

***Driving Innovation, Fairness and Excellence in
Australian Higher Education***

Submission of Australian Catholic University

July 2016

Executive summary

Australian Catholic University (ACU) welcomes the Government's options paper for higher education reform, *Driving Innovation, Fairness and Excellence in Australian Higher Education*, and appreciates the opportunity to respond.

ACU supports the policy principles outlined in the paper of providing genuine choice, pathways, and equity of access for students, flexibility for institutions, quality through effective funding and regulation, and affordability for students and the nation.

Australia's higher education system provides the high level knowledge and skills, innovation and research needed for Australia's future. Without adequate investment, Australia puts at risk future economic growth and the competitiveness of its largest service export industry.

The demand driven system of university funding has delivered many benefits for students, universities, industry and the community. It has opened up participation, improved access to university and better enabled universities to respond to the needs of the economy. Importantly, it has sharpened universities' focus on students and teaching and learning quality.

ACU recognises that in a time of fiscal constraint, the Government's consideration of its funding priorities becomes even more difficult. ACU therefore understands, but does not support, the options in the paper to reduce the Government's proportion of funding. Should the Government wish to pursue these options, ACU strongly recommends that it consider a fundamental reform to the funding system to ensure adequate funding is provided to universities. In the absence of such reform, and with substantial funding cuts, it is likely that several universities would be at risk of collapse. For those, such as ACU, that remained, the resultant reduction in the quality of teaching, research and student services would be detrimental to the sector as a whole.

Instead, ACU advocates the introduction of a new funding model that maintains an effective cap on fees, whilst providing universities with greater flexibility. Detailed further on page 9, the model as suggested would provide downward pressure on fees by imposing an escalating levy on the fees institutions charge above a certain level.

In addition to this reform, ACU supports:

- Expansion of the demand-driven system to sub-bachelor courses.
- The reallocation of subsidised postgraduate places on a more transparent and consistent basis, with a focus on courses that offer a high community benefit and low personal return.
- The closer alignment of funding clusters with costs, and a setting of student contribution levels that takes into account private returns and national priorities.

Context

Role of higher education in the economy

Universities provide the high level knowledge and skills needed for the workforce and are at the core of Australia's research and innovation effort. Recent figures suggest that demand for high-skilled labour will continue to grow, particularly in health and education¹. Australia must at the very least maintain its higher education effort to remain internationally competitive in the longer term.

Education is Australia's third largest export industry and largest service export. Higher education exports totalled \$12.9 billion in 2015². In 2013 higher education contributed \$25 billion directly and indirectly to the Australian economy and accounted for 1.5 per cent of GDP³.

Higher education's value lies not only in exports, but in its ability to enable graduates to reach their potential and develop the skills and knowledge they need for their careers. Bachelor degree holders earn over \$1 million more on average over their lifetime than people with an educational attainment level of Year 11 or below⁴. It is not only graduates who benefit, however. Universities play a vital role in improving outcomes for all Australians through research and innovation, industry collaboration and community engagement.

ACU acknowledges that in a time of fiscal constraint difficult choices need to be made to prioritise limited resources. Australia's higher education system, however, must be adequately funded to continue to provide the economic and social benefits that our nation needs to remain internationally competitive.

Support for the demand driven system

Australian Catholic University strongly supports the demand driven system of university funding and welcomes the bipartisan commitment to its continuation.

The demand driven system has delivered many benefits for students, universities, industry and the community. It has increased participation and improved access to university; better met the skills needs of the economy; driven competition, diversity, innovation and efficiency within the sector; and sharpened universities' focus on students and learning and teaching quality.

