

The Future of Higher Education

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Thanks very much David and thank you to CEDA for organising this forum, I think it's very encouraging to see business related groups taking a very active interest in this very important topic and we certainly welcome your and other business groups' interests in this topic.

Being the last speaker on any program's a bit challenging and of course some of what I was going to say has already been covered so I'll just try and skip through this fairly quickly to give you the maximum amount of time for questions. But I will say something about the drivers for change and direction of government policy and particularly talk a little more about the recent budget initiatives. It's not every year that education is regarded as a centrepiece of the federal budget and this year was one of those years I'm pleased to say.

So in terms of drivers you've heard a lot about that already so I won't cover the ground but obviously as a small open economy having a highly skilled and flexible workforce is vital to our future success. And the demographics are that we're facing is such that we have to make the best use of the talent that we have available. Even taking into account the fact we're running a very successful skilled immigration program.

And the reason that education is so important is sort of starkly illustrated by those two charts I suppose. The first one indicates the fact that the higher the level of the qualification, the greater the level of the earnings of the individual. And the second one also indicates that the higher the level of qualification, the longer an individual stays in the workforce. Both very important issues as we go forward.

And as previous speakers already mentioned, one of the other issues we're now facing of course is that with the increased number of places being available, being made available in the university sector, the old problem of excess student demand has now effectively been met. But that doesn't mean that there's not more to do. Indeed as you've already heard there are a number of very significant challenges facing Australia as we move forward in the 21st century.

We clearly need to maintain the world class university system that we have and seek to improve it in a number of dimensions. Part of that is going to be about having greater flexibility in the funding arrangements to allow universities more freedom to respond to student and employer demands. Trying to cut back on the level of regulations you already heard talked about. And also from the students' perspective to try and ensure as far as we can that a student with the capacity to benefit from a university education actually can obtain a place in university. So in short quality is going to be a key driver for the future.

So in terms of some history then, the Australian government's been seeking to evolve its policy stance through a number of major statements, basically over the term of life of the current government. If you go back to 1999 the government's then White Paper on knowledge and innovation tried to strengthen our research and research training system including through boosting the Australian Research Council, and that I think was a very important development on the research side.

We then move forward a couple of years to the 2001 and then a little later, the 2004 Backing Australia's Ability packages, you find for the first time major commitments of funding over very significant time periods. And the first BAA package over three billion over five years, and the second BAA package coming up to 8.3 billion over that ten year period. The first time I think that governments have ever given a ten year commitment and these vitally important areas.

Now BAA wasn't simply focussed on higher education but some very significant initiatives came out of it, including the doubling of the ARC's Competitive Research Grants pool, the commensurate increase the research Infrastructure Block Grants Scheme and a number of other things, increases in CRC funding and so forth and so on. You'll all be aware of the very significant amount of funding which flowed as a result of those two packages.

In between those two packages of course we had the significant reform being promoted under our Universities Backing Australia's Future package which in itself introduced a significant amount of funding over a ten year period into the higher education system. And for I think the clearly articulated four key policy principles which are of concern to all of us and for government, that is the sustainability of the sector that's getting all funding into it amongst other things. The quality of the sector, because a high quality sector's vital not just for our own skills needs, it's vital if we're going to maintain our export industry. Then there was the equity issue about equity and access for lower socio-economic and otherwise disadvantaged students.

And finally trying to inject some more diversity into the system and a deal of work followed on from that including as Glynn Davis mentioned this morning, the amendment of the national protocols which do allow for more specialised universities but as he said we haven't really seen too much action on that front yet. I think the... everyone would acknowledge that the situation we now have of course is a result of history that we're all dealing with and the funding models that have gone along with it.

So jumping forward then to the current budget package, the 07/08 budget package and the realising our potential component of that, so that represents a major investment of 3.5 billion dollars additional into the education sector broadly that's schools, [VET] *6:38 and higher education. And an unprecedented initiative which was to invest five billion dollars from this year's current financial surplus into a higher education endowment fund, and I'll say a bit more about that later on. So as a result of that package about another 11 billion dollars being injected into the higher education sector over the next decade.

So as you can see these things are building on a significant history of policy evolution and program redesign. One of the issues which I thought I should say something about straight up was about improving access to tertiary education. It's always been a bit of a disappointment to me that generally speaking the commonwealth contribution in this area is pretty invisible for people for a whole variety of reasons. But both through the higher education system and through our social welfare system, the commonwealth provides very, very substantial support for students both students are leaving from school and mature aged students to undertake their study.

In the last budget some 222 million dollars was provided to enhance the current income support arrangements to deal with some anomalies in the system. So for example rent assistance for the first time's now being made available to Austudy recipients, we've decided to extend some eligibility for youth allowance and Austudy to people undertaking masters by course work and so forth. So this is a

very significant increase in availability of assistance to sets of students which previously didn't have access to that type of support.

