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AUSTRALIA

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Submission in response to the Government's
Options Paper: *Driving Innovation, Fairness and
Excellence in Australian Higher Education*



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Key points

Universities Australia opposes

- 1 Any further reduction to the aggregate level of per student funding under the Commonwealth Grant Scheme.

Universities Australia supports:

- 2 Careful design of any policies intended to improve retention, completion and employment outcomes, so that unintended consequences and perverse incentives are avoided.
- 3 The appointment of an Expert Advisory Panel to provide advice on the content and implementation of the overall package and to oversee the review of the cost of delivery.
- 4 The proposed review into the relative cost of delivery of higher education.
- 5 Reasonable design amendments to assure the viability and sustainability of HELP provided they are consistent with the policy objectives of the program and do not undermine the integrity of the scheme.
- 6 Making available the retained funds in the Education Infrastructure Fund (EIF) to all universities for university teaching and research infrastructure projects, subject to transparent criteria and processes.
- 7 An infrastructure fund or loan facility, potentially drawn from the retained EIF funds, to be established to enable smaller regional and outer metropolitan universities to invest in transformative infrastructure projects.
- 8 Establishing a timetable, over a five year period, to increase the resources available to fund the indirect costs of research.
- 9 The restoration of Higher Education Participation Program (HEPP) funding and the evaluation of HEPP to improve its effectiveness in addressing barriers to access to higher education by disadvantaged groups.
- 10 Expanding the demand driven system to university associate degree, advanced diplomas and diploma programs subject to budget affordability.
- 11 Convening a roundtable of key stakeholders and experts to assess all reasonable options advanced by both Governments and the sector on subsidised postgraduate places, according to principles of fairness, equitable access, transparency, public interest and efficiency.
- 12 Strengthening the QILT website through the inclusion of additional information that would genuinely assist in more informed decision-making.

Introduction

Universities Australia (UA) appreciates the opportunity to respond to the Government's options paper *Driving Innovation, Fairness and Excellence in Higher Education*.

The paper provides broad and comprehensive coverage of the key higher education policy challenges associated with maintaining an accessible, high quality mass higher education system, against a backdrop of budget restraint.

Following years of policy uncertainty and ad hoc funding cuts, and in the context of rapid economic and industrial change, it is timely and appropriate to take a wide-ranging approach.

Given the number, complexity and breadth of the issues canvassed, it is important that sufficient time is taken to thoroughly consider all reasonable and practical policy options that emerge as part of this process. As such we are pleased to note that the options paper process represents the beginning of a longer period of consultation, debate and analysis which may also canvas variations and other ideas in addition to those presented in the Government's paper.

The process presents an opportunity for the Australian Government, the university sector and all stakeholders to consider afresh the policy settings needed to support a fit-for-purpose higher education system to underpin long-term national prosperity.

We concur with the paper's statement that *'higher education is more important to the future of Australia's industry, businesses and families than ever before.'* Our pre-election Policy statement **Keep It Clever** released late last year, reinforces this point by advancing a comprehensive policy package – across all key areas – to assure the ongoing ability of our universities to deliver quality education and research.

Universities are crucial to Australia making a successful transition to a new economic future. University research produces the technological advances, discoveries and breakthroughs that drive innovation. Education – including higher education – provides the means by which future labour market needs are met in ways that ensure no one is left behind. Universities are essential to resilience and competitiveness - for individuals, companies and the nation.

At a time of economic challenge, we commend the Government for advancing an approach that seeks to mitigate the impact of budget savings with options aimed at preserving the overall level of funding that universities receive to provide education and research. We also acknowledge the very difficult challenges that governments face in juggling the many competing priorities for public funding and the need to demonstrate to the public the value that is delivered for every taxpayer dollar that is collected and spent.

Universities Australia does, however, continue to assert that while there may be different views on the relative public-private contributions, education and research are legitimate priorities for prudent public investment. Our economy depends on it.

The options paper presents the case for change almost exclusively against an objective of securing a budget saving. The success of the options paper process will be determined by the extent to which the policy framework also supports the necessary evolution of the higher education system in responding to the rapid pace of change that is underway and consequential shifts in student and labour market demands.

We do not agree that this can be achieved at the same time as reducing the level of public investment in universities by \$3.2 billion over the forward estimates, as currently reflected in the Budget.