¹ Australian Government Department of Employment, *Australian Jobs 2016*

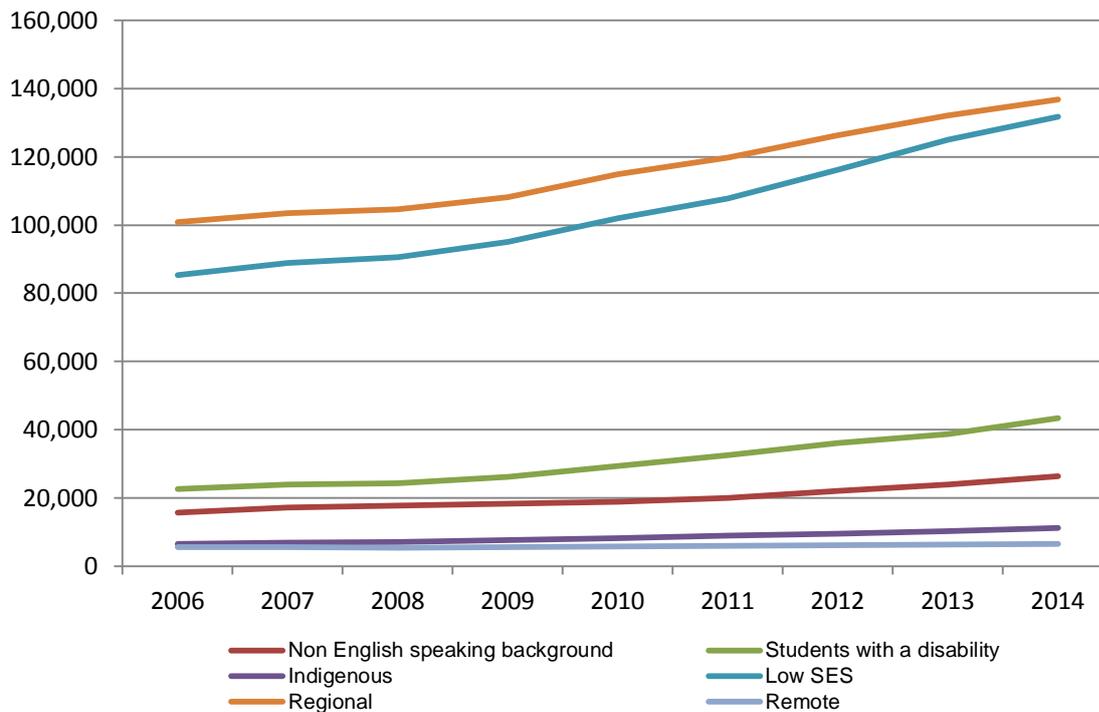
² Australian Bureau of Statistics, *International Trade: Supplementary Information, Calendar Year, 2015*, May 2016

³ Deloitte Access Economics, *The importance of universities to Australia's prosperity* (report to Universities Australia), October 2015

⁴ NATSEM, *Income and Wealth Report: Smart Australians*, October 2012

The demand-driven system has expanded opportunities for students to go to university, including those from low-SES backgrounds, ensuring that Australia utilises its human capital more efficiently, providing the skills and workforce needed now and in the future.

Domestic undergraduate enrolments by equity group - 2006-14



Source: Australian Government Department of Education and Training, *Selected Higher Education Statistics 2014 Student Data*

The rapid growth in the number of students commencing higher education since the introduction of the demand driven system has now slowed⁵, meaning much of the previously unmet demand for places has now been met and the cost to government has effectively plateaued.

Growth of ACU

ACU has adapted to the change brought about by the introduction of the demand driven system. The University has grown from a cohort of just over 17,000 students in 2008 to over 32,000 in 2015 and is now the largest Catholic university in the English speaking world.

In response to policy settings and market demand, ACU's traditional areas of strength: health and education, have accounted for most of the recent growth in student numbers.

⁵ Australian Government Department of Education and Training, *Selected Higher Education Statistics: 2015 Student Data*

ACU produces quality graduates not only for the Catholic health and education sectors, but also prepares students to go on to work in the public and private school and hospital systems.

It is the integration with prospective students and employers, the commitment to mission, the quality of ACU's courses, and previously unmet demand for teaching and nursing places which explains ACU's growth under the demand driven system.

ACU graduates perform well, with a median starting salary of \$55,600 and a 72 per cent rate of full-time employment within four months of finishing their degree according to QILT's most recent Graduate Destination Survey. In the Student Experience Survey, published in May 2016, ACU students scored the University more highly than the sector average in all key areas surveyed.

In the last three years the quality of ACU's research has improved dramatically. In the 2015 Excellence in Research for Australia (ERA) assessment ACU received high scores in the fields of research identified as strategic priorities and in which it has concentrated investment in order to achieve the highest levels of excellence. These include selected areas of Health, as well as Education, Psychology, Theology, and Philosophy.

Response to options

OPPORTUNITY AND CHOICE

Expansion of the demand driven system to all undergraduate courses at all registered higher education providers

ACU strongly opposes extending the demand driven system to non-university higher education providers (NUHEPs).

