



Innovative  
Research  
Universities

# Towards a tertiary future

IRU discussion paper

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## Towards a tertiary future

The Innovative Research Universities (IRU) endorses the need to create a coherent tertiary education system that ensures each person has the opportunity and incentive to get the vocational and higher education qualifications, skills and knowledge to which they aspire.

Creating such a system should be a priority for the Australian Government following the 2019 election.

The focus should be:

- all post school education and training, with an effective relationship to schooling
- people, and the skills and knowledge they need, not providers. Providers are the tool.

To create an effective system, we need to understand the changed role of tertiary education.

- The economic and social reality is that nearly everyone now needs a post school qualification.
- Educating all to their need should not hold back learning of those most naturally suited to academic learning.
- Higher education is for all, not just the best and brightest.
- We have moved from the advantage of having a degree or trade to the disadvantage of not having either.
- There will be a greater overlap of earnings between those with higher education qualifications and those with VET qualifications.

## The IRU and the tertiary issue

The IRU seeks to be constructive, assisting good education outcomes and supporting IRU members to contribute as best they can as providers. The IRU needs to be part of the discussion about the future of tertiary. We must challenge our own assumptions, look ahead to where we need to be going, and not sit back while others reshape our system. Universities will be central to future tertiary education, as long as they can pursue the opportunities available to them.

The IRU does not put forward a specific manifesto for change in this document. Instead it aims to explicate the need for change, challenge common assumptions and provide an evidence-based picture of the take up of vocational and higher education by a current generation of young Australians.

The following sections:

1. explore why a tertiary approach makes sense
2. set out the current achievement of tertiary qualifications by young Australians, showing that take up is strong and across both higher education and vocational
3. outline the implications of an effective tertiary system
4. consider the need for the vocational to higher education division, and the nature of universities in a tertiary world.

[iru.edu.au](http://iru.edu.au)

## 1. Why a tertiary approach makes sense

### The policy driver

2018 has seen renewal of the argument for a coherent tertiary education system that ensures each person has the opportunity and incentive to get the vocational and higher education qualifications, skills and knowledge to which they aspire.

This is not a new debate. The [Review of Australian Higher Education \(Bradley Review\)](#) made the case previously in 2008. It remains now to complete the task.

The main proposition is quite simple. Young Australians need to complete school. They then need further qualifications and a means to access discrete, targeted sets of skills and knowledge as their future employment requires. Most are doing just this.

There is an important debate to be had about how to maintain work knowledge and skills after initial qualification(s). Merely adding more qualifications is perhaps not the best solution, although historically that is what happens.

The predictions about great change in the nature of work burst open the debate about the relative importance of two competing approaches to education: the immediate gaining of competencies versus the acquisition of underlying skill and knowledge sets. The former is focused on getting you work now, the latter ensures you get it in the future.

The assumptions of great changes to work buttress the traditional argument that university education is for the longer term and should not be too driven by immediate benefits. My prediction is that the substantive first degree, along with the research degree, will remain primarily a university role.

There is a strong practical drive to the tertiary focus. It is clear that vocational education is suffering from considerable doubts about its purpose and financing structure. Solving these need not involve higher education, but the argument for a broader approach may provide the driver to achieve a resolution.

The demand driven funding arrangements for universities allowed all who aspired, and met university requirements, to begin a university degree. In contrast, changes to vocational education and training funding have put pressure on the quality and availability of VET for school leavers, discouraging some.

The errors of VET are no reason to complain about the successes of universities.

The challenge of TAFE is well known, with the TAFE Directors Australia among others pushing hard at the consequences of treating TAFEs like just another provider. There is much to resolve to ensure VET, led by TAFEs, works well.

The relationship with a functioning higher education system is important. The long-term question for higher education is how universities and non-university providers can complement each other to provide a coherent tertiary offering for students.

Many providers work across sector boundaries. This need not drive change but it opens up questions about the nature of delivery.

