



SUBMISSION TO THE REVIEW OF  
AUSTRALIAN HIGHER EDUCATION

DEAKIN UNIVERSITY

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# **SUBMISSION TO THE REVIEW OF AUSTRALIAN HIGHER EDUCATION**

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## KEY POINTS

1. There should be a diverse range of universities in Australia, all of high quality, and each serving different (if overlapping) constituencies of students, communities and other groups (paragraph 1.1).
2. A diversity agenda should not lock universities into a particular position; it should allow universities the flexibility to adjust the contribution they make in response to the changing needs of the constituencies they serve and their own aspirations (paragraph 1.1).
3. Funding should:
  - be based on teaching and research with allocations for engaged teaching and engaged research (paragraph 2.2.7);
  - encourage universities to address pressing social needs by funding universities according to the profile of their students (paragraphs 1.2.1 and 1.2.3);
  - be indexed according to CPI increases (paragraph 2.2.8).
4. Any funding arrangement should:
  - be transparent;
  - be fair;
  - encourage diversity;
  - allow for aspiration;
  - recognise differences in the circumstances of the particular institution;
  - consist of a mix of formula driven allocations and contestable programs;
  - fund for a longer term (at least three years) to allow better planning; and
  - reward universities that advance important public and social interests (paragraph 1.3).
5. There should be an immediate ten-fold increase in the funding available through the Regional Loading Program (paragraph 1.2.3).
6. Research strengths in every Australian university should be recognised with each university being required to strengthen its future research directions within the broad framework of the research priorities for Australia, the State and, where relevant, the region (paragraph 1.2.4).
7. Governments should encourage and support higher education institutions to operate in partnership with industry, business and the professions; State authorities should provide input to universities on the State's priorities and needs for a skilled workforce (paragraphs 1.2.2 and 2.2.1).
8. There should be a national framework for improving the participation and success of Indigenous Australians in higher education, but there must be flexibility for local models that are responsive to the needs of Indigenous communities (paragraph 2.2.2).
9. All universities have a responsibility to work towards a more representative profile for low SES students (paragraph 2.2.2).
10. There should be a new scholarship program which awards scholarships to low SES students in mid secondary school, with funding available if and when the student starts university (paragraph 2.2.2).

# SUBMISSION TO THE REVIEW OF AUSTRALIAN HIGHER EDUCATION

Deakin University welcomes the opportunity to make this submission to the Review of Australian Higher Education; we thank panel members for their preparation of a Discussion Paper which manifests a deep understanding of the issues confronting the sector.

## 1. INTRODUCTION

### 1.1 Vision for the sector

Deakin's vision for the sector is one made up of a diverse range of universities, all of high quality, and each serving different (if overlapping) constituencies of students, communities and other groups, including industry and professional associations. A diversity agenda should not lock universities into a particular position; it should allow universities the flexibility to adjust the contribution they make in response to the changing needs of the constituencies they serve and their own aspirations.

In considering this vision statement it is critically important that the two key concepts – those of diversity and flexibility - are regarded as coupled. Aspiration is critical to morale and success; it must be encouraged across the sector.

Universities directly affect a nation's future; they can have a profound, positive impact on the welfare and development of individuals and society. Universities can advance economic development and other important public and social interests; they should be encouraged to do so.

Important issues confronting Australia at this time are those of how to:

1. address skills shortages;
2. improve the educational outcomes for low SES and rural and regional students;
3. encourage innovation to boost productivity and international competitiveness.

These issues are, of course, related. Australia currently ranks fifth in a list of countries facing the most extreme skills shortages, skills gaps and recruitment difficulties.<sup>1</sup> The lack of success of the sector as a whole in improving the participation rate of low SES students is well recognised - from 1996 to 2005 the sector increased by 17%, but the participation ratio fell by 8%.<sup>2</sup> This has a negative impact on skills, productivity and capacity for innovation. The situation in regional Australia is even worse. Access rates for rural and isolated students commencing university study in Australia have dropped by 6% and 31% respectively between 1996 and 2005.<sup>3</sup> The long-term negative impact on skills and population numbers in regional Australia is of profound concern to those communities.

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<sup>1</sup>2008 *Manpower Talent Shortage Report*, which covers 43,000 employers in 32 countries, found that Romanian employers reported the most difficulty finding staff, at 73%, followed by Japan (63%), Hong Kong (61%), Singapore (57%) and Australia at 52%. The study concluded that talent shortages in these countries were now a major constraint on their economies.

<sup>2</sup> Analysis of Equity Groups in Higher Education 1991-2002 (James et al, CSHE); DEST published equity statistics, DEST website.

<sup>3</sup> Ibid.

An important element of Deakin's vision for the sector is that universities should be encouraged to work in genuine partnership with governments (federal, state and local) and with business and industry to address these problems.<sup>4</sup> This is described in more detail in paragraphs 1.2.1, 1.2.2 and 2.2.1 (questions 3 and 4), below.

The 'education revolution' will have failed if it does not encourage all Australian universities to assume a role in the creation and development of new and high level knowledge and skills through innovation, while being agents for change in transforming the social and economic environment through an active and entrepreneurial range of partnerships with communities, industry, business and government.

## **1.2 Funding this vision for the sector**

It is time to reshape higher education in Australia. Financing this can come from four sources: governments; students; business and industry; and private donations. In the past 20 years since the Dawkins reforms, the bulk of the financing of higher education has been from governments with a significantly increasing contribution from students. Business and industry are reaping the benefits of a strong higher education sector while making little by way of contribution. The mix of contribution must change – see paragraph 1.2.2.

The Government should set and maintain its funding to universities at a level above the OECD average for expenditure on educational institutions as a percentage of GDP. The current level is below the OECD average and the fourth lowest of OECD countries.<sup>5</sup> Funding should be passed through to universities in the form of Commonwealth contributions that are linked to CPI increases.

Student contribution rates are already high; they are also in need of review with the object of identifying and applying a consistent rationale – see paragraph 2.2.8 regarding the policy confusion concerning the current student contribution rates.

Currently, most of the Australian Government's funding of universities flows as a result of the student enrolment profile negotiated through the Funding Agreement. While Deakin welcomes the transparency that the \$/EFTSL CGS funding has provided, the current system stifles innovation and development because of the prescription of targets and the micro-management of each university's profile by the Commonwealth – see paragraph 2.2.1 (question 2).

Deakin favours continuation of a formula approach to funding for student load, but not the system currently used for the CGS allocations. A better funding model would also take into account the costs of delivering education in particular circumstances, not a one size fits all approach. Factors that need to be taken into account include the nature of the student profile of the institution and the location and community need for the services it delivers. An institution that takes larger numbers of students from non-traditional backgrounds and needs to support them more heavily to succeed in their studies should have this recognised in the funding it receives. Furthermore, the need to sustain educational opportunity in rural and regional areas

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<sup>4</sup> For a description of the way universities in Hong Kong have changed their missions towards 'academic entrepreneurialism' by strengthening their relationships with industry, business and commercial sectors, see Mok, KH "Fostering entrepreneurship: Changing role of government and higher education governance in Hong Kong" (2005) 34 Research Policy 537 at 544 – 548.

