



Australian Government

# Review of Australian Higher Education

## Final Report



December 2008

### **Expert Panel**

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The Hon Julia Gillard MP  
Deputy Prime Minister and Minister for Education  
Parliament House  
Canberra ACT 2600

12 December 2008

Dear Minister

On 13 March 2008 you initiated a Review of Australian Higher Education to examine and report on the future direction of the higher education sector, its fitness for purpose in meeting the needs of the Australian community and economy and the options for reform.

On behalf of the Review Panel, I am pleased to forward our *Final Report*.

The review process covered many months during which the panel held national consultations, met with a range of stakeholders, and received some 450 formal responses and submissions.

We have been heartened by the care and thought with which a broad cross-section of the Australian community has addressed this review and its terms of reference. Hundreds of individuals, organisations and institutions have given much time and thought to outline their vision for tertiary education till 2020.

While views about solutions have varied, there is no doubt that those with whom we have consulted, or from whom we have heard, consider that this is an issue of critical importance for Australia's future as a productive, fair and democratic country. All are driven by the same vision: we must create an outstanding, internationally competitive tertiary education system to meet Australia's future needs and we must act now if we are to remain competitive with those countries that have already undertaken significant reform and investment.

I would like to express my gratitude to my colleagues on the panel – Mr Peter Noonan, Dr Helen Nugent AO and Mr Bill Scales AO – and to the secretariat, in particular Ms Anne Baly who led the group. We have all been conscious of the importance of producing a comprehensive response to our terms of reference which would allow you and your government time to consider the changes you wish to make to the policy framework for tertiary education in 2010.

Yours sincerely

A handwritten signature in black ink that reads 'Denise Bradley'.

Professor Denise Bradley, AC



# Executive Summary

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Australia faces a critical moment in the history of higher education. There is an international consensus that the reach, quality and performance of a nation's higher education system will be key determinants of its economic and social progress. If we are to maintain our high standard of living, underpinned by a robust democracy and a civil and just society, we need an outstanding, internationally competitive higher education system.

As the world becomes more interconnected and global markets for skills and innovation develop even further, it will be crucial for Australia to have enough highly skilled people able to adapt to the uncertainties of a rapidly changing future. Higher education will clearly be a major contributor to the development of a skilled workforce but, as never before, we must address the rights of all citizens to share in its benefits. Higher education will continue to be a cornerstone of our legal, economic, social and cultural institutions and it lies at the heart of Australia's research and innovation system.

The review was established to address the question of whether this critical sector of education is structured, organised and financed to position Australia to compete effectively in the new globalised economy. The panel has concluded that, while the system has great strengths, it faces significant, emerging threats which require decisive action. To address these, major reforms are recommended to the financing and regulatory frameworks for higher education.

Higher education has changed dramatically over the last 30 years or so. It once comprised a small number of publicly-funded institutions. This is no longer the case. There are now 37 public universities, two private universities and 150 or so other providers of higher education. The public universities derive significant proportions of their income from non-government sources and some private providers receive government subsidies. The public-private divide is no longer a sensible distinction.

## *The Challenges for Australia*

Australia is falling behind other countries in performance and investment in higher education. Developed and developing countries alike accept there are strong links between their productivity and the proportion of the population with high-level skills. These countries have concluded that they must invest not only to encourage a major increase in the numbers of the population with degree-level qualifications but also to improve the quality of graduates.

Australia is losing ground. Within the OECD we are now 9<sup>th</sup> out of 30 in the proportion of our population aged 25 to 34 years with such qualifications, down from 7<sup>th</sup> a decade ago. Twenty nine per cent of our 25- to 34-year-olds have degree-level qualifications but in other OECD countries targets of up to 50 per cent have already been set. These policy decisions elsewhere place us at a great competitive disadvantage unless immediate action is taken.

The nation will need more well-qualified people if it is to anticipate and meet the demands of a rapidly moving global economy. Work by Access Economics predicts that from 2010 the supply of people with undergraduate qualifications will not keep up with demand. To increase the numbers participating we must also look to members of groups currently under-represented within the system, that is, those disadvantaged by the circumstances of their birth: Indigenous people, people with low socio-economic status, and those from regional and remote areas.

Participation by these groups has been static or falling over the last decade. But we will also need to take account of what is happening among those already in the workforce. We need to turn the rhetoric of lifelong learning into a reality. A well-coordinated, systematic approach to addressing these complex issues and increasing the numbers gaining qualifications is vital.

We also face difficulties with provision of higher education in regional areas where there are thin markets which will not sustain a viable higher education presence. These problems will be exacerbated by projections of further decreases in the 15- to 24-year age group in many regional areas. Current arrangements provide no clear incentives to set up education programs in areas of need nor to work collaboratively with other providers to address problems of provision, and they mask signals that provision in some areas may need review. It is in regional areas that some of the difficulties, blockages and inefficiencies which derive from the structures of tertiary provision in our federal system are most evident.

Twenty years ago Australia was one of the first countries to restructure to enable wider participation in higher education. The results of those changes made it a leader internationally in the movement from elite to mass systems. With the increase in numbers has come much greater diversity in the student body. Full-time students straight from school studying on campus are now a minority in many institutions. There was concern at the time about the possible effects of this restructure and a range of measures was introduced to monitor and assure quality of the new system. There are now clear signs that the quality of the educational experience is declining; the established mechanisms for assuring quality nationally need updating; and student-to-staff ratios are unacceptably high.

Our educational institutions and, in particular, our universities have built Australia's third-largest export industry – in education services – in the last two decades. A quarter of our higher education students are from other countries and they make an enormous contribution to our economy, our relationships with the region and our demand for graduates. However, their concentration in a relatively narrow range of subject fields, in levels of study and by country of origin poses significant challenges both to institutions and to the long-term viability of the industry. As well, we are not making the most of all the opportunities they present to be ambassadors for Australia and to be part of the solution to some of our more intractable problems in renewal of the academic and research workforce.

Our universities lie at the heart of the national strategy for research and innovation – itself a critical foundation of our response to a globalised world. There is abundant evidence that government provision of funds for underlying infrastructure to support research in universities is very significantly below the real costs. This is leading to a pattern of quite unacceptable levels of cross-subsidy from funds for teaching, adversely affecting the quality of the student experience.

Analysis of our current performance points to an urgent need for both structural reforms and significant additional investment. In 2020 Australia will not be where we aspire to be – in the top group of OECD countries in terms of participation and performance – unless we act, and act now.

## *The way forward*

We must increase the proportion of the population which has attained a higher education qualification. To do this we need to reach agreement on where we need to be; provide sufficient funds to support the numbers we agree should be participating; ensure that the benefits of higher education are genuinely available to all; establish arrangements which will assure us that the education provided is of high quality; and be confident that the national governance structures we have in place will assist us to meet these goals.

Briefly, the panel recommends a package of reforms which if adopted will achieve the following outcomes:

### **Targets**

- national targets for attainment of degree qualifications and for participation of low socio-economic status students will be set and institution-specific targets for participation and performance established and monitored;
- targets will be set to enable national benchmarking against other OECD countries to track system quality and performance;

### **Students**

- all qualified students will receive an entitlement for a Commonwealth subsidised higher education place;
- students will have a choice of where to study at recognised institutions;
- funding will follow the student;
- institutions will have freedom to enrol as many students as they wish;
- funding for teaching will be increased;
- funding for low socio-economic status students will be significantly increased;
- funding for provision in regional and rural areas will be increased;
- levels of student financial support will be increased and eligibility made fairer based on need;

### **Institutions**

- all higher education institutions, including universities, will be accredited;
- criteria for the title of university and for the right to offer research degrees will be tightened;
- a proportion of the funds allocated to institutions will be allocated on the basis of performance against specific targets for teaching and equity;
- funds for research will be increased to more fairly reflect costs;
- funds will be made available to assist institutions to make structural changes;

### **The national framework**

- accountability will be simplified and streamlined to allow each institution to play to its strengths;
- the Australian Government will assume the primary funding and overall regulatory responsibility for tertiary education;
- the Australian Government will establish an independent national tertiary education regulatory body; and

- the Australian Government will progressively extend the tertiary entitlement to the vocational education and training (VET) sector commencing with higher level VET qualifications.

