CONTENTS

Executive Summary .................................................................................................................. 4
1 Current investment in higher education ................................................................. 6
2 The Government’s funding freeze ................................................................. 8
3 A world-class tertiary sector ............................................................................ 11
4 Student support ............................................................................................................ 13
5 More international exchange opportunities for Indigenous students ........ 15
6 Research block grants .............................................................................................. 16
7 Rejuvenating industry research and development ........................................ 17
8 Research and education infrastructure ........................................................... 18
9 Universities and the health workforce ............................................................. 19
EXECUTIVE SUMMARY

In a time of rapid global change, many nations are looking to invest in sectors that will build social and economic opportunity for their citizens – recognising that opportunity and advancement are key to social cohesion and progress.

In Australia, higher education is a key driver of innovation, prosperity and opportunity. Universities not only prepare Australians for the jobs of the future, but through their research and innovation efforts, lead the charge to create those jobs for our economy.

The demand-driven system (DDS) has been key to ensuring all Australians with the capability to undertake a university education had the opportunity to do so. The introduction of the DDS saw an increase across the board in students from under-represented groups participating in higher education; however, now that the DDS has effectively ended, it is unclear how such diversity and opportunity will be supported into the future.

While not all Australians want to undertake a university education, all Australians benefit from the knowledge universities disseminate through teaching and research. Australia as a whole also benefits from the economic contribution universities make: an added $140 billion to GDP in 2014;\(^1\) a stock of knowledge built through university research valued at $160 billion in 2014;\(^2\) education of around 1.4 million domestic and international students in 2017; and employment for almost 130,000 full-time equivalent staff.\(^3\)

Beyond the numbers, however, are the social benefits delivered by university education and research. These can be as specific as the experimental treatment that gives someone more precious time with their family, and as broad as bringing together people from different walks of life to build understanding between cultures.

Australia, like other nations, must seek to secure these advantages for our citizens and society. Without a strategic, bipartisan approach to higher education funding and policy, we will not be able to build on these benefits for our future.

---

2 Ibid
3 Department of Education and Training 2018, *uCube.*
Recommendations

Universities Australia calls on the Government to:

- Consider the level of strategic investment necessary to maintain world-class higher education and research.
- End the funding freeze on university places and restore the demand-driven system.
- Improve policy frameworks and funding for vocational education and training.
- Undertake regular review of student income support arrangements and consider an increase in student income support payments.
- Increase international mobility of Indigenous students through changes to the New Colombo Plan.
- Immediately restore Research Block Grants to previous levels and lift the quantum in the forward estimates.
- Implement a premium rate for collaborations with publicly funded research organisations.
- Commit to a long-term plan for investment in research and education infrastructure.
- Support universities to deliver health professional education relevant to Australia’s needs by expanding clinical placements for all disciplines to settings of need, particularly in aged and disability care.
1 CURRENT INVESTMENT IN HIGHER EDUCATION

UA encourages the Government to consider the level of strategic investment necessary to maintain world-class higher education and research.

Australia cannot reap the many social and economic benefits of a strong and sustainable higher education sector without consistent, targeted public investment.

The public benefits of higher education exceed the private benefits.

In May 2017, the Government cited a study it had commissioned which showed that the public benefits of higher education exceed the private benefits. The report shows that, after controlling for students’ ‘innate ability’, 55 per cent of the benefit to the economy from each graduate was a public benefit, compared to a 45 per cent private benefit.4

Data published by the OECD in 2018 shows the net public benefit for Australia is US$167,700 per male graduate and US$126,500 per female graduate. Public benefits included higher tax revenue and lower social security transfer payments.5

A highly educated workforce benefits everyone. For every thousand university graduates who enter the Australian workforce, 120 new jobs are created for those without degrees. Wages for non-degree holders are boosted by $655 a year—or $12.60 a week—when more graduates join the national workforce.6

Contrary to claims of runaway growth, funding as a percentage of GDP has been flat.

Public funding for universities in Australia is relatively low compared to the OECD average. Contrary to claims of runaway growth, funding as a percentage of GDP has been flat.