These things also of course integrate with and relate to a number of other initiatives I'll mention later on, including the fact that under this package we're now enabling universities to use commonwealth supported places for masters study by course work in certain courses. And we're also increasing the coverage of commonwealth scholarships so we had commonwealth learning and accommodation scholarships about 8,500 of those a year. We've increasing that to 12,000 a year, another 91 million dollars over four years going into that.

Of those scholarships 2,000 are being made available for students who might otherwise not qualify for a higher education place, so these are students undertaking associate degrees and this is to assist them transition through and provide a pathway in to a full tertiary education experience. It also tries to deal with the fact that regional and rural tend to have been underrepresented and so these scholarships are slanted in their direction. And in addition to that something which may not have noticed was a special provision of 27.7 million dollars for 1,000 indigenous higher education students who need to relocate from rural or remote areas, again to assist them participate in university education.

In addition to that there are some other bells and whistles such as exploring pilot for aptitude tests is another pathway for students who may not have the sufficient enter score to get in to university to see whether we can promote other ways of building the pool of students if you like, which would benefit from a higher education experience.

So let me know quickly go through the main features of the higher education package. I'm sorry that that slide's come out so small but I suppose the bottom line is there's 1.748 billion dollars of which 900 odd million dollars relates to the higher education endowment fund. And I'll talk about that a bit first.

So the [HEAF] *11:04 as we call it in the trade or bureaucrats love acronyms as you know, is as I said the first time that the government has hypothecated part of it's financial surplus in to an area of policy such as this. There is a future fund of course which is to deal with ageing people like myself in the public service and our accumulated superannuation debt, but this is the first time that a large lump of money has been set aside for an area such as this. And it reflects the growing focus and importance that everybody is giving to education generally, including higher education and the fact that that represents a very good investment for us as a nation whichever way you like to look at it.

So the HEAF based on reasonably conservative estimates will generate around 300 million dollars a year of additional funding, which can be used for capital and research facilities. Now in the university sector the government has indicated that further funding will be provided and put into this fund from future surpluses and also there is a provision to enable philanthropic donations to be made in to the fund if people can be persuaded to do so.

In order to make all this work the minister's in the process of considering a membership of an advisory board that will provide her with advice on how this funding might best be used in the sector. But it is going to be used in a strategic way, it won't be frittered away, it is an important investment for the future and the minister's made it quite clear that she wishes to use this funding to facilitate greater diversity in the system, perhaps more specialisation, more responsiveness to student and employer demands and the like. So this advisory board will place a very important role in facilitating that process. So legislation for the HEAF will be introduced in to the spring sittings of parliament and they're hoping that it'll be passed fairly early on.

The next area I want to go to is the increased funding and flexibility for universities and sorry that's just a.... won't worry you with that... and the biggest I suppose initiative in this area was to look at the way

in which the government funds universities for their teaching of students and the cluster funding model that has been used for some years now in order to aggregate up the amount of money that individual universities receive.

So based on public submissions and other input we had to review of HESA, sorry the Higher Education Support Act, it informed the government's thinking about what it might do in this area. So this represents a 557 million dollar injection over four years, so substantial increased funding for teaching purposes. The number of funding clusters are being reduced from 12 to seven in order to give universities more flexibility to move things around within those funder clusters. It was very... because of the way in which the clusters have been redefined, there are very significant increases in funding to areas such as maths and stats, allied health, engineering, science and surveying, clinical psychology, education, nursing, behavioural science and social studies and medicine, dentistry and veterinary science. All those areas are areas which were flagged with us by universities in the HESA review that I mentioned.

There's always a sting in the tail to some of these things and one of the things which has drawn some comment has been the fact that in doing this, the accounting, administration, economics and commerce cluster was combined with a law cluster which means that the commonwealth contribution for students undertaking those courses and studies will reduce. But overall I think it's a very good reform.

I should also hasten to add that of course for existing students their situation is grandfathered and there's a transition fund as part of that funding to compensate universities for the fact that they were having a group of students who will be undertaking studies flowing through to possibly as late as 2012, there will be grandfathered under this arrangement just as students under the previous adjustments were grandfathered. So it only applies to new students commencing next year.

Another initiative in this area was the decision to go from one year funding agreements to three year funding agreements which will give universities greater certainty over a length of time and hopefully cut down on some of the administrative costs both for them and for us. Also in terms of the enrolment caps, a significant change is made there which will allow universities to receive full funding for over enrolling up to five percent of their base, and that can be done year by year by year. So at the end of a three year period a university could theoretically have an additional 15 percent of its student load being fully funded by the commonwealth if that's... if it chooses to go down that route.

So that's a bit change from where we were previously were people were actually penalised for over enrolling. In terms of people who under enrol, there will be a penalty for people who under enrol by more than one percent but in any event they are guaranteed to receive at least 96 percent of what they would have otherwise received through another change to the way in which the under enrolment stuff works. So I won't bore you with any more of the technical detail except to say again this is designed to give people greater certainty and more flexibility.