We do, however, contend that the savings challenge can be alleviated through careful policy adjustments in some areas.

Our submission approaches the issues consistent with the Government's stated vision for a 'stronger, more innovative and responsive system of higher education that preserves equity of access ...' With a mind to the budget challenge faced by the Government, we believe the proposals put forward in this submission strike a responsible and reasonable balance between making the investment in higher education and research that is needed to maintain Australia's economic competitiveness, with taxpayer affordability.

At the outset, it is important to note that Australia has one of the best university systems in the world. Despite substantial cuts to funding over recent years, the system, while ailing in some areas, is not broken. Universities have consistently responded to funding and policy challenges with creativity and ingenuity and it is to their credit that despite funding and policy challenges, quality has been maintained and access preserved for all those with the requisite ability.

Policy attention is needed, however, in a number of areas to ensure the system can continue to deliver the skilled graduates, research outcomes and innovation needed to secure Australia's future prosperity, as well as the quality of education expected by our students, employers and the broader community.

The fundamental and over-arching challenge to be addressed is the ability to sustain a high quality, fair and accessible mass higher education system in a constrained budget environment.

Taking account of the imperative of ensuring that student needs remain at the forefront of policy considerations, our submission focusses on three key policy areas:

1. maintaining investment in higher education at levels that support teaching innovation and educational quality;
2. addressing the distortion created by the under-investment in research, particularly in relation to the indirect costs of research; and
3. ensuring that every Australian with the ability to successfully complete a university degree has the opportunity to do so.

Our submission reflects the broad views of the sector and should be read in conjunction with submissions made by member institutions, university mission groups, and **Keep It Clever**.

Universities Australia looks forward to continuing to progress these critical issues with Government and would be pleased to assist in facilitating further debate and discussion.

I. Sustainable investment in higher education

I.1 Return on investment in higher education

Commonwealth spending on higher education is an investment in Australia's future. The returns to graduates, the community and the nation are significant. These are summarised in our policy statement **Keep It Clever**.

Economic modelling shows that universities contributed \$25 billion to the economy in 2013 and accounted for 1.5 per cent of GDP¹.

In total, university education added an estimated \$140 billion to our economy in 2014², a roughly sixfold return on the \$24 billion university spend from all sources in 2013. When compared with Commonwealth Government funding (\$15.5 billion³ in 2013) the return is nine times the original investment.

GDP is approximately 8.5 per cent higher due to the impact of university education on productivity⁴.

A study conducted for the Base Funding Review in 2011 estimated that every additional year of higher education undertaken in Australia generated spillover public benefits worth \$6000 to \$10,000 per student⁵.

Data published by the OECD in 2015 shows that, compared to those without a tertiary education, the net private benefit of a degree for an Australian male is around US\$223,000 and the net public benefit per male graduate is US\$132,000. For female graduates, net private benefit was US\$127,000 and net public benefit was US\$77,000. Public benefits included increased tax revenue and lower social security transfer payments⁶.

Furthermore, 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.⁷

I.2 Higher education and economic change

Over the next decade, universities will become even more important to Australia's prosperity. As traditional industries and business models recede, Australia will need to generate new industries and new jobs through innovation, creativity and technological development. Universities supply the graduates that will drive this innovation and change.

¹ Deloitte Access Economics 2015, *The Importance of Universities to Australia's Prosperity*, Deloitte, Canberra, p. vi

² Deloitte Access Economics 2015, p. viii

³ Department of Education and Training 2014, *Higher Education Finance Statistics*, <https://docs.education.gov.au/node/36579>

⁴ Deloitte Access Economics 2015, p. vii

⁵ Bruce Chapman and Kiatanantha Lounkaew 2011, *Higher Education Base Funding Review: The Value of Externalities for Australian Higher Education*, DEEWR, Canberra

⁶ OECD (2015), *Education at a Glance*, Indicator A7, OECD, Paris, <http://www.oecd.org/edu/education-at-a-glance-19991487.htm>

⁷ Cadence Economics 2016, *The Graduate effect: Higher education spillovers to the Australian workforce*, Cadence Economics Pty Ltd, Canberra.

As technological change reshapes industries and professions, jobs that exist today will disappear and the way work is done will change⁸. The workers of the future will need better developed, more transferrable skills to be resilient, adaptable and successful in this environment. Australia's ability to compete in the global knowledge economy requires a workforce educated in new content and in new ways. We need a workforce that is skilled and flexible, digitally literate and able to work across cultures in high performance teams.

