graduates, two years after graduation | Year 2 (2021-22) |
| 5. Experiential Learning | Number and proportion of graduates in undergraduate programs, who participated in at least one course with required Experiential Learning (EL) component(s) | Year 2 (2021-22) |
| 6. Skills & Competencies | Random sample of undergraduate students (domestic and international) | Year 3 (2022-23) |
| Economic & Community Impact | | |
| Metric Name | Operational Definition | |
| 7. Community/Local Impact | Institutional enrolment share in the population of the city (cities)/town(s) in which the institution is located | Year 1 (2020-21) |
| 8. Research Funding & Capacity - Federal Tri-Agency Funding Secured | Amount and proportion of funding received by institution from federal research granting agencies (SSHRC, NSERC, CIHR ¹⁴) in total Tri-Agency funding received by Ontario universities | Year 1 (2020-21) |
| 9. Innovation: Research Revenue Attracted from Private Sector Sources | Research revenue attracted from private sector sources | Year 2 (2021-22) |
| 10. Institution-Specific (Economic Impact) | Definition to be provided/confirmed with institutions during SMA3 bilateral discussions, dependent on metric proposals | Year 1 (2020-21) |

The first six metrics fall under the priority area of skills and job outcomes, whereas the last four metrics fall under the priority area of economic and community impact. The first nine metrics are system-wide, whereas the last one is institutional¹⁵.

¹⁴ The Social Sciences and Humanities Research Council (SSHRC), the Natural Sciences and Engineering Research Council (NSERC), and the Canadian Institute of Health Research (CIHR)

¹⁵ Greenfield, Nathan. "Ontario to Introduce Performance-Related Funding of HE." University World News. Last modified May 22, 2019. Accessed January 11, 2020.
<https://www.universityworldnews.com/post.php?story=20190522111951977>.

A third priority area, Productivity, Accountability, and Transparency, was also identified and will include two reporting metrics related to faculty compensation and faculty workload; however, these metrics will not be tied to performance funding¹⁶.

The MTCU objectives of performance-based funding include the following:

- increasing trust and accountability through transparency and improved performance outcomes;
- reducing red tape by striking an appropriate balance between accountability and reporting;
- incentivizing colleges and universities to redirect resources and invest in initiatives that result in positive economic outcomes;
- encouraging alignment of postsecondary education with labour market outcomes; and
- incentivizing differentiation and specialization to support increased efficiencies.¹⁷

Performance targets for the ten SMA 3 metrics are not standardized, but rather institution-specific. A performance target is a benchmark of achievement for a particular metric. A bilateral agreement is reached between each institution and the provincial government regarding these targets. These targets each include a **band of tolerance**, which set a minimum and maximum target range. If an institution falls within this range or exceeds the maximum target range, they will receive 100% of the funding allocated for said metric. No additional money is rewarded for exceeding the maximum target range. Bands of tolerance account for year to year fluctuations in institution performance. If a specific target is not met, partial funding, commensurate with actual performance, will be received by the institution. For example, if an institution achieves 90% of its allowable performance target on a metric, it will receive 90% of the funding associated with said metric.¹⁸

Allocations for achievement of performance metrics are not impacted by an institution's previous year performance. While there is a risk that an institution may fail to earn all of its allocation in a

¹⁶ Ministry of Ontario Ministry of Training, Colleges and Universities. *Ontario's Postsecondary Education System Performance/Outcomes Based Funding – Technical Manual*. September 2019. Accessed January 11, 2020.

http://www.uwindsor.ca/strategic-mandate-agreement/sites/uwindsor.ca.strategic-mandate-agreement/files/performance_outcomes-based_funding_technical_manual_-_v1.0_-_final_september_419_en_0.pdf

¹⁷ Ministry of Ontario Ministry of Training, Colleges and Universities. *Ontario's Postsecondary Education System Performance/Outcomes Based Funding – Technical Manual*. September 2019. Accessed January 11, 2020.

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¹⁸ Ministry of Ontario Ministry of Training, Colleges and Universities. *Ontario's Postsecondary Education System Performance/Outcomes Based Funding – Technical Manual*. September 2019. Accessed January 11, 2020.

http://www.uwindsor.ca/strategic-mandate-agreement/sites/uwindsor.ca.strategic-mandate-agreement/files/performance_outcomes-based_funding_technical_manual_-_v1.0_-_final_september_419_en_0.pdf

given year, any funding loss will apply to that year only; next year's allocation will be unaffected and 'reset'.¹⁹

Any funding made available through underachievement of other institutions in a particular metric will be redistributed equally to all institutions who have met their performance target (i.e. institutions who have earned 100% of their allocation in said metric)²⁰. For example, if five institutions have met their performance targets, funding based on underachievement of other institutions will be split equally five ways.

Institutions are given the autonomy to assign particular weightings to each of these ten metrics at the beginning of the SMA 3 phase. Institutions can change their weightings only once during this five year cycle. These weightings determine the percentage of the institution's performance/outcomes-based funding that is tied to said metric. The provincial government has created the following minima and maxima weightings for each metric:

- 2020-21: maximum 35%, minimum 10%;
- 2021-22: maximum 30%, minimum 5%; and
- 2022-25: maximum 25%, minimum 5%.

These weightings must total 100% in any given year (since some metrics are activated after year 1 and 2 of the SMA 3 phase).²¹

¹⁹ Ministry of Ontario Ministry of Training, Colleges and Universities. *Ontario's Postsecondary Education System Performance/Outcomes Based Funding – Technical Manual*. September 2019. Accessed January 11, 2020.

http://www.uwindsor.ca/strategic-mandate-agreement/sites/uwindsor.ca.strategic-mandate-agreement/files/performance_outcomes-based_funding_technical_manual_-_v1.0_-_final_september_419_en_0.pdf

²⁰ Ministry of Ontario Ministry of Training, Colleges and Universities. *Ontario's Postsecondary Education System Performance/Outcomes Based Funding – Technical Manual*. September 2019. Accessed January 11, 2020.

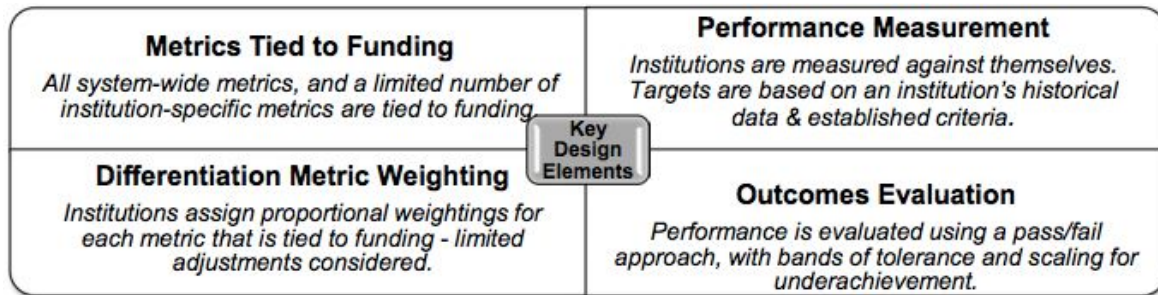
http://www.uwindsor.ca/strategic-mandate-agreement/sites/uwindsor.ca.strategic-mandate-agreement/files/performance_outcomes-based_funding_technical_manual_-_v1.0_-_final_september_419_en_0.pdf

²¹ Ministry of Ontario Ministry of Training, Colleges and Universities. *Ontario's Postsecondary Education System Performance/Outcomes Based Funding – Technical Manual*. September 2019. Accessed January 11, 2020.

http://www.uwindsor.ca/strategic-mandate-agreement/sites/uwindsor.ca.strategic-mandate-agreement/files/performance_outcomes-based_funding_technical_manual_-_v1.0_-_final_september_419_en_0.pdf

See Figure 4 for a diagram highlighting main components of SMA 3.

