



UNIVERSITIES
AUSTRALIA

DISCOVER LEARN LEAD

Universities Australia Pre-Budget Submission
2016–17

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Executive Summary

Australian universities are critical to our national economic infrastructure. They deliver excellence in teaching, scholarship, research and innovation; support regional economies and communities; transform lives through educational opportunity and research; and have been at the forefront of Australia's 'soft diplomacy' agenda through the delivery of international education and research collaboration.

Despite strong public support for a well-funded university system, the sector has faced major funding uncertainty and frequent policy change in recent years. Public investment in tertiary education has remained at around 0.8 per cent of GDP, despite the introduction of the demand driven funding system. The budgets from 2011–12 to 2013–14 included policy changes that have yielded over \$1 billion a year from the sector over the forward estimates.

The uncertainty associated with a range of unlegislated policy proposals and the protracted debate on higher education is imposing unnecessary adjustment costs on universities and affecting their ability to plan in the best interests of their students. It has slowed the investment needed to improve the quality of education services, and has constrained research capability and prospects for successful collaboration, joint investment, research translation and innovation.

In [*Keep it Clever: Policy Statement 2016*](#), Universities Australia argued strongly that resources for both teaching and research need to be sufficient, sustainable and predictable to enable universities to deliver on the expectations of students, employers, the community and governments.

Currently, this is not the case. Universities Australia acknowledges the budgetary pressures being confronted by the Government but does not accept that ongoing cuts to the level of public investment in higher education and research is in the nation's best long term interests, or consistent with the Government's ambitions for an innovation-driven future.

The Government's National Innovation and Science Agenda (NISA) is a positive step forward in providing the necessary policy architecture for enabling Australia to evolve into a globally significant innovative nation. The modest level of funding provided to support the NISA represented a welcome and prudent investment in Australia's future productivity and prosperity.

The current debate on higher education policy would greatly benefit from an injection of the same longer-term, whole-of-government aspirational thinking that led to, and underpinned, the development of the NISA.

Universities comprise the social, cultural, intellectual and ideas infrastructure upon which Australia's wealth creation, and position in the world, depends and are critical to positioning Australia for long-term and enduring success.

In this submission, Universities Australia has made recommendations for the short to medium term across the breadth of higher education activity. We acknowledge that not all of these may be addressed in the 2016–17 Budget but should be addressed as budget circumstances permit.

Universities Australia's priorities for the 2016–17 Budget are:

- continuing support for the Government's National Innovation and Science Agenda with retention of the funding currently allocated for university research, research training and research infrastructure;
- at least maintaining the level of public investment in universities including by abandoning the 20 per cent reduction in Commonwealth Grant Scheme grants, the 10 per cent reduction in Research Training Scheme funding and the application of the 3.25 per cent efficiency dividend;
- the retention of the existing Higher Education Grants Index to ensure that growth in Government funding for teaching and research, and student's contributions to their education, keep pace with the costs of providing educational excellence;
- expansion of the demand driven system to university associate degrees;
- deferring proposed cuts to the Clinical Training Fund, announced in the 2015–16 Mid-Year Economic and Fiscal Outlook, for at least 12 months to enable consultation with universities and an orderly transition to the new arrangements;
- making more effective use of the R&D Tax Incentive to improve Australia's innovation performance and provide incentives for industry to collaborate more closely with Australian universities;
- introduction of appropriately funded targeted industry programs to complement the R&D Tax Incentive in encouraging industry investment in public good research and innovation;
- maintaining annual funding for both equity programs and the Office of Learning and Teaching and its successor organisation throughout the period of the forward estimates; and
- providing appropriate funding to support the implementation of the National Strategy for International Education.

I. The returns on investment in universities

Australia's universities are vitally important to Australia's prosperity. They contribute to Australia's productive capacity and economic prosperity. Countries with greater levels of higher education attainment, and investment in research and development are consistently shown to have higher levels of per capita income.