There are various propositions about how to address the problem, most coming from a higher education prism and most with no regard to the significance of research:

- [\*Future-Proof: Protecting Australians Through Education and Skills\*](#) by the Business Council of Australia (BCA) makes a good case for a tertiary system but falters in its solutions. It lists out tired propositions of a decade past, several of which created the VET mess that governments need to fix. The BCA would hold to the two sectors being distinct within a guiding coherent framework that would see a more effective interaction of Commonwealth and state-territory governments
- [\*Reimagining tertiary education: From binary system to ecosystem\*](#) from KPMG's Stephen Parker, with support from Mark Warburton and Andrew Dempster, proposes a fully integrated tertiary system. This sets out the ambition and possible ways ahead, at least for the qualifications driven part of VET. It does not encompass VET's broader mission well. It presumes the Commonwealth drives the system, with states as providers of TAFEs and part funders.
- [\*Diversity in Australian tertiary education: turning words into action\*](#) by the Nous Group is a superficially conceived reworking of funding, the most notable outcome of which is the creation of cheap, lower quality universities across Australia, which I refer to as "Cheap and Nasty U".
- The Monash commission is also working up a further option.

The Australian Labor Party has responded by saying it will commission a major review into tertiary education if elected at the next Federal Election.

The Liberal-National Coalition, if re-elected, should also accept the need to ensure the two sectors are working effectively, not just in their own rights but also together.

## What does IRU mean by tertiary?

Two competing versions exist. One is education that is not schooling. The other is all post-compulsory education, which would include the latter years of school leading to a Senior Secondary Certificate of Education.

A practical approach is to let schools do their best with school certificates and define tertiary as what happens afterwards. For the majority this will mean completing Year 12, for some it will mean achieving less. A school certificate delivered by a non-traditional school provider is still a school certificate.

How well students emerge from schools is important. When students reach essential thresholds of knowledge and capability they are better positioned for university and other tertiary providers to build on those foundations. The tertiary system will always need to work with those who leave school before completing Year 12.

## The point of focus is people, not providers

The point of focus for an effective tertiary discussion should be people, the skills and knowledge they aspire to, not providers. The system should support each person acquire the skills and knowledge each needs.

Providers are the tool to achieve that. Providers do not need equality, they need a reasonable framework within which to offer potential students valuable education and training.

The only relevance of a 'level playing field' should be for a person deciding where they want to learn.

We should regulate to minimise the risks, as TEQSA already seeks to do. The system must be capable of working with those intending to operate for the long-term through to those with more immediate goals, allowing providers into the sector and, when necessary, guiding them out.

The TEQSA analysis of [registered higher education providers](#) shows the differences between the universities, the not-for-profit providers and the for-profit providers.

- Universities and TAFEs are set up for long term. They are the bedrock of the system. Because of their size they offer certainty of longevity but can have a lower speed of adaptability. They provide a breadth of outcomes including extensive community service that their base funding should recognise – it does for universities, it has largely been removed for TAFEs.
- The not-for-profit sector tend to work in a niche market providing a useful suite of additional courses and further training.
- The for-profit providers range from those focused at delivering a credible education for a financial return, mostly targeting the international market, to those who maximise receipt of government support for students with modest interest in student outcomes. The regulatory system needs to support the former and be tough on the latter. These bodies need a clear exit path.

## 2. Who is gaining a tertiary qualification in Australia?

We should not allow lazy claims that “everyone goes to university” to endure. They are not accurate, in a similar way that claims about demand driven funding driving a boom in law degree enrolments were inaccurate.

We need to avoid any foolish argument that there is a conflict between higher education and vocational education. The challenge is not to redirect people from one to another but to make sure everyone accesses one or the other as best suits their needs and ambitions. Good higher education settings should not be undermined to offset the impact of bad vocational education settings.

Much VET provision is not about a first major qualification but rather adult learner employability and enhancement. It is why many take units of VET, not whole qualifications. This is a distinct and important role that should not be lost in integrated funding propositions that presume whole qualifications as the unit of achievement.

The data is clear that there is a strong take up of both higher education and vocational education in Australia. However, there are also concerns about the trend for vocational education.

## Year 12 completion rates

The change in education outcomes over the past half century has been substantial.