Some of the broader implications of this approach are outlined below.

## *Targets*

An agreed target for the proportion of the population that has attained a higher education qualification by 2020 will provide a focus for action. There is already a target set by the Council of Australian Governments to halve the proportion of Australians aged 20- to 64-years without a certificate level III qualification by 2020. The target proposed for higher education is that 40 per cent of 25- to 34-year-olds will have attained at least a bachelor-level qualification by 2020. This will be quite testing for Australia as current attainment is 29 per cent.

Another important target is one to ensure that those from disadvantaged backgrounds aspire to and are able to participate in higher education. By 2020, 20 per cent of undergraduate enrolments in higher education should be students from low socio-economic backgrounds.

### **Meeting the targets – a student entitlement**

In order to meet these targets the panel considers a more deregulated system is necessary. It proposes that, in a staged process, access to Commonwealth funds be made available to a wider range of eligible providers. But these funds will follow the student, not be allocated to the institution. All qualified individuals will have an entitlement to undertake an undergraduate qualification unlimited in duration or value. This is consistent with the need to broaden the base of higher education qualifications in the population and the need for skills upgrading over the life cycle.

Such a system allows institutions flexibility to decide the courses they will offer and the number of students they will admit. This, combined with an entitlement for all qualified students, is the most responsive and appropriate policy option in circumstances where we must raise participation urgently and do so from among groups which have traditionally failed to participate.

To support the achievement of the target to increase the proportion of students from disadvantaged groups to 20 per cent by 2020, 4 per cent of all funds for teaching will be directed to outreach and retention initiatives. All institutions in receipt of Commonwealth funds for teaching will be expected to establish initiatives to increase both the enrolment of, and success of, students from disadvantaged backgrounds. Part of this allocation will be directed to the support of outreach activities in communities with poor higher education participation rates. In partnership with schools and other education providers, higher education institutions will work to raise aspirations as well as provide academic mentoring and support. The bulk of the allocation will be distributed to institutions on the basis of their success in enrolling and graduating students from low socio-economic backgrounds.

### **Higher education provision in regional and remote Australia**

Provision of higher education in regional areas needs serious attention to increase participation. After a process of review of current patterns of provision, an additional allocation of \$80 million per year to develop innovative, collaborative, local solutions to provision of higher education in regional and remote areas is recommended. As well, serious consideration should be given to the development of a university with special expertise in provision of higher education across regional and remote Australia.

### **Third phase of internationalisation**

Education services are now Australia's third-largest export industry. The efforts of higher education providers underpin 60 per cent of the earnings from this industry. It is time to rethink the underlying industry strategy and restructure the way it is governed and supported by government. The panel recommends establishment of a whole-of-government approach, in partnership with the providers in the industry and the movement of regulation of the industry to an independent body.

### **Achieving and assuring high-quality provision – investing in the future**

Australia is the only OECD country where the public contribution to higher education remained at the same level in 2005 as it had been in 1995. Over that time the private contribution increased significantly. A significant increase in public investment and funding for higher education is warranted. An increase of 10 per cent to the base grants from the Commonwealth for teaching will begin to reduce student-to-staff ratios to a more reasonable level and have some effect upon casualisation of the academic workforce. Such changes will have an effect upon the quality of provision and, thus, on the student experience.

There is no general case to increase the investment in Australia's higher education system by increasing the private, student contribution.

At the same time, both a more appropriate rate of indexation and regular triennial review of the adequacy of funding for higher education are required to ensure that the country's efforts in this area remain competitive internationally over time.

As well, more appropriate funds to support the indirect costs of research – a move from 22 cents to 50 cents in the dollar – will benefit not just the research enterprise but should also redirect resources to teaching. There is evidence of substantial cross-subsidy to research from funds for teaching domestic and international students.

### **Financial support for students**

Current levels of income support are inadequate to support the participation and success of students from low socio-economic backgrounds. Reforms to, and better targeting of, income support should enable such students to attain better qualifications in a more timely fashion and are urgently required. This will require significant reforms to elements of Australia's welfare and income support system.

### **Strengthening accreditation and quality assurance – a national approach**

The more demand-driven, student-entitlement system will require a greater focus on accreditation, quality assurance, evaluation of standards and use of outcomes measures. Placing more choice in the hands of students requires a different approach to quality assurance and accreditation. A national system for accreditation of all higher education providers – both public and private – on a regular cycle is necessary to assure the quality of the deregulated system. More rigorous application of revised and strengthened National Protocols for Higher Education Approval Processes, coupled with a quality assurance framework based on externally validated standards and rigorous measures of performance reported publicly will ensure careful oversight of this more flexible system. An independent, national regulatory agency, with responsibility for all aspects of regulation including that for international students is necessary.

As part of this new approach to quality assurance, targets relating to quality of teaching will be agreed with each higher education provider in receipt of Commonwealth Government funds. Some 2.5 per cent of the grant for teaching and learning annually will be quarantined for payment on achievement of these targets.

### **Addressing Australia's looming shortage of academics**

Greater incentives and more support for high performing international students to undertake research degrees in Australia and more places and better support for domestic research degree students will assist us to deal with a looming shortage of academics and researchers. This is necessary to ensure we have enough well-qualified staff to manage the proposed increases in participation and to maintain the stock of researchers in the innovation system.

### **Changing structures**

The institutional arrangements governing tertiary education need significant reform. Tertiary qualifications are offered in two sectors with what have been, historically, very different roles and approaches to educational provision. But the move to a mass higher education system together with the growth of a credentials-driven employment environment has seen a blurring of the boundaries between the two sectors. However, each still has a critical role to play in meeting Australia's future skills needs. While it is important to maintain the integrity of the VET system and its provision of distinct qualifications in which the content is strongly driven by the advice of industry, the time has come for a more coherent approach to tertiary educational provision.

If we are to meet the ambitious tertiary participation targets necessary for Australia to remain internationally competitive, a more holistic approach to planning and provision is vital. What is needed is a continuum of tertiary skills provision primarily funded by a single level of government and nationally regulated rather than two sectors configured as at present. Such a model would deliver skills development in ways that are efficient and fit for purpose to meet the needs of both individuals and the economy.

Responsibility for the funding and regulation of the tertiary education and training system should rest with the Australian Government and the independent regulatory agency should consolidate all regulatory functions across this tertiary system.

### **Conclusion**

The measures supported in this report are designed to reshape the higher education system to assist Australia to adapt to the challenges that it will inevitably face in the future. However, because the world is in a period of rapid and unpredictable change, it is not clear if they will be sufficient to enable the higher education system to meet these challenges adequately.

Because other countries have already moved to address participation and investment in tertiary education, as a means of assisting them to remain internationally competitive, the recommendations in this report, if fully implemented, are likely to do no more than maintain the relative international performance and position of the Australian higher education sector.

Australia's higher education sector is losing ground against a number of its competitor countries on a range of indicators. Greater recognition is needed in government and among members of the Australian community about the need to enhance our competitive position.

For Australia to improve its relative performance against other nations, additional, ongoing and significant public investment in higher education will be required.

A set of public performance indicators to allow assessment of how well the Australian tertiary education system is performing against other countries would assist public understanding of where we are internationally. The OECD countries whose systems are of the best quality and with highest performance are the appropriate reference point for Australia.

Such an initiative would also make it less likely that Australia would fall far behind other countries. It would keep this major issue of maintaining the real wealth of the nation – the capacity of its people – permanently on the public agenda.