- In 2013, the sector contributed around \$25 billion to the Australian economy, accounting for over 1.5 per cent of Australia's GDP. Universities directly and indirectly, accounted for 160,000 full-time equivalent jobs.¹
- In 2014–15, education-related exports were Australia's third largest export and the largest services export. These exports contributed \$18.8 billion to our GDP and the export of higher education generated around two-thirds of this revenue.²
- University graduates have higher rates of employment, higher average hours worked and higher lifetime earnings than those without a university qualification. In May 2015, only 3.4 per cent of graduates with a bachelor degree or higher were unemployed, compared to 8.7 per cent for those without post-school qualifications.³
- University education added an estimated \$140 billion to Australian GDP in 2014, due to higher labour force participation and employment of university graduates and increased productivity of the workforce. Australia's GDP is 8.5 per cent higher due to these impacts.⁴
- The value of the stock of knowledge generated by university research was estimated at \$160 billion in 2014, equivalent to almost 10 per cent of Australia's GDP. Increased investment in university research over the past 30 years has been estimated to account for almost a third of the average growth in living standards over this period.⁵

Investment in higher education is now more important than ever before. Equipping Australia to prosper from the dramatic economic and social changes that are underway requires ongoing and stable investment in higher education and research.

- Around 3.8 million new graduates will be needed over the next decade.⁶ The Australian economy will require 2.1 million more skilled graduates than it needed in 2015 and an additional 1.7 million skilled workers to replace those exiting the workforce as the population ages.

¹ Deloitte Access Economics 2015, *The importance of universities to Australia's prosperity*, Deloitte Access Economics Pty Ltd, Canberra, <https://www.universitiesaustralia.edu.au/ArticleDocuments/The%20importance%20of%20universities%20to%20Australia%20s%20prosperity.PDF.aspx>.

² ABS 2015, *International trade: Supplementary information, financial year, 2014–15*, Cat No. 5368.0.55.003, Commonwealth of Australia, Canberra.

³ ABS 2015, *Education and Work, Australia, May 2015*, Cat No. 6227.0.

⁴ Deloitte Access Economics 2015, *The importance of universities to Australia's prosperity*, Deloitte Access Economics Pty Ltd, Canberra.

⁵ Ibid.

⁶ Ibid.

2. Certainty and stability in resourcing

The higher education sector, students and their families have faced major funding uncertainty over the last three years. Universities Australia in *Keep it Clever: Policy Statement 2016* argued strongly that the resources for both teaching and research need to be sufficient, sustainable and predictable to enable universities to deliver on the expectations of students, employers, the community and governments.

Despite the introduction of the demand driven funding system, public expenditure has remained at around 0.8 per cent of GDP.⁷ This has been achieved, at least in part, by more than \$1 billion worth of annual savings as a consequence of measures announced in the 2011–12, 2012–13 and 2013–14 Budgets and Mid-Year Economic and Fiscal Outlooks. These savings do not include the efficiency dividend from the 2013–14 Budget or the unlegislated measures announced in the 2014–15 Budget.

The Government is currently consulting on the future of the reforms announced in the 2014–15 Budget. Universities Australia strongly opposes any further reduction in public investment in universities.

In light of the Senate's rejection of the Government's plans to impose a 3.25 per cent efficiency dividend, a 20 per cent reduction in funding for the Commonwealth Grant Scheme (CGS) and a 10 per cent reduction in funding for the Research Training Scheme, we call on the Government to abandon these substantial funding cuts to the sector.

Most of the savings from these policy changes were to be used to offset new expenditure proposals including the removal of HELP loan fees for fee-paying undergraduate and VET students, and an expansion of the demand driven system to non-university higher education providers. Irrespective of the merits of these policy changes, funding them at the expense of public funding for universities will serve to put further pressure on the quality of education and research programs delivered by universities. If these additional measures are to be pursued, they should not come at the expense of university investment.

Universities Australia supports an incremental approach to the introduction of any broad-scale changes to higher education policy. A more gradual, or staged, approach will enable the impact of the changes to be monitored and policy settings adjusted as needed. There are a number of ways to do this including, as advocated by Universities Australia in *Keep it Clever: Policy Statement 2016*, expanding the demand driven system to university associate degree programs in the first instance.

Universities strongly support the maintenance of the integrity and sustainability of the income contingent loan system. To this end, we encourage the Government to continue to explore options to ensure taxpayer affordability while preserving the fundamental capability of the system in assuring affordable access to higher education.

In addition, universities support retaining the existing Higher Education Grants Index to ensure that the growth in the level of investment in teaching and research keeps pace with the cost of providing high quality programs.

⁷ Australian Government, *Intergenerational Report* (2007, 2010 and 2015).