In assessing the impact of opening up universities to all who wanted a place we need to remember the proportion of young people completing Year 12 doubled between 1984 to 1991, from around 30% to more than 70%. Year 12 completion became standard.

This was a necessary progression for people to access the jobs then becoming available, and in response to the loss of less skilled roles in the 1970s, driving the Hawke Government to make it happen.

It is the children of that generation who are now seeking to climb that extra step to tertiary education.

According to *Australian Jobs 2018*, 67% of workers held post-school qualifications in 2016, up from 58% ten years earlier. The growth has been for both VET and higher education qualifications. Only a small proportion of the workforce rely on Year 12 only; the bulk of the remaining 33% did not complete school.

The challenge is to reduce that remnant group who do not acquire a tertiary qualification.

In part the generation change is already achieving it. Older workers make up a substantive portion of those without qualifications, yet we can still see considerable variation in the attainment of younger people based on the socioeconomic background and gender.

## The take up of both higher education and vocational education

The Longitudinal Survey of Australian Youth (LSAY) tracks individuals over time, allowing us to see the take up by younger cohorts.

The IRU has analysed this important data source to look at the differences in educational attainment by socioeconomic status.

The data allows us to break down the 2006 cohort by socio economic quintile into five equal groups from the poorest fifth to the richest fifth. This cohort was in Year 9 in 2006, meaning they were first likely to access tertiary education from 2009 as demand driven higher education funding was announced.

As highlighted in Figure 1, the take up by this group is clear, with 79% completing either a higher education degree (38%), a VET qualification (34%) or both (7%) by 2016.

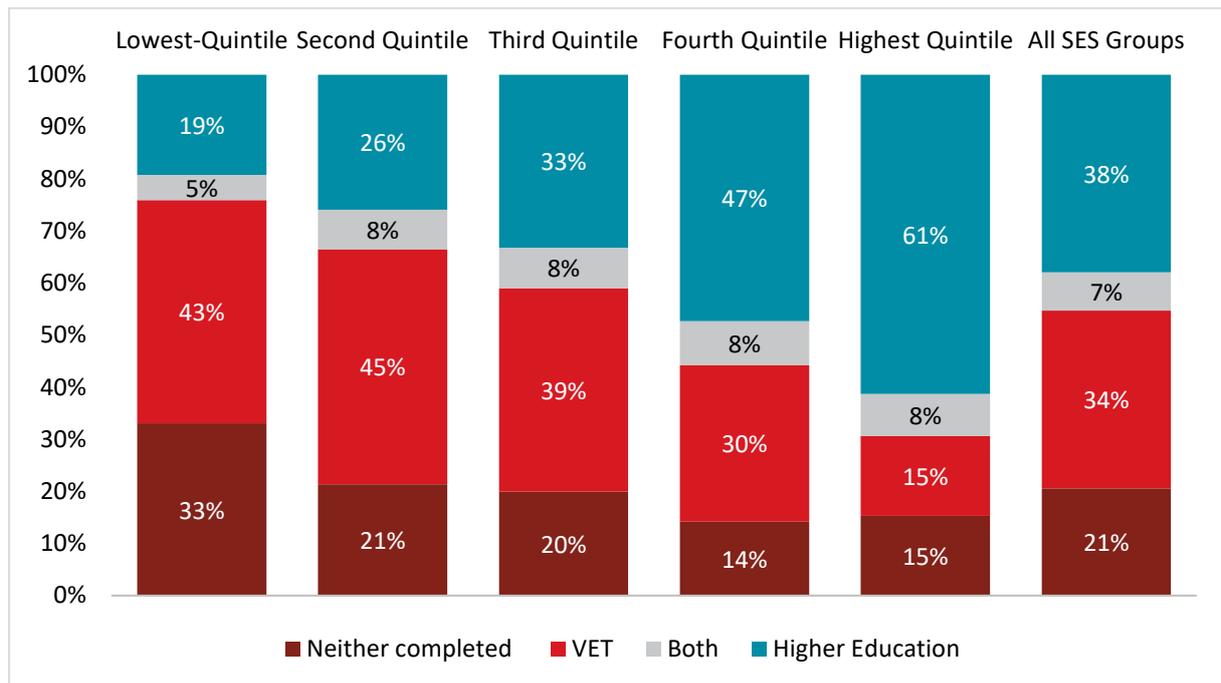
The differentiation by socio economic background is also clear, with vocational education much more likely for those from poorer households, and higher education more likely for those from richer backgrounds.