According to the OECD’s latest figures, Australia is ranked 24 out of 34 OECD countries for public investment in tertiary education, spending 0.77 per cent of GDP compared to an OECD average of 0.98 per cent in 2015.7

Despite the increase in enrolments between 2008 and 2017, the Commonwealth is investing less—as a share of both GDP and total Commonwealth outlays—in higher education in 2018–19 than it did in 2009–10.8

Before the funding freeze announced in December 2017, universities and their students had already contributed $3.9 billion to Budget repair since 2011–12.9 The funding freeze cuts another

---

7 OECD 2018, Education at a Glance 2018: OECD indicators, OECD Publishing, Paris, Indicator C2.2. Note that OECD figures for public funding do not include costs to Government of operating the HELP scheme. OECD data on higher education financing include some anomalies due to the difficulty of comparing different systems.
$2.1 billion from the sector. The case for further reductions to contributing to a strong, vibrant university system has not been made.
2 THE GOVERNMENT’S FUNDING FREEZE

Universities Australia calls on the Government to end the funding freeze on university places and restore the demand-driven system.

In December 2017, the Government announced a freeze on funding for demand-driven university places. The freeze maintains total funding at the same nominal level as in 2017. This means there is no provision for any enrolment growth. While enrolments stabilised in the middle of the decade, there was still some growth in demand, reflecting population growth and demand for graduate skills.

Since the funding cap is not indexed for inflation, even universities that simply maintain student numbers lose out, as the value of the funding cap declines in real terms over time.

Compared to a ‘business as usual’ scenario, the freeze cuts $2.1 billion from universities over the four years from 2017–18 to 2020–21.

We are left with a locked down system that denies the precious opportunities of a university education to many.

This drastic measure is much more than a ‘two-year funding freeze’. It is true that from 2020, funding can go above 2017 levels, but increases are marginal and are contingent on compliance with performance measurement criteria that have not yet been determined.

More importantly, ‘additional’ funding will only kick in once universities are three years behind on indexation. By 2020, funding across the sector (before performance funding) will be down by more than 5 per cent in real terms simply due to the freeze on indexation. Performance funding will increase total funding by no more than national population growth in the 18–64-year-old age group (around 1.2 per cent) each year. This will not compensate for the up-front impact of the freeze.

Each year from 2020, maximum increases will be significantly less than CPI indexation that would apply in the absence of a freeze (2.13 per cent in 2020, rising to 2.38 per cent in 2021). As a result, a wide gap at the beginning of the performance funding system will widen further over time.

Figure 1 shows the likely trajectory of CGS funding over time, including performance funding, compared to a ‘business as usual’ scenario. Indexing the cap on funding each year would yield a better result than the performance funding system due to come into force in 2020.
The funding freeze hit universities hard in 2018 because it was not announced until well into the 2018 admissions cycle. Universities had very little time to react, and many offers had already been made to students. UA estimates that in 2018 around 10,000 places received no Government funding.

In 2018, universities were already reporting negative impacts from the funding freeze. These included:

- closing smaller courses;
- reviewing courses that are expensive to deliver (such as in Health disciplines);
- reducing capital expenditure, including on essential maintenance;
- reducing staff numbers and/or postponing hires;
- postponing innovative changes in structure and delivery of programs;
- reducing the number of electives available to students;
- reducing contribution to teaching by industry experts;
- reducing the provision of clinical services (and of placements to Health students);
- reducing IT services; and
- restricting community engagement activities.

In 2019, universities have a better idea of what to expect, but the impact of the freeze compounds over time.

Due to the discrepancy between maximum performance funding and CPI indexation, the number of unfunded places will continue to grow at roughly 7,000 places per year over the course of the following decade.