Universities are uniquely placed to deliver the higher education needed to prepare graduates for 21st century careers. Strong and broadly based generic skills – as well as deep specific and professional skills – will be essential to help Australians adapt to a rapidly changing, innovative future.

In the immediate term, maintaining Australia's prosperity and standard of living depends increasingly on lifting growth in productivity. Investment in skills, education and training is one of the most effective means for driving national productivity growth.

International data from the Conference Board's *Total Economy Database* indicate that productivity growth in Australia was -0.9 per cent in 2014, lower than comparable countries such as Canada, United States, United Kingdom, Germany and South Korea. Since 2008, Australia has experienced prolonged negative productivity growth and, without a lift in productivity to counter declining terms of trade, is expected to encounter slower growth in GDP per capita relative to the growth that occurred in the period between 2000 and 2010.⁹

Australian universities can play a key role in the nation's effort to improve productivity.

1.3 The importance of adequate levels of investment

The most basic requirement for a strong and sustainable university sector is adequate, predictable, sustainable investment.

Universities are not-for-profit institutions. They do not distribute dividends. Every dollar that flows into a university is used to pay for education, facilities and research. Adequate levels of funding are needed so that universities can provide education, research and community engagement at a quality that is expected and demanded. Underfunding has a negative impact on students, communities and the nation.

While we acknowledge the budget challenge, we do not believe that a defensible case has been made for reducing the Commonwealth Grants Scheme by \$3.2 billion over the forward estimates¹⁰, particularly given they would be additional to changes in Budgets from 2011-12 to 2013-14 that have yielded savings of more than \$1 billion a year from the sector over the forward estimates¹¹.

⁸ Hugh Durrant-Whyte et al (2015), 'The impact of computerisation and automation on future employment' in Council for the Economic Development of Australia, *Australia's Future Workforce?*, CEDA, http://adminpanel.ceda.com.au/FOLDERS/Service/Files/Documents/26792~Futureworkforce_June2015.pdf

⁹ Productivity Commission (2016), PC Productivity Update 2016 <http://www.pc.gov.au/research/ongoing/productivity-update/pc-productivity-update-2016/comparing-australias-productivity-performance>

¹⁰ Parliamentary Budget Office 2016, *Unlegislated Measures Carried Forward in the Budget Estimates – June 2016 Update*, PBO, Canberra

¹¹ Universities Australia 2016, *Universities Australia Pre-Budget Submission 2016-17*, Universities Australia, <https://www.universitiesaustralia.edu.au/Media-and-Events/submissions-and-reports/2016-17-Pre-Budget-Submission/2016-17-Pre-Budget-Submission#.V56glv96Uk>

The magnitude of these cuts will not only put at risk the quality of the higher education provided by Australian universities, they are at odds with the Government's ambition to reinvigorate the economy through education, research and innovation.

Any erosion of the quality of the system also puts at risk the international education market – Australia's third largest export industry.

While further consideration of the relative public and private benefits and contributions to higher education is to be encouraged, it is important to note that every dollar cut from Commonwealth contributions must be replaced from somewhere else if investment in universities is to be maintained

Proposed cuts should be seen in the context of the following:

- the long-term rates of return to the economy and the budget as discussed above;
- the low level of public investment in tertiary education compared with OECD benchmarks
 - according to the OECD's latest figures, Australia is ranked 27 out of 32 OECD countries for public investment in tertiary education — 0.9 per cent of GDP compared to an OECD average of 1.2 per cent in 2012;
 - Australian investment has been flat while nation building investment in universities has been increasing in other countries;¹²
- as a share of both GDP and total Commonwealth outlays, the Commonwealth is investing less in higher education in 2016 than it did in 2009¹³; and
- the value of 'base funding' per student is approximately the same as it was 20 years ago despite recommendations from the past two major reviews that per student funding rates be lifted, at least in some disciplines¹⁴.

Recommendation 1: No further reduction to the aggregate level of per student funding under the Commonwealth Grant Scheme.

Universities fully recognise that we receive public funding in recognition of the benefits that research and higher education bring to society as a whole. We also acknowledge the responsibility and accountability that come with that, including accountability for student outcomes.