<sup>5</sup> OECD (2007) *Education at a Glance*, Table B2.4 at 208.

is not assisted currently by the treatment of the costs as a loading which goes nowhere near the actual costs of delivery of education in these areas. These matters are discussed in paragraphs 1.2.1 and 1.2.3.

Addressing the issues identified in paragraph 1.1 will require additional funds and different allocation methodologies. One way of characterising this is to see this funding as being directed at '**engaged teaching**' and '**engaged research**'. These concepts are well understood in the United States and there is a growing literature analysing engagement of this kind.<sup>6</sup> The Carnegie Foundation for the Advancement of Teaching has a 'community engagement' elective classification. The classification draws a distinction between 'outreach and partnerships' and true 'engagement'; the latter involves collaboration in teaching and research that addresses community identified needs, deepens students' learning, enhances community well-being and enriches the scholarship of the institution.

Professor Judith Ramaley, the President of Winona University, is an acknowledged expert on the concepts of 'engaged teaching' and 'engaged research'. Professor Ramaley is visiting Australia in late September- early October; she has indicated that she would be happy to meet with the Panel to discuss these concepts should you wish to take up this opportunity.

**Engaged teaching** and **engaged research** involve collaboration between a university and a community, industry, group or government to identify and address problems. This collaboration may take the form of curriculum engagement where the content of a course is altered to ensure that graduates acquire new knowledge and skills needed by a particular community, industry or profession. It may take the form of research conducted by academic staff and industry to solve a real, 'here and now', industry or community problem.

The suggestions made in paragraphs 1.2.1 – 1.2.4 below are designed to encourage universities to undertake **engaged teaching** and **engaged research**.

### ***1.2.1 Funding teaching – the profile of students***

The current funding methodology should be changed so that it takes into account the profile of each university's students.

Teaching low SES students who need their confidence levels raised, TAFE transferees or mature aged students who require extra assistance and time to adjust to university teaching and study, and first generation to university students who lack mentors or role models at home, requires considerably more effort than educating students from well off families, who have been educated in privileged schools and whose home background includes university educated parents.

If the Australian Government wants universities to address the problems identified in paragraph 1.1 above, it needs to work in partnership with universities to encourage them to ensure that

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<sup>6</sup> See, for example, Proceedings of the 2005 Australian Universities Quality Forum, "Engaging Communities" Sydney, 6-8 July, 2005, particularly the work of Professor Judith A Ramaley, "Engagement and the Integration of Research and Education: A New Meaning of Quality". See also <http://www.winona.edu/21stcentury/innovation/L21Initiatives/CERTS.html> and <http://www.pdx.edu/oa/engagement.html>

their student selection and their teaching are directed at these students. This is one form of **engaged teaching**.

In recognition of the costs involved, the funding per student should be increased for students who are in one or more of the following categories:

- Equity groups – low SES; rural and regional; students with a disability; NESB;
- Indigenous students;
- TAFE transferees;
- Mature age students.

See also the discussion in paragraph 2.2.2 below.

### ***1.2.2 Industry, business and employer co-funding of teaching and research***

In its 1988 report on ways of funding growth in Australia's higher education system, the Wran Committee canvassed ways of making employers and industry contribute to the cost of higher education. This was based on the benefits that they gain from having a well educated workforce. The Committee made the point that, although the taxation system ensures that industry returns to the government part of the benefit that it derives from employing graduates, there is no automatic correlation between those who pay and those who employ graduates. It is timely for the question of industry and employer contributions to be reconsidered.

The Commonwealth Industry Placement Scheme (CIPS), which was discontinued in 1997, was an initiative that encouraged Governments, industry and universities to work together to meet workforce needs. The scheme involved employers subsidising university places for their employees. One of the advantages of the scheme was that it provided access to higher education to a group of students who were already in the workforce. Many of these students would not otherwise have contemplated a course of study at a university. The scheme was innovative; it provided an opportunity for employers to meet their needs for a more highly skilled workforce and it provided an opportunity for their employees to acquire those skills.

If the CIPS scheme were to be re-introduced, it could be focussed at the post-graduate level and on shorter and more targeted courses of study. Such a program of **engaged teaching** would be attractive to many employers and their employees.

**Engaged research** involves working with industry to solve real problems. Industry funding of engaged research should be encouraged through both tax reform and an increase in the ARC Linkage Scheme; Deakin welcomes the establishment of a similar scheme within the NH&MRC through its Partnerships Program. There is a strong case for supporting industry through tax concessions to encourage industry to work more closely with universities

See also the discussion in paragraphs 2.2.1 and 2.2.5 below.

### ***1.2.3 Regional campuses***

Authentic regional campuses benefit their communities by retaining in regional areas a skilled population of workforce age and by providing opportunities for those in the workforce to upskill.

By 'authentic' we mean campuses of sufficient size in terms of student population and staff numbers to offer a comprehensive suite of academic programs. Campuses of this kind raise aspirations and go some way towards addressing 'unconscious disadvantage' as expectations for educational attainment are influenced by the presence of a university.

It is well known that students who are educated in regional areas stay in those areas. These graduates will be lost to regional Australia if they pursue tertiary education in capital cities.

Regional campuses of universities cost more to operate than larger campuses in capital cities or metropolitan based campuses. Reasons for this include poor economies of scale and the cost of travel and communication for staff members. Indeed, universities that have regional campuses are usually multicampus universities. The costs associated with maintaining several campuses are higher than those for universities with most students at one campus location. Reasons for this include the cost of providing multiple libraries, laboratories, administrative areas and student and staff services.

Neither the increased costs associated with operating regional campuses, nor the costs of multiple campuses, are recognised in the current funding model. The current Regional Loading Program provides some extra funding to universities which shoulder the additional costs of regional provision. The program meets only a small proportion of the true additional costs of operating regional campuses<sup>7</sup> and this worsening trend has disturbing implications in terms of the social and economic impacts in those regional communities and for equity and access questions for high quality regional tertiary education.

Deakin proposes an immediate ten-fold increase in the funding available through the Regional Loading Program, as currently structured, from \$29 million per annum to \$290 million per annum.

To encourage **engaged teaching** and **engaged research**, significant additional funding should also be allocated, on a competitive basis, for teaching and research programs developed in partnership between a university and its regional community to meet the real needs of that community through the activities conducted at a regional campus (this is discussed further in paragraph 2.2.7 below).

See also the discussion in paragraph 2.2.6 below regarding enrolments at regional campuses.

### ***1.2.4 Research***

Australia's universities are located in every state and territory and in all major metropolitan cities and in many regional cities. All universities make a vital contribution to the generation of new knowledge and to the national research and innovation agenda. Regional universities also contribute to regional research and innovation. Indeed, many universities in regional Australia undertake vitally important **engaged research** in which they focus their research towards regional needs and the provision of innovative responses to those needs. Research and innovation in regional universities also underpins future growth and employment in regional Australia.

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<sup>7</sup> Deakin receives some \$600,000 annually by way of regional loading. We have figures which have been provided to DEEWR (when it was DEST) showing that Deakin subsidises its Warrnambool Campus alone to the extent of \$10 million per year.