# Recommendations

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## Recommendation 1

That the Australian Government adopt the vision, strategic goals and principles for the higher education system set out in this report. (*Chapter 1*)

## Recommendation 2

That the Australian Government set a national target of at least 40 per cent of 25- to 34-year-olds having attained a qualification at bachelor level or above by 2020. (*Chapter 3.1*)

## Recommendation 3

That the Australian Government commission work on the measurement of the socio-economic status of students in higher education with a view to moving from the current postcode methodology to one based on the individual circumstances of each student. (*Chapter 3.2*)

## Recommendation 4

That the Australian Government set a national target that, by 2020, 20 per cent of higher education enrolments at undergraduate level are people from low socio-economic status backgrounds. (*Chapter 3.2*)

## Recommendation 5

That the Australian Government introduce the following package of reforms to the student income support system. (*Chapter 3.3*)

Item	Nature of the reform
Parental Income Test threshold	Increase threshold for Parental Income Test to \$42,559, consistent with the value used for the Family Tax Benefit.
Parental Income Test indexation	Change the indexation rate to be consistent with the Family Tax Benefit index, a combination of CPI and Male Total Average Weekly Earnings (MTAWE).
Parental Income Test taper rate	Change the taper rate for reduction in benefits for each child in the family on income support benefits to 20 per cent.  Apply the new taper rate only once as is the case for the Family Tax Benefit rather than for every child in the family receiving benefits.
Personal Income Test threshold	Increase the personal income threshold for Youth Allowance and Austudy to \$400 per fortnight.
Personal Income Test indexation	Change the indexation of the personal income threshold from zero to a wage basis (for example, Male Total Average Weekly Earnings).
Age of independence	Reduce the age of independence for Austudy from 25 to 22 years.
Change to eligibility conditions for independence	Remove the workforce participation criteria for independence of:  (a) working part-time for at least 15 hours per week for at least 2 years; and  (b) earning a specified amount in an 18-month period since leaving school.  Introduce 'grandfathering' arrangements for existing students who have already satisfied these criteria for independence.

Item	Nature of the reform
Eligibility of masters coursework students	Extend eligibility for benefits to students enrolled in all masters by coursework programs.
Enhance the Commonwealth Scholarships program	Continue and enhance the Commonwealth Scholarships program by providing benefits to all eligible students on Austudy or Youth Allowance for education costs and accommodation costs (for those who need to leave home) and by transferring responsibility for the payment of benefits to Centrelink.

### Recommendation 6

That the Australian Government undertake a regular process of triennial review of the income support system to assess the overall effectiveness of the support payments in reducing financial barriers to participation of students in need. (*Chapter 3.3*)

### Recommendation 7

That the Australian Government require all accredited higher education providers to administer the Graduate Destination Survey, Course Experience Questionnaire and the Australasian Survey of Student Engagement from 2009 and report annually on the findings. (*Chapter 3.4*)

### Recommendation 8

That the Australian Government increase the total funding allocation for the Research Infrastructure Block Grants program by about \$300 million per year. This represents an increase from about 20 cents to 50 cents in the dollar for each dollar provided through competitive grants. (*Chapter 3.5*)

### Recommendation 9

That the Australian Government commission research into future demand for, and supply of, people with higher degree by research qualifications and that it increase the number of Research Training Scheme places on the basis of the findings of the research. (*Chapter 3.5*)

### Recommendation 10

That the Australian Government increase the value of Australian Postgraduate Awards to \$25,000 per year and increase the length of support to four years, as recommended by the National Innovation Review, to provide greater incentives for high-achieving graduates to consider a research career. (*Chapter 3.5*)

### Recommendation 11

That the regulatory and other functions of Australian Education International be separated, with the regulatory functions becoming the responsibility of an independent national regulatory body. (*Chapter 3.6*)

### Recommendation 12

That the industry development responsibilities of Australian Education International be revised and be undertaken by an independent agency which is accountable to Commonwealth and state and territory governments and education providers. (*Chapter 3.6*)

### Recommendation 13

That the Australian Government provide up to 1,000 tuition subsidy scholarships per year for international students in higher degree by research programs targeted to areas of skills shortage. The scholarships would give the recipients the benefit of being enrolled on the same basis as domestic students. (*Chapter 3.6*)

### **Recommendation 14**

That higher education providers use a proportion of their international student income to match the Australian Government tuition scholarships by providing financial assistance for living expenses for international students in higher degrees by research. (*Chapter 3.6*)

### **Recommendation 15**

That the Australian Government liaise with states and territories to ensure consistent policies for school-fee waivers for the dependants of international research students in government-subsidised places and examine its visa arrangements to improve the conditions for spouse work visas. (*Chapter 3.6*)

### **Recommendation 16**

That, after further consideration of current problems with regional provision, the Australian Government provide an additional \$80 million per year from 2012 in funding for sustainable higher education provision in regional areas to replace the existing regional loading. This should include funding to develop innovative local solutions through a range of flexible and collaborative delivery arrangements in partnership with other providers such as TAFE. (*Chapter 3.7*)

### **Recommendation 17**

That the Australian Government commission a study to examine the feasibility of a new national university for regional areas and, if the study indicates that a new national regional university is feasible, the Australian Government provide appropriate funding for its establishment and operation. (*Chapter 3.7*)

### **Recommendation 18**

That the Australian Government initiate a process with key stakeholders to determine the needs of outer metropolitan and regional areas for higher education and the best ways to respond to those needs. (*Chapter 3.7*)

### **Recommendation 19**

That the Australian Government adopt a framework for higher education accreditation, quality assurance and regulation featuring:

- accreditation of all providers based on their capacity to deliver on core requirements including:
  - an Australian Qualifications Framework with enhanced architecture and updated and more coherent descriptors of learning outcomes;
  - strengthened requirements for universities to carry out research in the fields in which they teach so that they can contribute fully to the knowledge economy and produce graduates who embody the distinctive value of teaching that is informed by research;
  - new quality assurance arrangements involving the development of standards and implementation of a transparent process for assuring the quality of learning outcomes across all providers of higher education; and
- an independent national regulatory body responsible for regulating all types of tertiary education. In the higher education sector it would:
  - accredit new providers including new universities;

- periodically reaccredit all providers including the existing universities on a cycle of up to 10 years depending on an assessment of risk;
- carry out quality audits of all providers focused on the institution's academic standards and the processes for setting, monitoring and maintaining them. This would include auditing the adoption of outcomes and standards-based arrangements for assuring the quality of higher education;
- register and audit providers for the purpose of legislation protecting overseas students studying in Australia and assuring the quality of their education;
- provide advice to government on higher education issues referred to it or on its own initiative; and
- supervise price capping arrangements in courses offered only on a full-fee basis where public subsidies do not apply. (*Chapter 4.1*)

### Recommendation 20

That the Australian Government establish by 2010, after consultation with the states and territories, a national regulatory body to be responsible for:

- accrediting and reaccrediting all providers of higher education and accrediting their courses where the provider is not authorised to do so;
- conducting regular quality audits of higher education providers;
- providing advice on quality, effectiveness and efficiency; and
- registering and auditing providers for the purposes of the *Education Services for Overseas Students (ESOS) Act 2000*. (*Chapter 4.1*)

### Recommendation 21

That the Australian Government, after consultation with the states and territories, revise the processes for higher education accreditation and audit to provide for:

- periodic reaccreditation of all higher education providers on a cycle of up to 10 years by a national regulatory body with the authority to impose conditions on reaccreditation, to require follow-up action or to remove a provider's right to operate if necessary; and
- a shorter-cycle quality audit focused on their academic standards and processes for setting, monitoring and maintaining them with the results to be publicly released and a process for follow-up on action required. (*Chapter 4.1*)

### Recommendation 22

That the Australian Government, after consultation with the states and territories, develop more rigorous criteria for accrediting universities and other higher education providers based around strengthening the link between teaching and research as a defining characteristic of university accreditation and reaccreditation. In particular, universities should be required to:

- deliver higher education qualifications including research higher degrees in at least three broad fields of education initially and a larger number over time;
- undertake sufficient research in at least three broad fields initially and over time in all broad fields in which coursework degrees are offered; and
- undertake sufficient research in all narrow fields in which research higher degrees are offered. (*Chapter 4.1*)

### Recommendation 23

That the Australian Government commission and appropriately fund work on the development of new quality assurance arrangements for higher education as part of the new framework set out in Recommendation 19. This would involve:

- a set of indicators and instruments to directly assess and compare learning outcomes; and
- a set of formal statements of academic standards by discipline along with processes for applying those standards. (*Chapter 4.1*)

### Recommendation 24

That the Australian Government, in consultation with the states and territories, review the Australian Qualifications Framework to improve and clarify its structure and qualifications descriptors. Ongoing responsibility for a revised qualifications framework should rest with the national regulatory body. (*Chapter 4.1*)

### Recommendation 25

That the higher education financing system be designed around the following principles to:

- provide students with increased opportunities to decide for themselves what and where they will study through an entitlement;
- maintain the existing income contingent loans schemes that overcome up-front barriers to study;
- allocate government funding through an approach that is:
  - driven by student demand and so largely formula-based with fewer separate, small components of funding;
  - fair, transparent and as simple as possible to understand and administer while retaining the integrity of the policy framework;
- reward providers for performance against agreed outcomes by containing a component which is based on achievement of targets; and
- ensure that Australia remains competitive in the provision of higher education compared with other countries by:
  - providing adequate levels of funding for each of the core activities of teaching and research;
  - supporting growth in higher education participation as part of achieving attainment targets; and
  - preserving the real value of the government's public investment in the sector over time. (*Chapter 4.2*)

### Recommendation 26

That the Australian Government increase the base funding for teaching and learning in higher education by 10 per cent from 2010. (*Chapter 4.2*)

### Recommendation 27

That the Australian Government maintain the future value of increased base funding for higher education by an indexation formula that is based on 90 per cent of the Labour Price Index (Professional) plus the Consumer Price Index with weightings of 75 per cent and 25 per cent respectively. (*Chapter 4.2*)

### Recommendation 28

That the Australian Government commission an independent triennial review of the base funding levels for learning and teaching in higher education to ensure that funding levels remain internationally competitive and appropriate for the sector. (*Chapter 4.2*)

### Recommendation 29

That the Australian Government introduce a demand-driven entitlement system for domestic higher education students, in which recognised providers are free to enrol as many eligible students as they wish in eligible higher education courses and receive corresponding government subsidies for those students. The arrangements would:

- apply initially to undergraduate courses but then be extended to postgraduate coursework level courses subject to further work on the balance of public and private benefits at that level of study;
- apply initially only to public universities (Table A providers under the *Higher Education Support Act 2003*), but would be extended to other approved providers when new regulatory arrangements are in place;
- set no time or dollar limit on the value of the entitlement;
- allow eligible providers to set their own entry standards, and determine which, and how many, students to enrol;
- allow providers to change the mix of student load by discipline cluster in response to demand; and
- allow the government to exclude a course of study from the demand-driven system if it wished to regulate student or graduate numbers.

### Recommendation 30

That the Australian Government regularly review the effectiveness of measures to improve higher education access and outcomes for Indigenous people in consultation with the Indigenous Higher Education Advisory Council. (*Chapter 4.2*)

### Recommendation 31

That the Australian Government increase the funding for the access and participation of under-represented groups of students to a level equivalent to 4 per cent of the total grants for teaching. This would be allocated through a new program for outreach activities and a loading paid to institutions enrolling students from low socio-economic backgrounds. Funding for the Disability Support Program would be increased to \$20 million per year. (*Chapter 4.2*)

### Recommendation 32

That the Australian Government quarantine 2.5 per cent of the total government funding for teaching and learning for each provider to be allocated on the basis of achievement against a set of institutional performance targets which would be negotiated annually. (*Chapter 4.2*)

### Recommendation 33

That the Australian Government commission work on options for achieving a more rational and consistent sharing of costs between students and across discipline clusters in the context of triennial reviews of base funding for learning and teaching. (*Chapter 4.2*)

### Recommendation 34

That the Australian Government implement an approach to tuition fees in which maximum student contribution amounts (price caps) apply for any domestic undergraduate or coursework postgraduate students for whom the provider receives a public subsidy for their course. (*Chapter 4.2*)

### Recommendation 35

That the Australian Government implement an approach to tuition fees for domestic undergraduate students in which all providers are able to offer courses on a full-fee basis where public subsidies are not received for any students in that particular course. *(Chapter 4.2)*

### Recommendation 36

That the Australian Government:

- increase the maximum student contribution amount for nursing and education units of study for students commencing from 2010 to the band 1 rate; and
- encourage people to enrol and work in nursing and teaching by reducing HELP debts for graduates who work in those professions by \$1,500 per annum for each of five years, at the same time as their HELP repayment requirements are forgiven to an equivalent amount. *(Chapter 4.2)*

### Recommendation 37

That the Australian Government:

- increase the loan fee for FEE-HELP for fee-paying undergraduate students to 25 per cent; and
- remove the loan fee on OS-HELP loans to encourage more Australian students to undertake part of their studies overseas. *(Chapter 4.2)*

### Recommendation 38

That the Australian Government establish a new Structural Adjustment Fund amounting to about \$400 million in funding over a four-year period from 2009-10 to assist the sector to adapt to the reforms recommended in this report. *(Chapter 4.2)*

### Recommendation 39

That the Australian Government provide funds to match new philanthropic donations received in the sector as a means of stimulating an additional revenue stream from this source with the cost capped per institution, and in total at \$200 million over three years. *(Chapter 4.2)*

### Recommendation 40

That Australian Government legislation and guidelines contain clear and objective criteria for determining access to different types of funding and assistance for higher education.

These criteria should:

- reflect the public nature of the purposes for which funding is provided;
- ensure that funds for learning and teaching are directed only to institutions with the capacity to deliver courses of the requisite standard; and
- ensure that funds for research and research training are directed only to those higher education institutions which are accredited and have appropriately qualified and suitable researchers and the capability to achieve an acceptable return on public investment. *(Chapter 4.2)*

### Recommendation 41

That the Australian Government provide funds of \$130 million over four years towards the costs of implementing these reforms. *(Chapter 4.2)*

### Recommendation 42

That the Australian Government develop and implement an accountability framework for the new higher education funding system that is consistent with the broader funding, governance and regulatory framework. In particular it should:

- place primary accountability for performance with the provider's governing body;
- provide for accountability that is simple, clear and transparent where funding follows student demand;
- reflect negotiated targets in relation to performance-based funding; and
- ensure that accountability for other specific-purpose funding occurs under transparent guidelines and is administered through contracts in relation to each program.