Recommendation 2: Policies intended to improve retention, completion and employment outcomes need to be carefully designed to avoid unintended consequences and perverse incentives.

The options paper notes that since 2009, the cost of the Commonwealth Grants scheme has increased by 59 per cent. As the paper points out, this has been driven mainly by enrolment growth, rather than by increases in per student funding¹⁵. While the expansion in enrolments under the demand driven system (DDS) (introduced to lift the level of participation in higher education to meet projected labour market needs) has increased the cost of the system, per student funding has remained roughly at the same real level as 20 years ago.

Enrolments – and cost – grew rapidly in the 'ramp up' years immediately prior to the introduction of the DDS. The latest available first half year student data shows that the growth in commencing CSP

¹² OECD 2015, *Education at a Glance*, OECD, Paris <http://www.oecd.org/edu/education-at-a-glance-19991487.htm>

¹³ Budget Paper No.1, 2006-7 to 2016-17

¹⁴ Universities Australia 2015, *Higher Education and Research Facts and Figures*, Universities Australia, Canberra, p.13

¹⁵ Universities Australia 2015, *Higher Education and Research Facts and Figures*, Universities Australia, Canberra

student enrolments, however, has declined from 7.3 per cent in 2012, to 0.8 per cent in 2015¹⁶. With unmet demand apparently saturated, enrolment growth has stabilised in line with population growth.

With the attainment rate of those aged 25-34 sitting at 37.3 per cent¹⁷, and enrolment growth occurring in line with population trends, policies that constrain overall enrolments, would reduce cost but would also likely result in a decrease in the rate of participation.

While not suggesting that policy recommendations from eight years ago are necessarily as relevant to today's policy debates, it is worth noting that underfunding identified in both the 2008 Bradley Review of Higher Education and the 2011 Review of Higher Education Base Funding, have never been addressed. The Bradley Review recommended an immediate 10 per cent boost to funding for teaching and learning, prior to a thorough review of the funding system¹⁸. The 2011 Base Funding Review found that teaching and learning was underfunded overall, with particular problems in a large number of disciplines, including accounting, economics, commerce, medicine, dentistry, agriculture, veterinary science, visual and performing arts, law and humanities¹⁹.

Universities are constantly looking for ways to improve efficiency and continue to make good progress against a backdrop of ongoing funding cuts. A recent study undertaken by Universitas21 shows that Australia has one of the most efficient university systems in the world. In 2016, Australia was ranked third out of 50 countries for output (which measures student participation rates and research performance), despite a ranking of 14th for resources invested and 37th for government expenditure²⁰.

1.4 A review of costs

UA welcomes the Government's announcement to undertake with Universities Australia and the sector a review of the cost of delivering quality higher education. In addition to providing advice on the content and implementation of the overall package, we agree that the proposed Expert Advisory Panel could greatly assist in providing oversight of this task.

As noted by the paper, current funding rates do not necessarily reflect the relative costs of delivering different courses. While UA does not subscribe to the view that each discipline dollar needs to be mapped directly to discipline expenditure, the total allocation does need to demonstrate a relationship to the overall cost of delivery.

The existing funding framework also creates difficulties for universities in supporting placements and work-integrated learning (WIL). The Base Funding Review noted in 2011 that in a context of increasing emphasis on employability skills and WIL, a model that funded places based on mode of teaching, could better accommodate WIL²¹.

The situation is further complicated by changing modes of educational delivery. The costing study should not seek simply to inform a rearrangement of the existing funding clusters – as inevitably new

¹⁶ Department of Education and Training 2016, *Selected Higher Education Statistics – 2015 first half-year student data*, <http://www.education.gov.au/selected-higher-education-statistics-2015-student-data>

¹⁷ ABS 2016, *Survey of Education and Work*, 6227.0, ABS, Canberra

¹⁸ Australian Government 2008, *Review of Australian Higher Education: Final Report*, Canberra, p. xv.

¹⁹ Australian Government 2011, *Higher Education Base Funding Review: Final Report*, Canberra, p. x

²⁰ Ross Williams et al 2015, *U21 Ranking of National Higher Education Systems*, Melbourne Institute of Applied Economic and Social Research, Melbourne

²¹ Jane Lomax-Smith et al 2011, *Higher Education Base Funding Review: Final Report*, DEEWR, Canberra; p.88

anomalies will continue to emerge – but also to explore alternative funding architecture that might better reflect and support contemporary education delivery and innovation.