Figure 4: Main SMA 3 Components²²



²² Ministry of Ontario Ministry of Training, Colleges and Universities. *Ontario's Postsecondary Education System Performance/Outcomes Based Funding – Technical Manual*. September 2019. Accessed January 11, 2020.
http://www.uwindsor.ca/strategic-mandate-agreement/sites/uwindsor.ca.strategic-mandate-agreement/files/performance_outcomes-based_funding_technical_manual_-_v1.0_-_final_september_419_en_0.pdf

Overview of Western University's Funding Model

Western University's operating, ancillary, and capital budgets are all public documents that can be found on the Office of Institutional Planning & Budgeting website.

Western University's operating revenue comes through three primary avenues:

- government grants;
- tuition revenue; and
- other revenues²³.

Government Grants

Government grants are sums of money given to universities from the provincial government. The Ministry of Training, Colleges and Universities (MTCU) (which is the ministry of the provincial government responsible for administration of laws relating to post-secondary education and job-skills training) oversees these grant allocations. Government grants include three primary components:

The Enrolment Envelope: funding related to enrolment, which includes the **Core Operating Grant (COG)** under which colleges and universities are given a portion of operating funding based on a specific level of eligible enrolment (expressed in **Weighted Grant Units (WGU)**, which are also known as Basic Income Units (BIU)) for universities.

WGU are funding units defined by the MTCU. Each student reported to the government for funding purposes generates a specified number of grant/funding units depending on program of registration and level of study. A WGU is a specific number unique to each student that measures the relative cost of teaching and research (i.e. the financial investment of the university in said individual). Program and level of study influence this financial investment, and therefore WGU fluctuate between students. For example, undergraduate weightings in non-medical programs are from 1.0 to 3.0; masters, 3.0 to 4.0; and doctoral, 6.0²⁴. In 2016-17, Western University was allocated a midpoint level of 93,001 WGU²⁵. Comparatively, the University of Waterloo was allocated a midpoint level of 42,159 WGU²⁶ during this time.

²³ *Western University: Office of Institutional Planning & Budgeting - Five-Year Summary of Operating Revenues.* March 2018. Accessed January 11, 2020.

http://www.ipb.uwo.ca/documents/2018_operating_revenues.pdf.

²⁴ "Definitions: Institutional Analysis and Planning." University of Waterloo. Accessed January 11, 2020. <https://uwaterloo.ca/institutional-analysis-planning/university-data-and-statistics/glossaries/definitions>.

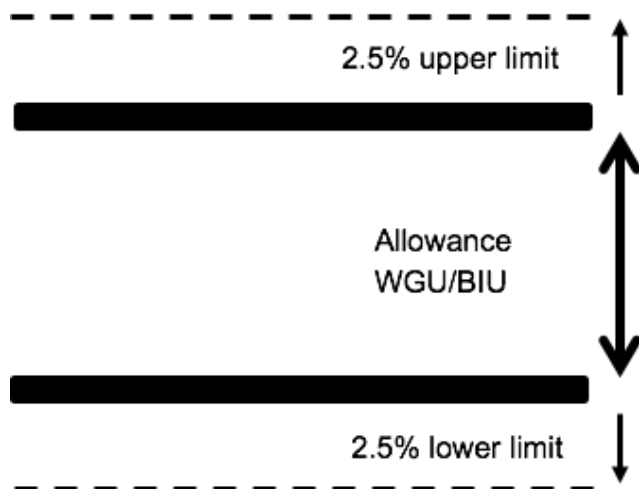
²⁵ "2017-20 Strategic Mandate Agreement: Western University." Ministry of Ontario . Accessed January 11, 2020. <https://www.ontario.ca/page/2017-20-strategic-mandate-agreement-western-university>.

²⁶ "2017-20 Strategic Mandate Agreement: University of Waterloo." Ministry of Ontario . Accessed January 11, 2020.

<https://www.ontario.ca/page/2017-20-strategic-mandate-agreement-university-waterloo>.

WGU are used to determine the Enrolment Envelope of each institution. WGU are measured based on full time equivalents. One full time equivalent is reflected by one full time student. However, full time equivalents not only encompass full time students, but also part time students. For example, two part time students could constitute one full time equivalent, which would be reflected in WGU. The WGU numbers above reflect the midpoint of the university’s enrollment level. As part of the **corridor funding model**, each institution is prescribed a +/-2.5% allowance for enrolment each year. This creates a corridor of government funding, with a specific upper and lower boundary. If an institution has effectively predicted their enrolment level and therefore falls within this corridor, they receive full funding. However, if this institution goes above the upper boundary of this corridor, additional funding to compensate for this surplus of students is not granted. Likewise, if this institution goes below the lower boundary of this corridor, a certain amount of obtainable funding gets revoked. *See Figure 1 for a diagrammatic representation of the corridor funding model.*

Figure 1: Corridor Funding Model



The Differentiation Envelope: funding related to the **Performance/Outcomes-Based Funding Grant**, under which a portion of total operating grant funding for colleges and universities is based on performance against outcomes in metrics aligned with government priority areas. *For more information on the Differentiation Envelope and the Performance/Outcomes-Based Funding Grant, see “Performance Based Funding (PBF) and Strategic Mandate Agreements (SMA)” on page 8 in this paper.*

Special Purpose Grants/Other Institutional Grants: government funding that is able to address system priorities, such as initiatives to improve access for Indigenous learners, francophone students, and differently abled students. Also included are institution-specific grants, such as the Northern Grant; Small, Northern and Rural Grant; and French Language/Bilingual grants.

Tuition Revenue

Tuition revenue is collected income from both undergraduate, and graduate students who enroll in programs at Western University. To attend institutions, students must pay tuition to fund their studies.

Other Revenues

“Other revenues” include many income avenues, such as ancillary fees, industry investment income, recoverable salaries, research overheads, and royalties and licenses.

Concerns and Recommendations for SMA 3

The USC believes that, on balance, PBF negatively impacts undergraduate students at Western University. SMA 3 has many student facing concerns, which the USC will advocate to resolve. The USC supports the current differentiation of institutions part of the postsecondary education sector, and is against the specialization that SMA 3 will catalyze. Students should be offered choices regarding programs at institutions. Additionally, institutional effort to address any problems students face should be mandated.

