

Pre budget submission: Innovative Research Universities

The Treasurer, Mr Frydenberg, made clear the economic challenges and opportunities ahead for Australia in his 22 January 2019 speech to The Sydney Institute.

There are significant signs for great change in the nature of work that will affect most jobs, with many likely to be lost and new roles created. Reports such as [The Automation Advantage](#) show the changes and opportunities ahead with the potential for jobs to be safer, more satisfying and more valuable. These are jobs that require high level skills and knowledge.

Australians will need to be able to respond to these opportunities, with long term capability to adapt current skill sets to those of the future. This buttresses the argument that higher education should develop that long term capability matched with sufficient skills for immediate application. It raises important questions for the nature of vocational education and training outcomes.

All Australians will need to aspire to gaining more knowledge and skills, learning again and again as needed for us to have a workforce able to take advantage of change not be driven down by it. Better assessment of future needs and options should inform those coming through from schools and those in the workforce with several productive decades ahead of them.

The 2019 budget is an opportunity for the Government to:

- commit to a wide ranging review process to establish a tertiary education wide strategy for the 2020s and beyond that links the tertiary education systems to the future needs of Australia and its citizens;
- re-set the higher education funding framework announced at the end of 2017 so that universities can provide needed education outcomes, by
 - removing the cap on Commonwealth Grant Scheme funding for each university; or, if it will not do so,
 - index each university's cap each year and increase it by population growth for the 17-18 year old school leaver cohort;
- restore its original encouragement to universities to build stronger research outcomes for industry and other end users by
 - reversing cuts to the research block grants, and
 - returning the value of the Australian Research Council annual grants program to at least its previous high points in 2014; and
- ensure the best settings to support mobility of students into Australia and Australian students to gain international experiences through
 - modifying the streamlined student visa arrangements to ensure providers are accountable for students enrolled with them and to apply the risk ratings effectively.
 - streamlining the operation of Government programs for Australian student international study and work experience.

1. An effective tertiary education system

Australia needs a tertiary system that expects everyone to participate, just as 40 years ago completion of secondary education became standard not a privilege.

A major requirement for the coming decades is to create a coherent tertiary education system that ensures each person has the opportunity and incentive to achieve the vocational and higher education qualifications, skills and knowledge to which they aspire.

It is clear that vocational education is suffering from considerable doubts about its purpose and financing structure. Changes to vocational education and training funding have put pressure on the quality and availability of VET for school leavers, discouraging some. Solving these need not involve higher education, but the argument for a broader approach may provide the driver to achieve a resolution.

The IRU supports the case for change made by the Business Council of Australia and most recently the Australian Industry Group among others. We explore the challenges and implications in [Towards a tertiary future](#).

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 through a mix of higher education and vocational education and training.

This is shown in the [Take up of tertiary education](#) analysis of education outcomes from the Longitudinal Study of Australian Youth (LSAY). Of those aged 25 in 2016:

- 79% had completed either a higher education degree (38%), a VET qualification (34%) or both (7%).
- Of those who had not completed tertiary education, most had completed year 12 (17%) with the remainder having not completed year 12 (3%).

Over the next decade the school leaver cohort is set to grow notably faster than general population growth, with a peak of 4.1% growth in 2024 (ABS 3222.0 - Population Projections, n.d.). Current supply levels, which are set to fall in higher education, will not be sufficient. The logical policy solution is funding systems for the 2020s that support each person in the cohort to gain tertiary education necessary for their future.

Action

1. The Government should commit to a wide ranging review process to establish a tertiary education wide strategy for the 2020s and beyond that links the tertiary education systems to the future needs of Australia and its citizens.

2. Re instate sensible funding for higher education to meet future need

Value of demand driven funding

The demand driven funding arrangements for universities between 2012 and 2017 allowed all who aspired, and met university requirements, to begin a university degree. Its outcomes were clear as shown in [Impact of more students at university](#).