While there are different views amongst our members on the extent to which the existing funding structure constrains innovation, the objective here must be to support flexibility and to assure the ability of universities to deliver against their missions and strategic priorities.

Recommendation 3: *UA supports the appointment of an Expert Advisory Panel to provide advice on the content and implementation of the overall package and to oversee the review of the cost of delivery.*

Recommendation 4: *UA supports the proposed review into the relative cost of delivery of higher education as proposed., expanded to consider the broad funding architecture.*

1.5 Flagship courses

While some members have indicated a preparedness to further explore the concept of ‘flagship’ courses, for example in relation to unique or particularly innovative courses, the majority oppose the proposal on the basis of implementation complexity, the likelihood of perverse outcomes, the potential to devalue existing degrees, and the potential creation of a ‘two tier’ system.

1.6 An affordable loans scheme

Australia’s globally recognised and emulated Higher Education Loan Program (HELP) has made access to higher education affordable to millions of Australian students. It is a fundamental feature of the Australian higher education system. HELP has supported growth in participation and opportunity for more than 25 years, and is essential to maintaining broad access to higher education and avoiding the accumulation of excessive levels of graduate debt.

In considering possible design changes to safeguard its financial sustainability, a number of points are worth noting particularly in relation to recent reports forecasting substantial cost blowouts:

- while the total HELP loan portfolio is increasing and is projected to reach \$185 billion in 2025–26²², most of this debt will be repaid;
- a disproportionate share of recent growth in HELP debt has nothing to do with higher education: 44 per cent of the total increase in HELP lending from 2010–14 is due to the growth of VET FEE-HELP loans (a growth of almost 1400 per cent)²³; and
- projected cost blowouts assumed full fee deregulation.

Nevertheless, improved debt recovery could make HECS-HELP more sustainable for the long term, as well as removing some anomalies in the current structure of repayments.

²² Parliamentary Budget Office 2016, *Higher Education Loan Programme: Impact on the Budget*, Report no. 02/2016, PBO, Canberra

²³ Universities Australia 2015, *Higher Education and Research Facts and Figures*, Universities Australia, Canberra; p.11

We support further consideration being given to reasonable policy design adjustments that are consistent with the underpinning 'fairness' principles of the scheme and that do not undermine the fundamental policy intent or objectives of the scheme. These include:

- debt recovery from all those who can afford to repay but currently do not;
- a moderate reduction in the minimum repayment threshold, with lower repayment rates below the existing threshold;
- adjustments to upper repayment thresholds and a modest increase in the repayment rate for high income earners;
- a renewable lifetime limit; and
- consistent loan fee arrangements for all HELP loans.

Recommendation 5: UA supports reasonable design amendments to assure the viability and sustainability of HELP provided they are consistent with the policy objectives of the program and do not undermine the integrity of the scheme.

1.7 Infrastructure funding

The paper asserts that '...most universities are well placed to fund their infrastructure investments.' Since the Government abolished the Education Investment Fund (EIF) in 2014 (that replaced the Capital Development Pool), there has been no dedicated funding program for university infrastructure. Without this funding, many institutions are unable to invest in the transformational infrastructure needed to support core educational and research activities.

In acknowledging the problem, the Minister commissioned a Working Group in May 2014 to examine how Government and universities could structure policy and operations to maintain and improve university infrastructure

We understand that this report has been finalised, and we look forward to its public release, along with the Government's response.

All universities are required to commit substantial resources to new facilities, capital upgrades, and maintenance. Without allocated funding, this results in the diversion of resources that would otherwise be directed to teaching and research.

New buildings, laboratories and facility upgrades are expensive but essential in catering for growth, in meeting contemporary education and research standards, and in delivering excellence.

Legislation giving effect to the 2014 Budget proposal to roll the remaining EIF funds into the Asset Recycling Fund was never passed. Consequently \$3.7 billion remains in the fund. Making at least a portion of this funding available for university infrastructure would reduce the need for additional funding to be allocated from the budget.

Recommendation 6: Consideration be given to making available to all universities, the retained funds in the EIF for university teaching and research infrastructure projects subject to transparent criteria and processes.