Deakin supports an approach which would identify existing research strengths in every Australian university. Under an agreement between individual universities and the Australian Government, developed in collaboration with the State Government (which would be expected to consult with industry in its State), each university would be required to strengthen its future research directions within the broad framework of the research priorities for Australia, the State and, where relevant, the region.

The focus of current funding methodologies on historical performance and the failure to recognise the importance of emerging and multidisciplinary research areas does not encourage innovation. See also the discussion in paragraphs 1.3 and 2.2.5 below.

### **1.3. Principles for new funding models**

Particularly in the case of research performance, funding models that are based on past performance favour longer established universities and perpetuate and exacerbate the disadvantages that newer universities face; they do not allow newer universities to look beyond their current position. Funding models of this kind are also often based on metrics that are suited to a different time; they do not encourage outcomes appropriate to modern Australia. For example, failure to take into account inter-disciplinary research will do immeasurable damage to Australia's capacity for innovation.

Deakin is not afraid of funding models that require it to 'bid' for funds – Deakin has high aspirations, based on good business modelling and, because of this, it has been successful in obtaining competitive funds. Deakin does not share the view of GO8 Universities that competitive funding models such as the HEEF represent a 'lottery'.<sup>8</sup> Nonetheless, there has been an increased emphasis on packaging funding in small quanta and requiring universities to write extensive submissions for these small amounts of funds. We favour a funding system which has elements of contestability, but we believe that there should be fewer schemes with larger amounts of funds in them.

If funds are to be allocated by formula, the formula needs to be fair. The recent 'Better Universities Renewal Funding' is a case in point. Although the funding was welcome, the formula adopted was questionable (70 per cent allocated on shares of domestic student load and 30 per cent on shares of Institutional Grants Scheme (IGS) funding). First, using the IGS as a surrogate for research performance means that those universities with connections to medical research institutes that put their applications for research funding through the university, benefited unfairly in terms of measuring the university's true research performance. Secondly, given that the funds are for 'campus infrastructure projects' one would have expected the formula to take into account the number of campuses a university has (see also the discussion regarding multicampus universities in paragraph 1.2.3 above).

Any new funding arrangement must be:

1. Transparent;
2. Fair;
3. Encourage diversity;

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<sup>8</sup> Go8 UPDATE, 4 June, 2008

4. Allow for aspiration;
5. Recognise difference in circumstances of the particular institution;
6. Consist of a mix of formula driven allocations and contestable programs; and
7. Fund for a longer term (at least three years) to allow better planning.

It should also:

8. Reward universities that advance important public and social interests.

## 2. ISSUES RAISED IN THE DISCUSSION PAPER

### 2.1 Higher education in modern Australia

Question 1. How adequate is the statement of functions and characteristics of higher education in modern Australia?

The statement identifies many of the functions and characteristics of the higher education sector in Australia. Nonetheless, it fails to adequately recognise and encourage diversity within the sector (see the discussion in paragraph 1.1 above) and it undervalues certain important aspects of the role of universities. In particular, it does not recognise:

- the role universities should play in predicting and shaping the workforce needs of the future. The first characteristic identified in the Discussion Paper refers only to *meeting* the needs of the labour market and industry for high level skills; as well as doing this, the sector should be an engaged partner in *predicting major workforce needs* and in *shaping the workforce* of the future. In this connection, improved mechanisms must be found for managing the interface between policy makers, industry and the sector to prevent future skills shortages such as those currently being faced (see the discussion regarding 'engaged teaching' and 'engaged research' in paragraph 1.2 above and the discussion in paragraph 2.2.1 below regarding questions 3 and 4).

Many graduates will ultimately work in jobs that do not exist at the time of their graduation. Accordingly, universities must aim to equip their graduates with the broad skills and flexibility required to meet the workforce needs of the future. They must also equip them with skills for lifelong learning, particularly the capacity to study online, as employers will want their employees to upskill in this manner.<sup>9</sup>

- that higher education is the key to social and economic mobility; a university degree changes the lives and expectations of students, particularly those that are the first generation in their families to have a university education. "Providing opportunities" is not enough. We must lift the aspirations of families with no history of access to higher education, lift standards in schools with low participation rates and improve accessibility for rural and regional students (see the discussion in paragraph 2.2.2).
- the importance to Australia of the work of universities in international engagement and as contributors to Australia's export economy. The sixth characteristic identified in the

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<sup>9</sup> It is worth making the point that employers must also support a lifelong learning culture – see Sim J, Zadnik MG, Radloff A, "University and workplace cultures: their impact on the development of lifelong learners" (2003) 9 Radiography 99.

Discussion Paper – ‘Operate internationally’ – is too cryptic and limited. Broader terminology, such as “having an international outlook” would cover the important work universities do in ensuring that graduates have learning experiences that encompass international and intercultural perspectives. More is, however, required to recognise the work of universities in international engagement and as contributors to Australia’s export economy.

## **2.2 Key challenges and issues for higher education**

### **2.2.1 Meeting labour market and industry needs**

**Question 2. Are there impediments to the higher education sector being able to innovate in the development of courses and programs? What are these impediments and how could they be removed?**

The rules governing the current discipline cluster based Funding Agreements make it difficult to move load between discipline clusters. This is a barrier to flexibility and innovation. If a major new program is developed in response to high demand from students and employers, it can be introduced only through a special allocation of places.

The requirement to report details of each subject to be offered in the coming teaching period and its price to the Minister by a date well in advance of when the subject will be taught also reduces the opportunity for change and innovation. The system works against universities being responsive to new subject or course development based on student or employer demand.

This situation can be improved by:

- freeing up the rigidity in the specification of the Funding Agreement clusters to allow greater movement in load between the various disciplines;
- having fewer clusters for which targets need to be met (see also paragraph 2.2.8); and
- eliminating the amount of red tape associated with the specification of subjects and prices by particular dates.

Resource shortages are also an impediment to innovation. The shortage of academic staff has led to an excessive reliance on casual lecturers who are not employed to develop new courses and programs (see also paragraph 2.2.3 below regarding problems arising from the casualisation of the academic workforce).

**Question 3. What are the appropriate mechanisms at the national and local level for ensuring higher education meets national and local needs for high level skills? What is the role of state and territory governments in this area?**

**Question 4. How adequate are the mechanisms for aligning supply and demand of graduates? How do pricing and labour market signals impact on student choices?**

As explained in paragraph 1.1 of this Submission, governments, business, industry and universities must work together to identify and address the need for high level skills. Only in this way can we achieve the judicious mix of central planning and student and employer demand that is needed for Australia to better align supply and demand.

Current arrangements are unsatisfactory because:

- they involve one on one negotiations between each university and the Australian Government that do not necessarily result in a distribution of enrolment across the State which reflects State priorities;
- there is little discussion between the State coordination office for higher education and Victorian universities. Although there are meetings between the Commonwealth and the State over State priorities, at present universities do not have an active role in this process and what opportunities private industry and employer groups have to contribute is unknown;
- universities that are well connected with their communities and that undertake **engaged teaching** and **engaged research** are currently given no incentives in this regard.