3. Investment in university research

Delivering the National Innovation and Science Agenda

In 2016, the Australian Government will deliver key initiatives under the National Innovation and Science Agenda (NISA). The NISA is a vital first step in creating the cultural change needed for Australia to evolve into a nation that generates wealth from ideas as well as its other endowments and competitive strengths. As the NISA acknowledges, innovation and research are needed for delivering new sources of growth, maintaining high-wage jobs and driving the next wave of economic prosperity.

The NISA delivers on a number of much needed and long overdue measures, including the establishment of a high-level innovation advisory body, funding security for critical nationally significant research infrastructure, initiatives to improve researcher mobility, and enhanced support for international collaboration. The new Innovation and Science Australia and Committee of Cabinet will support a coordinated and strategic approach to investment.

Universities Australia's *Keep It Clever: Policy Statement 2016*, called for a major step-change commitment, building on existing government programs, to achieve greater industry–university engagement and collaboration. While the measures in the NISA are an excellent starting point, much will depend on our ability to create long-term and comprehensive change.

The NISA contains important initiatives to encourage universities to connect with business. However, this 'supply side' approach will only be as effective as the incentives offered to encourage industry and other research end-users to 'reach into' universities. Universities Australia encourages the Australian Government to consider further initiatives targeted at industry, including reforming the \$3 billion R&D Tax Incentive to encourage industry to seek out, and collaborate with, university researchers.

Research block grants

Universities Australia welcomes the modest increase in funding for university research block grants and the Government's commitment to consult with the sector on new research block grant arrangements. Long-term stability is critical for ensuring Australia's university research remains world-class. Universities Australia also commends the working group of experts, led by Dr Ian Watt, on the careful and considered approach reflected in the recommendations of the *Review of Research Funding and Policy Arrangements*, subsequently picked up by the NISA.

Australia's world-class research is supported by a very effective dual funding system that combines annual block grants to universities, calculated on the basis of past performance, with competitive grants for specific research projects. This dual system enables universities to pursue a balance of basic and applied research. The success of the dual support system has been recognised in other countries. In considering a major overhaul of the UK's research system, Sir Paul Nurse argued:

This complementary system of funding streams gives the system characteristics which one stream of funding alone could not deliver with the same resources. It is one of the reasons behind the UK's success in research and these separate funding streams should be preserved... with approximately similar budget proportions with the Research Councils [competitive grants] as now...⁸

⁸ Nurse, P 2015, *Ensuring a successful UK research endeavour: A review of the UK Research Councils*, p. 15–31.

The UK Government has reiterated its commitment to this structure. Similarly, any changes to the research funding arrangements in Australia should continue to recognise the importance of pre-competitive, broad-based research, and preserve this stream of funding.

A successful dual support system requires sufficient funding and well-designed incentives within each stream. However, inadequate and inconsistent support for the indirect costs of research has repeatedly been recognised as a serious weakness of the Australian research system. Dr Watt particularly noted that the current indirect cost support arrangements for health and medical research are complex, inequitable and result in a number of unintended policy issues for the sector. This issue may be further exacerbated if the implementation of the Medical Research Future Fund and the Biomedical Translation Fund do not take into account the real and significant indirect costs associated with undertaking research.

As outlined in *Keep it Clever: Policy Statement 2016*, the sector urges the Government, in the medium term, to increase the level of support for the indirect costs of research. This investment provides the foundation on which our research and innovation endeavour is built and is essential to Australia's transformation to an innovative knowledge economy.

Research infrastructure

Universities Australia welcomes the ongoing funding commitment of \$1.5 billion for the National Collaborative Research Infrastructure Strategy (NCRIS) to assist in maintaining the sector's world class research capabilities. The NCRIS pioneered a flexible, strategic and collaborative approach to infrastructure funding and has improved the excellence and impact of Australia's research. This globally renowned system of networked facilities has greatly improved the ease and level of access to research facilities by industry and been instrumental in attracting the best national and international researchers and research collaborators.

The mapping of future research infrastructure needs by an expert group, led by the Chief Scientist, is appropriate and timely. Universities Australia recommends that the Australian Government continue to utilise the proven consultation and investment plan processes that led to the establishment of the existing NCRIS capabilities.