Some commentators argue there are too many people doing higher education detracting from vocational education outcomes. They would redirect people from higher education to vocational education. The implications of such a policy are clear for who it would target: university students from the highest socioeconomic quintile. Just 23% of school leavers in this group acquire vocational qualifications after leaving school, compared to 47% across the other four quintiles.

The IRU does not advocate doing this since it interferes with young Australians pursuing their best assessment of their needs. However, it is the logical solution to the problem posed.

Meanwhile, university efforts to attract more people from lower socioeconomic areas ensure people from those regions keep active in education and training.

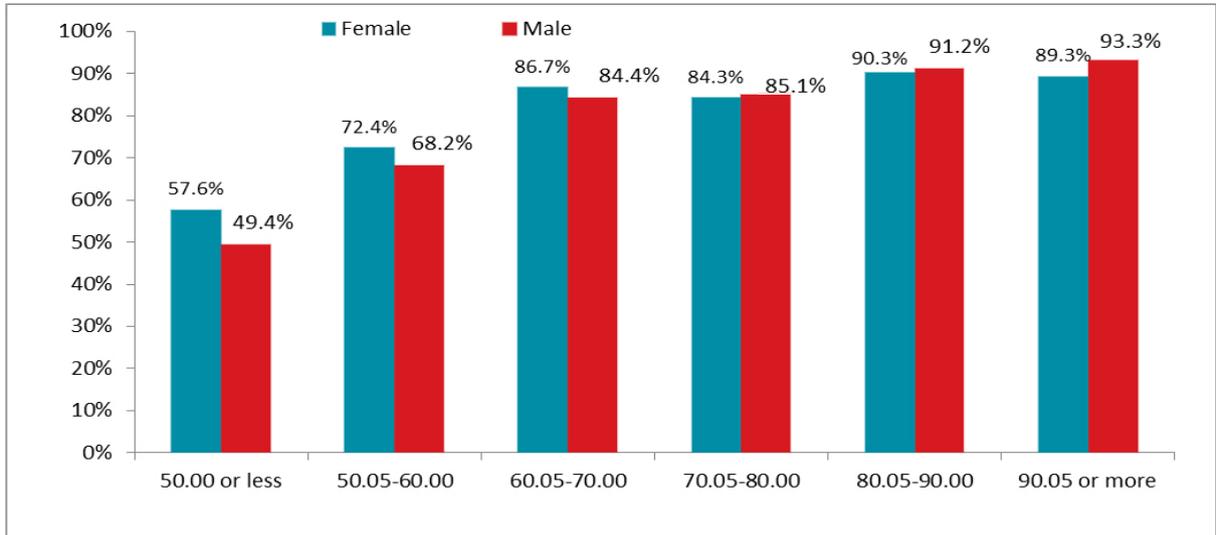
**Figure 1: Completion of Higher education and vocational education by socioeconomic status**



Source: IRU analysis of Longitudinal Survey of Australian Youth (LSAY) data

The data also highlights some interesting gender differences, including the fact that young women with medium to low ATARs are more likely to apply for university than young men achieving the same level. Figure 2 shows that as ATAR scores rise the difference between the sexes narrows until there is no significant difference at mid-high ATAR ranges.

