



ACADEMY OF
THE SOCIAL SCIENCES
IN AUSTRALIA

1 February 2019

The Hon Josh Frydenberg MP
Treasurer
Parliament House
CANBERRA, ACT 2601

Dear Treasurer,

PRE-BUDGET SUBMISSION: RESEARCH AND AUSTRALIA'S FUTURE

The Academy of the Social Sciences in Australia wishes to provide a pre-Budget submission for the 2019-20 Federal Budget.

The submission is attached. It provides an economically and politically sound formula for helping deliver Australia's future productivity and wellbeing.

The Academy of the Social Sciences in Australia would welcome the opportunity to further discuss this proposal.

Yours sincerely,

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2019-20 PRE-BUDGET SUBMISSION

RESEARCH AND AUSTRALIA'S FUTURE

1. Summary

The Academy of the Social Sciences in Australia (ASSA) suggests most strongly the Australian Government be a champion of research and development. A greater national commitment to research and development (R&D) is a proven way to develop a strong foundation for securing Australia's future. More and better research support is an investment which contributes handsomely to fiscal sustainability - and much more.

More details on delivering on this are given below. ASSA recommends that the Government:

- 1. Articulate a Strong Vision:** commit to clear steps towards matching the current OECD average for R&D as a share of GDP of 2.4% by 2025, and the current OECD Best Practice frontier of 3% by 2030.
- 2. Seize Simple Available Options:** deploy already available endowment funds for research infrastructure, including for social innovation through research in areas such as disability and health.
- 3. Utilise Existing Expertise:** draw on the combined expertise of the Learned Academies in designing grant processes for enhanced national benefit.
- 4. Display Ingenuity:** underpin research investment aspirations by implementing a new innovative income-contingent loan scheme for R&D that will partner universities with industry.

These four steps would contribute greatly to a budget strategy that delivers growth with equity and sustainability. ASSA stands ready to assist with further development of these policy initiatives.

2. Articulate a Strong Vision

Australia is facing very significant international and domestic challenges. It needs to maintain its international competitiveness in the face of growing capacity, particularly in our region, and of a new wave of technological advance, and it needs to provide opportunities for more Australians to contribute and participate as our demographic profile changes. Critical to meeting these challenges is the creation in Australia of new knowledge and the utilisation here of existing knowledge from wherever it has been created.

Australia currently risks short-changing the key to this source of future success: research. Research is a reliable foundation for economic and wider progress. It offers huge benefits for economic development and national wellbeing. It also has strong public support, making its investment politically prudent as well as economically responsible. Well conducted research pays its way in spades, and Australia should be aware of the negative impact of under-investing in knowledge.

Treasury and Finance can confirm the evidence that, in purely economic terms, research overall currently pays a real return on investment of around 20%ⁱ. This contrasts favourably with the government hurdle rate of return of 7%ⁱⁱ. The difference is stark, and means that Australia is currently under-investing in research.

Increasing overall support for research also has a wide multiplier effect on the economy: it creates skilled jobs, extends the nation's knowledge infrastructure, and promotes technological innovation, as well as innovation across the economy, society and environment.

Universities have well-managed, well-attested projects ready to go. Accordingly, increased investment in research brings no danger of adverse unintended outcomes. As the Government juggles priorities within its fiscal constraints, it might note that research investment strengthens the country's resilience in a fragile global economy, offering medium and long-term benefits and buttressing the creative intent of business entrepreneurs, as well as supporting any short-term stimulus that might be required.

Increasing the nation's research funding and reversing recent funding cuts is essential for national productivity gain. It must be led by Government. While private sector entities conduct research, the public good and public spill-over benefits not captured in private decision-making means that the Government must also play an active role to prevent under-investment.

There are a number of ways in which Government support of research and development could be enhanced, both through private sector incentives and through direct government support. The central message ASSA wishes to convey is the need for the Government to set an overall target for research which its specific policies would contribute toward. ASSA therefore recommends:

Recommendation 1 - Increase overall research investment:

Commit to clear steps towards lifting Australian R&D investment from its current low rate of 1.88% of GDP to match the OECD average of 2.4% by 2025, with the longer-term specific goal of reaching the current OECD Best Practice frontier of 3% by 2030.

General university and other Budget submissions no doubt address some of the pertinent support arrangements that can be deployed to achieve these goals.