New industries cannot flourish without being similarly supported to access the very best technology and facilities. New capital investment, in addition to the operational funding allocated to current NCRIS facilities, will be critical in generating new jobs and expanding the competitive advantages of our national-level infrastructure to new sectors.

Research Training Scheme

Universities Australia opposes the proposed 10 per cent reduction in Research Training Scheme funding (\$170 million over the forward estimates) and the associated fees for Higher Degrees by Research (HDRs) announced in the 2014–15 Budget. The recruitment of skilled research graduates is one of the most important mechanisms used by industry to access the economic and social benefits of publicly funded research.

An advanced knowledge economy requires a pipeline of highly-skilled researchers. This has been acknowledged in the NISA by the introduction of new researcher mobility initiatives. Research students are currently exempt from contributing to the cost of their higher degree by research. The introduction of fees will result in a substantial increase in the size of a student's HELP loan and inevitably lead to a drop in the number of research students. This outcome is inconsistent with the Government's desire for a smarter, more innovative economy.

As part of the review of the research training system currently underway, it is important to consider not only how we can broaden the skills of research graduates, but also how we can best maintain the international reputation of Australian HDRs. The quality of training is critical to our research reputation and, in turn, Australia's attractiveness as a destination for international students. The recent cuts to the Endeavour Scholarships and Fellowships scheme will restrict the professional development opportunities of research students and their capacity to collaborate internationally. We encourage the Government to continue to provide long-term and predictable funding to support research training so that Australia can continue to compete successfully with its international peers.

Global Innovation Strategy

The university sector welcomes the Government's announcement of a Global Innovation Strategy and its support for collaboration with international research-industry clusters. The landing pads are another worthwhile initiative to support entrepreneurs reach out to the world.

As a relatively small country, responsible for just under four per cent of the global research and development output, it is essential that Australia's research and innovation efforts leverage to the maximum extent, international investments and advances. International collaboration gives Australia access to research breakthroughs occurring around the world and gives our researchers access to international funding streams, expert networks, and specialist facilities and data that are beyond Australia's capacity to provide.

Funding to facilitate research partnerships, including in areas where there is a common national priority or challenge, has been substantially reduced in recent years. Only two international research collaboration programs remain; one each for collaboration between Australia and India, and between Australia and China. Our capacity to undertake larger scale, formal collaborations, has been hampered by inadequate and inconsistent levels of national funding and support. For example, Australia has no overarching strategy or flexible funding to engage with the European Union's Horizon 2020 programme. Horizon 2020 is the biggest European research and innovation programme, with nearly €80 billion in funding available from 2014 to 2020, and is strongly aligned with Australia's areas of research interest. The impact of the Global Innovation Strategy could be substantially increased if it was expanded to support research collaboration and innovation with leading countries in our region and around the world.

R&D Tax Incentive

Universities Australia welcomes the Government's commitment to increasing the level of research and development undertaken by businesses and to encourage greater collaboration between industry and the research sector. We support the review of the R&D Tax Incentive, currently being undertaken by Innovation and Science Australia, into its effectiveness in stimulating additional private sector investment in research and development.

Australia relies heavily on the R&D Tax Incentive to encourage business innovation. The R&D Tax Incentive has grown from around 15 per cent of the Government's total science, research and innovation spending in 2005–06 to almost 30 per cent in 2014–15, at a cost of \$2.9 billion per year in revenue foregone.

Despite the size of this measure, only 12,000 businesses in Australia registered for the R&D Tax Incentive in 2012–13, or less than 0.6 per cent of businesses. Australia's business expenditure on research and development remains below the OECD average and is heavily concentrated in a few large businesses. Less than 3 per cent of businesses are responsible for 61 per cent of the total \$19.7 billion in business research and development reported in 2012–13.⁹

⁹ Innovation Australia 2014, *Annual Report 2013–14*, p. 22.

Governments, universities and businesses alike have identified Australia's low levels of collaboration between businesses and researchers as a major barrier to Australia's future prosperity. Australia ranks 26 out of 26 OECD countries in the percentage of innovation-active businesses collaborating with universities and other research institutions. Only a small proportion of the claimed tax benefits relate to investment by businesses in research conducted with universities and other publicly funded institutions. The introduction of a premium tax concession rate for businesses collaborating with public research institutions, could substantially improve its effectiveness. This approach would also encourage the use by industry of existing resources and infrastructure across the university research sector.