For reasons explained in the paper, smaller regional and outer metropolitan universities, are particularly hard hit by the abolition of infrastructure funding programs. Subject to reasonable provision being made for the common infrastructure needs of all universities, UA supports the Government's suggestion of the establishment of an infrastructure fund or loan facility to enable

regional and outer metropolitan universities to undertake transformative infrastructure investments. Such a fund should be designed to allow maximum flexibility in allowing universities to undertake initiatives that are best suited to their specific institutional and local needs and priorities.

Recommendation 7: *An infrastructure fund or loan facility, potentially drawn from the retained EIF funds, be established to enable smaller regional and outer metropolitan universities to invest in transformative infrastructure projects.*

2. Research investment

Research is a key driver of economic growth, national productivity and social wellbeing. This is particularly true in an environment of rapid technological and economic change. Australia's future prosperity will depend increasingly on research breakthroughs that create new products, jobs and industries.

Universities account for around 70 per cent of the Australian publicly funded research effort and perform the major share of basic research – the foundation of Australia's applied research and innovation system. Universities are the only institutions that link all elements of advanced scholarship, innovation and development.

Other nations around the world are investing heavily in research, innovation and higher education in acknowledgment of its centrality to prosperity and global competitiveness²⁴.

- China is on a path to becoming the world's biggest investor in research and development within the next decade.
- The United Kingdom has allocated \$3 billion over five years to its Catapult Centres to promote industry-university collaboration, compared with Australia's \$190 million over the same period for Growth Centres.
- Singapore increased its investment in research and development by 20 per cent for 2011-15, compared to the previous five year period.
- South Korea has a target of investing five per cent of GDP in research and development by 2020.

The persistent underfunding of the indirect costs of research has distorted the university funding model, particularly for the most research intensive institutions, as resources that would otherwise be directed to teaching are diverted to research.

In 2009, Allen Consulting estimated that universities had to find an additional 85 cents from other revenue sources for every dollar of competitive grant funding received, to cover costs not met by research grants.²⁵

The introduction of the Sustainable Research Excellence (SRE) Scheme included an aspiration to improve funding to cover indirect costs at a rate of 50 cents per competitive research grant dollar. The target level of funding was based on international best practice, particularly on levels of funding for indirect research costs in England and the United States. Regrettably, program cuts made by successive governments has seen the funding rate remain static at 23 cents.

²⁴ Universities Australia 2015, *Keep It Clever*; Universities Australia, Canberra

²⁵ Allen Consulting Group 2009, *The indirect costs associated with research funded through Australian Competitive Grants*, Allen Consulting Group, p. 54, July 2009

The impost this creates has more than doubled over the past decade. In 2013 the gap between funding the indirect costs at 23 cents as opposed to 50 cents was \$460 million, up from \$212 million in 2002²⁶. In 2014, universities sourced 54 per cent of their research expenditure from general university funds, including revenue from domestic and international students.²⁷

While the quality of education is enhanced by being research informed, funding for research should not come at the expense of teaching and learning.

This distortion is compounded by insufficient funding for university research infrastructure.

UA applauds the Government's commitment to long term funding certainty for national research infrastructure announced as part of the National Innovation and Science Agenda (NISA). While major national research infrastructure is now funded on an ongoing basis, universities still face serious challenges funding their own research infrastructure.

Some funding for facilities and equipment is provided through Research Block Grants and the ARC, but there is a substantial gap, which universities need to fund from other sources.

Recommendation 8: *Establish a timetable, over a five year period, to increase the resources available to fund the indirect costs of research.*

3. Access, equity and opportunity

3.1 Growth in participation by students from under-represented groups

Educational disadvantage – associated with socio-economic status and other factors – is real, and serves as a significant and systematic impediment to accessing higher education. Students from the bottom income quartile have long been under-represented at university, as have Indigenous Australians and those from rural, regional and remote areas.

The reasons for this persistent under-representation are many and complex.

To spread opportunity fairly, universities make substantial efforts to correct for the reality of systemic disadvantage.

As enrolments have expanded over recent years, there have been some encouraging increases in participation in higher education by students from traditionally underrepresented groups.

Between 2008 and 2014, the number of Indigenous student enrolments increased by 60.4 per cent. The number of students with a disability increased by 78.5 per cent, and the number of students from low SES background increased by 45.7 per cent.