*(Chapter 4.2)*

### Recommendation 43

That the Australian Government negotiate with the states and territories to expand the national regulatory and quality assurance agency (Recommendation 20) to cover the entire tertiary sector (including vocational education and training and higher education) and that the Australian Government assume full responsibility for the regulation of tertiary education and training in Australia by 2010. *(Chapter 4.3)*

### Recommendation 44

That the Australian Government negotiate with the states and territories to introduce a tertiary entitlement funding model across higher education and vocational education and training (VET) commencing with the upper levels of VET (diplomas and advanced diplomas) and progressing to the other levels as soon as practicable. *(Chapter 4.3)*

### Recommendation 45

That the Australian Government negotiate with the states and territories to extend income contingent loans to students enrolled in VET diplomas and advanced diplomas. *(Chapter 4.3)*

### Recommendation 46

That the Australian Government and the governments of the states and territories agree to:

- establish a single ministerial council with responsibility for all tertiary education and training;
- improve the scope and coordination of labour market intelligence so that it covers the whole tertiary sector and supports a more responsive and dynamic role for both vocational education and training and higher education; and
- expand the purpose and role of the National Centre for Vocational Education Research so that it covers the whole tertiary sector. *(Chapter 4.3)*

# Findings

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## Completion rates

Further work should be undertaken on the reasons why students fail to complete their studies. (Chapter 3.1)

## Admission and selection processes

There should be trials of alternative approaches to the selection of students which use a broader range of criteria, in addition to, or replacing tertiary entrance scores (TER) and which recognise structural disadvantage. (Chapter 3.2)

## Indigenous knowledge

Higher Education providers should ensure that the institutional culture, the cultural competence of staff and the nature of the curriculum recognises and supports the participation of Indigenous students. (Chapter 3.2)

Indigenous knowledge should be embedded into the curriculum to ensure that all students have an understanding of Indigenous culture. (Chapter 3.2)

## Public reporting of participation

The reporting, monitoring and accountability processes for the participation of under-represented groups should be strengthened. Information about institutional performance should be made public. (Chapter 3.2)

## International benchmarks of participation

The Department of Education, Employment and Workplace Relations should develop a set of benchmarks which provide comparable data with the United Kingdom, United States, Canada and other countries so that Australia's performance can be regularly compared with that of other developed nations.

The following table provides an indicative list of suggested targets for groups of students that are currently under-represented in the higher education system. (Chapter 3.2)

### Suggested targets for under-represented groups of students in higher education

Student group	Measure	Target
Low SES students	Access rate	20% based on current postcode methodology or representative of the population share for the new low SES measure developed
	Completion rate	At least 95% of the rate for high SES students.
Regional students	Access rate	Proportion of the population aged 15 to 64 years in this group as defined by the ARIA classification in the 2006 census
	Success rate	Same rates as for metropolitan students
	Retention rate	Same rates as for metropolitan students
	Completion rate	Same rates as for metropolitan students

Student group	Measure	Target
Remote students	Access rate	Proportion of the population aged 15 to 64 years in this group as defined by the ARIA classification in the 2006 census
	Success rate	Same rates as for metropolitan students
	Retention rate	At least 90% of that for metropolitan students
	Completion rate	At least 90% of that for metropolitan students
Indigenous students	Access rate	Proportion that the Indigenous population aged 15 to 64 years represents of the general population in this age group in the 2006 census
	Success rate	At least 95% of the rates for non-Indigenous students
	Retention rate	At least 90% of the rate for non-Indigenous students
	Completion rate	At least 90% of the rate for non-Indigenous students

### Income support payments

The level of income support benefits paid to eligible students should be considered in the context of the findings of the Harmer review of pensions. (*Chapter 3.3*)

### Indigenous scholarships

Indigenous scholarships should be kept separate from other types of Commonwealth Scholarships with the responsibility for the assessment and payment of these scholarships resting with individual higher education providers. The existing arrangements for Indigenous students who receive Indigenous Enabling Scholarships to be eligible for ordinary Commonwealth Scholarships should continue. Likewise, Indigenous staff scholarships should continue in their current form. (*Chapter 3.3*)

### Further changes to income support arrangements

Further work should be undertaken on the feasibility and impact on students of introducing a loans supplement scheme or using FEE-HELP as an instrument for income support. (*Chapter 3.3*)

### Student engagement

Comparative information about institutional performance on the Course Experience Questionnaire and the Australasian Survey of Student Engagement should be published on the Going to Uni website as well as broad details of actions taken by institutions to address issues identified through student feedback. (*Chapter 3.4*)

### The Australian Learning and Teaching Council

The Australian Learning and Teaching Council should continue to play a significant role in the further improvement of teaching and learning in higher education. There is no need for any major change to its mode of operation or focus. (*Chapter 3.4*)

### Governance arrangements for research

Policy on, and decisions about, the funding of research and research training in universities should be made jointly by the Minister for Innovation, Industry, Science and Research and the Minister for Education, Employment and Workplace Relations. (*Chapter 3.5*)

### Protections for international students

The Australian Government should commission, by 2012, an independent review of the implementation of the amendments made in 2007 to the *Education Services for Overseas Students Act 2000*. The review should also take account of developments in other countries. (Chapter 3.6)

### Measuring learning outcomes

Australia should participate in any program resulting from the OECD's Assessment of Higher Education Learning Outcomes if the feasibility study currently underway produces a workable model. (Chapter 4.1)

### Student data

Higher education providers should be required to provide annual data on student numbers and characteristics as a condition of their accreditation. (Chapter 4.1)

### Funding for postgraduate coursework

Commonwealth supported students in postgraduate coursework programs should continue to be funded at the same rate as those in undergraduate programs as there is insufficient evidence at this stage to justify a general, higher rate of funding. However, this should be kept under review in the proposed independent triennial reviews of funding for teaching to be commissioned by the Australian Government. In particular, institutions should be encouraged to develop better data on costs of delivery within a robust activity-based costing system before this issue is progressed. (Chapter 4.2)

### Funding for the creative arts

There are inconsistent arrangements for the funding of the creative arts across government portfolios and this should be considered as part of setting new funding rates by discipline. (Chapter 4.2)

### HELP schemes

The distribution of subsidies across the various HELP schemes should be periodically reviewed to ensure that they continue to meet the ongoing requirements of the higher education system and the government. (Chapter 4.2)

Further work should be undertaken on the options for collecting HELP repayments from students while they are living overseas. (Chapter 4.2)

### Funding for community engagement

A separate stream of funding should not be provided for community engagement or 'third stream' activities given that these activities are an integral part of an institution's teaching and research activities. The funding recommended in this report for support of teaching and research should be sufficient to sustain these activities without a separate stream of funding. (Chapter 4.2)

### Funding for infrastructure

The Education Investment Fund should be sufficient to meet the major infrastructure needs of the sector over the coming years, provided that the capital is not drawn down at a rapid rate (ie not quicker than 20 years). The Capital Development Pool should continue in its current form to assist in meeting the needs of institutions for more modest capital projects. Funding for ongoing maintenance should be the responsibility of individual institutions to manage within their general resources. (Chapter 4.2)

### Credit transfer

Vocational education and training and higher education providers should continue to enhance pathways for students through the development and implementation of common terminology and graded assessment in the upper levels of vocational education and training. (*Chapter 4.3*)



# 1. A long-term vision for higher education in Australia

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Australia is a wealthy nation, rich in natural resources and in the talents of its increasingly diverse population. Its democratic institutions, combined with a strong economy, have created the conditions for a just, creative and productive society.

However, none of the benefits that now flow to the Australian community from its past efforts or present endowments is guaranteed forever in an interconnected world where change is rapid and unpredictable. The current financial crisis highlights both the speed with which events elsewhere can affect our country and the force with which they can hit our institutions. Only citizens who are resilient, informed, adaptable and confident will manage the consequences of the new global economy with all its opportunities and threats. A strong education system designed to ensure genuine opportunity for all to reach their full potential and to continue to improve their knowledge and capacities throughout their lives will build such people.

During the process of consultation for this review, educators, business people, community members and state and regional governments have emphasised the critical importance of increasing the numbers of people who gain a higher education qualification and strengthening our higher education institutions. They argue that this will contribute to a more resilient society and economy. This view is consistent with what is happening elsewhere in both developed and developing countries.

It has been striking that, overwhelmingly, contributors to this review consider that the higher education sector is critical for our future. While there have been many suggestions about areas for improvement, the consensus has been that increased investment in education is essential. The general view, supported by comparison with costs in other countries, is that the current level of private contribution by individuals to obtain a higher education qualification is sufficient, but that a substantial increase in the level of public funding is required to strengthen the system.