For Australia to become a leader in innovation, incentives to collaborate need to be aimed at businesses of all sizes. A one-size-fits-all approach is unlikely to achieve the best possible outcome from the public's annual \$2.9 billion investment. The R&D Tax Incentive could be improved through the introduction of quarterly tax credits to increase cash flow for small to medium enterprises (SMEs) and early-stage start-ups. Given that 97 per cent of Australian businesses are small businesses, even small increases in research and development activity by SMEs could deliver a substantial increase in innovative products and processes.

While the R&D Tax Incentive will remain an important mechanism to support innovation in Australia, it needs to be seen as part of a system which should also include more direct incentives to stimulate business research and development. A review of the innovation systems of 14 countries undertaken by the Australian Council of Learned Academies (ACOLA), found that direct investment for industry is a major policy feature in most countries:

Australia is currently unique in the OECD in regard to the extent to which it relies on indirect measures. This approach has some advantages—it allows companies to make decisions on research activities as and when necessary, rather than having timing dictated by grant application cycles. However, indirect measures tend to be untargeted. As a result, it is difficult to be confident that they provide better value for money than direct support... Direct measures can and usually are much more targeted than indirect measures. Australia can make greater use of direct support measures for business innovation to increase research translation.¹⁰

As highlighted in the *2014 Australian Innovation System Report*, the level of direct public sector assistance to innovating firms between 2008 and 2010 was the lowest in the OECD, with Australia ranking 25 out of 25 OECD countries measured.¹¹ In order to support innovative businesses and increase the translation of research into economic and social benefits, an appropriately funded, well-designed and transparent system of direct support measures is needed to complement the R&D Tax Incentive.

¹⁰ Bell, J, Dodgson, M, Field, L, Gough, P & Spurling, T 2015, *Translating research for economic and social benefit: country comparisons*, Report for the Australian Council of Learned Academies, p. 66.

¹¹ Department of Industry 2014, *Australian Innovation System Report*, Commonwealth of Australia, p. 66.

4. Investment in teaching and learning

Australia is experiencing a period of profound economic and social change occurring at a rate not seen since the industrial revolution. The new knowledge economy requires unprecedented economic and labour market agility. It is estimated that 40 per cent of existing jobs are likely to disappear in the next 10–15 years.¹² The challenge for us all is to ensure they are replaced with jobs that emerge from reconfigured and new industries, as well as through the creation of new and innovative ideas.

Australia's ability to compete in the global knowledge economy requires a workforce that is highly skilled and flexible, digitally literate and able to work effectively in different workplaces. Australian universities are uniquely placed to deliver the higher education needed to prepare students for 21st century careers. Universities need a stable policy environment and predictable and sufficient levels of investment, to continue to deliver the high quality education that is demanded by students, employers and communities.

Demand driven system

The removal of enrolment caps to create a demand driven system for university places has helped to meet the growing employment needs of the economy. It has brought long term benefits to the nation and has been a positive reform for students by providing an immediate improvement in access to university study. It has increased higher education participation and opened up additional opportunities for Indigenous students, students with a disability and students from low SES backgrounds and regional and remote areas. The Department of Education and Training's data shows that:

- low SES undergraduate student enrolments have increased 46 per cent, from 90,467 in 2008 to 131,800 in 2014;
- enrolments for undergraduate students from regional and remote areas have increased from 110,124 in 2008 to 143,339 in 2014, a growth of 30 per cent;
- Indigenous undergraduate student enrolments have increased from 7,038 in 2008 to 11,286 in 2014, a growth of 60 per cent; and
- enrolments of undergraduate students with a disability have increased 78 per cent, from 24,311 in 2008 to 43,385 in 2014.

It is estimated that Australia's GDP is approximately 8.5 per cent higher due to the impact of university education on productivity.¹³

In addition to the economic benefits, universities transform lives. Every Australian with the ability to complete a university degree, regardless of their social or economic background, ethnicity, gender or postcode should have the opportunity to pursue a university education. Fulfilling this aspiration for as many Australians as possible, particularly those from disadvantaged backgrounds, is a key goal of our universities.

¹² Durrant-Whyte, H, McCalman, I, O'Callaghan, S, Reid, A & Steinberg, D. 'The impact of computerisation and automation on future employment', in Committee for Economic Development of Australia 2015, *Australia's future workforce?*, CEDA, Melbourne, p. 58.

