

# **Australian Catholic University**

## **Submission to Business Council of Australia Consultation Process**

### ***Future-Proof: Protecting Australians through Education and Skills***

**January 2018**

**Australian Catholic University submission to  
Business Council of Australia consultation process:  
*Future-Proof: Protecting Australians through Education and Skills***

**Introduction**

Australian Catholic University (ACU) acknowledges the opportunity to make a submission to the Business Council of Australia (BCA) consultation on its October 2017 discussion paper, *Future-Proof: Protecting Australians through Education and Skills*.

ACU observes that the central proposition advanced by the BCA is the proposal to introduce a single tertiary education funding system by bringing the higher education and vocational education and training (VET) sectors under the umbrella of one system.

While ACU welcomes the level of attention afforded by the BCA to tertiary education funding, and is encouraged by the BCA's vision for reform to support a culture of lifelong learning, there are a number of elements of the BCA proposal which require further development and a stronger evidence base.

ACU endorses the submission made by Universities Australia (UA) to the present consultation, and especially affirms the need to:

- respect the distinct identity, character, and function of the higher education and VET sectors in the context of any policy reforms;
- address unintended consequences in seeking to integrate the tertiary policy and funding arrangements governing both sectors; and
- ensure adequate funding for the higher education and VET sectors, particularly in an environment that has seen the Federal Government cut critical university funding.

Fundamentally, it is imperative that any reforms do not have an adverse impact on what is a strong, responsive and well-regulated higher education sector.

ACU believes that all forms of post-secondary education are valuable. The higher education and VET sectors both make substantial contributions to national education and skills development, and play significant roles in supporting Australia's economic and social progress. An educated citizenry is critical to a healthy democracy, fosters innovation, and supports a global focus responsive to economic change. It is imperative that the funding arrangements, for both higher education and VET, adequately reflect these contributions.

Crucially, reforms designed to address dysfunction in the VET sector must not be pursued at the expense of a very effective university sector, which is the centrepiece of a major export industry. From this perspective, concerns regarding the VET sector, especially around standards, resourcing, and market information, should be examined and addressed independently.

ACU provides the following feedback in response to central aspects and implications of the BCA's proposed new tertiary education system. ACU would encourage the BCA to work closely with the university sector to further clarify, develop and inform its policy proposals.

## **Tertiary Education in Australia**

ACU affirms the observations made by UA on the vital importance of tertiary education to the nation. The higher education and VET sectors both play significant roles in meeting the skills needs of the labour market and the economy. In addition to this, however, the university sector has a unique role in the life of a nation. Universities are central to a knowledge economy, and to social and cultural development. They support national progress through: research and innovation; the transformation of individuals through personal and intellectual development (for instance, by equipping students with high level skills and aptitudes such as critical intellectual enquiry) to contribute to modern society; critical engagement with public policy; and community service for the public good. These distinct functions and contributions are reflected in the tertiary funding policy structures. They should not be understated and should be maintained.

## **Regulatory and Governance Implications**

The BCA discussion paper identifies that:

- the proposed new tertiary education funding system would require collaboration and cooperation between the different levels of government, as a joint responsibility e.g. to determine rules and conditions of the new funding system, its management etc;
- a new national institution ('tertiary system funding and market information' institution) would be established to facilitate, and effectively, manage the new system; and
- ASQA and TEQSA would continue to regulate the respective sectors.

The BCA's proposal to introduce a new tertiary education funding system by bringing higher education and VET under the umbrella of one system would require the navigation of complicated funding and jurisdictional issues. There would need to be a good level of coordination, cooperation and commitment between the Commonwealth and States for the proposal to be successful. This is a highly complex undertaking, which is inadequately reflected in the discussion paper. Government collaboration and cooperation would be an involved process. At a minimum, it is likely to require joint working groups and a heightened focus through federal financial relations forums such as the Council of Australian Governments (COAG).

Notwithstanding the BCA's assertion that the proposed new national institution would operate in addition to and alongside TEQSA, ASQA and NCVER, there would be implications for the governance, regulatory and oversight arrangements of both sectors. Furthermore, the responsibilities of the proposed new institution are very broad and substantial, and it is unclear how the necessary level of competency, oversight and resourcing would be ensured for this institution. Notably, responsibilities would range from determining eligibility criteria for providers, to conducting complex costing exercises and determining which courses would fall under the new funding scheme. These matters require careful deliberation and close attention.

Extensive and dedicated consideration needs to be given to how Commonwealth and State coordination would be facilitated in practical terms and administrative burdens met. On current provisions, the proposal reflects inadequate acknowledgment and appreciation of the complexity of Commonwealth-State funding arrangements, and the costs of national and state oversight.

## **'Single Platform of Market Information' for the Tertiary Education Sector**

The BCA proposes building a single platform with market information for the tertiary education sector, comprising higher education and VET sector information, to assist 'potential learner's decision making'.

It appears that the premise behind the BCA recommendation to introduce a single platform for both sectors is to better inform students of their tertiary study options and to intensify VET and higher education sector competition where there is potential overlap in course offerings. It also appears that this

market information portal is intended to rebalance student aspirations away from higher education and towards VET.