It would be desirable to align State, Commonwealth and university plans to address skilled workforce needs. This can be achieved only through a stronger, three way dialogue about priorities. As part of this process, State authorities should liaise with business and industry to provide input to universities on the State's priorities and needs for a skilled workforce. The State should then work with universities to support cases made to the Australian Government for expansion or development.

The market alone cannot be relied upon to produce good workforce planning. This is because the market will often not be able to respond quickly enough to emerging workforce needs (as it takes considerable time to produce graduates) and because it cannot respond properly when price mechanisms are inhibited. In such cases, government intervention is necessary to ensure that workforce needs are met. For example, government intervention is necessary in those sectors where salary levels are insufficient to attract students. Teacher education is a good example. Deakin submits that there should be a return to generous studentships or bonded scholarships to encourage students to pursue teaching careers. Tax incentives should also be available to employees who enrol in courses in priority areas and to employers who provide opportunities for their employees to upskill in priority areas.

There is little evidence that price influences student choice, at least in the case of middle class students. Nonetheless, universities that encourage Indigenous students and students who are the first generation in their families to go to university know that these groups find the HECS-HELP scheme perplexing and that they are debt averse. Increases in student contributions may also be one reason why there has been a decline across the sector in mature age students ('learner-earners') applying for university places; these students may have incomes that are such that that they will immediately have to commence repaying their HECS debt and this may be a disincentive to undertaking university study.

**Question 5. Are there particular examples of good practice where you can demonstrate either rapid response to skill shortages or successful initiatives to improve generic skills?**

**Question 6. How effectively are Australian higher education institutions responding to demographic change, especially in providing lifelong learning to meet the challenge of the ageing population and the need for upgrading of skills and re-training?**

**Question 7. What is the relevance and applicability of the findings and approaches proposed in the United Kingdom paper, Higher Education at Work, for increasing skills levels in the workforce to Australia?**

Examples of good practice:

- Each of Deakin's courses is informed by an Advisory Board made up of government, industry and other potential employers of our graduates. These Advisory Boards ensure that Deakin's courses are responsive to workforce needs.
- An example of a rapid response to skills shortages is Deakin University's development of the *Graduate Certificate of Chartered Accounting Foundations* (GCCAF). This was designed in collaboration with The Institute of Chartered Accountants in Australia to meet an acute shortage of professional staff. The GCCAF commenced in semester 1, 2007; there were 101 enrolments, 60% of which were sponsored by employers most of whom were Chartered firms. There are currently 519 students enrolled in the course.

The Panel should be aware that not everyone sees acting in this responsive manner as being appropriate. For example, the GCCAF was opposed by some in accounting departments of older universities who argued that, despite being developed in consultation with the Institute and its members to meet their needs, the GCCAF should not be recognised for professional accreditation purposes; they brought considerable pressure to bear on the Institute. To its credit, the Institute supported the GCCAF.

- Deakin's *Graduate Certificate of Arts and Sciences* (GCAS) aims to increase the generic skills and knowledge of graduates. It is a four unit (one semester full-time equivalent) program which may be taken by students in parallel with their Bachelor degree program. The aim is to broaden the education of graduates beyond the boundaries of their area of discipline study: humanities students take subjects in areas such as science, technology and health; science students take subjects in areas such as poetry, history, philosophy or business. Each student negotiates their program with the course coordinator. Students may either take the GCAS subjects during the same semesters as their discipline study by overloading, or they may make use of the summer trimester or other intensive mode study periods such as winter semester. Students who complete the GCAS receive the Graduate Certificate when they graduate with their Bachelor's degree and thus enter the workforce with two qualifications, having received a much broader education, but without necessarily lengthening their overall period of study.
- Deakin's undergraduate students are all required to study at least one subject wholly on-line. The aim of this is to ensure that Deakin graduates have the capacity for lifelong learning and upskilling when they are in the workforce. This is definitely not a cost saving measure. Well done, it costs more to deliver an undergraduate subject on line than face to face.

Through its corporate education arm, DeakinPrime, Deakin is meeting the challenges posed by labour market and industry needs in its role as a provider of continuing education for people in work and by partnering with industry groups, major corporations, government agencies and the professions. In 2007, Deakin delivered programs to more than 50,000 people in work, integrating and coordinating the design, development and delivery of corporate, professional, vocational and higher education programs and learning pathways. It is worth noting that programs of this kind not only address the demand for high level skills development, they can also improve educational outcomes for low SES students who missed out on accessing higher education at the end of their secondary schooling.

DeakinPrime specialises in providing vocationally-oriented, tailored organisational and professional development programs and accredited higher education learning pathways directed at specific labour markets across a range of industry sectors. Because of the consistency and longevity of DeakinPrime's partnerships with industry and the professions, Deakin has been able to identify and respond quickly and nimbly to labour market and industry needs and to adapt its programs to meet the demand for high level skills development and lifelong learning offerings.

To respond effectively to demographic changes affecting Australia's national interests and future prosperity in an increasingly competitive and globalised economy, it is imperative that government encourages and supports higher education institutions to operate in partnership with industry and the professions in the ways outlined above. Indeed, anecdotal evidence (based on labour market statistical data and industry signals) strongly suggests that an Australian market for high level skills training and development exists on a larger scale than at present. This encouragement should come in the form of implementing the measures identified in paragraph 1.2.2 above.

Foundation Degrees are particularly relevant to rural and regional Australia where school retention rates and higher education access rates are considerably lower than those in metropolitan areas. The difference in retention rates from year 10 – 12 between metropolitan and non-metropolitan Victorian government schools has increased from 9% (1998) to 11.9% (2007). Access rates for rural and isolated students commencing university study in Australia have dropped by 6% and 31% respectively between 1996 and 2005; university retention rates are 3% - 9% lower for rural students than their metropolitan counterparts and 10% - 16% lower for isolated students.<sup>10</sup>

Foundation Degrees have the potential to provide a pathway into higher education for those students who either have not completed secondary school or who wish to return to study after a long break. This has the potential to significantly increase the number of skilled people able to enter the workforce.

## 2.2.2 Opportunities to participate in higher education

**Question 8. Should there be a national approach to improving Indigenous and low SES participation and success in higher education?**

**Question 9. If you support a national approach to improving Indigenous and low SES participation and success how do you see it being structured, resourced, monitored and evaluated?**

**Question 10. What institutional initiatives have proved successful in increasing low SES or Indigenous participation and success?**

**Question 11. What evidence is available from institutions about the impact on individuals or groups of either failure to gain income support or the inadequacy of income support?**

Indigenous students. There should be a national framework for setting the vision and strategy necessary to improve Indigenous Australians participation and success in higher education. This framework should focus only on high level issues and strategies; Deakin does not believe in a 'one size fits all' approach to Indigenous higher education. There must be flexibility within

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<sup>10</sup> Analysis of Equity Groups in Higher Education 1991-2002 (James et al, CSHE); DEST published equity statistics, DEST website.

the framework for local models which are responsive to the educational needs of a variety of Indigenous communities.