While not prescribing in detail how this target should be met, ASSA considers that the recent MYEFO announcement cutting block grant funding by disinvesting \$134 million from the Research Support Program is inconsistent with such a target and will have a negative long-term impact on researchⁱⁱⁱ. To support innovation and growth for the future, this should be corrected as part of a more visionary approach.

ASSA is not suggesting the target be met exclusively by public sector funds and researchers. ASSA's fourth recommendation suggests a new mechanism to help restore research support in a financially prudent way.

ASSA also cautions against taking too narrow an approach to the fields of research which should be supported to meet the target. STEM research may well deliver good investment returns, but so do other areas of research, including the social sciences and humanities,

particularly given many of the emerging pressures Australia faces internationally and domestically. Some concerns in this respect are discussed further below.

3. Seize Simple Available Options

Another area deserving increased support is the infrastructure which is a necessary condition of so much good research. Issues in this area have arisen for a few reasons. One is the freezing of access to the Education Investment Fund (EIF). Another is the transfer of expenditure from the Research Support Program to recurrent education expenditure.

The Government should invest strategically and adequately in the research infrastructure which underpins ongoing research effort. This includes the research effort of the social sciences. For example, in the artificial intelligence era, the compilation and utilisation of the mass of emerging big data is the pathway to good policy. ASSA therefore recommends:

Recommendation 2 - Provide Necessary Research Infrastructure:

Presently appropriated endowment funds for future investment purposes in the EIF should be dedicated to social science research and social science research infrastructure.

The Government has suggested EIF funds could be deployed to assist with funding needs for the NDIS. ASSA does not disagree with the importance of NDIS funding and suggests that the two purposes can be supported with the one funding arrangement. EIF funds could be used to support research needs and infrastructure for social innovation in areas related to the NDIS - for instance, in disability or health. This allocation would be consistent with the best intentions of the EIF and those who suggest its deployment in the NDIS, while sidestepping the political impasse.

This proposal is also fully consistent with the Government's own announced strategy in the National Research Infrastructure Roadmap, but it adds to it real teeth for social policy.

4. Utilise Existing Expertise

ASSA recently expressed concern at some developments in research administration^{iv}, including:

- Low social science shares in 2018 Future Fellowships, where the single humanities, arts, and social sciences (HASS) category success rate is 13.8%, compared with 21.1% and 23.1% for the two science, technology, engineering, and mathematics (STEM) categories.
- Low social science shares in 2018 Laureate Fellowships, where only 2 out of 16 Laureate Fellowships went to HASS researchers.
- Low social science shares in announced National Research Infrastructure Scoping Studies, where only one in ten studies supported are in HASS.
- Revelation in 2018 of earlier secret Ministerial discretion exercised in refusing 11 HASS Discovery grants recommended by independent experts.
- Transference announced in November 2018 of \$134 million from the Research Support Program, which provides block grants crucial for funding researchers and libraries, to regional universities' support.

These developments have been casting doubt on the standing of the robust review processes that underpin Australia's reputation for research excellence. This damages a balanced research investment, and even damages research careers for young Australians. ASSA believes all major areas of knowledge research should be well supported, recognising they all contribute to understanding our world, with a wide range of research fields offering high rates of investment return.

To help redress this growing concern over research grant administration, alongside the fundamental issue of restoring appropriate funding levels, ASSA recommends:

Recommendation 3 - Ensure Good Policy Administration:

Open wide consultations concerning research policy and design of research administration with senior research scholars via the Australian Council of Learned Academies.

The Australian Council of Learned Academies (ACOLA) is a well-established mechanism for bringing together the four Learned Academies and their combined expertise to provide comprehensive and evidence-based policy solutions. Within this, ASSA stands ready to provide access to the top social science scholars in Australia for input. Matters such as National Interest Tests and National Priorities in Research would benefit greatly from the open and systematic input across all disciplines that ACOLA can facilitate.

This invocation should be supported by a more supportive Higher Education Research Priorities (HERP) grant. For example, the value of the contribution ASSA makes to government through research-informed advice alone well exceeds the value of the investment in it. This value could be much greater still.

5. Display Ingenuity

One issue with present Government funding of research is the limited direct linkages with industry commercialisation in Australia relative to those in other comparable countries. The Government has indicated support for increased linkages in the Engagement and Impact Assessment Consultation Paper and in the National Innovation and Science Agenda. ASSA acknowledges that this is a good idea.