¹³ Deloitte Access Economics 2015, *The importance of universities to Australia's prosperity*, Deloitte Access Economics Pty Ltd, Canberra.

Most Commonwealth supported places (CSPs) are provided for students undertaking courses leading to a bachelor degree. Around two thirds of these students are aged under 25 years. The demand driven system has increased the number of Commonwealth supported places to around 2000 CSPs for every 10,000 people aged 15–24 years. This was an important and necessary expansion that reversed a trend of declining access prior to the introduction of the demand driven system.

The growth in commencing Commonwealth supported student enrolments that occurred under the demand driven system was initially rapid, especially during the transitional years prior to its full introduction (in 2009 and 2010). The growth rate has been declining since 2012, the first full year of the new arrangements. While some further growth is likely in future years, this is likely to align with population increase, rather than being driven by the absorption of unmet demand. Figures released on 27 January 2016 show that number of commencing Commonwealth supported places has stabilised.

The increase in higher education opportunities under the demand driven system has been achieved with a very modest impact on the Budget. While the total number of Commonwealth supported places increased by 28.3 per cent, the cost of all teaching and learning grants increased by only around 12 per cent in real terms between 2009 and 2014 (Table 1). The increase in total student contributions over this period has been around 53 per cent. On average in 2014, students contributed 43 per cent of the cost of their university place, up from 36 per cent in 2009.

Table 1: Expenditure and places growth under the demand driven system (in 2014 constant dollars using higher education deflator)

	2009	2014	Growth (per cent)
Teaching and learning grants	\$6.5 b	\$7.2 b	12.1%
Student contributions (incl. HELP payments)	\$3.6 b	\$5.5 b	53.4%
Total university revenue from teaching and learning grants and student contributions	\$10.0 b	\$12.7 b	26.8%
<i>Number of Commonwealth supported places</i>	<i>469,073</i>	<i>601,600</i>	<i>28.3%</i>

Universities Australia supports the Government's commitment to retain the demand driven system, and considers that the current level of public investment in student places can be sustained.

Given the constraints on the Government budget, Universities Australia recommends that any expansion of the demand driven system be limited to university associate degrees in the first instance. If the expansion is to be broader, this should not come at the expense of public funding for universities.

The removal of enrolment caps from associate degrees would assist in filling skills gaps in the economy, provide more choice for students that may be better suited to associate degree study, and provide an alternative entry route to university for those less well-prepared. Associate degrees are valued by employers because they provide practical skills that can be applied immediately in the workplace. These degrees build student confidence and increase their potential to succeed, along with providing a pathway to further education. For prospective students who are academically less well prepared, a completed associate degree markedly improves retention and graduation rates when they go on to undertake a higher qualification.

Funding to support a high quality and sustainable health workforce

Efficient health systems deliver substantial national benefits through enhanced employment and productivity, with the economic benefits of investing in health innovation estimated to be at least three times the cost.^{14,15} This is important as Australia faces increased levels of chronic disease and an ageing population.

Realising these economic benefits requires an appropriately skilled, capable and well distributed health workforce to deliver high calibre health services to all communities across Australia. A highly skilled health workforce also presents further economic opportunities to Australia as a platform for expanding its health-related service and education exports to countries needing to strengthen their healthcare systems.

Australian universities are essential for ensuring that Australia has a highly skilled health workforce. Providing quality clinical/experiential education placements is a critical component. Clinical placements provide students with practical experience and exposes them to a range of health issues and practice settings. In many cases they are mandatory for course and professional accreditation. Placements also help address workforce mal-distribution—a key challenge for Australia. Robust evidence shows that graduates completing clinical placements in poorly served regional, rural and outer metropolitan locations are more likely to choose to pursue their careers in these areas.^{16,17}

Australian governments have previously invested in clinical placements to good effect. Despite this, universities face ongoing challenges in providing these placements. Challenges include:

- clinical placement shortages;
- misalignment of available places with contemporary health service practice, with a large majority of placements being in public hospitals;
- rigid course accreditation processes that restrict the range of clinical placement opportunities. A broader range of health service settings are needed to develop competent, well-rounded graduates;
- a shortage of appropriate supervisors and preceptors; and
- rapidly escalating and unsustainable clinical placement costs levied by state health services and private providers.