The following is a list of student focused concerns with SMA 3 with subsequent recommendations. These concerns shed light on potential problems and contradictions of this model.

Concerns with Specific Metrics

Metric #3: Graduation Rate

Concern: Metric #3 only rewards completion and not student progress. There have been complaints that completion-focused measures take insufficient account of students' switching among institutions (which is not necessarily a failure), or of the benefits that even partial completion confers²⁷.

Recommendation: Advocate for the provincial government to amend Metric #3. Metric #3 should not focus on graduation rate, but rather measure number of credits completed by students. Funding should be allocated based on the proportion of students who achieve a certain number of credits. A focus on an immediate outcome (i.e. the proportion of students who achieve a number of credits), rather than a final one (i.e. graduation rate), is important in supporting underrepresented groups. The Student Achievement Initiative in Washington states that incentivizing intermediate outcomes along student pathways to completion is necessary to allow for the achievements of students from disadvantaged backgrounds to be valued more equitably, considering that graduation rate is more likely for students from more privileged backgrounds²⁸. A number of US states reward colleges for students who obtain their first 30 credits and a smaller number of states do the same for students from underrepresented backgrounds. In North Dakota and Wyoming, credits completed are the only metric used in PBF.

²⁷ Usher, Alex. *Funding for Results in Higher Education*. September 19, 2019. Accessed January 9, 2020. https://www.cdhowe.org/sites/default/files/attachments/research_papers/mixed/e-brief_295.pdf.

²⁸ Ministry of Ontario Higher Education Quality Council of Ontario (HEQCO). *Outcomes-Based Funding: Current Status, Promising Practices and Emerging Trends*. By Mary B. Ziskin, Don Hossler, Karyn Rouborn, Osman Cekic, and Youngsik Hwang. 2014. Accessed January 11, 2020. <http://www.heqco.ca/SiteCollectionDocuments/Outcomes-Based%20Funding%20ENG.pdf>.

Denmark's PBF reduced the amount of government grants contingent on completion rates to only 7.5%²⁹.

Metric #4: Graduate Employment Earnings

Concern: Metric #4 only considers earning potential as a measure of meaningful employment, when other factors should be analyzed, including job satisfaction, job impact, and other personal considerations.

Recommendation: Advocate for the provincial government to amend Metric #4 to examine undergraduate student satisfaction with program and program employment outcome³⁰.

Concern: SMA 3 includes metrics that emphasize graduation outcomes, such as Metric #4 and Metric #7, which can introduce the practice of 'creaming'. Creaming, a usual response to incentives, is selecting certain individuals to improve efficiency and achieve a specific goal³¹. By creating metrics that emphasize graduation outcomes, institutions may have an incentive to admit students who are better academically prepared, such as those with higher averages. In Indiana, after the start of PBF, students with higher GPAs and college entrance exam scores were accepted at a higher rate³², which may incentivize Western University to do the same. Even institutions with open access admissions can focus recruiting efforts on high school districts with students who will have a higher chance of meeting these outcomes. These practices disproportionately restrict admissions to higher education for students from disadvantaged backgrounds, which include minorities and those with low levels of income. Additionally, institutions have a higher incentive to not accept non-traditional university students and non-university students (those who are transferring from a college to a university) because these types of people are at a lower risk of graduating³³. Metrics that emphasize graduation outcomes are actively creating barriers for these students. This is a human rights violation.

Recommendation: Advocate for the provincial government to introduce a metric focused on the proportion of students graduating from traditionally underrepresented groups, like first-generation and differently abled students. The provincial government has a fiduciary obligation to provide equal opportunities for these individuals.

²⁹ Usher, Alex. *Funding for Results in Higher Education*. September 19, 2019. Accessed January 9, 2020. https://www.cdhowe.org/sites/default/files/attachments/research_papers/mixed/e-brief_295.pdf.

³⁰ Spooner, Marc, Dr. "Commentary / Questions about Ontario's Newly Proposed Metrics for Universities." The Canadian Association of University Teachers (CAUT). Last modified June 2019. Accessed January 11, 2020.

³¹ Lacireno-Paquet, Natalie, Thomas T. Holyoke, Michele Moser, and Jeffrey R. Henig. "Creaming Versus Cropping: Charter School Enrollment Practices in Response to Market Incentives." *Educational Evaluation and Policy Analysis* 24, no. 2 (June 2002): 145–58. doi:10.3102/01623737024002145.

³² Li, Amy Y., PhD. "Lessons Learned: A Case Study of Performance Funding in Higher Education." *Third Way*. Last modified October 29, 2018. Accessed January 11, 2020. <https://www.thirdway.org/report/lessons-learned-a-case-study-of-performance-funding-in-higher-education>.

³³ _____. Telephone interview by the author. London, Ontario. November 15, 2019.

Recommendation: Advocate for the provincial government to change the ‘grant mix’, whereby Western University experiences an increase in the amount of funding from the Special Purpose Grant. Total funding received from the provincial government would remain the same, but the proportions of the ‘grant mix’ would change. This way, Western University has access to funding that can be used to address system priorities, like improving access for underrepresented groups. This will reduce the effect of creaming. Western University is incentivized to do this because they do not lose out in any government funding, instead their funding allocation is just redistributed. The institution will also have the added benefit of having less of their funding contingent on achieving performance targets of the ten SMA 3 metrics since the Special Purpose Grant is not performance-based. However, it is important that this money be used for its intended purpose. The provincial government is incentivized to do this because they are making a commitment to underrepresented groups by changing ‘grant mixes’, which is a fiduciary obligation.

Recommendation: Advocate for the provincial government to provide incentives for institutions that serve underrepresented students by leveraging already existing precedent. Many US states provide incentives, like bonus funding, premiums, or equity metrics, to institutions that serve these types of students, which include students of colour, lower-income students, first-generation students, and adult students (aged 25 and older)³⁴. Austria and the United Kingdom use equity goals in their PBF models^{35 36}. Evidence suggests that the inclusion of these incentives for underrepresented students helps counteract the unintended consequence of creaming³⁷. The Tennessee state government provides an additional 40% of funding for each low-income or adult student that graduates³⁸. In Tennessee, performance metrics for adult learners (over the age of 25) and low-income students have higher weightings³⁹. The Ohio state

³⁴ National Conference of State Legislatures. “Performance-Based Funding for Higher Education.” 2015, <http://www.ncsl.org/research/education/performance-funding.aspx>. Accessed 11 January 2020.

³⁵ Usher, Alex. *Funding for Results in Higher Education*. September 19, 2019. Accessed January 9, 2020. https://www.cdhowe.org/sites/default/files/attachments/research_papers/mixed/e-brief_295.pdf.