The discussion paper asserts “Market information has been an issue in tertiary education for at least a decade” (p. 103). While comparable market information continues to be an issue for the VET sector, it is no longer a barrier for students who may be considering applying to higher education institutions.

There has been significant investment by the Commonwealth into information transparency and the national student experience survey program through the Quality Indicators for Learning and Teaching (QILT). Thus, the higher education sector already has a single platform for information in place in the QILT portal. The portal is widely used and comprehensive, including all 97 providers which deliver undergraduate courses located throughout Australia.

ACU understands that the Commonwealth has plans to add further information to the portal, including earnings data from the Australian Taxation Office. Other information, including course costs, completion times and admissions data are published on higher education providers’ websites, as required under new admissions transparency requirements for the higher education sector.

There is, therefore, no demonstrable need or benefit to be gained from revisiting the structural transparency improvements that are well advanced in the higher education sector. Feedback, however, could be gathered from students on further information they may require, and their experiences in this regard, to enhance market information.

Further considerations that need to be taken into account with respect to the proposed single platform for the tertiary sector include the following:

1. Adding an estimated 5,000 VET providers to the proposed platform could cause massive confusion for students. Nevertheless, it may be beneficial for VET students to be able to meaningfully compare institutions in a similar manner to how individuals can compare universities through QILT. This would require a nationally consistent student experience and employer survey program for the VET sector. Dedicated funding for such an initiative would also need to be secured.
2. The best information available on course offerings and what can be expected from the student experience is the information provided by the institution itself. Requirements under both ASQA and TEQSA demand a good standard of information reporting. In addition to this, prospective students have access to several other sources of data to compare institutions, such as university rankings, QILT, and information made available by TEQSA.
3. A single portal combining all tertiary education would provide limited benefits for users looking for specific information about institutions and courses.
4. It is conceivable that some VET providers may find it difficult to compete on the proposed platform. While particularly beneficial for dual sector universities, heightened competition could potentially create greater market fragmentation rather than wholesale benefits for VET providers. Smaller VET providers could particularly struggle to compete without significant differentiation in quality.
5. Participation in national survey programs and equivalent information transparency requirements comes at an administrative cost to institutions which some providers (particularly smaller providers) may be unable to carry. The collection and provision of new data sets would have the largest impact on small to medium sized VET providers who are not currently participating in a national comparison program (whereas, in the university sector, all Australian universities participate in the QILT, in addition to a range of other national and international benchmarking platforms and rankings programs).

## **Funding the Proposed New Tertiary Education Funding System**

The BCA proposes financing the new tertiary education funding system within the current funding envelope of the higher education and VET sectors. There would be “no cost-shifting” and all governments would maintain their current funding levels for a minimum of ten years, with a review at five years.

It is unlikely that the new system could be adequately resourced within the current funding envelope for both sectors, as it builds upon, rather than simplifies, the existing regulatory structures. This is especially concerning in a budgetary and policy environment that has seen the Federal Government pursue significant cuts to higher education funding. The university sector cannot shoulder further funding cuts.

An underfunded system runs the risk of severely damaging the quality and accessibility of tertiary education (both higher education and VET) across Australia. This would have longer-term implications for the economy and Australia’s international competitiveness.

In addition to maintaining funding for higher education and VET, there would be additional, and sizeable, cost burdens accompanying the BCA’s proposed new system, including:

- Establishing and maintaining the proposed new ‘tertiary system funding and market information’ institution and its operations. The institution’s proposed functions are extensive and include undertaking complex work such as sector and market costing exercises on an ongoing basis. If such work is not carried out competently due to inadequate resourcing it would have serious implications for the tertiary education system, educational quality and skills supply across the country.
- Meeting the costs of national and state coordination and oversight of the new funding system.
- Ensuring that government and tertiary providers can comply with additional administrative and reporting requirements under the new system.

The implications of an inadequately funded tertiary education system are far-reaching, and major impacts are likely to include:

*Restricted access to tertiary education*, especially in the higher education sector, where universities are already facing the consequences of significant cuts to core university funding. To illustrate, on the latest estimates, almost 10,000 higher education student places will be unfunded in 2018 due to recent cuts to critical university funding.<sup>1</sup>

*An adverse impact on equity in higher education*. The introduction in 2012 of the demand driven system (DDS) of funding has played a significant role in increasing access to higher education. The DDS has been highly effective in widening participation across all equity and socioeconomic groups, fostering competition and innovation amongst universities, and facilitating a university sector that is responsive to industry and national skills needs. While the DDS has been gravely imperilled by the Federal Government’s December 2017 changes to university funding, any further systemic reforms that leave the sector inadequately resourced would further undermine and diminish the progress that has been made to date under the DDS.