Both Deakin's successful Institute of Koorie Education and the Batchelor Institute of Indigenous Tertiary Education in the Northern Territory are examples of particular models for Indigenous higher education that are responsive to the economic, social and cultural conditions of local Indigenous communities. They are also models in which Aboriginal and Torres Strait Islander knowledge is respected and incorporated into course content, processes and practices.

Mainstream educational provision in Australia does not naturally support traditional Indigenous approaches to learning. For most non-Indigenous Australians, entry into primary school, progression through secondary school and through tertiary education or training before workforce entry is the norm. This has not been the case for many Indigenous Australians and policy development and evaluation needs to recognise this.

Deakin University has more than twenty years of experience in Indigenous education through its Institute of Koorie Education (IKE) of which it is immensely proud. IKE has pioneered a community based delivery model for Indigenous students - students study primarily at home in their community, supported by local mentors; they are provided with material by the University and, where possible, they make use of online support; the students attend the Campus three times a semester for two week intensives. The courses Indigenous students study are the same as the courses taught in the Faculties, but, working with the community, they are augmented to ensure that they are culturally appropriate. The same assessment is used for IKE students as that for other students enrolled at Deakin. IKE students study across a wide range of courses from Nursing, Education, Social Work, Business and Law through to Environmental Studies, Public Health and Visual Arts. Students study at both the undergraduate and postgraduate levels as well as undertaking PhDs.

The IKE model has been highly successful, with enrolments climbing from 18 in 1986 to 427 in 2007, making Deakin the largest provider of higher education for Indigenous people in Victoria. There have been some 460 graduates from IKE over the past twenty years, including three PhDs. Because of the community based delivery model, the majority of graduates remain and work within their communities. There is no doubt that these graduates are having a positive impact on their communities and they are helping to encourage other Indigenous people to undertake higher education.

The Indigenous Support Programme and the Indigenous Education Programme are in need of review as they do not cover the real costs associated with Indigenous education, particularly for providers such as Deakin which use a community based delivery model with on-campus intensives. IKE is substantially subsidised by the University.

In 2000 the Australian Government made significant changes to the ABSTUDY program. The intention of the changes was to align the means tests and payment rates for ABSTUDY with those available under Youth Allowance and Newstart, but the changes have in fact deterred Indigenous students from undertaking higher education. The ABSTUDY scheme needs urgent review.

Low SES students. The lack of success of the sector as a whole at improving the participation rate of low SES students remains a major problem. While the size of the sector has increased significantly, participation rates have remained steady. From 1996 to 2005 the sector increased

by 17%, but the participation ratio fell by 8%. Indeed, raw numbers of people from the low SES equity group and the rural and isolated groups have fallen since 2002 after steady, but modest rises from the mid 1990s to this time. The provision of significant growth places has not eased the situation – more high and medium SES students have occupied those new places than students from low SES backgrounds. Thus, providing more opportunities for participation does not solve the problem.

Deakin University is strongly committed to improving equity and access for individuals and groups who might not otherwise enjoy the benefits that flow from participation in higher education. Low SES students are clearly in this group as are rural and regional students. The profile of higher education for low SES students and rural and regional students (most of whom are also of low SES background) is not evenly distributed across institutions.

Deakin submits that all publicly funded higher education institutions have a responsibility to work towards a more representative profile for low SES students. We do not believe that some universities should be regarded as 'equity' universities because of their location or their commitments, but rather that all institutions, and the nation, benefit from a more representative profile in relation to low SES students. **Quality and equity are not opposing concepts; indeed, a quality higher education system is an equitable one.**

Institutional research and that undertaken by the ACER in their longitudinal studies shows that if students from low SES backgrounds are admitted to higher education they complete their studies successfully (they may take slightly longer, not from any deficiency in academic attainment, but because they may need to take time off to earn funds to continue or to deal with other problems which are present because of their low SES status). In general across the sector their success and retention rates over a long period are comparable to those of their high SES peers.<sup>11</sup>

At the centre of improving access of low SES students is the need to be able to provide some intervention at the secondary school level and to put equity at the forefront of institutional considerations (see paragraph 1.2.1 above regarding funding for the profile of each university's students).

The relatively small amount of funds available for equity (although this has increased through the scholarship funds provided since 2005) suggests that it is not regarded by the Government as central to a university's performance. In recent years, the requirement for longer term equity ideas and plans in the IAF Equity Update has diminished and there has been more of a focus on the circumstances of individual students rather than on what is a systemic problem. While national benchmark data has been published, there is less emphasis on an institution being required to discuss and demonstrate its equity performance with the Government than in the late 1990s and early 2000s. Lowering the emphasis on equity in IAF and funding agreement discussions may have reduced the pressure on universities to perform in this area.

Deakin submits that a nationally coordinated system regarding low SES students would have the following characteristics:

- University funding would take into account the profile of each university's students (see paragraph 1.2.1 above);

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<sup>11</sup> DEST Equity Statistics, 2005 and 2006.

- Every university would be required to set targets and longer term plans for initiatives to improve participation of this group and performance based funding would be linked to these targets;
- A cross-sectoral approach would be taken to the improvement of participation for low SES students recognising that interventions are required at secondary school level to solve the under-representation problem by improving retention and transition rates for this group; and
- Income support mechanisms would be improved and they would ensure that such benefits are available only to those in genuine need (see below).

There is also a connection between this discussion regarding low SES students and points made elsewhere about teacher education programs. Teaching is one of two areas (the other is nursing) that traditionally have been attractive to students who are the first generation in their families to participate in higher education. The studentships or bonded scholarships (referred to in paragraph 2.2.1 regarding questions 3 and 4 above) would encourage low SES students to undertake teacher education.

So far as interventions at secondary school level are concerned, current scholarship arrangements have two characteristics. First, they are focused on students who have secured a place at a university, not on students who may never have considered university. Secondly, current government scholarships do not recognise the real cost of accessing higher education and the daunting nature of this for people who have no family experience of university.

Deakin suggests that consideration be given to a bold new scholarship program which involves awarding scholarships to low SES students in mid secondary school, with funding available if and when the student starts university. These scholarships should be very generous, covering the real cost of going to university. The aim would be to change the thinking of low SES students by providing an incentive to study and aspire to a university education.

A major recent study ("Australian University Student Finances 2006" - commissioned by the Australian Vice-Chancellors' Committee) provides considerable evidence of the fact that the current levels of student income support are insufficient for students to rely on them as the sole basis of subsistence to support them in their studies.

There is evidence that Centrelink requirements in relation to the demonstration of independent living status are having a significant impact on study patterns. This is particularly the case for low SES and rural and remote students. In Victoria, deferral rates of non-metropolitan students are at least twice that of metropolitan students.

Regions	Deferral Rate (%)			
	2004	2005	2006	2007
Metropolitan	5.1	5.0	6.0	6.5
Non-Metropolitan	9.6	10.6	13.3	15.9

Deferral rates for Year 12 students. Source: Victorian "On Track" surveys of VCE students

Our experience suggests that the main reasons for deferral are the desire to work independently to earn income for 18 months to qualify for independent living status and Centrelink benefits. This has a negative impact on the longer term take up rates into higher education for low SES and rural and remote students - two key under-represented groups.