¹⁴ Centre for Strategic Economic Studies, Victoria University, Melbourne & Institute of Population Research, Peking University, Beijing 2008, *Investing in the Future: An Assessment of the Returns to Investment in Health Innovation*, <http://vuir.vu.edu.au/4825/1/4825.pdf>

¹⁵ Stenberg, K, Axelson, H, Sheehan, P et al 2013, 'Advancing social and economic development by investing in women's and children's health: A new global investment framework', *The Lancet*, 19 November, doi:10.1016/S0140-6736(13)62231-X

¹⁶ Pong, R & Heng, D 2005, *The Link between Rural Medical Education and Rural Medical Practice Location: Literature Review and Synthesis*, Centre for Rural and Northern Health Research Laurentian University, Ontario, Canada. <http://www.ruralontarioinstitute.ca/file.aspx?id=1b9b7a34-d7f2-4c6f-alee-0509a983611c>

¹⁷ Taylor, K & Henderson, J 2008, *How significant is rural background to recruiting and retaining rural and remote area nurses?*, http://ruralhealth.org.au/9thNRHC/9thnrhc.ruralhealth.org.au/program/docs/papers/taylor_B4.pdf

These challenges have been exacerbated by recent cuts to the Clinical Training Fund (CTF) in the Mid-Year Economic and Fiscal Outlook (MYEFO). While the proposals for rural health workforce development announced in the MYEFO are welcome, the magnitude of the cut and the rapidity of the change will adversely impact on the coordination and availability of placements, including in rural areas, with potential implications for the quality and capacity of health professional education and service provision. In addition, the timing for the implementation of the MYEFO cuts means that many universities with staff contracts in place will not have the funding available to meet their contractual obligations.

Consultation with the university sector would assist in determining the most effective and efficient use of clinical training funds. Further discussion is also needed to improve mechanisms for better national placement coordination.

Universities Australia recommends:

- A deferral of the CTF program cuts for at least twelve months to enable universities to develop plans to ensure the best possible outcomes with reduced funding.
- Consultation with the higher education sector during this time to develop a coordinated approach to clinical placements across the whole of Australia. Universities Australia's Health Professional Education Standing Group (HPESG), comprising senior leaders from a range of universities and health disciplines, was formed specifically to engage on cross-sector, cross-discipline health workforce policy issues.
- A roundtable be held with senior representation from the Department of Education and Training, the Department of Health and universities to discuss national clinical placement coordination and the alignment of education and training programs with health workforce demand.
- Increased and more effective use of funding for the Australian Health Practitioner Regulation Agency (AHPRA) to support the development of more flexible accreditation processes, to increase the number of placements, and to allow students to be trained in the practice locations and settings where they will work. This may include developing accreditation processes for cross-disciplinary supervision and for supervision in non-traditional settings such as ambulatory care and the private health system.
- Consideration being given to expanding incentive payments, similar to the Practice Incentive Payment (PIP) Program currently available to general practitioners, to placement supervisors and preceptors in other health disciplines as a means of maintaining - and ideally expanding - clinical placement availability.

Equity funding

The number of students from disadvantaged backgrounds in the university system has increased substantially since the introduction of the demand driven system.

Equity funding is critical for ensuring that a student's socioeconomic background does not impede their access to a university education. The Government's desire to increase higher education participation by disadvantaged and under-represented groups, including those from regional and remote areas, is supported and shared by the sector.

Universities Australia strongly recommends that the Government maintains its investment in the current suite of equity programs. These include the Higher Education Participation Program (HEPP), the Disability Support Program (DSP) and a number of Indigenous programs funded from within the Indigenous Advancement Strategy (IAS).

- HEPP funding has been reduced by around \$25 million a year on an ongoing basis.
- The decline in the level of support for students with disabilities is also a cause for considerable concern. While the number of people with disabilities participating in university almost doubled between 2008 and 2014 (from 29,969 to 52,342 students), funding for the Disability Support Program (DSP) fell by eight per cent in real terms over the same period. This was an effective decline of around 50 per cent per student (from \$250 per student in 2008 to \$135 per student in 2014).
- The Government is currently working with the sector on redesigning and streamlining the Indigenous programs within the IAS to support increased participation and achievement in higher education by Indigenous and Torres Strait Islander peoples.