As noted in the options paper, these providers are already successful enterprises in the absence of government funding. It is this profit-making motive that differentiates NUHEPs from public universities. Public universities are fundamentally concerned with teaching and learning, quality education, and scholarship. Universities must meet important obligations and they provide economic and national benefits which warrant public investment.

Regional and other universities often use high demand and low cost courses to cross subsidise low demand and/or high cost courses in critical areas of need in their communities. NUHEPs, in contrast, are motivated to 'cherry pick' the most profitable courses without regard to broader interests. As most NUHEPs are primarily profit-driven and are not compelled to meet community needs, any policy changes which extend Commonwealth funding to NUHEPs in direct competition with universities, particularly in regional areas, could have negative flow-on effects on workforce capacity in critical areas of need across the nation.

An expansion of funding to NUHEPs could have an adverse impact on the quality and international reputation of Australia's higher education system. As the experience in the VET sector has demonstrated, without a substantial increase in funding, TEQSA could be overburdened in assuring the sustained quality and timely regulation of an expanding number of providers.

How to expand access to sub-bachelor courses at universities

ACU supports the extension of the demand driven system to sub-bachelor places which provide an important pathway for students to access higher education.

Extension of the demand-driven system to sub-bachelor courses at universities would improve educational access and outcomes for students from low socioeconomic backgrounds, indigenous students and students with a language other than English. It would also increase student choice and student mobility, better enabling students to study the courses at institutions that are the best fit for them.

Importantly, expansion of the demand-driven system would correct current market distortions in which some students who may be less prepared for university choose a bachelor level course due to the Commonwealth subsidy available. By encouraging students to undertake sub-bachelor courses as pathways to university study, retention and completion rates would correspondingly be expected to improve.

Reallocate all subsidised postgraduate places on a more transparent and consistent basis

ACU strongly supports a re-examination of the current allocation of postgraduate Commonwealth Supported Places (CSPs) and a more transparent process to ensure places are targeted in the right areas to support the Government's long term strategies.

The current allocation of postgraduate places is the result of a number of historical decisions which may no longer be applicable. Although the previous Government undertook a review of the allocation and funding of postgraduate places in late 2011, CSPs have essentially been frozen in time since the demand driven funding system was implemented. This rigidity in the allocation means universities are unable to meet shifting professional requirements and student demand.

As noted in the options paper, the allocation of places should be made more consistent to rectify current anomalies in the system which distort student choice and prevent effective competition between institutions. For example, Exercise Science students are subsidised at some institutions and not others. In Psychology, at one institution half a class can be subsidised and the other half full fee paying, whilst at another institution all places are subsidised.

Any additional postgraduate CSPs should be targeted in areas of workforce shortage, such as specialist nursing qualifications, psychology, and specialist education courses in design and technology, languages and measurement and assessment.

As an alternative to CSPs at the postgraduate level, the Government could consider the introduction of Commonwealth-funded scholarships in areas of deemed community value or high demand. Under such a model, scholarships would be provided to qualifying students in designated courses, reducing the administrative complexities associated with the allocation of CSPs.

Better target Commonwealth support to postgraduate courses with high community benefit and low personal return

ACU supports the targeting of Commonwealth support to postgraduate courses with a high community benefit and low personal return, such as teaching and nursing. Due to relatively low salaries in these professions, graduates can face significant financial barriers to further study in areas in high demand.

Allocate additional places for skills-deepening qualifications (e.g. science, tech, engineering and mathematics).

ACU supports the allocation of additional places for skills-deepening qualifications for teachers in the STEM disciplines.

Introduce time-limited learning entitlement for Commonwealth subsidies for undergraduate and postgraduate level (e.g. 7 years).

The vast majority of ACU students complete their courses within the expected timeframes. A very small proportion, however, may take longer due to life and family circumstances (for example, low SES students balancing work and study commitments and single parents).

Australian Government data indicates that students likely to take longer to complete a Bachelor's degree include those studying externally or part-time, and students who are mature age, from a remote area, or from a low SES background⁶.

Nationally, the number of students taking over seven years to complete their studies is small. Around 11 per cent of domestic Bachelor degree students are still enrolled at the end of six years, but this figure falls to around 5.3 per cent eight years after commencement⁷.