While the funding freeze hits all universities hard, some universities—particularly those in the regions—are especially affected. Estimates obtained from the Department of Education and Training by the ABC under Freedom of Information show that the average cut to ‘base funding’
(CGS plus student contributions) over the period 2018 to 2021 is 4.5 per cent. Some universities will lose a lot more. For example, CQUniversity Australia stands to be cut by 15 per cent, the University of Tasmania by more than 11 per cent, the University of the Sunshine Coast by nearly 9 per cent, Southern Cross by nearly 6 per cent and the University of Wollongong by 5 per cent.\textsuperscript{10}

Universities are concerned about the performance funding system scheduled to come into effect in 2020. Performance funding is currently subject to a consultation process. The Minister has appointed an expert panel including university leaders to run the consultation and develop the framework. UA will engage with the process in detail.

Of course, it is vitally important that any performance funding framework be well designed. Poor design would risk not only arbitrary and unfair results, but also perverse incentives—indeed, inhibiting universities from expanding access to the opportunity of higher education.

\textit{It has never been clear what problem the proposed ‘performance’ funding system was supposed to fix.}

It is not clear what problem the proposed ‘performance’ funding system is supposed to fix. The university sector is already subject to a strong framework of accountability and performance monitoring. This is reflected in the results that the sector achieves.

3 A WORLD-CLASS TERTIARY SECTOR

Universities Australia calls on the Government to improve policy frameworks and funding for vocational education and training.

Australia’s VET sector is a vital component of the nation’s education system. UA acknowledges the damage that has been done to this once world-leading sector.

VET has been subject to funding cuts—especially at the State/Territory level—and a range of policy experiments. These have damaged the funding of public providers and their capacity to deliver high quality VET, especially in the regions and other less advantaged areas, as well as their capacity to fulfil broader community engagement functions.

At the same time, resulting declines in quality and capacity and increases in unethical behaviour by private providers has damaged the reputation and position of the VET sector as a whole.

These damaging trends culminated in the blowout in VET FEE-HELP loans. VET FEE-HELP was a student loans scheme set up and administered by the Commonwealth on the model of the successful and sustainable HELP scheme that has financed equitable access to university for 30 years. But VET FEE-HELP gradually removed important limits and protections, ending up as a source of funding for unscrupulous private providers with almost no effective controls on whether these providers were delivering the courses they were paid for. The result was a blowout in cost to the Commonwealth, and the accumulation of significant debts by large numbers of individuals—many of whom had been given no information on what they were signing up for.

UA acknowledges Government moves to end the VET FEE-HELP rorts and to provide relief for students who were affected. But we note that much of the concern expressed in public discussion about growth in HELP debts and the sustainability of the whole HELP scheme is driven by alarming growth of VET FEE-HELP outlays, and their wholly disproportionate contribution to overall HELP balances.

In addition to problems caused by recent policy changes there is concern in the VET sector that industry training packages and competency-based training is no longer meeting industry needs.

Higher education and VET have different but complementary roles, as recognised by the Business Council of Australia in their ‘Future Proof’ discussion paper, published in late 2017. The BCA paper’s articulation of the two sectors’ aims is a useful contribution to policy discussion. These important differences—and the complementary roles of the two sectors—have unfortunately been obscured by some recent proposals for an alternative new architecture for tertiary education.

The VET sector’s problems—inadequate funding and poorly designed policy—can only be fixed by improvements to VET funding and policy.

In addition to problems caused by recent policy changes there is concern in the VET sector that industry training packages and competency-based training is no longer meeting industry needs.

Higher education and VET have different but complementary roles, as recognised by the Business Council of Australia in their ‘Future Proof’ discussion paper, published in late 2017. The BCA paper’s articulation of the two sectors’ aims is a useful contribution to policy discussion. These important differences—and the complementary roles of the two sectors—have unfortunately been obscured by some recent proposals for an alternative new architecture for tertiary education.

The VET sector’s problems—inadequate funding and poorly designed policy—can only be fixed by improvements to VET funding and policy.

BCA 2017, Future Proof: Protecting Australians through Education and Skills, p.82
Universities work with VET institutions to offer a broad range of pathway courses. Funding cuts in both higher education and VET put limits on this activity. This makes it unnecessarily hard to increase the number and variety of pathways available, and to innovate to offer the new opportunities that students need.