- Between 2012 and 2017 there was a major increase in university students concentrated in health professions (38,000 more students or an increase of 25% since 2012) and the science and technology areas (growth of 26,000 students or 18% increase over the past 5 years) (STEM). These subject areas depend heavily on the Government Commonwealth Grant Scheme contribution more than the students' payments. Full funding allowed universities to meet demand and support Government objectives to raise the number of STEM graduates.
- There was growth at lower levels in other disciplines (8% in education, 14% in Science and Culture, with the growth rate across all disciplines being 15% from 2012 to 2017), as universities responded to demand for skills across all areas, allowing individuals to pursue their best assessment of their future needs.
- For the first time in two decades there was a serious increase in participation by students from low socio economic regions, although the disparity remains strong. The increase from 2012 to 2017 in Low-SES enrolments was 34,000, a 30% increase, leading to a Low-SES representation of 19% of all Australian undergraduate students.

Post-graduation data shows that graduates continue to earn more than non-graduates, with real levels of wages remaining strong. The benefits individual by individual are clear, with employment and good earnings flowing through to Government revenues.

Implications of the Commonwealth Grant Scheme funding cap long term

The Government decision to cap university Commonwealth Grant Scheme funding at its 2017 level means that universities will steadily reduce the number of students enrolled to avoid allowing the investment per student to drop below the level needed for quality student learning.

The Government proposals for the university by university funding cap to be indexed to population growth, contingent on meeting performance standards on student experience, graduate outcomes and equity is not a serious mechanism to meet growing demographic demand in the 2020s, let alone the continued steady rise in the proportion of the workforce needing higher level education.

Nor will it address the disparity between levels of education in across regions of Australia, effectively locking in current distribution of higher education opportunities. The Government and its members will have no means to respond to demographic needs of the various communities that they serve. This would make irrelevant the outcomes of the regional, rural and remote review currently under way.

There is little logic to linking an annual increase in the CGS funding cap to population growth, implying a means to maintain pace in the number of students with population, without any indexation mechanism that maintains the value of the capped amount. It confounds the question of maintaining the value of university funding with allowing the system to grow in response to population growth.

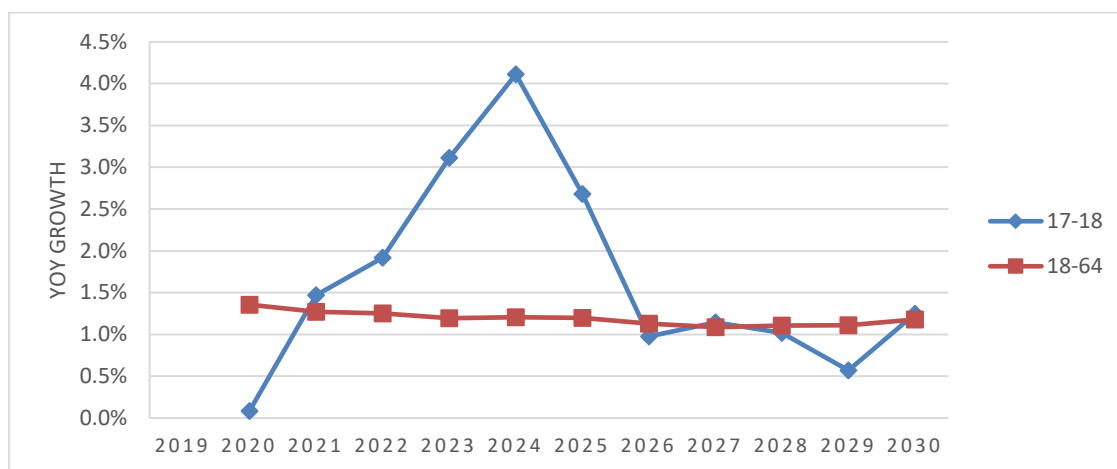
- The population growth projections sit below the usual level of the indexation factor used to increase the base rates in the Act.
- Population growth for the 18-64 group is much lower than for the key demographic of 17-18 year olds, whose numbers over the coming decade drive the need for tertiary education over the coming two decades (see figure 1).

Hence the annual cap on CGS funding will cover fewer and fewer student places each year it remains in place.

Action

2. The Government should re-set the higher education funding framework announced at the end of 2017 so that universities can provide needed education outcomes:
 - remove the cap on Commonwealth Grant Scheme funding for each university; or if it will not do so
 - index each university’s cap each year and increase it by population growth for the 17-18 year old school leaver cohort.

Figure 1 – Projected annual Australian population growth by age group(s)



ABS 3222.0 - Population Projections, n.d

3. An effective research system

Australia’s university research system is performing strongly by world standards. This has recently been confirmed by the *Barlow Report 2019 - Australian University Research on the World Stage* .