³⁶ Ministry of Ontario Higher Education Quality Council of Ontario (HEQCO). *Outcomes-Based Funding: Current Status, Promising Practices and Emerging Trends*. By Mary B. Ziskin, Don Hossler, Karyn Rabourn, Osman Cekic, and Youngsik Hwang. 2014. Accessed January 11, 2020. <http://www.heqco.ca/SiteCollectionDocuments/Outcomes-Based%20Funding%20ENG.pdf>.

³⁷ Li, Amy Y., PhD. "Lessons Learned: A Case Study of Performance Funding in Higher Education." Third Way. Last modified October 29, 2018. Accessed January 11, 2020. <https://www.thirdway.org/report/lessons-learned-a-case-study-of-performance-funding-in-higher-education>.

³⁸ Ness, Erik C, Mary M Deupree, and Denisa Gándara. “Campus Responses to Outcomes-Based Funding in Tennessee: Robust, Aligned, and Contested.” Nashville, TN: Tennessee Higher Education Commission, 2015.

³⁹ Ministry of Ontario Higher Education Quality Council of Ontario (HEQCO). *Outcomes-Based Funding: Current Status, Promising Practices and Emerging Trends*. By Mary B. Ziskin, Don Hossler, Karyn Rabourn, Osman Cekic, and Youngsik Hwang. 2014. Accessed January 11, 2020. <http://www.heqco.ca/SiteCollectionDocuments/Outcomes-Based%20Funding%20ENG.pdf>.

government provides extra funding for low-income, adult, and students of colour⁴⁰. The Illinois state government provides bonuses for enrollments of low-income and minority students⁴¹. Many US states use equity oriented metrics to combat creaming. One of the most widely used metrics in the US is the proportion of students with specific ethnic, gendered, and/or social backgrounds⁴². Educating underrepresented students contributes to the economy by creating more human capital in the labour market. Of 321 large global enterprises (companies with at least \$500 million in annual revenue) surveyed in a 2011 Forbes study, 85% agreed or strongly agreed that diversity is crucial to fostering innovation in the workplace⁴³.

⁴⁰ Ohio Board of Regents. "State Share of Instruction Report." Columbus, OH: Ohio Board of Regents, 2014, https://www.ohiohighered.org/sites/ohiohighered.org/files/uploads/financial/ssi/SSI_Performance-Based-Funding-Evaluation-Report_Dec2014.pdf. Accessed 11 January 2020.

⁴¹ Ministry of Ontario Higher Education Quality Council of Ontario (HEQCO). *Outcomes-Based Funding: Current Status, Promising Practices and Emerging Trends*. By Mary B. Ziskin, Don Hossler, Karyn Rabourn, Osman Cekic, and Youngsik Hwang. 2014. Accessed January 11, 2020. <http://www.heqco.ca/SiteCollectionDocuments/Outcomes-Based%20Funding%20ENG.pdf>.

⁴² *Ontario Confederation of University Faculty Associations (OCUFA): Performance Indicator use in Canada, the U.S. and Abroad*. May 2006. Accessed January 11, 2020. https://ocufa.on.ca/assets/PI_Canada_and_abroad.pdf.

⁴³ Kerby, Sophia, and Crosby Burns. "The Top 10 Economic Facts of Diversity in the Workplace." Centre for American Progress. Last modified July 12, 2012. Accessed January 25, 2020. <https://www.americanprogress.org/issues/economy/news/2012/07/12/11900/the-top-10-economic-facts-of-diversity-in-the-workplace/>.

See Figure 5 for a representation of a sample of US states, and which ones use these metrics.

Figure 5: Sample of US States Indicating Which Ones Use Equity Metrics⁴⁴

| State | Two-Year Metrics ⁺ | Four-Year Metrics |
|----------------|-------------------------------|-------------------|
| Arkansas | ■ ▲ ● ★ | ■ ▲ ★ ◆ |
| Colorado | ■ ▲ ★ | ■ ▲ ★ |
| Florida | ■ ▲ ● | ■ ▲ ● ★ |
| Hawaii | ■ ▲ ★ | ■ ▲ ★ |
| Illinois | ■ ▲ | N/A |
| Indiana | ■ ▲ ★ | ■ ▲ ★ |
| Kansas | ▲ ● | ▲ ★ |
| Kentucky | ■ ▲ ★ | ■ ▲ ★ ◆ |
| Louisiana | ■ ▲ ● ★ | ■ ▲ ● ★ ◆ |
| Maine | N/A | ■ ▲ ★ ◆ |
| Michigan | ▲ ★ | ■ ▲ ★ ◆ |
| Missouri | ▲ ● | ◆ |
| Montana | ■ ▲ | ■ ▲ ◆ |
| North Carolina | ▲ ● | N/A |
| North Dakota | ▲ | ▲ |
| New Mexico | ■ ▲ ★ | ■ ▲ ★ ◆ |
| Nevada | ■ ▲ ★ | ■ ▲ ★ |
| New York | ■ ▲ ● ★ | N/A |
| Ohio | ■ ▲ ★ | ■ ▲ ★ ◆ |
| Oklahoma | ■ ▲ ◆ | ■ ▲ ◆ |
| Oregon | N/A | ■ ▲ ★ ◆ |
| Pennsylvania | N/A | ■ ▲ ◆ |
| Tennessee | ■ ▲ ● | ■ ▲ |
| Texas | ▲ ★ | N/A |
| Utah | ■ ▲ ★ | ■ ▲ ★ |
| Virginia | ■ ▲ ● | N/A |
| Washington | ■ ▲ ★ | N/A |
| Wisconsin | ■ ▲ ● ★ | N/A |

■ Equity

▲ Completion

● Labor Market Outcomes

★ Critical Fields

◆ Other

“The table shows the proportion of funding (dosage) of all state higher education appropriations tied to performance based outcomes. The legend indicates categories of metrics used: Equity (e.g., extra incentives for students of color, lower-income, and first-generation students who graduate); Completion (e.g., degree completion, retention); Labor Market Outcomes (e.g., job placement, licensure); Critical Fields (e.g., incentives for degrees granted in STEM fields); and, Other (e.g., instructional costs, faculty productivity).”

Metric #6: Skills & Competencies

Concern: Metric #6 may employ standardized tests to determine skills and competencies of undergraduate students, such as the ones piloted by the Higher Education Quality Council of Ontario (HEQCO) as part of their Essential Adult Skills Initiative or the Organization for Economic Cooperation and Development’s (OECD) Education & Skills Online (ESO) Assessment. Many studies have shown that standardized tests do not reflect students’

⁴⁴ Li, Amy Y., PhD. "Lessons Learned: A Case Study of Performance Funding in Higher Education." Third Way. Last modified October 29, 2018. Accessed January 11, 2020. <https://www.thirdway.org/report/lessons-learned-a-case-study-of-performance-funding-in-higher-education>.

educational capabilities and limit the achievement of educational objectives in classrooms^{45 46 47}. The test designer of the ESO Assessment stated that the data obtained by the test “do not reveal the types of literacy demands that are associated with particular contexts in this pluralistic society”⁴⁸. A study in 2017 by the Harvard Graduate School of Education states that standardized testing often “degrades instruction rather than improving it” and “undermines the main benefits of good standardized testing”⁴⁹.