**Figure 2: Rate of application for university by ATAR band, 2018**



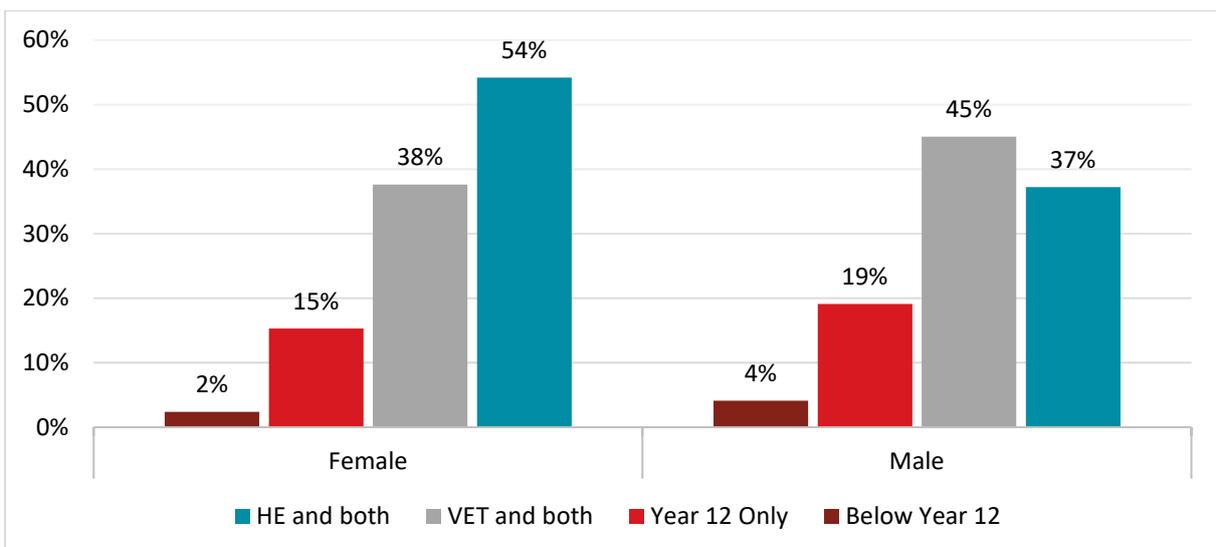
Source: Undergraduate Applications, Offers and Acceptances 2018 report *Department of Education*

The IRU has explored the gender divide through outcomes for the LSAY 2006 cohort (Figure 3).

Far more women in this cohort undertook higher education than men (54% to 37%). Women can clearly see the advantage to them from education and, in particular, higher education. Gender divisions in the workplace could be one factor in this, with young women at the mid-low end of the ATAR spectrum concluding they need a university education to have the same earning power as mid-low ATAR men who choose not to go to university, perhaps obtaining a trade certificate instead.

There is also some evidence for a group of young men who are simply disengaged from both work and study, drawn mostly from lower socioeconomic backgrounds.

**Figure 3: Completion of Higher education and vocational education by sex**



Source: IRU analysis of Longitudinal Survey of Australian Youth (LSAY) data

### 3. Updating our assumptions: the implications of a tertiary world

The tertiary debate should force us to rethink our standard assumptions about tertiary education and university education's place within it.

The economic and social reality is that nearly everyone now needs a post school qualification.

Starting from the premise that the whole of future cohorts of Australians should gain qualifications after school is significant, as are the implications. It is an important change that all need to grasp. The BCA recognition of the need for it one useful step along the way – we need all those within universities and Government to reach the same conclusion.

It raises serious points about who should undertake what qualification, and how many that will affect the structure of the future system. It also challenges funding arrangements premised on such education being somehow special and rare.

University education is part of the general education system.

This sounds obvious, yet it is a common refrain still that somehow universities sit apart. To accept this point presumes most people can gain from post-secondary education and training.

The evidence for this is quite strong yet some commentators seem to picture humans as having a set amount of educational capacity which begins being filled in primary school and, for some at least, ends shortly thereafter.

The IRU has consistently argued there is significant value in providing open access to university education for all who think they will gain from it. We have repeatedly challenged wrong assumptions that universities should provide only for an elite group while others receive a less intensive skilling.

Educating all to their aspiration does not hold back those most naturally suited to academic learning.

Schools already work to this notion. They are expected to take the whole cohort of five-year-olds and produce learning in all of them over the following 13-year period. We measure success by how well the group does, how well the least successful do and how high the most successful shoot.

Tertiary education has the same challenge. As a result, the nature of universities and other providers will continue to change, building on an 800-year tradition of doing so.