There is little hard evidence in our experience of students having difficulty obtaining Centrelink benefits, but there is considerable anecdotal evidence that many students gain Centrelink benefits through a 'gap year', gaining independent living status while still living at home with parents who are quite wealthy. The system is currently not identifying only those in genuine need. The issue of showing ongoing financial need should be addressed in any reform of the system.

### 2.2.3 The student experience of higher education

**Question 12.** How can the quality of the student experience within Australia's higher education institutions be monitored nationally? Is there evidence that declining student: staff ratios have impacted on the quality of the student experience?

**Question 13.** How can the quality of learning outcomes in Australian higher education be measured more effectively?

**Question 14.** How do institutions measure the quality of their learning outcomes and how do they know they are nationally and internationally competitive?

The current approach to measuring the quality of the student experience is based on the Course Experience Questionnaire (CEQ) and the Graduate Destination Survey (GDS). There are many shortcomings in the way these surveys are conducted that seriously compromise the results. The data is collected by the individual institutions and there is a lack of consistency in the approaches used.

The CEQ and GDS do not measure the value that a university has added to their student cohort. Several factors contribute to the degree of difficulty an institution faces in preparing its students for life after graduation. Studies have shown that the key contributing factors include the self confidence levels, degree of preparedness for higher education studies and home background of the learner – see paragraph 1.2 above.

There is no concrete evidence that declining staff: student ratios have impacted on the quality of the student experience.<sup>12</sup> Lecturers do, of course, have to work harder in large classes to build the desired level of student engagement. Problems are also posed by the increased casualisation of the academic staff workforce. Maintaining and monitoring academic standards across a large cohort of casual lecturers represents a significant challenge.

The point should also be made that, since the rationalisation of the higher education sector in the early 1990s, the argument has been made that to be an effective and efficient provider of higher education it is necessary for an institution to have a critical mass of students and staff. The deregulation of higher education, which has permitted non-self-accrediting providers to offer higher education programs, has allowed very small, single purpose organisations to enter the sector. Providers of the small sizes mentioned in the Discussion Paper are unlikely to be offering higher education to the quality and standards of larger institutions.

This Review provides an opportunity to reshape the sector and to focus resources and effort where they will yield quality educational outcomes. It would be beneficial to the sector as a whole to re-examine the criteria and processes used to accredit very small institutions as higher education providers. Reshaping of the sector through this review should examine again

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<sup>12</sup> But see Kokkelenberg EC, Dillon M, and Christy SM, "The effects of class size on student grades at a public university" (2008) 27 Economics of Education Review, 27, (2008) 221.

the criteria and comparability of processes used to accredit these very small institutions as higher education providers.

Australia's market share of international students has grown rapidly over the last ten years. Australia is the third most popular English speaking destination in the world and it has the highest percentage of international students in the world on a per capita basis (17.3% in 2005). It is clear that the international student community sees Australia as a high quality destination.

#### 2.2.4 Connecting with other education and training sectors

Question 15. To what extent should vocational education and training and higher education continue to have distinctive missions and how should these missions be defined?

Question 16. Does the movement between the sectors of students with credit need to be improved? If so, in what ways?

Question 17. To what extent should relative provision between the sectors be planned or demand driven. What are the effects of current differences on funding, governance and regulation in limiting planning or influencing choice between the sectors?

Question 18. Can institutions provide examples of good practices which have led to movement between the sectors with high levels of credit and good learning outcomes?

The vocational education and training (VET) sector and the higher education sector have quite distinct and separate missions. Higher education brings together both the development of high level knowledge and skills in graduates and the generation of new knowledge and applications of new knowledge. These two elements are inseparable in a good higher education institution. The existence of active researchers within the learning community of a university provides a scholarly environment in which graduates can both develop skills and knowledge and understand the pursuit of new knowledge.

The VET sector is focussed on the production of a skilled workforce to satisfy the current and future labour needs of the country. Whereas higher education graduates have been taught how to apply their knowledge in new situations and how to develop new knowledge, this is not the focus of the VET sector. This does not make higher education better than the VET sector, just different. It is also why the VET sector can produce work-ready people in a shorter time than a university and at a lower cost.

It is Deakin's view that both sectors are important and, indeed, vital to the future of Australia. The boundary has been blurred recently by a number of TAFE Institutes offering undergraduate degrees. This may have unintended consequences, particularly now that universities can no longer enrol domestic undergraduate fee-paying students, but TAFE Institutes can continue to take full fee undergraduates who also have access to FEE-HELP. There is a need to develop coherent policies around these issues.

It is important that movement between the sectors is made as simple and convenient as possible – in both directions. The level of movement from TAFE to universities varies enormously by institution. In Victoria, in 2005 Deakin University had the second highest number of students admitted on the basis of prior TAFE study, exceeded only by RMIT which is a dual sector institution, and greater than that of all other Victorian dual sector institutions. Deakin had 33% more students admitted on the basis of prior TAFE studies than Monash University and nearly 600% more than the University of Melbourne. These numbers would suggest that

movement from TAFE to higher education is a matter of will rather than a systemic problem. This could be addressed by the funding mechanism referred to in paragraph 1.2.1 above.

Deakin has a strategic alliance with four major TAFE Institutes and actively works on building these partnerships. This has resulted in joint programs, articulated programs and a sophisticated approach to credit transfer. A dedicated "credit transfer" database has been developed which allows potential students from TAFE to determine exactly what credit they would receive in Deakin's programs.

The Victorian Registration and Qualifications Authority has developed a credit matrix which attempts to codify levels of qualifications as a guide to credit transfer. Deakin University was contracted, in conjunction with the Box Hill Institute, the Gordon Institute and the South-West Institute, to conduct a trial of the credit matrix in the area of business studies.<sup>13</sup> The trial was highly successful.

## 2.2.5 Higher education's role in the national innovation system

Question 19. By what mechanisms should research activities in Australian universities be supported?

Question 20. On what principles and for what purposes should research activity be concentrated in particular universities or types of universities?

Question 21. Do you believe there is a place in Australia's higher education system for universities that are predominantly 'teaching only' universities? If so, why?

Deakin's view is that the best approach to supporting research, development and innovation in the interests of Australia is to capitalise on the research base which already exists and build a stronger national profile of research involving all universities.

Research funding should continue to be based on block grants, competitive funding, and industry funding.

*Block grants* should be readjusted to represent not only past research success, but future research directions. The current focus on historical performance and the failure to recognise the importance of emerging and multidisciplinary research areas does not encourage innovation. Research funding should encourage innovation and **engaged research**. These matters are discussed in more detail in paragraphs 1.2.4 and 1.3 above.

*Competitive funding* should be increased to give researchers a significantly better than one in five chance of being successful.

*Industry funding* should be encouraged through tax reform (see paragraph 1.2.2 above). There is a strong case for supporting industry through tax concessions and direct grants to enable companies to work more closely with universities. Current schemes do little to encourage innovative, small to medium sized enterprises that are attempting to undertake research in Australia. This should be addressed as, regrettably, many multi-national companies already have their research bases, and the majority of their intellectual property, off-shore.