UA will engage with the review of the Australian Qualifications Framework (AQF) currently underway to seek to improve opportunities for effective collaboration between higher education and VET.
4 STUDENT SUPPORT

Universities Australia encourages the Government to undertake regular review of student income support arrangements and consider an increase in student income support payments.

The 2017 Universities Australia Student Finances Survey found that while there had been slight improvement in university students’ financial circumstances overall since the previous survey in 2012, a significant proportion of students continues to experience serious financial difficulties. The 2017 Survey found that:

- One-third of domestic undergraduate students have estimated expenses that are greater than their income.
- Fifteen per cent of undergraduates regularly go without food or necessities because they can’t afford them. This rises to 18 per cent for students from low socioeconomic backgrounds and 27 per cent for Indigenous students.
- One in ten undergraduate students deferred their studies because they could not afford to continue, while one in five students reduced their course load for financial reasons.
- More than four in five undergraduate students (82 per cent) are in paid work.

To make ends meet, 30 per cent of full-time domestic undergraduate students work more than 20 hours a week and more than 10 per cent work more than 30 hours a week. Some 41 per cent of full-time domestic undergraduate students have reported negative impacts of paid work on their studies. More than one-quarter of full-time students reported that they regularly miss classes because they have to work.

Maximum student income support payments for single adults are lower than budget standards—the income levels required to achieve a minimally adequate standard of living. Despite the significant growth in enrolments of undergraduate students from Indigenous and low SES backgrounds following the introduction of the demand-driven funding system, it is worrying that the share of students on income support—ABSTUDY, Austudy and Youth Allowance—has declined from 38.4 per cent in 2011 to 33.2 per cent in 2017.

Maximum student income support payments for single adults are lower than budget standards—the income levels required to achieve a minimally adequate standard of living—as calculated by the Social Policy Research Centre at UNSW and the Henderson poverty line maintained by the Melbourne Institute of Applied Economic and Social Research.

Youth Allowance/Austudy rate for students aged 18 and older—both living at or away from home—are between 36 and 69 per cent of the benchmark. ABSTUDY rates for students aged 18 to 21 living at or away from home are the same. So, if the benchmark is $100, students only receive between 36 and 69 dollars. ABSTUDY rates for students aged 22 and older and living away from home are between 44 and 81 per cent of these benchmarks, while for students living at home ABSTUDY rates are between 79 to 126 per cent of these benchmarks.

More students—especially those with no family support—must work long hours to make ends meet, negatively affecting their academic performance. Universities have also continued to provide financial assistance to students in need. Since 2008, scholarships, grants and prizes

offered by universities to their students have increased by 43 per cent in real terms from around $1.2 billion in 2008 to $1.7 billion in 2016.\textsuperscript{13}

There are also critical weaknesses in the administration of student income support programs including long delays in processing time and a lack clarity about decisions that are taken. Students are particularly affected by resourcing constraints in Centrelink, especially during the commencement of the academic year given the increased volumes of applications. This has resulted in new students commencing university courses without having confirmation of income support. Even if the arrears are eventually paid, it assumes students will have access to sufficient financial support while waiting for confirmation of income support.

\textsuperscript{13} DET, Financial Reports of Higher Education Providers, various years.
5 MORE INTERNATIONAL EXCHANGE OPPORTUNITIES FOR INDIGENOUS STUDENTS

Universities Australia calls on the Government to increase international mobility of Indigenous students through changes to the New Colombo Plan.

The New Colombo Plan (NCP), launched in 2014, has set the standard in increasing outward-bound student mobility and increasing regional engagement. The Australian Government’s commitment to increasing the availability of short-term programs and Government prioritisation of study within the Asia Pacific, has meant that Asia is now the most popular region for Australian students seeking international experiences.

Learning abroad is an important contributing factor to enhancing the student experience and employability. Record numbers of Australian university students are electing to study overseas as part of their course, driven in part by a range of university and government scholarship and loan programs. However, Indigenous students remain underrepresented in learning abroad programs, and more work needs to be done to lift the level of participation.