Recommendation: Instead of employing standardized tests to determine skills and competencies of undergraduate students, advocate for the provincial government to introduce a performance target based on the rate of students going from a lower grade boundary to a higher one (i.e. going from a grade average of C to a grade average of B or A). If skills and competencies are being developed, they will be reflected in this rate.

Metric #7: Community/Local Impact

Concern: SMA 3 is punitive to all institutions, with consequences especially pronounced for smaller, less research-intensive institutions. Some of the metrics in SMA 3, including Metric #7, Metric #8, and Metric #9, are harder to achieve for institutions that do not focus on research. The financial burden institutions face when attempting to meet certain performance targets may exceed the amount of government funding received for this achievement. Even further, larger, more established institutions, such as those a part of U15 schools, have greater reserve funds and higher liquidity of their assets to weather the potential of not meeting some of their performance targets. Smaller institutions do not have this ability.⁵⁰

Recommendation: Join forces with OUSA and other student unions in Ontario, especially those a part of smaller, less research-intensive institutions, to centralize advocacy efforts on this front. Since this concern does not unduly affect Western University, effort should be focused on advocating for other recommendations.

⁴⁵ Simpson, Christina. *Effects of Standardized Testing on Students' Well-Being*. May 2016. Accessed January 11, 2020.

https://projects.iq.harvard.edu/files/eap/files/c._simpson_effects_of_testing_on_well_being_5_16.pdf.

⁴⁶ Poulsen, John, Dr., and Kurtis Hewson. "Standardized Testing: Fair or Not?" University of Lethbridge . Accessed January 11, 2020. <https://www.uleth.ca/teachingcentre/standardized-testing-fair-or-not>.

⁴⁷ Walsh, Bari. "When Testing Takes Over." Harvard Graduate School of Education. Last modified November 3, 2017. Accessed January 11, 2020.

<https://www.gse.harvard.edu/news/uk/17/11/when-testing-takes-over>.

⁴⁸ Pinsent-Johnson, Christine. "HEQCO's Skills Agenda is Flawed – Here's Why." Centre for the Study of Canadian & International Higher Education. Last modified December 18, 2018. Accessed January 23, 2020. <https://ciheblog.wordpress.com/2018/12/17/heqcos-skills-agenda-is-flawed-heres-why/>.

⁴⁹ Walsh, Bari. "When Testing Takes Over." Harvard Graduate School of Education. Last modified November 3, 2017. Accessed January 11, 2020.

<https://www.gse.harvard.edu/news/uk/17/11/when-testing-takes-over>.

⁵⁰ _____. Telephone interview by the author. London, Ontario. November 15, 2019.

Metric #8: Researching Funding & Capacity - Federal Tri-Agency Funding Secured

Concern: Metric #8 focuses on the amount of federal Tri-Agency funding secured; however, a lot of research within the arts and humanities does not rely on these funding sources. Consequently, institutions will not focus resource efforts on their arts and humanity related sectors. Hence, Metric #8 is punitive to arts and humanities departments, programs, and institutions.

Recommendation: Advocate for the provincial government to include an arts and humanities specific funding source to be measured in this metric. The provincial government will be incentivized to do this because it encourages research in an underdeveloped area, which can increase innovation. It also demonstrates the provincial government's commitment to liberal arts, a faculty which is currently experiencing lower enrollment rates⁵¹. This creates a positive public image for the provincial government. Additionally, there is cross-sector research between STEM, a proven interest of the provincial government, and the arts and humanities. For example, at Western University, healthcare ethics/bioethics is a current area of research, which often requires collaboration between Robarts Research Institution and the Rotman Institute of Philosophy⁵². If Western University wishes to advance research in healthcare ethics/bioethics, an arts and humanities specific funding source to be measured in Metric #8 would be important.

Concern: Metric #8 and Metric #9 determine research funding, either from federal Tri-Agency funding or other private external sources. By determining funding based on research success, institutions have a greater interest in incentivizing professors to focus on publishing, rather than caring for the success and well-being of their students. This may exacerbate the already existing issue of hiring professors based on proven research success, rather than teaching excellence.

Recommendation: Advocate for the provincial government to introduce a metric focused on measuring undergraduate student satisfaction (the overall satisfaction with education received). The post-2017 Danish PBF model includes a small portion of institution funding to be determined by surveys of student satisfaction⁵³. The Finish PBF model includes metrics regarding student feedback, including performance targets that cover teaching and learning and multicultural learning activities⁵⁴. Additionally, this was an institutional metric in Western University's SMA 2. This metric ensures teachers are held accountable and students are

⁵¹ Weisbuch, Robert. "Down With Downsizing the Liberal Arts." *The Chronicle of Higher Education*. Last modified June 9, 2014. Accessed January 11, 2020.

<https://www.chronicle.com/article/Down-With-Downsizing-the/146915>.

⁵² The Rotman Institute of Philosophy . Accessed January 11, 2020. <http://www.rotman.uwo.ca/>.

⁵³ Usher, Alex. *Funding for Results in Higher Education*. September 19, 2019. Accessed January 9, 2020. https://www.cdhowe.org/sites/default/files/attachments/research_papers/mixed/e-brief_295.pdf.

⁵⁴ Eskola, Anne, Jukka Turpeinen, and Shab Hundal. *New Developments in the Funding Model of Finnish Universities of Applied Sciences - A Critique*. November 23, 2018. Accessed January 11, 2020. https://www.researchgate.net/publication/329451110_New_Developments_in_the_Funding_Model_of_Finnish_Universities_of_Applied_Sciences_-_A_Critique.

receiving a good education. The provincial government will be incentivized to introduce this metric because it leads to better educated graduates, who can make a greater impact in provincial industries.

General Concerns

Concern: There is a greater incentive for institutions to place lower weightings on metrics which encompass performance targets that cannot be easily met in a short time period (and vice versa), rather than working towards long-term goals. Western University may place a lower weighting on Metric #5 (Experiential Learning) since they better excel in research oriented metrics and have a proven track record of success. This short time period of benchmarking does not acknowledge the fact that changes require time, and universities operate on long production cycles. Studies have shown that if the allocation of funding tied to student outcomes is too small, the potential impact on institutional improvement can be hindered⁵⁵.

Recommendation: Advocate for the provincial government to increase the minimum weighting from 5% to 8%, starting in 2021. If the minimum weighting is 10%, institutions will be forced to weigh all metrics at 10% (since there are ten metrics: $10 \times 10\% = 100\%$). With a minimum weighting of 8%, institutions still have some flexibility in their weighting assignment. The provincial government will be incentivized to do this because it makes institutions more accountable for their funding (and more difficult to secure funding) since it avoids the possibility of assigning low weights on metrics that are not proven successes for the institution. Further, the provincial government has a vested interest in protecting experiential learning to ensure productivity in labour markets. The federal government acknowledges that fresh graduates “lack the work experience to have easy transitions into the labour market”, and to combat this problem, created the Youth Employment Strategy (YES) which assists young people between the ages of 15 and 30 to gain meaningful opportunities to equip them for the workforce⁵⁶.