Given the small number of students still enrolled after six years, the introduction of a time limit on learning entitlements would have limited financial benefit for the Government, but a high personal cost for those students affected and a negative impact on completion rates.

It is also worth noting that time-limited student learning entitlements were previously introduced with little success as part of the Nelson reforms. The limit was administratively complex for universities and the Government and had minimal impact due to workarounds available.

Introduce demand driven funding for some or all of postgraduate coursework courses. Risks budget impact, but could have lower level of Commonwealth subsidy to increase affordability.

ACU recognises that it is important to produce graduates who are able to meet industry requirements and ensure workers have adequate skills where specific areas of specialisation are required. The Commonwealth should, however, resist enlarging the number of postgraduate places to the extent that it risks exposure to bearing undue additional costs. Such an approach could, for example, give rise to the unintended consequence of professional bodies or State Governments requiring more students to acquire postgraduate qualifications as a prerequisite to professional accreditation, with an expectation that these qualifications would be subsidised by the Commonwealth.

FAIRNESS AND EQUITY

HEPP evaluation

ACU supports the continuation of the HEPP program. HEPP funding provided to ACU has greatly assisted students from low socioeconomic backgrounds, Aboriginal and Torres Strait

⁶ Australian Government Department of Education, "Completion rates of Domestic Bachelor Students – A Cohort Analysis, 2005-2013"

⁷ Ibid

Islander students and students from rural and remote areas to access and attain success at university.

With the support of HEPP funding, ACU has conducted outreach activities in schools, raising aspirations to attend university. School partnerships have enabled students to complete a university unit while at school (Step Up Programs), promoted learning in STEM subjects, and assisted students with the transition to university. HEPP funds have also supported retention programs and equity bursaries at ACU.

HEPP funding has reached a broader range of students than would be possible under a scholarship scheme alone. Although much has been achieved in recent years to improve participation and attainment for disadvantaged groups, more can be done. In addition to ongoing and adequate support through the HEPP program, ACU would welcome measures such as scholarships to assist in further improving outcomes.

Infrastructure funding for regional and outer metro

As a young university which has grown quickly and with a large national footprint of seven campuses, ACU has made a substantial investment in infrastructure to support its students, researchers and professional staff. While infrastructure is a priority, unlike many other universities, ACU has not received specific Government infrastructure support in recent years.

Additional investment is required to provide new infrastructure to support specialised delivery, such as Physiotherapy in Ballarat which will soon be offered for the first time as part of ACU's commitment to the region. In addition to new infrastructure, recent growth necessitates the upgrading of existing infrastructure, such as the library at ACU's Brisbane campus.

Given the recent expansion of universities such as ACU, a combination of physical and digital infrastructure is required to support student learning.

EXCELLENCE AND QUALITY

Flagship courses / overall funding model

ACU does not support the flagship courses model as proposed in the options paper for the following reasons:

- If implemented, this approach could distort the market and discourage diversity in the sector by encouraging universities to focus on prestigious courses for which they could charge a premium.
- If universities are able to label courses as 'flagship' there is a likelihood they would do so for courses which provide a significant profit (for example, law and medicine), but which are not particularly special or innovative.

- It would introduce a two-tier funding model which would be detrimental to universities which meet particular public, community and regional needs, but do not have the capacity to charge premium prices for a sub-set of courses.
- By introducing a separate funding model for only some courses, the system would be administratively onerous for the Government and the sector.

Rather than deregulating fees for some “flagship”, or all courses, ACU proposes a model that both:

- a) provides universities with flexibility as to the fees charged; and
- b) maintains an effective cap on fees.

The model would achieve this by charging an escalating levy on every dollar charged to the student above a base amount set by the Government until the amount paid to the Government reaches 100 per cent of each additional dollar charged to the student. This creates a cap above which it would be fundamentally uneconomic for a university to further increase fees. As is the case now, Commonwealth Grant Scheme and base student contribution amounts would be determined by the Government.

By calculating an escalating levy rate based on the amount of ‘profit’ an institution is achieving, the model places downward pressure on fees and encourages universities to differentiate themselves, achieving a broad spread of fees. In contrast, models which use pre-determined funding thresholds and set levies can encourage institutions to race to the top of funding thresholds and charge the same fees.

A negative levy (i.e. additional subsidy) could be provided where institutions choose to charge less than the Government set amount for a particular course.