As mentioned in paragraph 1.2.2, Deakin supports increased funding for the ARC Linkage Scheme. Deakin also supports the establishment of the NH&MRC Partnerships Program.

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<sup>13</sup> See <http://www.vrqa.vic.gov.au/cmatrix/default.htm>

Programs of this kind provide incentives to universities to undertake **engaged research**, working with industry and other groups to address real industry and social problems; they encourage universities to solve the problems of the here and now - as well as contributing to the global knowledge industries of the future.<sup>14</sup> Increasing these sources of funding would allow regional universities, which are finding innovative ways to serve newer markets and communities different from those served by universities in capital cities, to build a broader, stronger and more regionally aligned research capacity across Australia. Australia will need this increased capacity and strong regional alignment if it is to fully embrace a knowledge-based industry future.

It is in Australia's long-term interests to ensure that all Australian universities contribute to the generation of new knowledge and to the national research agenda. The research activity in all universities needs to be strengthened. For regional universities this should include research directed at the needs of regional industries or regional communities as well as research that responds to national and international agendas.

The elimination of the binary system 20 years ago was a bold decision. To go backwards and revert to the former system by clouding the definition of a university would in our view reintroduce all the problems that those reforms sought to address. In the old college of advanced education sector there was little money for research. Staff were largely recruited after PhD training and they wanted to undertake research; this was often difficult, if not impossible, and the impact on the sector was a constant in and out of young staff, many frustrated that they were unable to operate at the level for which they had been trained.

## 2.2.6 Australia's higher education sector in the international arena

**Question 22.** Are there any unintended consequences of the current approach to internationalisation of higher education in Australia?

**Question 23.** What is an appropriate role for government in assisting the Australian higher education system to internationalise? On what principles should this role rest and what purposes should it serve?

**Question 24.** Can you provide any examples of good practice in encouraging local students to undertake study in other countries?

The current approach to the internationalisation of higher education is based on a belief that the acquisition of global awareness and an understanding of the diversity of cultures and societies is an integral part of education. It is essential to equip graduates for work in an international, multicultural and multilingual environment.

The motivations and influences that led the Hawke government to allow universities to enrol fee-paying international students included:

- a belief that universities already had enough government funding and that if they wanted more money, they should raise it themselves;
- a view that increasing international university enrolments was a valuable means of increasing Australia's international engagement.

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<sup>14</sup> There is a significant relationship between industry funding and research performance - see Gulbrandsen M, and Smeby J-C, "Industry funding and university professors' research performance" (2005) 34 Research Policy 932.

These objectives have been achieved. Two things were probably not foreseen. First, the success that Australian universities would enjoy in enrolling international students and, as a result of that success, the extent to which they would come to rely on international student fee income. Secondly, that international education would become one of Australia's biggest export industries.

Government should assist universities in accordance with the following principles:

1. *Acting where universities cannot effectively act alone* – see the suggestions below about “Brand Australia”.
2. *Acting where the market will not produce desirable outcomes* – see the comments below about enrolments at regional campuses.
3. *Promoting the national interest* – see the comments below about transnational barriers and research collaborations.

Areas in which Government can assist universities include:

1. *“Brand Australia”*. There is some overlap between the activities and roles of Australian Education International (AEI) and AusTrade; indeed, State Government Business Offices are now being set up in various countries and they are providing advice and assistance to Australian universities. What is needed is one brand for Australia, just as there is for Britain with the British Council: it does not matter whether you want to promote a string quartet's visit to London, learn about opportunities for studying in Britain, learn English, consult a library or recruit students, all paths lead to the British Council. The Australian Government should consider creating a similar body or funding one of the current organisations so that it develops the same reputation and presence as the British Council, working for all Australian universities.

2. *Enrolments at regional campuses*. International students bring great benefits to regional campuses and the communities in which they are located. International students who enrol at regional campuses are more likely to obtain the anglophile learning experience they seek, rather than finding themselves enrolled in classes swamped by students from their own home countries as sometimes happens at metropolitan campuses. They may also perform better academically because of the greater opportunity for individualised attention that is so often a feature of the educational experience at regional campuses. The Government could assist universities by providing scholarships directed at under-represented countries and courses for study at regional locations; by promoting study at regional locations; and by increasing the migration bonus points scheme for study at regional locations.

3. *Transnational barriers*. There is a role for Government in encouraging other countries to remove hurdles to transnational education programs. One example is the disinclination of the professional bodies of certain countries to recognise Australian degrees for the purpose of professional recognition within their country. Masquerading under the guise of protecting consumers, this is often little more than the construction of a barrier to the entry into those professions of graduates who qualified overseas. Another example is the refusal of Indian authorities to recognise Australian degrees awarded through advanced standing arrangements, even those involving Indian institutions.

4. *Research collaboration*. Government can assist universities to develop research collaborations with overseas institutions and firms by promoting Australian expertise and by

providing funding incentives. One example of the latter has been the Australia-India Fund which has been helpful in encouraging research collaborations.

Examples of good practice in encouraging local students to undertake study in other countries include: language tours; study tours in which students undertake a subject for credit that relates to the country visited; joint study projects in which an Australian cohort of students is combined with one from an overseas institution for the purpose of conducting a joint research project; tours that focus on visiting business and professional offices and institutions.

### 2.2.7 Higher education's contribution to Australia's economic, social and cultural capital

Question 25. How would you define knowledge transfer and community engagement in an Australian context?

Question 26. Do you believe that knowledge transfer and community engagement are legitimate and appropriate roles for contemporary higher education institutions? If so, how do you see this additional role for the higher education sector blending with its traditional roles and are there limits to these additional roles?

Question 27. If you think that knowledge transfer and community engagement are appropriate roles for higher education institutions, how do you believe these functions should be funded?

The Discussion Paper refers to knowledge transfer and community engagement as a 'third function', separate from the research and teaching functions of universities. Deakin considers that drawing a distinction between research and teaching on the one hand, and knowledge transfer and engagement on the other, is a false dichotomy.

Engagement and knowledge transfer involve collaboration between a university and a community or industry or group to identify and address real research problems and community needs and to enhance the scholarship of the university. As explained in paragraph 1.2 above, this collaboration may take the form of curriculum engagement; it may take the form of research conducted by academic staff and industry or local community partners. Engagement goes beyond service to the community. Important though it is that a university sponsors an art exhibition or a community event (the examples given in the Discussion Paper), this is not engagement. Engagement is not 'outreach' in the sense that researchers lend their already well developed research outcomes to the solving of a local problem. True engagement involves collaboration between the community, or industry, and researchers to identify and solve a problem.<sup>15</sup>

Engagement should not be a 'third stream' or add-on that some, usually regional, universities undertake. Rather engagement should be a natural outcome of all universities working effectively within their communities, with industry and the professions. Community engagement and knowledge transfer are not only legitimate and appropriate roles for contemporary higher education institutions, they are central to this role.

When the concept of engagement is properly understood, it can form the foundation for the funding of **engaged teaching** and **engaged research**.