As a proportion of all domestic undergraduate students, enrolment shares of Indigenous students, students with a disability and students from low SES background have also increased by 0.3 percentage points, 1.5 percentage points and 1.6 percentage points respectively.

²⁶ In 2014 constant dollars

²⁷ ABS 2016, *Research and Experimental Development, Higher Organisations Australia 2014*, Cat. No. 8111.0, Commonwealth of Australia, Canberra

Table 1: Growth in number and proportion of domestic undergraduate student enrolments

	Number of domestic undergraduate students			Proportion of domestic Undergraduate student enrolment		
	2008	2014	Growth (%)	2008	2014	Growth (percentage point)
Students with Disability	24,311	43,385	78.5%	4.3%	5.8%	1.5%
Indigenous Students	7,038	11,286	60.4%	1.3%	1.5%	0.3%
Low SES Students	90,467	131,800	45.7%	16.1%	17.7%	1.6%
Regional and Remote	110,124	143,339	30.2%	19.6%	19.2%	-0.4%
All Domestic Undergraduate Students	561,886	745,733	32.7%	-	-	-

Source: Department of Education and Training 2015, *Selected Higher Education Student Statistics*

Increases in low SES and Indigenous enrolments follow a long period of no improvement. Low SES enrolments remained at around 16 per cent between 2002 and 2007 as a share of the total, while the Indigenous student share declined over the same period²⁸.

Despite improvements since 2008, people from disadvantaged groups remain under-represented and the proportion of people from regional and remote areas participating in higher education continues to decline in relative terms.

One of the most disturbing trends has been the decline in the level of support for people with disabilities. While the number of people with disabilities participating in higher education has almost doubled between 2008 and 2014, funding for support programs fell by eight per cent in real terms over the same period, an effective drop of 50 per cent per student place.²⁹

Universities Australia strongly supports the Government's intent to do more to raise student aspiration and identify and address the barriers to access and participation by disadvantaged and under-represented groups, particularly those living in regional and remote locations.

We also agree that more needs to be done to boost the completion rates of students from disadvantaged and under-represented population groups, and to provide support for those with disabilities as well as those who are academically less well prepared. Just as rates of access to university vary according to socio-demographic background, so do success and completion rates. Indigenous students and students from remote areas have markedly lower retention rates than the average³⁰.

UA is committed to examining policy options for improvements in higher education equity and identifying practical proposals. Later this month we will facilitate a sector discussion on policy options for increasing enrolments and retention of students from disadvantaged backgrounds.

²⁸ Department of Education and Training 2015, *Selected Higher Education Student Statistics 2014*, Appendix Table 2, <http://www.education.gov.au/selected-higher-education-statistics-2014-student-data>

²⁹ UA analysis based on Department of Education and Training administrative data.

³⁰ Department of Education and Training n.d., *Completion Rates of Domestic Bachelor Students - A Cohort Analysis, 2005-2013*, DET, <https://docs.education.gov.au/system/files/doc/other/cohortanalysis2005-2013.pdf>

3.2 Review of HEPP

UA welcomes the review of the Higher Education Participation Program (HEPP) announced in the options paper. HEPP has been instrumental in increasing the level of participation in higher education by disadvantaged students. HEPP funds outreach programs to raise aspiration in disadvantaged schools and communities. It also provides a per-student loading for low SES enrolments. These two components of the program address both access (lifting the level of participation by low SES students) and student support (for completing their studies).

The review offers an opportunity to examine the operation of HEPP and to identify opportunities for the most effective targeting of HEPP funding against the objectives noted above.

In our view, HEPP has been a successful program but has struggled to realise its full potential as a consequence of uneven and unpredictable funding flows. Successive Governments have made cuts to HEPP in the pursuit of budget savings and this has impacted on the program's effectiveness. We strongly recommend the restoration of funding removed in the 2016 budget.

Inequity in access to university is a persistent, long-term problem which requires a long-term solution. Universities, in partnership with Government, have made considerable progress but the time is right to review our performance and develop options for further improvement.

HEPP helps to raise aspiration among disadvantaged groups within the population. This is not a matter of institutional student recruitment, but is a commitment to building awareness of post-school options in higher education, VET and employment. This 'bigger picture' approach is vital to long-term efforts to boost participation.