Higher education is for all, not just the 'best and brightest'.

There is a troubling assumption that once upon a time only very bright people went to university. This was most recently restated in the Nous paper's claim that in 1980 only the brightest 15% went to university.

Their case is evidenced by an intelligence chart built around a normalised curve that presumes academic capacity is fixed at Year 12. The fact that nearly 70% of the school cohort did not complete Year 12 seems not to trouble this analysis – clearly those people were less capable and the 30% who did complete Year 12 were highly capable. The authors do not seem troubled either that the completion rates were, and to a lesser extent still are, highly skewed by region.

A counter assertion is that the 15% who went to university were a mix of the undoubtedly bright as well as a substantial number of the interested ‘modest and middling’ whose backgrounds allowed them to finish school. In 1980 university enrolments reflected universities being opened to adult women with no fees, allowing many who could not pursue education at school in the 1960s and 1970s to finally do so. It was an indicator of the transition from universities being for the most capable and the rich and inclined to being for all with the interest and need.

We must accept that universities and other tertiary education providers need to work with the range of academic skills individuals bring, and the mix of economic and intellectual reasons that drive people to study.

The reality is that the effort of universities, even more than in the past, will primarily target the modest and middling. An emphasis on ‘best and brightest’ only would severely hamper the capability of the workforce. Young women clearly see the need for higher education to protect their futures. To discourage this would not create the best or brightest outcome for Australia.

**We have moved from the advantage of having a degree or trade to the disadvantage of not having either.**

When a significant set of the workforce was unskilled, and the skilled mostly held vocational qualifications, a person with a degree was distinctive and likely to earn highly compared to others. In the 1970s a new graduate on average earned more than the average male in the workforce. Now that a significant and growing part of the workforce has a degree, the earnings of a new graduate are notably less than average workforce earnings –they are competing with previous graduates with years of work experience.

Because the proportion of the workforce without qualifications is small there is less distinction from having a degree. Commentators who argue that gaining a degree ought to be selective – so that those so selected can have a special leg up – need to ask why the value of a degree should be limited as they suggest. They should also explore the consequences of doing so.

The question is whether graduates continue to earn more than non-graduates, with the expectation that as the workforce is more skilled the overall level of earnings rises. To date, the data suggests they this will remain the case.

**There will be a greater overlap of earnings between those with higher education qualifications and those with VET qualifications.**

Vocational education and higher education are not a hierarchy but two forms of tertiary education. Graduates of both will have overlapping earning levels, reflecting the wide range of people

attempting both and the realities of the relative difference in pay between men and women, including the high wages of trades for men in mining and construction where women are rare.

## 4. Sectors and universities: what are the providers of the future?

### Do we need the sectors?

A threshold question is whether it is useful to distinguish vocational and higher education. The proposals released over the past year each have a different take on this.

- The BCA would keep the two distinct yet wants a much clearer alignment and greater Commonwealth and State synergy to achieve this.
- KPMG would remove the distinction, reflecting the authors' higher education leanings.
- Nous would maintain the two and, under the guise of light touch intervention, essentially ruin higher education.

The one thing I have learnt from my occasional engagements with the VET Sector is to be wary of higher education assumptions applied to VET, especially at lower qualifications. What is clear is that many people will engage with both, and many providers operate across both.

The Provider Category Standards for higher education are under review.

The first question the provider category review needs to examine is whether we should put providers into particular categories or focus instead on setting the powers each provider must deliver across range of qualifications, range of fields, number of students, capacity to educate international students, to operate offshore, be self-accrediting of qualifications, and to call themselves a university or a TAFE.

The AVCC rightly argued for this approach in 2005.

VET simply has providers registered through ASQA, though within this we know there are TAFEs as major public institutions, some significant private providers and myriad smaller operations.

Describing providers through rough groupings based on common characteristics can be useful. It helps us see similarities and get a sense of a complex world. Prescribing those differences will be counterproductive.

We do not achieve diversity by defining a set of different types upfront and forcing every provider to fit within one of them – that constrains the natural shape of providers in meeting education need to pre-existing assumptions about what is likely needed.