Universities Australia is supportive of proposals to streamline programs and to ensure they effectively achieve the outcomes being sought. Greater certainty on funding levels, however, is required to enable universities to strategically plan and manage the range of outreach, access and participation initiatives they undertake. These initiatives include regional school and community outreach and engagement, school mentoring programs, work placement programs, supplementary student assistance and disability support. The initiatives are particularly critical to ensure that students from disadvantaged backgrounds are provided with the opportunity to succeed at university.

Universities Australia recommends that current funding levels for equity programs be retained and that, in the medium term, are re-calibrated to keep pace with enrolment growth.

Funding for programs that support teaching innovation and excellence

Support for innovation in teaching and learning is critical for maintaining and enhancing Australia's competitive position as a global provider of high quality higher education.

Australian universities are committed to continued innovation to ensure that teaching practices are of the highest quality, meet the evolving needs of students and employers, and fully exploit the opportunities afforded by rapid technological change. Universities invest heavily in technology, building state-of-the-art interactive study hubs and simulation labs, and developing institution-specific applications that enable learning resources to be accessed from anywhere. Learning analytics are becoming increasingly sophisticated in enabling student progress, performance and engagement to be monitored so that intervention can occur when and as required. Industry best practices are increasingly being incorporated into curricula and a substantial effort is being made to protect the integrity of assessment systems.

Staying at the forefront of modern teaching and learning practices requires ongoing investment in teaching 'research and development.' This is efficiently achieved in projects undertaken for the benefit of the entire sector through the Office for Learning and Teaching (OLT). Overall capability of the OLT and its predecessors has been substantially reduced by funding cuts made over a number of years. In the 2015–16 Budget, the program funding was reduced by a further 36 per cent.

The Government has advised that it intends for the work of the OLT to be transferred from the Department to the university sector and that universities will be invited to host the centre. The success of this approach will depend to a large extent on the level of the Government's ongoing commitment to supporting teaching innovation and excellence.

Universities Australia recommends that, at a minimum, funding be retained at existing levels recognising that this is insufficient for driving the level of teaching innovation that is needed to support a modern, top-tier economy.

5. Strengthening the international education sector

Australia is very experienced in the field of international education and was the third most popular destination in the world for international students in 2013. Of the top five destinations for international students, Australia is the only country that has increased its share of the market between 2000 and 2013, from 5.1 per cent in 2000 to 6.2 per cent in 2013.¹⁸

In 2014, Australian universities enrolled over 310,000 international students from more than 140 countries. These students undertook study both on and offshore and through a large number of partnerships in undergraduate, postgraduate and research degrees.

International education is Australia's third largest export, and largest services export, generating revenues of \$18.8 billion to our GDP in 2014–15. Higher education accounts for around \$12.5 billion, or approximately around two-thirds of this total.¹⁹

Fee-paying international students contributed \$4.7 billion, or 17.3 per cent of university revenues in 2014.²⁰

While Australia is a world leader in international education, we must not become complacent. Australia is facing increasing competition as traditional source countries invest heavily in their own higher education systems. Other nations, with similar budgetary challenges, are aggressively pursuing growth in international student numbers and investing heavily in international research collaboration.

National Strategy for International Education

In recognising the need for Australia to remain internationally competitive, the Government has established and commissioned the Coordinating Council for International Education to prepare a *National Strategy for International Education*. This is due to be released in the first quarter of 2016.

The scope of the Strategy is comprehensive and will provide the policy foundations for a strong, sustainable and globally competitive international education system.

The Strategy has the potential to harness the energy and enthusiasm of the international education sector and deliver significant economic, social and foreign policy benefits to the Australian community.

Universities Australia strongly recommends the Government fully fund and implement the recommendations of the Strategy, particularly those in relation to employability of international students, enhancement of the student experience, research excellence and market development and promotion (to be addressed in the companion document being developed by Austrade – AIE 2025).

¹⁸ OECD 2015, *Education at a Glance*, OECD Publishing.

¹⁹ ABS 2015, *International Trade: Supplementary Information, Financial Year, 2014–15*, Cat No. 5368.0.55.003, Commonwealth of Australia, Canberra.

²⁰ Department of Education and Training 2015, *Finance 2014: Financial Reports of Higher Education Providers*, Commonwealth of Australia, Canberra.