The model would enable the Government to achieve savings, whilst maintaining control on fees (and thereby the costs associated with the HELP debt liability) and providing universities with sufficient flexibility to ensure financial sustainability and maintain quality.

Student information (QILT and survey enhancements)

ACU supports the provision enhanced information for students to enable effective decision-making and would welcome a longitudinal survey of graduate outcomes.

ACU supports the policy aim of providing students with a realistic estimate of a graduate salary range for the vocation they are studying in the location they are most likely to work. The integration with ATO or other actual earnings data would be of value if it were to reduce the non-response bias caused by using only graduate survey data. In considering any such additions to QILT, the Government should be cognisant of potential data accuracy issues. For example, there may be regional variations in graduate salaries that have an impact on salary rates. Data would need to take into account regional variations for universities with campuses in multiple states and students studying online from various locations.

The introduction of an institutional profile would be useful, however it would be beneficial for institutions to be able to access and update their own profiles, rather than a third party doing so.

Whilst agreeing that a Course Search function on QILT could streamline access to information for potential students, caution would need to be exercised to ensure the currency and accuracy of information provided. There is also the potential for unnecessary duplication of information already available on institutional websites. The same applies for the collection and publication of course fees.

Whilst understanding the interest in developing an online app, its use could detract from efforts by universities to deliver the most up to date course specific information to students through institutional websites and/or the institution's own online app.

Access to information and data on QILT survey results helps potential students make an informed choice about university. Direct engagement with students through social media, however, should be appropriately limited to the interpretation of QILT data. Individual institutions provide the best avenue for more detailed information about course offerings, fees, support services and amenities, which are important factors for those considering university study.

Information on the QILT website could be further enhanced by clearer use of confidence intervals in the publication and visualisation of data on the website. For instance, where confidence is low and the error margin overlaps with another institution, users can mistakenly draw conclusions about an order of satisfaction.

Data for multi-jurisdictional institutions, such as ACU, could be enhanced by disaggregating results by location. Currently on QILT, for example, a student comparing a Melbourne-based university and ACU is also comparing students who have studied in Sydney and Brisbane, which may be subject to regional variation.

AFFORDABILITY

Reduce the Government's contribution by 20 per cent on average

ACU does not support a 20 per cent reduction in the Commonwealth subsidy. Should the Government choose to pursue this option, the funding system will need to be substantially overhauled so that adequate funding is provided for universities to continue to deliver quality higher education.

In the absence of funding being made available from other sources to compensate for a reduction in Commonwealth funds, it is likely that several universities would be at risk of collapse. For those, such as ACU, that remained, the resultant reduction in the quality of teaching, research and student services would be detrimental to the sector as a whole. Such a reduction in funding would deal a devastating blow to our third largest export industry.

Should the Government nevertheless proceed with this option, ACU strongly suggests that it be applied on average across disciplines, with subsidies and student contribution amounts (or notional fees) determined by the cost of delivery, private rates of return, and national priorities.

A small reduction in the Government grant and a small increase in the maximum capped student contribution such that on average the contribution is 50/50

As stated above, ACU supports a more fundamental reform to the funding system. Should the Government choose to pursue this option, the change should be made on average, with smaller increases to student contributions for disciplines that have a high public benefit but low private return, such as teaching and nursing.

Relativities between disciplines of funding clusters

ACU supports the suggestion in the paper that the Government work with Universities Australia and the sector to better understand the relative cost of delivery of higher education. In addition to costs, any revised funding clusters should take into account private rates of return and national priorities.

Cross-subsidisation between courses and between teaching and research

It should be acknowledged that universities such as ACU which have specialised in particular disciplines in response to the policies of successive governments do not have the same capacity to cross-subsidise as less specialised universities. Accordingly, any cut to CGS funding should be *on average* across disciplines.

As noted above, regional and other universities often use high demand and low cost courses to cross subsidise low demand and/or high cost courses in critical areas of need in their communities. Any policy changes which limit the ability of universities to cross-subsidise in this way could have a detrimental impact on communities.

The teaching research nexus is fundamental to universities and it is legitimate for a proportion of the CGS funding to support base research capacity. Australia's newer universities are undertaking significant research and growing their research capacity. Any attempts to reduce the CGS by a prescribed percentage to redirect it to research funding at a few historical incumbents would stifle growth in institutions with developing research capacities and have a negative effect on diversity and specialisation across the sector.