Government driven requirements should set the outcomes needed from the system, creating a structure that supports students and providers to find suitable ways to meet needs well.

## What happens with the university title?

The university title gets a lot of attention. There is no need to change its essential Australian meaning of institutions that provide higher level education and research, which is far from unusual in a world context.

A university exercises a full sweep of potential powers and it has significant research. We are long past the hackneyed arguments about each and every academic being an entwined mix of teaching and research, but it remains correct of each major area within a university.

It does not require a set of other categories to allow it to continue, although there may be reason for categories otherwise. The legal protection in place is sensible, with TEQSA capable of advising on any proposals for additional universities and indeed whether all providers with the title remain competent to hold it.

## The teaching-only idyll

That does not mean there cannot be an alternative – if there is demand for it.

Other higher education providers do not need to hide under a familiar term, they need to establish their own offering. Resourcing, not title, is the real issue.

There are two versions of the teaching-only institution that get airplay.

The first is the US Ivy League college idyll of great minds and teachers with no shortage of resources. In the Australian context where would this come from? The only likely medium-term way to achieve it would be for an existing university of high public note to choose such a route and to remove itself from public funding so it could charge the required high fees. This sounds deeply implausible.

The second is “Cheap and Nasty U”.

The latest manifestation of this is the Nous paper. Its proposition is to both remove the ‘research’ element from base funding and reduce student charges, so that the resulting institution would have perhaps two thirds of resources of a university, albeit with a lower responsibility, to churn out almost-ready graduates selected from those with fewer options.

An exciting prospect. However, it is not clear why we would want to encourage such institutions, and it is very clear they should not be considered universities.

Part of the rationale is a resistance to investing in people of moderate academic potential. Yet these are the very set of people an effective system must educate well so they can be productive in future employment. A small increase in productivity for a large set of the workforce equals a significant improvement in total output.

## The role of research: more crucial to future prosperity than ever before

Exploration of an effective tertiary system cannot ignore the role of research – the development of new knowledge and skills. Yet two of three proposals released over the past six months do so, and the third wishes to limit research to a few institutions, isolating it as a special case that is largely

irrelevant to the lives of most. Instead it should be embraced as crucial to future prosperity, even more so than in the past century.

The flexibility of the Commonwealth Grant Scheme is critical to this. It gives universities the responsibility to decide how to use revenue to best achieve their goals and respond the challenges of place, students and research end users.

There is an important Government funding issue at stake here. It may look obvious to separate the two roles for funding. That would ignore the significant number of staff and facilities that support both, such that any separation is highly notional in practice.

The Commonwealth Grant Scheme is the successor of previous funding arrangements. They have the common aim of distributing the available funding as fairly as possible among universities, using students and their areas of study as the main driver.

These funds support the breadth of university activity. They are the main Government support for academic salaries, for staff whose tasks involve both teaching and research. They allow the universities to operate, providing the array of support to local communities that is expected of them but not otherwise resourced.

Removing the broad funding to provide the full outcomes expected of a university would only send them along the path that TAFEs have been sent. Funding TAFEs solely for the most efficient delivery of particular qualifications undermined their capacity to support the full skilling needs of their regions. Splitting the main university grant to target funds at two ostensible outcomes would cause a similar loss of university effectiveness.

## The future university in a tertiary world

An effective tertiary system will support change. To do so it must intentionally act against the inevitable tendency for regulatory schemes to encourage, if not enforce, stasis – stasis as defined in the last major review or restructure. Regulatory schemes falter against the reality that today's standard practice was yesterday's radical idea. A system that promotes its successor is rare.

Universities are experimenting with new business models including extensive third-party partnerships, many with providers which encompass both higher education and vocational. What should be the way ahead for universities keen to engage with the needs of coming decades, beyond the age long delivery of the bachelor degree and support for research?

If funding and measures of success presume 1990s approaches to delivery and future workforce activity, how well can they support, rather than constrain, providers to deliver well for their students and clients?

That remains the fundamental question that should shape a future tertiary system.

It is the challenge that faces the Government in power after the 2019 election, whichever party forms it.

**Conor King**

21 November 2018