*Adverse impacts on educational quality*, with longer-term implications for individuals and the economy. Underfunding of tertiary education would force institutions to engage in cost-cutting exercises that are likely to negatively affect students’ educational experiences and outcomes. For instance, for the higher education sector, inadequate funding could force universities to make cuts across significant areas such

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<sup>1</sup> Universities Australia, ‘Almost 10,000 Student Places Unfunded as Uni Offers Go Out’ (17 January 2018). Accessible via <https://www.universitiesaustralia.edu.au/Media-and-Events/media-releases/Almost-10-000-student-places-unfunded-as-uni-offers-go-out#.Wm6jXa6WaUk>

as: 1) staffing and teaching-related activities; and 2) student support programs that build the academic skills and success rates of students, including those from disadvantaged groups, which are costly to deliver. Ultimately, failure to adequately fund higher education is likely to impact on the quality and international competitiveness of Australia's higher education system into the future.

*Shifting more of the cost burden of tertiary education to students.* If the BCA's proposed new system is to be funded from within the existing VET and higher education public funding envelopes, there is a high risk that the additional costs of the new system could be passed on to students. This could place undue financial burden on some students, and damage participation rates and student outcomes in the longer-term. Notably, the BCA also proposes requiring all learners to pay a minimum charge up-front. While the discussion paper notes this charge would be administered 'subject to capacity to pay', it is unclear what the determining criteria would be in this respect.

## **Research**

The BCA discussion paper indicates that research funding would 'sit outside the tertiary system' and as a responsibility of the Commonwealth.

The implications of the BCA proposal for university research and research training more broadly in Australia are unclear and there is a risk that research could suffer, if not adequately accommodated in the tertiary funding system. This would be counter to the objectives of a high quality higher education system and the wider national interest.

The existing Commonwealth Grants Scheme (CGS) appropriately recognises the interdependence between teaching, learning and research in higher education. This funding structure should be maintained.

The teaching, learning and research functions of universities work in a complementary manner to support students, foster scholarship and enquiry-based learning, and build workforce capacity. Universities, through their research activities, afford students the opportunity to be taught by the brightest minds and expert authorities in their areas of study. While not every student in every field will always be directly taught by these active researchers, involvement in and exposure to a scholarly community has flow-on benefits to university teaching and learning.

This fundamental feature and function of the CGS was recognised by the 2011 Base Funding Review<sup>2</sup>, and more recently in the 2016 *Cost of Delivery of Higher Education* report by Deloitte Access Economics,<sup>3</sup> which acknowledged the role of base funding to provide for some cross-subsidisation of research. This funding structure and balance must be maintained in any reforms. These costs are not always easily reflected or apportioned in costings studies focused on narrow conceptions of teaching and course delivery costs.

## **Quality and Strength of Australian Higher Education**

ACU endorses the comments by UA in its submission to the present consultation, particularly those affirming the quality and international competitiveness of Australia's university sector and correcting misconceptions with respect to public return on tertiary education investment.

Australian universities are highly efficient by global standards, well regulated, and produce high quality graduates. Furthermore, universities are demonstrably responsive to national economic and skills needs.

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<sup>2</sup> See Lomax-Smith, J., Watson, L., and Webster, B., *Higher Education Base Funding Review – Final Report* (October 2011), at 12; 82-83.

<sup>3</sup> Deloitte Access Economics, *Cost of Delivery of Higher Education – Australian Government Department of Education and Training Final Report: December 2016* (2016), at 39.

This is borne out in the latest employer satisfaction survey report for the sector, which found that “employers remain highly satisfied with graduates from Australia’s higher education system.”<sup>4</sup> Significantly, 93 per cent of supervisors reported that graduates’ qualifications prepared them “well” or “very well” for their current employment; and there are high rates of satisfaction with graduate’s adaptive, collaborative, technical, and employability skills (ranging from 85-93 per cent satisfaction). The report stated:

Overall, there appears to be a strong relationship between skills and knowledge acquired by higher education graduates and the requirements of their jobs after graduation. This result affirms the value of higher education qualifications for employment.<sup>5</sup>

If business believes there are inefficiencies or particular improvements that could be made in preparing graduates for the workforce, it can take steps to create market demand for what it seeks from the tertiary education system and, in this way, make itself part of the solution. Business has the ultimate purchasing power in respect of the tertiary education sector’s graduates and should be encouraged to work with providers to ensure responsiveness to its skills requirements.

### **Final Observations and Concluding Remarks**

Further to the issues raised above, ACU is concerned about the lack of detail or clarity around the proposed methodology to determine the level of government subsidy for courses. This is a crucial element of the BCA proposal and is not adequately explained in the discussion paper.

The discussion paper also canvasses the notion of ‘user constructed qualifications’; however there is little information on this proposal. In this regard, work would need to be undertaken with respect to quality assurance and to ensure that academic rigour are balanced with work experience and workforce skills requirements.

Finally, ACU reiterates that it is imperative that any reforms to tertiary education do not have an adverse impact on what is a strong, responsive and well-regulated higher education sector. Reforms designed to address issues in the VET sector, especially around standards, should not be at the expense of Australia’s highly effective and globally competitive university sector.

ACU would encourage the BCA to work closely with the university sector to further inform and develop its policy proposals for the tertiary education sector, with a view to promoting a policy environment that supports adequate resourcing of tertiary education (both higher education and VET) into the future.

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<sup>4</sup> QILT, *2017 Employer Satisfaction Survey: National Report* (December 2017), at ii.

<sup>5</sup> *Ibid*, at v.