Concern: SMA 3 has eradicated all institutional metrics, except for one, replacing them with system-wide metrics. These system-wide metrics align with the provincial government’s goals, and not necessarily institutional goals. Even though the ability to influence the determination of performance targets within each metric lets institutions set their priorities and goals, they cannot mould the direction of said metric. It is easier for the USC to advocate for student focused institutional goals, rather than government ones.

⁵⁵ Ministry of Ontario Higher Education Quality Council of Ontario (HEQCO). *Outcomes-Based Funding: Current Status, Promising Practices and Emerging Trends*. By Mary B. Ziskin, Don Hossler, Karyn Rabbourn, Osman Cekic, and Youngsik Hwang. 2014. Accessed January 11, 2020. <http://www.heqco.ca/SiteCollectionDocuments/Outcomes-Based%20Funding%20ENG.pdf>.

⁵⁶ "13 Ways to Modernize Youth Employment in Canada." Government of Canada. Accessed January 11, 2020. <https://www.canada.ca/en/employment-social-development/corporate/youth-expert-panel/report-modern-strategies-youth-employment.html>.

Recommendation: Advocate for the provincial government to use these nine system-wide metrics in SMA 3 as priority areas, as seen in SMA 2. These priority areas would encompass system-wide performance target descriptions, but also performance targets that can be generated by specific institutions. This is similar to the format of SMA 2, where both system-wide and institutional targets were established. Instead of having specific metric weighting (as there will now be more metrics introduced), weightings could be based on these ten priority areas. The Illinois PBF model is based on “mission specific indicators”, which are indicators related to each institution’s unique role and mission within the state’s system of higher education⁵⁷. This system provides precedent for Ontario institutions to implement a similar system that enables institutional differentiation.

Concern: The metrics in SMA 3 are not particularly student focused, except for Metric #5 (Experiential Learning) and Metric #6 (Skills & Competencies). Since the metrics in SMA 3 incentivize institution activity, not much effort will be placed on improving student focused problems.

Recommendation: Advocate for Western University to formally consult the USC during SMA negotiations. The USC would be responsible for advocating on behalf of students during these negotiations. Western University will be incentivized to do this because it shows a commitment to students, who are the face of the institution. Additionally, this recommendation requires no financial investment and little effort by Western University.

Recommendation: Advocate for the provincial government to include a student focused objective in the MTCU’s objectives of PBF. This student focused objective can draw from the first three priority areas of SMA 2: student experience; innovation in teaching and learning excellence; and access and equity. In Australia, their four objectives of PBF are all student focused: student participation and inclusion, student experience, student attainment, and quality of learning outcomes⁵⁸. Since MTCU objectives are consulted when formulating new metrics in further negotiations of SMA, a student focused objective increases the likelihood of student focused metrics being proposed. The provincial government will be incentivized to do this because it shows their commitment to students, and often, student focused metrics can enhance educational experiences, and lead to better market outcomes⁵⁹.

⁵⁷ Ontario Confederation of University Faculty Associations (OCUFA): *Performance Indicator use in Canada, the U.S. and Abroad*. May 2006. Accessed January 11, 2020. https://ocufa.on.ca/assets/PI_Canada_and_abroad.pdf.

⁵⁸ Ministry of Ontario Higher Education Quality Council of Ontario (HEQCO). *Outcomes-Based Funding: Current Status, Promising Practices and Emerging Trends*. By Mary B. Ziskin, Don Hossler, Karyn Rouborn, Osman Cekic, and Youngsik Hwang. 2014. Accessed January 11, 2020. <http://www.heqco.ca/SiteCollectionDocuments/Outcomes-Based%20Funding%20ENG.pdf>.

⁵⁹ Radcliffe, Brent. "How Education and Training Affect the Economy." Investopedia. Last modified September 9, 2019. Accessed January 11, 2020. <https://www.investopedia.com/articles/economics/09/education-training-advantages.asp>.

Recommendation: Advocate for the provincial government to introduce metrics focused on the following: student retention between year one and two of an undergraduate program of study⁶⁰ and proportion of operating expenditures spent on student services, net of student assistance. In Western University's SMA 2, the proportion of expenditure spent on student supports was an institutional metric. Approximately 60% of the indicators used in Tennessee's PBF model are devoted to student performance and satisfaction⁶¹. One of the most widely used metrics in the US is student-staff ratios⁶². Additionally, two out of the five priority areas in California's PBF model are focused on students: student access and student outcomes⁶³. These models establish precedent that the USC can use as leverage to advocate for more student focused metrics. Other student focused metrics have been described in other recommendations elsewhere in this paper.

Concern: Many metrics in SMA 3 fall short in reflecting the breadth of university programs, and each program's relative importance. These metrics appear to bolster certain programs, while minimizing others. At Western University, it seems plausible that more emphasis will be placed on STEM disciplines since these areas of study have the highest chance of meeting performance targets in SMA 3. For example, performance target(s) for Metric #4 (Graduate Employment Earnings) will most likely be best achieved by students graduating from STEM disciplines as they have the highest earning potential after graduation. As of 2015, 13 US states with a funding premium for STEM degrees earned a separate performance outcome for STEM degrees⁶⁴. The Illinois state government provided bonuses for institutions who produced degree competitions in STEM fields⁶⁵. These examples demonstrate the potential for SMA 3 to introduce a similar STEM focused metric, which will inevitably reduce Western University's perceived importance of their other programs.

⁶⁰ Spooner, Marc, Dr. "Commentary / Questions about Ontario's Newly Proposed Metrics for Universities." The Canadian Association of University Teachers (CAUT). Last modified June 2019. Accessed January 11, 2020.

<https://www.caut.ca/bulletin/2019/06/commentary-questions-about-ontarios-newly-proposed-metrics-universities>.

⁶¹ *Ontario Confederation of University Faculty Associations (OCUFA): Performance Indicator use in Canada, the U.S. and Abroad*. May 2006. Accessed January 11, 2020.

https://ocufa.on.ca/assets/PI_Canada_and_abroad.pdf.

⁶² *Ontario Confederation of University Faculty Associations (OCUFA): Performance Indicator use in Canada, the U.S. and Abroad*. May 2006. Accessed January 11, 2020.

https://ocufa.on.ca/assets/PI_Canada_and_abroad.pdf.

⁶³ *Ontario Confederation of University Faculty Associations (OCUFA): Performance Indicator use in Canada, the U.S. and Abroad*. May 2006. Accessed January 11, 2020.

https://ocufa.on.ca/assets/PI_Canada_and_abroad.pdf.

⁶⁴ Li, Amy Y., PhD. "Lessons Learned: A Case Study of Performance Funding in Higher Education." Third Way. Last modified October 29, 2018. Accessed January 11, 2020.