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<sup>15</sup> See, Proceedings of the 2005 Australian Universities Quality Forum, "Engaging Communities" Sydney, 6-8 July, 2005, particularly the work of Professor Judith A Ramaley, "Engagement and the Integration of Research and Education: A New Meaning of Quality".

Funding should not be based upon the old concept of service where university staff participated on committees, mounted public lectures or delivered performances. Funding should be based upon the contribution the university is making to the long term sustainability of its communities through **engaged teaching** and **engaged research**. Qualitative and quantitative measures can be developed to estimate this contribution. These include shared goals and agendas regarding enhancements to innovation, productivity, employment, skills, educational participation and health.

## 2.2.8 Resourcing the system

Question 28. What incentives or unintended consequences are there in the current arrangements for higher education funding?

Question 29. To what extent are the current funding models adequate to secure the future of Australia's higher education sector? If there are better models, what are they?

Question 30. Are the current institutional arrangements for determining relative funding between higher education institutions appropriate? If not, what changes should be considered?

The inadequacy of the current indexation formula has encouraged universities to search for productivity gains and efficiencies. We have reached the point where there is no 'fat' in the system. It is sometimes asserted that the fact that a university has returned a surplus is evidence that there is spare capacity. This is not correct – universities plan for surpluses to use these funds to address capital requirements.

Universities have only a limited number of sources available to them that produce recurrent, discretionary revenue. Indeed, the Government has removed one such revenue source - domestic undergraduate student fees.

The primary, non-government source of recurrent, discretionary revenue is now international student fees. To achieve a balanced student profile, some universities have already imposed limits on the number of international student enrolments. It follows that attracting more international students is not a long term solution. It is also perverse to be subsidising shortfalls in domestic student funding with international student fees

Funds provided by the Government on the basis of competitive funding, while welcome, are generally not recurrent, but are tied to a particular 'new' project. Although one can understand the motivations for this - providing funds for recurrent maintenance is hardly newsworthy – it is likely that such funds have not been directed at each university's most pressing needs.

Unintended consequences include: an increase in student: staff ratios; an increase in the rate of casualisation of the academic workforce; CSP students being subsidised from international fees; pressure on universities to move out of areas of low enrolment such as mathematics and physics; and universities not being prepared to bid for more places for high cost courses such as Nursing and Teaching.

University funding should:

- be based on teaching and research with allocations for engaged teaching and engaged research as discussed in paragraphs 1.2 and 2.2.7 above;

- address pressing social needs by funding universities according to the profile of their students so that universities that teach low SES students, students with disabilities, NESB students, rural and regional students, Indigenous students, students who have transferred from TAFE, and off campus students, receive additional funding in respect of each student to recognise the additional costs involved – see paragraphs 1.2.1 and 1.2.3 above;
- be indexed according to CPI increases.

More particularly:

- there should be fewer clusters and the mix of disciplines in each cluster should be based on up to date cost studies;
- the zero HECS surcharge limit on the national priority areas should be removed and these disciplines rolled into a smaller number of clusters based on cost;
- the clinical and practicum loadings for Nursing and Education should be increased to reflect actual cost of delivery based on contemporary cost studies;
- the pipelining methodology should be finetuned by calculating more appropriate discipline retention rates based on actual sector wide data for the smaller number of funding clusters.

It has been argued by one University that, as there is no evidence that HECS is a disincentive for students taking up a university place, student contribution rates should be de-regulated with each university setting its own rates. The assertion that the student contribution is not a disincentive is supported by a number of research publications. Nonetheless, as previously discussed (see paragraph 2.2.1 (questions 3 and 4)) universities such as Deakin that wish to encourage Indigenous students and students who are the first generation in their families to go to university know that these groups find the HECS-HELP scheme perplexing and that they are debt averse. We have to work hard to counter the negative effects of the publicity that inevitably accompanies any change that increases student contribution rates. Increases in student contributions may also be one reason why there has been a decline across the sector in mature age students applying for university places. These students may have incomes which are such that that they will immediately have to commence repaying their HECS debt and this may be a disincentive to undertaking university study.

It is not yet clear what impact HECS debt incurred as an undergraduate is having on postgraduate enrolments.

In Deakin's view, student contribution rates are already high and, of the four possible sources of funds – governments; students; business and industry; private donations – Australia should not look first at students to pay more. The current scheme regarding student contributions does, however, suffer from policy confusion. When the HECS scheme was initially introduced in 1989, the approach was one of 'contribution offset'. Students paid a contribution designed to offset the cost of the provision of the course. Subsequently, differential student contribution rates by course were set based not only on the cost of educating the student, but also on what a student was likely to earn as a graduate in the relevant discipline. This could be described as a 'market outcome factor'. When student contribution rates were partially de-regulated in 2005 by allowing universities to set them at up to 25% more than the previous rates, Nursing and Education were exempt as they were seen as national priority areas. Despite some increase in the Commonwealth contribution, the effect of the 'priority area' policy decision has been to make Nursing and Education practically unviable for universities that now have to subsidise

these teaching programs. We need to unravel these different policy drivers – contribution offset; market outcome factor; priority area - and establish a model for the future.

Funding should reflect the fact that costs of delivering services varies between institutions. If maintaining the delivery of high quality higher education in rural and regional areas is a priority for the Australian Government – as it should be - then funding must recognise the gap in delivery costs between universities that have campuses only in metropolitan areas and those that maintain campuses in rural and regional Australia – see paragraph 1.2.3 above.

## 2.2.9 Governance and regulation.

Question 31. Is it time to reshape tertiary education in Australia and streamline financing and regulatory arrangements? If so, what structural changes would you make and why?

Question 32. Is the level of regulation in the sector appropriate? If not, why not, and what should be done to reduce the level of regulation?

Question 33. Does Australia's Quality Assurance Framework need revision? If so, why? What changes would you make?

Question 34. Are changes required to the Australian Qualifications Framework?

Question 35. Is there more that could be done to improve university governance? How should this be done?

The sector is currently over-regulated. Deakin recognises the need for accountability for the considerable amount of funding provided by the Commonwealth Government, but the financial and student statutory reporting requirements exceed what is necessary. The degree of central regulation of the allocation of places, the detailed statistical reporting on each student and the introduction of new statistical collections (eg scholarships, offers and applications for places etc) duplicates work done in universities and adds to ever more reporting requirements. The new ESOS Act, while necessary to protect international students from sharp practices, is an example of over-regulation that has had an enormous impact on universities requiring more resources to be applied to systems and services than can be justified in terms of the benefits to be achieved.

It is necessary to review what data is essential for the Government to be able to adequately ensure accountability without getting into micro-management. All statutory reporting requirements should be examined and their number and complexity reduced.
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The Australian Qualifications Framework is a valuable tool for ensuring a common approach to the provision of qualifications across Australia. In general it has been effective in this role. However, there have been some difficulties with the AQF lagging behind the advances being made in higher education institutions (for example, the failure to recognise joint Masters degrees).

Deakin submits that the key to good governance is the appointment of appropriate people to the governing body. Members of the governing body should have the qualifications and experience necessary to provide governance functions; they should have good judgment, they should make it their business to understand higher education and, most importantly, they should be motivated only by the interests of the university.

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