ASSA wishes to draw attention to one specific proposal which would assist the Government to deliver on these aims:

Recommendation 4 - Implement Research Policy Innovation:

Adopt ASSA's suggestion for a Start-Help Program of Income Contingent Loans for Research and Development for start-ups that partner universities with industry.

This scheme would require industry-university collaboration for funding. Industry could also be required to include community organisation partners and social innovation components. And it can be implemented during a time of fiscal restraint, while at the same time enhancing fiscal sustainability for the future.

An Income Contingent Loan proposal ensures that there is a return to the public purse from the investment made - both from general economic uplift, but also from direct loan repayment. Linking the scheme to large, well-managed organisations in the form of universities guarantees proper selection procedures and financial oversight, as well as providing mechanisms that can be put in place for mentoring and assistance. This is how HECS operates and avoids the problems around less well attested arrangements, as seen in programs such as VET Fee Help.

This proposal is fully in accord with the Government's own strategy for engagement, as outlined in the Engagement and Impact Assessment Consultation Paper and the associated statements in the National Innovation and Science Agenda.

While this program is ambitious, it accords with the recent history of innovative ideas coming from social scientists who have been Fellows of this Academy who have helped to build some of Australia's great programs. This history includes, for example: compulsory superannuation, parental support systems, Medicare, disability support, HECS, and the immigration points system.

ASSA is available to provide further details of this scheme.

6. Conclusion: Deliver Australia's Future

ASSA proposes that Australia increase support for research and development to help build

a better future for Australians. In addition to increasing overall support, it also suggests some specific measures that should be components of the way forward. They include income-contingent loans for research and development that will partner universities with industry; deployment of endowment funds for research infrastructure, including for social innovation through research in disability and health; and the incorporation of improved consultation in design of research administration schemes.

A recent ACOLA report, led by ASSA, which was thoroughly researched and peer-reviewed, showed how such knowledge investment can greatly enhance Australia's prospects, as part of a package of reforms that cover both competition reforms and structural reforms. Specifically, such a package could add more than 20% to living standards by 2030 relative to present policy settings (p.14)^v. It is this path that can avoid stagnation and decline and maintain Australia's long record of economic achievement. It will also provide the knowledge to help economic achievements to be inclusive and sustainable.

The goodwill of the 120,000 research academics in Australia, plus the 1.3 million students, 4.2 million graduates and their families can be secured and enhanced in this area of policy. The evidence from public attitude survey research, beyond that undertaken by political party offices, is highly supportive of investing in the future in this way^{vi}.

7. About the Academy

The Academy of Social Sciences in Australia (ASSA) promotes excellence in the social sciences and in their contribution to public policy.

The social sciences are a group of like-minded academic disciplines that work on systematic development of logic and evidence to understand human behaviour in its social setting, including the nature of economic, political, and community activity and institutions.

ASSA is an independent, interdisciplinary body of over 650 Fellows, elected by their peers for their distinguished achievements and exceptional contributions across 18 disciplines.

ASSA coordinates the promotion of research, teaching and advice in the social sciences, promotes national and international scholarly cooperation across disciplines and sectors, comments on national needs and priorities in the social sciences and provides advice to government on issues of national importance.

Established in 1971, replacing its parent body the Social Science Research Council of Australia, founded in 1942, ASSA is an autonomous, non-governmental organisation, devoted to the advancement of knowledge and research in the various social sciences.

www.assa.edu.au

ⁱ KPMG Econtech, *Economic Modelling of Improved Funding and Reform Arrangements for Universities*. June 2010

ⁱⁱ Department of Finance and Deregulation, *Best Practice Regulation Handbook*, 2010.

ⁱⁱⁱ <https://www.assa.edu.au/myefo-announcement-undermines-australias-future/>

^{iv} <https://www.assa.edu.au/maintaining-social-science-success-at-the-arc/> 12 December 2018

^v <https://acola.org.au/wp/PDF/SAF01/SAF01%20full%20lo%20res.pdf>

^{vi} Centre for Policy Development, *What Do Australians Want?* December 2017. <https://cpd.org.au/2017/12/what-do-australians-want-discussion-paper-december-2017/>