General comments on an affordable loan scheme

ACU supports the grandfathering of arrangements for existing students to prevent an increase in attrition rates.

ACU does not wish to comment specifically on individual options regarding the repayment arrangements for HELP debts, as these are best determined by the Government taking into consideration the views of and impact upon students, as well as budgetary considerations.

ACU recommends, however, that the Government carefully consider any changes made to the repayment arrangements that may have unintended consequences on access and enrolments. For example:

- decreases to the repayment thresholds may provide a disincentive to further study for mature age or postgraduate students who begin HELP repayments upon incurring a debt; and
- changes may deter potential undergraduate students, particularly those from low-socio economic backgrounds or those who are interested in lower income careers such as teaching and nursing.

Likewise, the Government should consider how various options outlined in the paper may interact to increase the impact on students. For example, should the Government choose to reduce the Commonwealth subsidy by 20 per cent, with some increases to student contribution amounts, and then impose a 20 per cent loan fee, the effect on student choices may be amplified notwithstanding the dampening effect of the HECS-HELP system.

AUSTRALIAN CATHOLIC UNIVERSITY PROFILE

Australian Catholic University (ACU) is a publicly funded Catholic university, open to people of all faiths and of none and with teaching, learning and research inspired by 2,000 years of Catholic intellectual tradition. ACU operates as a multi-jurisdictional university with seven campuses across four states and one territory. ACU campuses are located in North Sydney (NSW), Strathfield (NSW), Canberra (ACT), Melbourne (Victoria), Ballarat (Victoria), Brisbane (QLD) and Adelaide (SA).

ACU is the largest Catholic university in the English speaking world. Today, ACU has over 30,000 students and 2,000 staff.⁸

ACU graduates demonstrate high standards of professional excellence and are also socially responsible, highly employable and committed to active and responsive learning. ACU graduates are highly sought after by employers, with a 93 per cent employment rate.⁹

ACU has built its reputation in the areas of Health and Education and is a major producer of nursing and teaching graduates in Australia. ACU educates the largest number of undergraduate nursing and teaching students in Australia,¹⁰ serving to meet significant workforce needs in these areas. Under the demand driven system, ACU has sought to focus and build on these strengths.

Since 2014 ACU has had four faculties: Health Services; Education and Arts; Law and Business; and Theology and Philosophy. The consolidation of the previous six faculties has created a more efficient and competitive structure focused on the needs of industry and employment partners. ACU is also moving towards the adoption of a shared services model where suitable, to improve efficiencies, internal processes and better allocate resources.

ACU is committed to targeted and quality research. ACU's strategic plan focuses on areas that align with ACU's mission and reflect most of its learning and teaching: Education; Health and Wellbeing; Theology and Philosophy; and Social Justice and the Common Good. To underpin its plan for research intensification, ACU has appointed high profile leaders to assume the directorships, and work with high calibre members, in seven research institutes.¹¹

In the last three years the quality of ACU's research has improved dramatically. In the 2015 Excellence in Research for Australia (ERA) assessment ACU received high scores in the fields of research identified as strategic priorities and in which it has concentrated investment

⁸ As at July 2016. Student numbers refer to headcount figures while staff numbers refer to full-time equivalent (FTE).

⁹ Based on those available for full-time employment, results from the *Graduate Destination Survey (GDS) 2015*.

¹⁰ Department of Education and Training, *2014 Higher Education Data Collection – Students, Special Courses* (31 July 2015) <<https://docs.education.gov.au/node/38139>>.

¹¹ Australian Catholic University, *ACU Research* <http://www.acu.edu.au/research/research_institutes_and_programs>.

in order to achieve the highest levels of excellence. These include selected areas of Health, as well as Education, Psychology, Theology, and Philosophy.

ACU's research in Psychology, Human Movement and Sports Science, Nursing, Public Health and Health Services is rated in the top category under ERA of being "well above world standard".

ACU's research in Specialist Studies in Education, Philosophy and Religion and Religious Studies is in the next ERA category as being above world standard.

While ACU's research in Education Studies in Human Society, Law and Legal Studies, History and Archaeology Education Systems, Curriculum and Pedagogy, Business and Management, Political Science, Sociology, Law, Applied Ethics and Historical Studies is at world standard.