But increases in public funding alone will not suffice to position Australia for the future. A streamlined system with clearer roles for the Australian and state and territory governments, greater and fairer choice, more effective regulation and greater flexibility of provision are needed. This requires urgent and substantial structural change. Small incremental adjustments and improvements are not enough if the system is to play its rightful part in meeting the nation's current and future challenges.

Before outlining a vision for higher education to 2020 there are three broad issues that need to be addressed. They are a national framework for tertiary education, an internationally competitive higher education system and Australia's long-term competitive position in tertiary education<sup>1</sup>.

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1 OECD defines tertiary education as programs at International Standard Classification of Education (ISCED) levels 5B, 5A and 6. Programs below ISCED level 5B are not considered tertiary level (OECD 2008). The OECD definition of tertiary education is used throughout this report.

## *Framework for tertiary provision*

This has been primarily a review of higher education<sup>2</sup>. However, inevitably given the terms of reference and the connections of higher education to other parts of the education and innovation system, the panel has made comments and recommendations about higher education's contribution to Australia's framework of tertiary provision and the framework itself. These are dealt with in Chapters 4.1 and 4.3.

Australia is a sparsely populated country that faces real challenges in ensuring equity of provision across vast distances. A complex and confusing system for governance of this critical area of policy is evident. Governments, statutory authorities and a range of advisory bodies are actively involved in controlling and advising on tertiary education provision. In today's complex world, the Australian tertiary education system needs clarity in relation to which level of government is accountable and has primary responsibility for funding and full responsibility for regulating tertiary education.

## *An internationally competitive higher education system*

Australia has developed an effective and efficient higher education system. A recent *University World News* analysis ranked the Australian system third in the world (Gerritsen 2008). This is a significant achievement and the result of bi-partisan support over the last 20 years for delivery of accessible, high-quality university education to as many citizens as possible.

Despite this, widespread concern exists within the sector that current arrangements are not sustainable or appropriate if the sector is to meet the challenges facing it now and into the future. While we have a higher education system of which Australians can be proud, not all institutions within the system are thriving.

Universities with historically acquired status and resources, supported by good governance, leadership and management, are likely to prosper under almost any set of arrangements and conditions. However, without additional public funding and support, some other institutions established more recently or located in regional or remote parts of Australia may struggle to fulfil all the expectations of what popularly constitutes a modern university.

During the process of this review, some have argued that there is a case for radical change to the structure of the higher education system in Australia. This debate has included specific and wide-ranging proposals to address the sustainability of institutions, to concentrate research investment and effort, to create greater diversity, to create new forms of institutions and to improve the interface with vocational education and training. Most of these would require government-driven or mandated restructuring of higher education.

The panel is not drawn to recommend a formal process to restructure higher education in line with any prescribed model. Such a process would be a prescription for increasing levels of government intervention in the affairs of institutions. Instead the panel's preference is to establish a national framework which allows progressive change in the structure of the sector to occur over time as institutions and governments respond to emerging trends in the environment. Such a framework should permit a diversity of approaches by institutions while also encouraging excellence, innovation and accountability. It should also encourage

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2 Higher education is defined in this report as Australian Qualifications Framework qualifications at associate degree and above and diplomas and advanced diplomas accredited in the higher education system.

institutions to both work together and compete with each other, while meeting the nation's needs for high-quality, tertiary-educated citizens.

### *Australia's long-term competitive position*

Consistent with its terms of reference, this review has concentrated on the immediate and medium-term challenges for the system as a whole. Implementation of the recommendations contained in this report will significantly strengthen the system in the short and medium term.

However, because other countries have already moved to address participation and investment in tertiary education, the recommendations in this report are likely to do no more than maintain the sector's relative international performance and position.

Australia is losing ground against a number of its competitor countries on a range of indicators. To go further, to build new economic and social arrangements which might allow us to exploit both our natural resources and the potential for innovation by Australia's people and institutions, then over the long term, substantially greater public support and funding will be required than recommended in this report. Other countries have already chosen to increase their investment in tertiary education so that their people can use their knowledge to help create national competitive advantage. Australia should make a similar choice.

Whatever approach is adopted, greater recognition is needed in government and within the community about the competitive position of the Australian tertiary education system. The panel urges government to develop a set of public performance indicators to allow assessment of how well the Australian tertiary education system is performing against other countries.

If the Australian Government publicly committed to ensuring that it stayed within the top group of Organisation for Economic Co-operation and Development (OECD) nations in relation to the quality and performance of its tertiary education system and developed transparent measures to track and report its achievement annually, greater clarity would exist in relation to the inevitable debates about what is the right level of public funding and what should be expected from this level of public funding. Such an initiative would also make it less likely that Australia would fall far behind other countries. It would keep this major issue of maintaining the real wealth of the nation – the capacity of its people – permanently on the public agenda.

## **1.1 Changes in the strategic context**

Since the mid-20<sup>th</sup> century, our higher education sector has demonstrated considerable resilience and a robust capacity to respond to major changes in the demands placed upon it. These include substantial changes in the governance and funding arrangements for the sector. Such changes include a move from state responsibility to the dominance of the Australian Government in terms of financial and policy responsibility; growth of non-university tertiary education provision; major changes in financing arrangements with the abolition of tuition fees in 1974 and the introduction of the Higher Education Contribution Scheme (HECS) in 1989; and the end of the binary system from 1988. This last change was accompanied by a massive expansion in the number of domestic and international students and a move towards greater reliance on non-Commonwealth Government sources of revenue. In the last decade, private higher education provision has grown and, more recently, some private higher education providers have received Commonwealth Government subsidised places.

The policy directions in higher education in Australia over the last two decades can be summarised as:

- increasing the percentage of the population participating in higher education;
- increasing the diversity of university income sources, including from international students;
- increasing the contribution by students to the costs of their education;
- improving productivity and efficiency in higher education;
- introducing competitive or performance-based funding; and
- diversifying higher education by government support for private provision.

In general, these significant changes in the sector's strategic directions have led to improvements in many aspects of higher education performance. Against this background, the higher education system has moved from an elite to a mass system, developed Australia's third-largest export industry and maintained its relative research performance.

However, conditions have changed as other countries have followed our lead, reforming and investing in this sector because they have accepted the nexus between tertiary education participation and productivity. This has led them to establish new structures, funding levels and regulatory regimes. This shift has been recognised by the OECD:

The widespread recognition that tertiary education is a major driver of economic competitiveness in an increasingly knowledge-driven global economy has made high quality tertiary education more important than ever before. The imperative for countries is to raise higher-level employment skills, to sustain a globally competitive research base and to improve knowledge dissemination to the benefit of society. (OECD 2008a, p.23)

As a consequence, our first-mover advantage which flowed from earlier reforms has now all but dissipated. It is, therefore, vital that Australia ensures it is not left behind, benchmarking its current and future performance against its past. Merely to stay competitive will require major changes in structures, funding and regulation.

Goals for tertiary education participation have been set. The Commonwealth, state and territory governments have agreed to work together to halve the proportion of Australians aged between 20 and 64 years without qualifications at the certificate III level and above between 2009 and 2020 – nearly 6.5 million people. This Review of Australian Higher Education is one of the activities underway to set the policy framework to address this target. The report which follows outlines how the Australian tertiary education system can meet our current and future higher education needs.

## **1.2 Vision and principles for higher education to 2020**

### *A vision for the future*

Despite unprecedented change in the role of universities and greater diversity in the composition of higher education providers, Australia needs a higher education sector that is responsive to unpredictable change on a global scale.

Education is at the core of any national agenda for social and economic change. Higher education with its twin functions of teaching and research will make a critical contribution to the nation's capacity to adapt and to shape the nature of social and economic change.

Higher education is the site for the production and transmission of new knowledge and for new applications of knowledge. It is here that the most highly skilled members of the workforce are educated and here too that the intellectual base for new knowledge-intensive industries is formed.