Program design should build in an evaluation framework, and benchmarking against specific, realistic objectives. This would support program effectiveness and efficiency of investment by both universities and Government. It would also give clarity to the outcomes being sought.

The options paper suggests a scholarships program as a possible alternative to HEPP. While we believe there is merit in considering a scholarship scheme, the difference in purpose suggests that this should be considered as complementary and additional to, rather than as a substitute for, HEPP.

Options for scholarship schemes could form part of a comprehensive and well targeted system of means-tested income support. Institutionally administered equity scholarships can provide a useful additional source of support for disadvantaged students.

Recommendation 9: Universities Australia supports the restoration of HEPP funding and the evaluation of HEPP to improve its effectiveness in addressing barriers to access to higher education by disadvantaged groups.

3.3 Support for alternative pathways

Uncapped enrolments only apply to undergraduate bachelor courses. They do not apply to associate degrees, advanced diplomas or diplomas.

UA agrees with statements in the options paper about the increasing need for more diverse pathways into university. As the paper says, providing more Commonwealth supported places (CSPs) in associate degree, advanced diploma and diploma courses would improve the availability and diversity of pathways into Bachelor degrees, especially for students who have not had the chance to perform at school at a level that reflects their abilities. These qualifications are also valued by employers in their own right.

While extending the demand-driven system to university provided associate degrees, advanced diplomas and diplomas would remove a distortion in the funding system, it would increase the cost of the demand-driven system. This requires an assessment of the benefit of removing the distortion compared with the additional cost to the budget of achieving it.

Recommendation 10: *Consider expanding the demand driven system to university associate degrees, advanced diplomas and diplomas subject to budget affordability.*

3.4 Postgraduate places

The treatment of postgraduate degrees has long been problematic. As the paper points out, the availability of subsidised postgraduate coursework places is inconsistent across Australia. While a course at one institution may be subsidised, the same course at another institution may not. This is not consistent with principles of equitable access.

An attempt to address the issue in 2011 did not succeed but we remain optimistic that a solution can be found. A number of our members and university groups have made useful and thoughtful suggestions. These, together with the options presented in the options paper and in the 2011 process could form the basis of further debate informed by principles of fairness, equitable access, transparency, public interest, and efficiency. We would be pleased to assist in facilitating further work.

Recommendation 11: *Convening a roundtable of key stakeholders and experts to assess all reasonable options advanced by both Governments and the sector on subsidised postgraduate places according to principles of fairness, equitable access, transparency, public interest and efficiency.*

3.5 Improving information for students

Where and what to study is one of the most important decisions a prospective student will make. The provision of accurate (and verifiable), comprehensive, comparable information that is easily accessible must be a key element of the tertiary (not just higher) education system.

We refer you to our submission to the Higher Education Standards Panel on improving transparency of information on university admissions processes, procedures and practices which makes a number of suggestions on how this might be achieved.³¹ Our submission suggested that universities:

- publish comprehensive, accessible information on admissions processes and requirements using consistent definitions and terminology across the sector;
- publish statistics on admissions in previous years (including, numbers and proportions of students admitted through different pathways; distribution of ATAR scores and selection ranks of school leavers admitted); and
- clearly distinguish between 'raw' ATARs and selection ranks that are actually used to admit students, and to clarify that 'cut-offs', when used, refer to selection ranks, not to 'raw' ATARs.

³¹ Universities Australia 2016, *Submission to the HESP Consultation on the Transparency of University Admissions Processes*, Universities Australia, <https://www.universitiesaustralia.edu.au/Media-and-Events/submissions-and-reports/HESP-Consultation-on-the-Transparency-of-Higher-Education-Admissions-Processes/HESP-Consultation-on-the-Transparency-of-Higher-Education-Admissions-Processes#.V56bAPI96Uk>

Quality Indicators for Learning and Teaching (QILT) has been a very positive innovation, complementing other information sources including universities themselves, to assist students in making well informed study choices. We support further enhancements to the website provided any additional information is accurate, useful, verifiable and robust. Particular care will need to be given to the design of subjective survey instruments that seek to determine third party satisfaction levels, acknowledging the many factors, both within and external to the control of universities, that contribute to 'satisfaction' and that in the case of employer satisfaction, employers must take responsibility for on-going employee training and development.

Recommendation 12: Further strengthen the QILT website through the inclusion of additional information that would genuinely assist in more informed decision-making.