<https://www.thirdway.org/report/lessons-learned-a-case-study-of-performance-funding-in-higher-education>.

⁶⁵ Ministry of Ontario Higher Education Quality Council of Ontario (HEQCO). *Outcomes-Based Funding: Current Status, Promising Practices and Emerging Trends*. By Mary B. Ziskin, Don Hossler, Karyn Rabbourn, Osman Cekic, and Youngsik Hwang. 2014. Accessed January 11, 2020.

<http://www.heqco.ca/SiteCollectionDocuments/Outcomes-Based%20Funding%20ENG.pdf>.

Recommendation: Advocate for the provincial government to introduce a metric that focuses on bolstering programs that are underdeveloped. While Metric #2 (Institutional Strength/Focus) incentivizes institutions to focus on areas of strength, this metric would incentivize the opposite. The provincial government will be incentivized to introduce this metric because it shows their commitment to students and develops institutions in areas that are needed the most.

Concern: Since no additional money is rewarded for exceeding the maximum performance target range, there is no incentive for institutions to go above and beyond their identified performance targets. This can decrease quality in key target areas.

Recommendation: Instead of unallocated funds (made available through the underachievement of other institutions in a particular metric) to be redistributed to all institutions who have met their performance target (i.e. institutions who have earned 100% of their allocation in said metric), advocate for the provincial government to redistribute these unallocated funds to institutions who have surpassed their performance target for student focused metrics, like Metric #5 (Experiential Learning). The redistribution of unallocated funds would be pro rated (i.e. proportional to the percentage difference in overachieving said performance target). This would mean that an institution who overachieves their performance target by 10% would receive more money than an institution who overachieves their performance target by only 5%. The provincial government will be incentivized to do this because it shows their commitment to students and holds institutions more accountable to their funding.

Concern: The proposed increases in the percentage of operating grant funding comprised of PBF are difficult for institutions to adapt to. Only 1.6% of operating grant funding was contingent on PBF in October, 2019. However, the provincial government proposes to increase this contingency to 25%, and then an additional 30% over the following four years. Going from 1.6% to 25% and then 55% over the course of only a few years makes it difficult for institutions to plan for and achieve long-term goals.

Recommendation: Advocate for the provincial government to make the proposed percentage changes based on subtler incrementations by leveraging existing precedent. In Alberta, starting April, 2020, only 5% of funding will be considered PBF. Additionally, by 2022-23, only 40% of funding will be based on achieving performance targets.⁶⁶ In the US, only five of the 25 states

⁶⁶ Anderson, Drew. "Alberta Post-Secondary Funding will be Tied to Performance." CBC News. Last modified January 20, 2020. Accessed January 25, 2020. https://www.cbc.ca/news/canada/calgary/alberta-post-secondary-performance-funding-1.5433433?utm_source=Academica+Top+Ten&utm_campaign=11b56db7d1-EMAIL_CAMPAIGN_2020_01_20_09_18&utm_medium=email&utm_term=0_b4928536cf-11b56db7d1-51998289.

that have PBF have 50%+ of operating grants based on this contingency. The other 21 states all have less than 10% of their state funding related to performance.⁶⁷

⁶⁷ Fain, Paul. "Finding the Right Formula." Inside Higher ED. Last modified February 12, 2015. Accessed January 25, 2020.
<https://www.insidehighered.com/news/2015/02/12/report-seeks-add-specificity-debate-over-states-performance-based-funding-models>.

Benefits of SMA 3 and PBF

While several concerns have been identified regarding SMA 3, there are also some benefits for students:

- Some studies posit that PBF models incentivize institutions to change their behaviour in ways that will result in higher student achievement⁶⁸.
- Metric #5 (Experiential Learning) in SMA 3 focuses specifically on experiential learning, an important aspect of education for students. This metric will ensure that institutions are allocating funds to enhance these experiences for students.
- Institutions are held more accountable for the allocation of their funds and resources. PBF creates an overall culture of institutional accountability. SMA 3 provides a template that can be followed for future models between institutions and students.
- In SMA 3, unallocated funds (made available through the underachievement of other institutions in a particular metric) are redistributed to institutions who have met their performance target in said metric. This incentivizes institutions to achieve their targets in all metrics, including student focused ones.
- In SMA 3, all metrics have a minimum weighting. This ensures that institutions are held accountable for all performance targets, including student focused ones.
- Since SMA are bilateral agreements between the provincial government and respective institutions, there is opportunity for significant influence on the determination of metrics and model elements. The MTCU is committed to engaging university and college sectors on changes to their respective funding models in order to better support funding predictability and stability, as well as support differentiation and student-focused outcomes⁶⁹.

⁶⁸ Ministry of Ontario Higher Education Quality Council of Ontario (HEQCO). *Outcomes-Based Funding: Current Status, Promising Practices and Emerging Trends*. By Mary B. Ziskin, Don Hossler, Karyn Rabourn, Osman Cekic, and Youngsik Hwang. 2014. Accessed January 11, 2020. <http://www.heqco.ca/SiteCollectionDocuments/Outcomes-Based%20Funding%20ENG.pdf>.

⁶⁹ Ministry of Ontario Ministry of Training, Colleges and Universities. *Ontario's Postsecondary Education System Performance/Outcomes Based Funding – Technical Manual*. September 2019. Accessed January 11, 2020. http://www.uwindsor.ca/strategic-mandate-agreement/sites/uwindsor.ca.strategic-mandate-agreement/files/performance_outcomes-based_funding_technical_manual_-_v1.0_-_final_september_419_en_0.pdf

Issues that Require Solutions

Issues Regarding SMA 3 & PBF

Issue 1: SMA 3 creates a competitive postsecondary education sector. Plausibly, institutions will focus solely on achieving their own metrics, without consideration of the progress of fellow institutions, meaning that cross-institution collaboration will be hindered. Institutions will advocate for metrics that they are poised to achieve most efficiently and effectively, regardless of whether other institutions are able to do so. However, a case can be made that this type of competition enables better sector outcomes.

Issue 2: SMA 3 does not provide stable funding, making it hard for institutions to plan for the future and achieve long-term goals. Since institutions do not know if they can meet their performance targets, and thus receive respective government funding allocations in the subsequent year, traditional methods that have been proven to be immediately successful will often be followed⁷⁰. Many institutional goals are long-term, especially ones that are poised to bring substantial change to said institution (i.e. increasing innovation in co-op placements). Therefore, SMA 3 may actually limit innovation capacity of institutions, which is one of the very goals of PBF.

Issue 3: The metrics used in SMA 3 incentivize institutions to create short-term goals to achieve their performance targets. These metrics do not evaluate the impact needed for long-term change, which is the only way substantial progress can be made on student focused problems.

Issue 4: PBF forces institutions to focus on employment outcomes, rather than knowledge production. A focus on fostering educational outcomes associated with knowledge production is inherently valuable for the economy and society.

Issue 5: PBF is inherently biased. Any metric will always privilege some desired end, and by doing this, disadvantage other areas that institutions ought to be focused on. Little direct association between PBF and improved student outcomes has been identified⁷¹.