In terms of trying to reduce the red tape, we've been looking at this issue for some time now. As a result of the review that Gary Bank's chaired, a review of best practice regulation and we were working with the AVCC, now Universities Australia in terms of how we might reduce the burden on universities in that context. But in this budget the government signalled that it was going to ask the states and territories to refer their powers in so far as they relate to financial reporting and auditing of universities to the commonwealth, in order to try and reduce some of the duplication and red tape around that issue.

Another major component of the fund was a new diversity instructor adjustment fund, this combines the old [KAZZA] *18:22 fund that many of you would be familiar with and also takes some of the funding that would otherwise have been allocated the teaching and learning performance fund. But there's 67 million dollars in new funding going into this area and it's going to have a particular focus on

encouraging institutions to diversify, to specialise in terms of their discipline offerings. Where they had dual sector type operations, they might wish to build on those or people in other states other than Victoria might wish to look at that. Or they might want to respond better to their particular local context and the employment and education needs in their area. So this will be a competitive process of course but is designed again to meet those broad policy objectives of government.

So what's all this mean I suppose you might be saying in terms of the overall picture. Well the overall picture in terms of the commonwealth, and these are nominal not real dollars, I'll hasten to say that before other people draw it to my attention. Shows that as a result of backing Australia's ability one, two, [BAF] *19:40 and there's already a substantial increase in commonwealth funding going in to higher education, and that graph will continue to climb as a result of the last budget initiatives.

So in terms of what does that mean in terms of bottom line, you can see that in 2007 calendar year, the commonwealth will contribute about 8.2 billion, this is not taking into account the social welfare side of things, and that will increase to 8.9 billion from next calendar year. Some of these figures can get a bit confusing because we get allocated funding on a financial year basis and allocated a sector on a calendar year basis so different people might give you slightly different analyses of that but the general trend I think is clear enough.

I was interested that people have mentioned the fact that we need to strengthen our education system more broadly and I wouldn't disagree with what previous speakers have said about this. I thought I should say something about that, in particular the link between higher education and VET. We've been putting a lot of attention into this area so there's incentives for universities to provide better pathways for VET students. And for the first time we're now offering fee help to full fee paying students in to diploma and advance diploma in vocational and education training qualifications where there's a significant credit transfer arrangement in place with a university. Again trying to [incentivise] *21:21 people to bring people through the system to as higher level of qualification as that person desires, or is capable of achieving.

So turning to... and have I missed something, anyhow not to worry. So in terms of what we did on the VET side in the last budget there are three new Australian technical college, there's a thousand per annum top up for first and second year apprentices, there's 58 odd million dollars to assist a registered training organisations to work more closely with industry and local employers to develop and implement fast track apprenticeships. So competency, not time based is really the catch cry there. And in relation to schools, about 1.2 billion in additional funding over four years and that's before we enter in to the next [quadrillion] *22:16 funding arrangements with the states and territories.

And this graphic here is sort of just a bit of a take on what Simon's already said really, as to why should we be worried? Well that's one indication of why we should be concerned about maintaining a quality of our education in primary and secondary school. So the measures in this budget included national literacy and numeracy vouchers, Australian government funded summer schools for teachers to assist them in their professional development and raise the quality of teaching in schools. Incentives for teachers to... for schools who improve their performance in literacy and numeracy outcomes, there's more money for intensive English as a second language tuitions. There's a substantial increase in investing in our schools program, there's more money for 400 odd schools in remote and rural Australia who obviously face higher cost and some special challenges in getting good teachers and giving their students a good quality education. And there's also money for the aptitude test I've already mentioned and a work with the states and territories on development core curricular.

So in conclusion then I suppose what I would say is that the government's reform agenda is still based on those key principles of sustainability, quality, equity and diversity. There's been an evolution in policy thinking and program design through the various packages that I mentioned and most

particularly in the most recent budget package it's clear that the government is seeking to promote a greater diversity in the sector, it's conscious that we need to remain internationally competitive. We're looking for both more specialised and more depth in broader institutions, we want to have more focus on student and the market needs, employers of all kinds. We were looking for more flexibility in the system, quicker responsiveness and of course to achieve all that, putting in substantially increased funding.

So I think we're at an interesting historic point now in where we are particularly in the higher education space, which is the area I know more about than schools and VET. And if people are interested in finding out anymore I'll just leave that slide up on the screen for you. Our website is not the easiest thing to navigate so that's why I've given you the full URL rather than telling you just to go to dest.gov.au which you may find challenging getting from there to where you need to be.

So thanks very much for the opportunity to tell you a little bit about government policy directions. I think it's actually quite exciting and I think you will see that from what I've said the government's already picking up on the sorts of themes and issues which have been raised by earlier speakers today. Thank you.

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