Australian research has directly improved the quality of life of all Australians and the scholarly endeavours of our academics contributes to our international reputation for high quality teaching and student experience. Our academics are increasingly productive in terms of highly cited disciplinary-based research, while remaining responsive to societal needs in their pursuit of applied, strategic and practically-oriented research.

The value of our research is shown by our universities increasing share of research funding from business, Government and not for profit research end users. As we embrace the engagement agenda, universities are also beginning to develop new career paths for academic staff beyond the traditional disciplinary-based teaching and research functions.

The 2018 budget provided much needed long term investment plan for research infrastructure. Used constructively it can stimulate the whole Australian research system by intentionally hosting new infrastructure across many centres distributing the positive spill-over effects of infrastructure.

The dual public funding system of open block grants that universities direct to best outcomes and directed competitive grants for projects, has helped target resources to highly productive

researchers and incentivised research behaviours. However, its effectiveness in funding breakthrough research and efficiency in allocating resources is facing strains. Success rates for many nationally competitive grants are low, selection processes are slow, and administration costs are high.

To encourage a twofold focus on both fundamental research and industry driven research the Government through the National Innovation and Science Agenda reworked the Research Block Grants (RBGs) into two streamlined programmes namely the Research Support Programme (RSP) and the Research Training Programme (RTP). Before the impact of that change could be felt the Government announced late in 2018 that it would cut the funding for these programs from 2019, removing over 6% of their funding.

Australian Research Council funding remains stagnant, holding back full use of research capability of Australia's universities, with numerous valuable projects not funded.

Action

The Government should restore its original encouragement to universities to build stronger research outcomes for industry and other end users.

3. Reverse cuts to the research block grants.
4. Return the value of the Australian Research Council annual grants program to at least its previous high points in 2014.

4. Support the international mobility of students into and from Australia

International student visa system

Australia has an effective university system that supports the education of students from countries around the world. Our major role in international education strengthens understanding of Australia around the world and links Australian students to the opportunities the world holds for them.

Crucial to this is an effective visa system that both allows students to come to Australia and ensures they follow visa requirements. Those who breach visa requirements should be identified and action taken; those who adhere to the visa requirements should be permitted to take advantage of work visas tied to successful study and to aim at longer term residence.

Universities found the initial introduction of the streamlined visa system effective but have two issues that need to be addressed.

The first is to ensure that the risk relating to a student ties to the provider the student is enrolled with. Providers who accept transfer students from other providers should bear the risk associated with those transfer students.

At present students who begin study with the principle provider but then move to another are held against the record of the principle provider, removing any incentive for the second provider to ensure students continue to meet visa requirements and leaving the principle provider with the risk legacy of students who are no longer enrolled with them.

Second, IRU members are concerned that the current threshold that determines each provider's risk rating is not well set, grouping too many institutions at level 2 for results that resemble that required for level 1.

To address this:

- there should be a warning when a provider's risk rating dropped to a higher risk category to allow providers to tighten their screening processes and avoid dropping down;
- Government analyse the data on the spread of provider risk assessments to be confident that the current break points between levels best reflect distinct provider outcomes.

Australian student mobility – future for New Colombo Plan (NCP)

From the NCP's initiation, it has been clear that the approach to funding and administration would need to change for the program to achieve the desired aim of a period of study and/or work in Asia being a rite of passage for most Australian students.

NCP operates on the basis of the Department of Foreign Affairs and Trade approving mobility project proposals from each university. Close scrutiny of projects made sense in the first years. It no longer does.

To achieve its aims future arrangements should be structured to support large numbers of mobility experiences. With all universities showing the capacity to support mobility programs the focus for NCP funding allocations should move to a formulaic base that allocates a proportion of places, and funding, based on universities' mobility achievement with a small portion kept back to encourage new developments.

In addition, the support for Australian student international study and work experiences would be more effective through:

- removing the NCP scholarship component to re-direct funds to mobility grants; and
- administer all mobility programs out of one department.

Action

The Government should ensure the best settings to support mobility of students into Australia and Australian students to gain international experiences

5. Modify the streamlined student visa arrangements to ensure providers are accountable for students enrolled with them and to apply the risk ratings effectively.
6. Streamline the operation of Government programs for Australian student international study and work experience.

1 February 2019