Issue 6: The argument for using PBF to increase accountability for institutions is not valid. University programs are already held accountable through external review, which takes place every seven years⁷², internal reviews, and evaluation by professional accreditation bodies. University professors are highly surveilled through peer-review of research (scholarships based on assessments of anonymous peers) and student evaluations⁷³.

⁷⁰ _____. Telephone interview by the author. London, Ontario. November 15, 2019.

⁷¹ Dougherty, Kevin, and Vikash Reddy. *Performance Funding for Higher Education: What Are the Mechanisms? What Are the Impacts?* Accessed January 11, 2020.

<https://ccrc.tc.columbia.edu/publications/performance-funding-mechanisms-impacts.html>

⁷² _____. Telephone interview by the author. London, Ontario. November 15, 2019.

⁷³ _____. Telephone interview by the author. London, Ontario. November 15, 2019.

Issue 7: Many metric outcomes and performance targets are currently prioritized and do not need additional incentives through the PBF system. For example, research-intensive institutions do not need additional incentives to pursue research through evaluation of results like federal Tri-Agency funding allocations. The tenure and promotion system at institutions is already designed to deliver this outcome⁷⁴. Instead, metrics should be reserved for outcomes that are not currently incentivized, such as focusing on increasing funding for student supports. The argument for using PBF to create an incentive for universities to pursue research is not a valid one.

Issue 8: The money involved implementing a PBF system presents a high opportunity cost, on both the government and institutional level. Money is allocated to establish the metrics and reporting mechanisms in SMA 3, which is being diverted away from funding for universities. This seems counterintuitive. Additionally, institutions must now allocate money to research ways to best optimize SMA 3 metrics. Spending this money means less resources, capital, and manpower for institutions to spend on students and developing new programs.

Issues Regarding Policy Changes

While advocacy efforts by the USC are important as Western University enters SMA 3 negotiations, there are several considerations to keep in mind:

- **It will be difficult to increase the accountability of institutions more than what is already being proposed by the provincial government.** SMA 3 is regarded by many institutions as a cloaked funding cut to the postsecondary education sector⁷⁵. If this is the case, and the provincial government decides to make it even harder to receive funding allocations, this could result in significant backlash from institutions. Therefore, the provincial government may be less hesitant to make many changes that are not in favour of institutions.
- **It will be difficult for the USC to influence Western University on SMA 3 metrics.** SMA 3 allows Western University to focus on areas that they excel at (i.e. research). Western University will want to preserve these metrics, and not introduce new student focused metrics that may be harder to achieve and decrease weightings of metrics that they excel at. It is important to note that this may not hold true for all institutions, especially ones that are smaller and less-research intensive.
- **Western University's perceived benefit of increasing student supports may not be substantially high.** Since Western University already prides itself on its student focus, as evidenced by being top of the Globe and Mail's survey of student satisfaction of

⁷⁴ Usher, Alex. *Funding for Results in Higher Education*. September 19, 2019. Accessed January 9, 2020. https://www.cdhowe.org/sites/default/files/attachments/research_papers/mixed/e-brief_295.pdf.

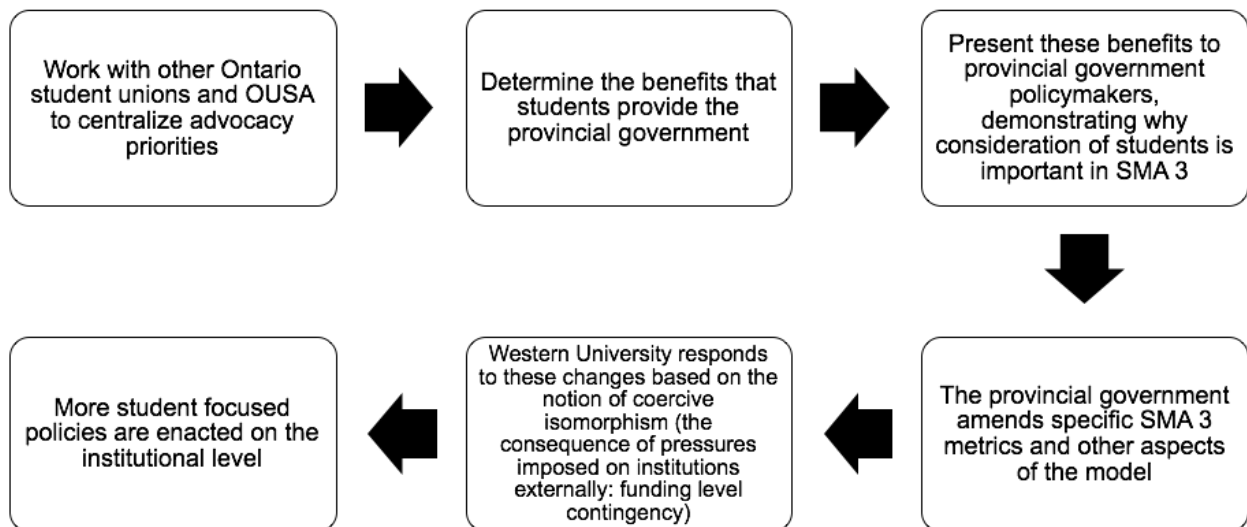
⁷⁵ Basken, Paul. "Ontario Universities Face Dramatic Shift to Performance-Based Funding." *The World University Rankings (THE)*. Last modified April 20, 2019. Accessed January 11, 2020. <https://www.timeshighereducation.com/news/ontario-universities-face-dramatic-shift-performance-based-funding>.

institutions in Canada for 11 consecutive years⁷⁶, there is less of an incentive to focus on these areas. Current levels of student support are not cited as a reason students leave or choose not to apply to Western University.

- **Since advocacy efforts will be difficult as both the provincial government and Western University are hesitant to make any changes to the proposed model, seeking support from industry partners who align with USC advocacy priorities will be important.** Industry partners are key stakeholders for both the provincial government and Western University (primarily because they provide funding). Consequently, they have a significant influence on decisions.

See Figure 6 for a proposed strategy to advocate for a more student focused analysis of SMA 3.

Figure 6: Proposed Strategy



It is important to note that while advocating directly to the provincial government is the ideal way to change SMA 3 metrics and model elements, advocacy efforts to Western University will also be important in this process. If the provincial government does not change certain metrics and/or model elements, the USC must hold Western University accountable to students. “Concerns and Recommendations for SMA 3” considers recommendations that apply to both the provincial government and Western University.

⁷⁶ "Staking our Claim on the World Stage." Western University. Accessed January 11, 2020. https://president.uwo.ca/strategic_planning/claim.html.

Conclusion

SMA 3 presents radical changes in institutional funding models. As the provincial government moves to implement this next SMA phase, the USC has the ability to influence outcomes that advocate for undergraduate students at Western University. Both concerns and benefits of SMA 3 were analyzed, and subsequent policy recommendations were highlighted. These recommendations can be used in further SMA negotiations.

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