Universities Australia encourages the Australian Government to increase the level of support available to help lift international mobility and exchanges for Aboriginal and Torres Strait Islander students. In part this could be achieved through the creation of an Indigenous strand of the New Colombo Plan award, akin to the Endeavour Research Fellowship for Indigenous Australians.

Greater participation by Indigenous students in the NCP could also be achieved through the expansion of the list of host countries to facilitate the engagement of Indigenous students with Indigenous communities in Latin America, North America or New Zealand. Our counterpart organisations in New Zealand and Canada have a shared desire to increase international mobility and exchange opportunities for Indigenous students, and to pursue any opportunities that support collaboration and mobility between our regions is greatly encouraged.
6 RESEARCH BLOCK GRANTS

Universities Australia calls on the Government to immediately restore Research Block Grants to previous levels and lift the quantum in the forward estimates.

The $328.5 million cut from Research Support Program in the 2018–19 Mid-Year Economic and Fiscal Outlook (MYEFO) has inflicted significant damage on the nation’s research system and will limit outcomes for all Australians.

The Government announced in MYEFO that the Budget outlook has improved significantly since the 2018–19 Budget in May. The underlying cash balance is expected to improve from an estimated deficit of $14.5 billion to a deficit of $5.2 billion in 2018–19 and the Budget is on track to return to surplus in 2019–20. This revision reflects stronger-than-expected collections from individual taxes and company tax, stronger employment growth projections, and higher growth in corporate profits in 2018–19, particularly mining company profits.

Despite this improvement in the Budget outlook, the Government decided to cut university research funding.

Before these cuts, Australia’s government spending on R&D was forecast to plunge to a four-decade low of half a percent of GDP in 2019.\(^\text{14}\) This is despite the fact that investing in university research and research infrastructure makes good sense. Australia’s comprehensive universities are the stewards of a high-quality national research capability, recognised globally for their excellence. Australian researchers are productive, producing 2.6 per cent of the world’s scientific output, despite being home to only 0.33 per cent of the world’s population.\(^\text{15}\) Moreover, research is valuable; the contribution of Australian university research to the economy was estimated to be $160 billion (or 10 per cent of GDP) in 2014.\(^\text{16}\)

The Research Support Program supports the costs of research that are not covered by national competitive grants such as Chief Investigator salaries, facility running costs and a myriad of other requirements needed to maintain Australia’s research efforts.

It is short-sighted to cut research capacity at a time when innovation is crucial to Australia’s economic and social wellbeing, when competition in our region and around the world is increasing, and when Australia is increasingly reliant on knowledge and ideas for a prosperous future.

---

\(^\text{14}\) Department of Industry, Innovation and Science 2018, 2018–19 Science, Research and Innovation Budget Tables.

\(^\text{15}\) Scimago Lab, Scimago Journal & Country Rank, 2016.

\(^\text{16}\) Deloitte Access Economics 2015, The Importance of Universities to Australia’s Prosperity, p.84
7 REJUVENATING INDUSTRY RESEARCH AND DEVELOPMENT

Universities Australia encourages the Government to implement a premium rate for collaborations with publicly funded research organisations.

Recent figures from the Australia Bureau of Statistics show that Australia’s gross expenditure on research and development (GERD) is in decline. From a peak of 2.25 per cent of GDP in 2008–09, expenditure on R&D in Australia has plummeted to 1.88 per cent of GDP in 2015–16. This is due to a substantial decline in business R&D, which fell from 1.37 per cent of GDP to 1.00 per cent over the period. In a time when innovation is the key to prosperity, this is a grave concern.

Australia’s universities are powerhouses of high-quality, cutting edge research. However, Australian business innovation continues to lag world standard, with less than half of Australian businesses engaging in innovation, and only 1.2 per cent of those businesses engaged in new-to-world innovation. Although successive policy interventions have encouraged universities to collaborate with businesses, it is clear that more effective incentives are needed for businesses to take advantage of the expertise available within Australian universities.

Policy settings for business innovation fail to encourage sufficient novelty in new commercial offerings. Incentives are poorly targeted and need to be adjusted to ensure that they optimally encourage additional research and development, rather than subsidising business-as-usual activity.