But higher education in a modern democracy does more than this. By deepening understanding of health and social issues, and by providing access to higher levels of learning to people from all backgrounds, it can enhance social inclusion and reduce social and economic disadvantage. By engaging with scholars from other countries and educating people from other countries, it helps create a nation confident and engaged both with its geographic region and the wider community of nations. By helping sustain and renew other institutions through its capacity to develop knowledge and skills, higher education acts as a cornerstone of the institutional framework of society.

At the same time, its traditional personal development role also remains critical and relevant. Higher education can transform the lives of individuals and through them their communities and the nation by engendering a love of learning for its own sake and a passion for intellectual discovery.

### *The functions of higher education*

The central place of higher education in modern Australia derives primarily from the traditional functions of universities in western countries. Universities must show evidence of internationally competitive performance against all aspects of the following functions.

- Developing and disseminating advanced-level knowledge and skills through teaching and scholarship:
  - to provide for self-fulfilment, personal development and the pursuit of knowledge as an end in itself;
  - to provide the skills of critical analysis and independent thought to support full participation in a civil society;
  - to prepare leaders for diverse, global environments; and
  - to support a highly productive and professional labour force.
- Generating new knowledge and developing new applications of knowledge:
  - by undertaking basic and applied research;
  - by developing high-level research skills; and
  - by exchanging and transferring knowledge and its applications with industry and society.

Through the exercise of these functions and related activities, the higher education system in modern Australia also makes essential contributions to:

- developing and maintaining a just, civil and sustainable society
  - by playing a key role in the development and maintenance of the nation's legal, economic, cultural and social institutions;

- by assisting to develop the capacity of Australia to function effectively in the community of nations and of individual Australians to be global citizens; and
- by helping develop and maintain regions and communities; and
- building the national economy.

The Australian higher education system is now comprised of more than universities. Other providers of higher education also play an important part in the system and they need to be judged against their ability to disseminate knowledge through teaching and learning and by the exercise of scholarship. However, unlike universities, they are not generally expected to engage in the generation of new knowledge.

### *Vision for 2020*

A vision for Australian higher education in 2020 is a system which:

- produces graduates with the knowledge, skills and understandings<sup>3</sup> for full participation in society as it anticipates and meets the needs of the Australian and international labour markets;
- provides opportunities for all capable people to participate to their full potential and supports them to do so;
- provides students with a stimulating and rewarding higher education experience;
- plays a pivotal role in the national research and innovation system through generation and dissemination of new knowledge and through the education, training and development of world-class researchers across a wide range of intellectual disciplines;
- engages in the global community through student and staff mobility and the exchange of knowledge and ideas;
- contributes to the understanding and development of Australia's social and cultural structures and its national and regional economies;
- engages effectively with other education and training sectors to provide a continuum of high-quality learning opportunities throughout an individual's life; and
- is in the top group of OECD countries in terms of participation and performance.

### *Strategic goals*

To ensure Australia's citizens can contribute to society and Australia can meet the complex challenges which the future brings, the goals for the higher education sector within the tertiary education system should be:

- A high-quality system comparable to the best in the OECD by 2020 in terms of success in learning outcomes
  - progressive increases in the level of public funding for higher education to position Australia in the top group of OECD countries in terms of total funding;
  - guaranteed access to higher education for all capable students with a national attainment rate target of 40 per cent of 25- to 34-year-olds by 2020;
  - an entitlement to a Commonwealth supported place for all domestic students

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3 In the Discussion Paper, a core function of contemporary higher education was identified as 'Developing high level knowledge and skills'. There is general agreement that there is a third component of educated performance which involves a broader element variously described as understandings, capability or attributes. This element permits the individual to think flexibly or act intelligently in situations which may not previously have been experienced. Often, value positions, including a commitment to lifelong learning or to responsible citizenship, or the insights derived from practical experience are seen to be components of this.

- accepted into an eligible, accredited higher education course at a recognised higher education provider; and
- a strengthened accreditation and quality assurance process to ensure that students receive the best possible education.
- A high-quality system comparable to the best in the OECD by 2020 in terms of national research performance
  - sufficient public funding for universities to carry out research and knowledge diffusion activities to ensure that, together with funds from industry sources, Australia’s investment in university research and knowledge diffusion is in the top group of OECD countries by 2020.
- A national system of higher education which supports access for all those who are capable
  - better financial support for students to ensure they have the time and resources to devote to their studies; and
  - better support for institutions to assist students from a wide range of backgrounds, particularly Indigenous students, students from low socio-economic backgrounds and those from regional and remote areas.
- A national system of higher education which is sustainable over time but dynamic at an institutional level
  - a diverse sector which enables institutions to play to their strengths;
  - a funding system which is driven by demand from students and promotes competition and choice for students;
  - more efficient regulation of the sector between the Australian Government and the states and territories; and
  - a more coherent higher education system which focuses on the quality of education provided rather than the legislative basis or ownership of the provider.

## *Principles*

These strategies are underpinned by a set of guiding principles that will facilitate future decision making and provide a consistent basis for the ongoing development of policies capable of delivering the strategic objectives.

- Public funding should be directed only to those institutions that:
  - encourage both students and staff to engage in critical enquiry;
  - allow freedom for academic staff to comment publicly on matters which are within their area of expertise;
  - permit entry to any student without regard to race, gender or religious belief; and
  - demonstrate that there is an institutional strategy in place to support a culture of sustained scholarship.
- Public funding for higher education should be provided in a way that:
  - is transparent and fair to all providers;
  - is directly related to the outcomes being sought; and
  - encourages providers to pursue their own strategic directions for the benefit of students and the broader community.
- All higher education providers receiving public funding for higher education should:
  - have fair and transparent processes for admitting students;

- have processes in place to encourage the participation of students from across the population spectrum;
- provide flexible study opportunities for all students; and
- have support structures in place to ensure that all students are able to achieve to the best of their abilities.

### **Recommendation 1**

That the Australian Government adopt the vision, strategic goals and principles for the higher education system set out in this report.

## 2. How well placed is Australia to deliver on the vision?

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Australia's higher education system has many high-quality providers, and has maintained relatively strong performance in providing domestic and international students with a quality higher education experience. Research performance is also internationally competitive.

The panel readily acknowledges these achievements. However, Australia is at risk of falling behind the performance of other Organisation for Economic Co-operation and Development (OECD) countries. This chapter outlines areas of decline in performance relative to other OECD countries and some of the implications of this.

Without significant reform and additional investment, current performance is unlikely to be sustained and, as many other countries have already begun to invest to improve their relative performance, our position internationally is likely to decline, possibly quite rapidly. This would have serious and irreversible social, economic and cultural consequences for the nation.

### 2.1 Meeting Australia's needs for people with high-level knowledge, skills and understandings

Notwithstanding the current global credit crisis and cyclical variations in industry demand, the panel's view is that Australia will have insufficient qualified people to meet its medium- and long-term needs. The Australian labour market has experienced persistent skill shortages in a number of important occupations. This threatens the long-term well-being of the community and the country's capacity to maintain and enhance global competitiveness and prosperity.

Research commissioned for the review on future demand for higher education predicts that, from 2010, the overall demand for people with higher education qualifications will exceed supply. A study by Access Economics shows that a shortfall will persist for most of the next decade. In particular, workers with undergraduate qualifications will be in short supply (Access Economics 2008).

Higher education providers operating under current funding levels and arrangements may be unable to increase supply adequately to meet the predicted level of demand for people with higher education qualifications without seriously jeopardising the quality of educational outcomes. This is a risk Australia cannot afford to take. As a result, far-reaching changes are called for.

More specifically, to meet forecast labour demand, Australia needs to increase the number of students who enter the system, return to study and complete qualifications.

The drop in Australia's performance on attainment of undergraduate or higher qualifications compared with other OECD countries is a cause for concern. Australia has slipped from 7th in 1996 (OECD 1998) to 9th in 2006 (OECD 2008b) in terms of attainment among 25- to 34-year-olds. Notwithstanding classification issues, the OECD top six countries are currently well ahead on this indicator, partly reflecting the significant investment made by a number of countries in recent years to expand their tertiary education sectors.