UA understands that Government has responded to some of the recommendations of the Review of the R&D Tax Incentive by increased guidance, tightening compliance where it has been problematic, and refocussing support for larger companies towards higher intensity R&D.

The recommendation that a premium rate of the incentive for businesses that collaborate with publicly funded research organisation has not yet been addressed. UA urges Government to implement this recommendation. This would jump-start Australian business collaboration with world-leading researchers, increasing their exposure to new ideas that could lead to transformative innovations and the greatest possible benefit to the Australian economy.

In addition, UA recommends that the Government considers reducing reliance on the R&D tax incentive as the sole substantial policy lever to encourage business innovation for small-to-medium enterprises who may not be able to fully capitalise on the tax offset. Most other OECD countries utilise a mix of tax incentive and direct support for business R&D. Direct support mechanisms could reduce barriers to businesses engaging in R&D, while simultaneously improving the targeting of additional R&D activity.

Universities Australia encourages the Government to commit to a long-term plan for investment in research and education infrastructure.

The Government accepted most of the recommendations from the infrastructure roadmap in developing its Research Infrastructure Investment Plan. It is encouraging to see the transformational nature of cutting-edge research to the economy acknowledged, and a commitment to long term planning and investment.

However, university infrastructure needs extend beyond large-scale research infrastructure: institutional-scale research and educational infrastructure are also in need of renewal to ensure that students and researchers have access to appropriate facilities. Funding pressures have forced universities to defer much-needed infrastructure spending, leaving them with a backlog of more than $4 billion in repairs and renewal— a situation that gets worse with each passing year.

Next-generation teaching and learning facilities are needed to ensure students have access to contemporary technologies and universities can keep up with changing modes of course delivery.

A smart, agile 21st century economy requires orderly investment in cutting-edge research and educational infrastructure. With the Education Investment Fund (EIF) in abeyance and slated for abolition, universities have no alternative to funding capital from their operating margins. These are simply insufficient to fund transformative infrastructure. Crumbling infrastructure cannot support world-class research and education – it is well beyond time to address this.

---

9 UNIVERSITIES AND THE HEALTH WORKFORCE

Support universities to deliver health professional education relevant to Australia’s needs by expanding clinical placements for all disciplines to settings of need, particularly in aged and disability care.

An appropriately-skilled and distributed health workforce is a key component of a high functioning health system. Australian universities play a crucial role in developing most of our entry-level health professional workforce.

Clinical placement cost and capacity issues

Quality clinical placements—a critical part of health workforce development—are a key factor in influencing where and in what speciality graduates choose to work. Ensuring sufficient volume, type and funding for clinical education, particularly clinical placements, is essential to achieving the workforce skill mix and distribution Australia needs. However, various barriers exist to providing the number and type of placements required.

Universities—currently under a funding freeze and insufficiently funded for some clinical training—face increasing and inequitable charges by state health services for clinical placements. Yet State governments already receive substantial Commonwealth block funds to provide teaching and training activity. The request by some State health services for universities to additionally pay for placements—essentially funding placements twice—puts further financial pressure on universities and, together with the funding freeze, can obstruct growth in workforces experiencing shortages, such as nursing.

Apart from the Practice Incentive Payment for medical students and some rurally based programs, there is little, if any, ongoing national funding support for health professional student placements—outside of public hospitals—in the aged, primary and ambulatory care settings. Consequently, current clinical placement activity for many health disciplines remains mis-matched with the skill mix and distribution required for our future workforce needs.

The bulk of Australia’s health and care challenges are best addressed outside of hospitals in the community, where most care is delivered. Aged care, primary and disability care have already forecasted an increased need for health professionals over time, especially in allied health and nursing. However, most clinical placements occur in public hospitals. Without sufficient exposure to aged, primary, disability and other ambulatory care services, the chances of students choosing, and/or their readiness, to practice in these settings is reduced. The benefits that students bring to clients and services through placements are also lost.


http://bit.ly/2jnOwnW