While undergraduate-level attainment is comparable with the OECD median, too many Australian students abandon their studies. The most recent OECD data shows that in 2005

Australia's completion rate was 72 per cent. While this was above the OECD average of 69 per cent, a drop-out rate of 28 per cent is a cause for concern, suggesting a need to improve performance.

However, this is only part of the story. Australia needs to harness the potential of all capable students to contribute to society and the economy. Actively encouraging and facilitating entry into higher education for people from groups who are currently under-represented is vital. In addition, encouraging people who are already in the workforce to upgrade their skills and qualifications is imperative.

Moreover, higher education institutions face their own workforce shortages of major proportions. Academic staff are approaching retirement age in significant numbers. There is a shortage of younger academics to take their places. This situation reflects global competition for high-quality staff and the relative unattractiveness of academic salaries and conditions, particularly compared with those offered by the private sector. This will require concerted action on many fronts to ensure that Australia has access to sufficient high-quality academic staff to educate new generations and conduct international-class research.

## **2.2 Providing opportunities for all capable people to participate to their full potential**

A number of groups are significantly under-represented in higher education in Australia, with little change over the last decade.

The most under-represented groups are students from remote parts of Australia, Indigenous students and students from low socio-economic backgrounds. In 2007, only 1.1 per cent of people from remote areas participated in higher education, while the proportion of people from remote areas in the general population was 2.5 per cent. Participation of Indigenous people was 1.3 per cent (compared with representation in the population of 2.2 per cent); participation of people from a low socio-economic background was 15 per cent (compared with 25 per cent) and participation of rural and regional students was 18.1 per cent (compared with 25.4 per cent) (DEEWR 2008).

Given the projected shortfall in the number of suitably qualified people to meet Australia's workforce needs over the medium to long term, the failure to capitalise on the abilities of all Australians is a significant economic issue for the nation. It is also a matter of serious concern that individuals are discouraged from participating in, or denied access to, the economic and social opportunities which a higher education provides. Some comparable countries have also become concerned about this issue and have recently improved their performance in this area.

## **2.3 Providing students with a stimulating and rewarding higher education experience**

It is essential that Australia's higher education institutions provide students with stimulating courses and teaching, a good-quality learning environment, access to support services and the opportunity to engage informally with staff and fellow students as part of a learning community, whether it is on-campus or off-campus using the latest available communication technologies.

In the absence of agreed national standards and robust measures of the quality of Australian higher education, student perceptions are an important indicator of the performance of the system. Students who are satisfied with their learning experience are more likely to complete initial qualifications, upgrade their qualifications at a later date and move into the workforce well prepared to contribute to the country's productivity growth and competitiveness.

High levels of student satisfaction will also help maintain global competitiveness by attracting international students. By international standards, the satisfaction of students with the quality of Australian higher education teaching and learning is of concern. It is significantly behind that of the United Kingdom, United States and Canada.

For example, the United Kingdom now administers to students in their final year of study the Course Experience Questionnaire (CEQ), developed by Graduate Careers Australia. The question related to overall satisfaction is the same in both countries. In 2005, 2006 and 2007 the result achieved in the United Kingdom was between 14 per cent and 15 per cent higher than the Australian result (Alexander & Bajada 2008).

In addition, the Australasian Survey of Student Engagement (AUSSE), a more recent survey, provides benchmarking data that makes comparison possible with United States and Canadian universities. The Australian results from a recent pilot test of the AUSSE are well below those of the United States and Canada, with the greatest disparity being for the *Student and staff interaction* scale and that for *Enriching educational experiences* (ACER 2008). While the panel acknowledges the need to obtain long-term and reliable, internationally-comparable, student experience data, these outcomes for one year of AUSSE data, when considered with the CEQ results, suggest action will be needed quickly.

The dramatic rise in student-to-staff ratios in recent years – from about 15:1 in 1996 to over 20:1 in 2006 – may have increased the overall productivity of the system, but it is probably a significant contributor to the relatively low levels of student satisfaction among students.

## 2.4 Playing a pivotal role in the national research and innovation agenda

Research and innovation play a pivotal role in Australia's international competitiveness and ongoing prosperity. Universities contribute through their research and innovation efforts to the nation's economic growth and productivity.

A study commissioned for the review (Barlow 2008) noted that, while Australian Government funding for competitive research grants has grown significantly in recent years, this has not been matched by growth in block grants programs which underpin institutions' research and research-training efforts. The university sector suggests that this has led to a pattern of cross-subsidisation of research from other revenue sources, such as grants for teaching and, in particular, fees from international students. The panel is concerned about the possible effects of excessive use of cross-subsidies on the quality of teaching and learning provided to students and on Australia's education export industry.

While the number of people completing higher degrees by research has increased since the mid-1990s, growth has been modest over the last five years. The stock of people with higher degrees by research needs to increase to replace the large group of ageing academics and to expand Australia's research and innovation workforce. A potential shortage of highly qualified people has serious implications for the nation.

## 2.5 International education and global engagement

Australia has established a considerable presence in international higher education. Australian universities have been successful in entering into collaborations with global research networks, and many of our universities are well regarded by international researchers. A number of universities have also invested considerable resources in promoting student and staff mobility and twinning programs with other countries.

In addition, export of education to international students has been an Australian success story over the last 20 years. Australia had the highest proportion of international students in higher education in the OECD: 20 per cent in 2006 (OECD 2008b). Education is Australia's third-largest export industry, with the higher education sector accounting for 60 per cent of all education export revenue in 2007 (Reserve Bank 2008).

However, this important export industry runs the risk of being undermined, with significant consequences not just for international and domestic students but for the broader Australian community. International students are concentrated in a narrow range of subject fields, in levels of study and by country of origin. While this means that Australia has been successful in establishing a comparative advantage in this market, it presents a threat if global political and economic circumstances change. As well, because some institutions accrue a relatively high proportion of their revenue from international students, they are particularly at risk from any downturn or change in student preferences.

A concentration of international students in particular courses may also lessen the value of the experience for both international and Australian students. While surveys show that overseas students are satisfied with their study experience in Australia, they express concerns about some aspects such as interaction with Australian students and involvement with staff (Australian Education International 2007). This poses a potential threat to an industry heavily dependent on the reported experiences of students.

While undergraduate education of international students is an important export industry, it has additional benefits for Australia. It has the potential to make a significant contribution to Australia's skilled migration effort in areas of labour market shortage.

A relatively low proportion of Australia's higher degree students are international students compared with other OECD countries. It has been in the provision of undergraduate education that Australia has excelled. But times have changed and, with looming shortages of academic staff and the new imperative to build international research networks, it is time to consider how increases in higher degree enrolments from high-performing international students might be encouraged.

Australian students have relatively low rates of outward movement compared with other OECD countries, and uptake of scholarships and other schemes to encourage movement overseas has been limited.

## 2.6 Contributing to Australia's communities and regions

A number of higher education providers and campuses located in remote, regional and outer metropolitan areas already face thin local demand and diseconomies of scale. A study commissioned for the review from Access Economics (Access Economics 2008) forecasts that, over the next decade, total numbers of 15- to 24-year-olds outside the state capitals will decline in Victoria, South Australia, Western Australia and Tasmania, as well as in Hobart and the Australian Capital Territory. The long-term sustainability of providers and campuses in some areas may be affected, and, thus, participation by people from these areas may fall further.

More innovative, sustainable and responsive models of tertiary education provision are needed in these areas to respond to rapidly changing local needs.

## 2.7 Conclusion

This analysis of the performance of Australia's higher education system points to an urgent need for both major structural responses and additional investment. In 2020 Australia will not be competitive with the top group of OECD countries in terms of the performance of higher education if there is a failure to act now.