

THE AUSTRALIAN TERTIARY EDUCATION QUALITY AND STANDARDS AGENCY

Dear Committee Secretary

I would be grateful if you would please accept a late submission to the Senate Standing Committees on Education, Employment and Workplace Relations regarding the establishment and functions of the AUSTRALIAN TERTIARY EDUCATION QUALITY AND STANDARDS AGENCY.

I am concerned that the proposed TEQSA legislation will repeat several of the mistakes of the past in the governance of Australian tertiary education [such as a reliance on an audit model of higher education quality assurance, and an emphasis on the quality of educational processes rather than on the *quality of qualifications*].

Below is a set of principles and issues regarding TEQSA which the Committee might find is of some interest. This provides an outline of an alternative to the current proposals regarding TEQSA.

The current Australian external tertiary education quality assurance system is arguably far too involved in the internal affairs of universities. There is far too much emphasis on regulating university processes. My feeling is that this should be discontinued: as a general rule, universities should decide their internal processes [including QA processes] independently.

In the final analysis, the essential measure of the "quality" of Australian higher education in my view is the extent to which the skills, knowledge and cognitive capacities of newly minted graduates meet, and preferably exceed, minimum acceptable international standards.

Universities might thus be best regulated by arrangements whereby employers, graduates, their families, government, the international community and so on can rest assured that these skills, knowledge and cognitive capacities of graduates from each university have been independently verified against uniform minimum acceptable international standards. Only when such analysis reveals sub-standard outcomes should external engagement with university processes take place.

In my judgment, such verification ought to be done by TEQSA, and OECD's International Assessment of Higher Education Learning Outcomes project can provide one possible means of achieving this.

TEQSA should be much more concerned with the "quality" of final *qualifications* rather than *how* they were produced. Surely this is what matters most to graduates, employers, governments and so on.

My proposals are based, in part, on the attached articles. For what it is worth, the article entitled "When is an auditor really a regulator?" discusses higher education "quality" regulation in some depth.

Yours faithfully

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A BLUEPRINT FOR THE AUSTRALIAN TERTIARY EDUCATION QUALITY AND STANDARDS AGENCY

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INTRODUCTION

- The Australian national government has announced that a Tertiary Education Quality and Standards Agency (TEQSA) is to play a major role in determining matters of quality in a more demand-driven Australian higher education system.
- The government presumably believes that there are matters which, if left to themselves, some Australian universities may not address appropriately or that, even if they do, they might have difficulty in credibly and economically conveying this to national and international audiences.
- Dealing with these matters will be the responsibility of the new regulatory agency. This agency must quickly establish an international reputation for operating at the cutting edge of regulatory theory and practice.
- If the serious mistakes and shortcomings (the AUQA model: Moodie, 2008; Blackmur, 2008) of the past in Australian higher education quality assurance public policy, and implementation, are to be avoided, a long process of careful planning and public consultation must be conducted regarding TEQSA's rationale, functions, methods and accountabilities. A clean break with past institutions and practices will be necessary.
- One of these shortcomings is that stakeholders in Australian higher education do not share a common understanding of "quality" concepts. There is much talking past each other as a result.
- Higher education quality assurance public policy must rest on a clear definition of "quality" and "quality assurance" which the government must specify in TEQSA's enabling legislation. "Quality" generally relates to the characteristics/functions of any system and its component parts, and to the minimum acceptable standards to be met by them.
- This does not, however, imply that a public agency such as TEQSA must necessarily evaluate the performance of *all* of the activities of universities (and other tertiary providers) against agreed minimum acceptable standards.

To do so would be intrusive, complex, expensive, and time-consuming, and would be inconsistent with the principle of university autonomy.

- It is suggested, in fact, that TEQSA concentrate its efforts on certain outcomes of higher education which pertain to graduate skills and knowledge (and leave process matters to the universities themselves under normal circumstances).
- Reference is often made to “quality improvement”, but, despite its superficial appeal, the concept is poorly defined in the higher education context. Almost any proposal can be (and often is) promoted as “improving quality”. More discriminating analysis of such proposals is needed and this can only take place once definitional clarity has been established.
- Regardless of how “quality improvement” is defined, its implementation can have serious cost implications for universities.
- ***Whether the benefits of “quality improvements” justify these costs, and how such costs can be met if they do, are key policy issues.***
- The public debate over the proposals to establish TEQSA provide an opportunity for the government to conduct a fundamental re-design of the regulatory mandates and methods currently used in Australian higher education.
- Attention has been focussed for far too long on internal university processes (despite some changes, this is the essence of the AUQA model). This focus has been seriously ill-advised.
- ***The most important thing is that employers, governments, and others need to be assured that new graduates actually possess the skills and so on which their qualifications certify they have.***
- ***It’s time for a new higher education performance evaluation paradigm in which the standards achieved by new graduates in areas such as logical thinking are the prime candidates for independent validation.***
- The outlines of a suggested public policy, that is oriented in this direction, is presented very briefly in this submission.

ASSURING EFFICIENT REGULATION BY TEQSA

- Regulation by TEQSA will impose costs on the taxpayer, providers, students and other stakeholders.
- The matters regulated by TEQSA, and its regulatory methods and techniques, must be designed in such a way that the benefits of this regulation are likely to outweigh these costs (unless this happens, regulation will cost more than it's worth).
- ***Current government policy announcements suggest that TEQSA will be a public monopoly. Government should consider if such a monopoly is desirable.***
- It may be preferable to give universities a choice of regulator in respect of at least some of TEQSA's responsibilities. Other national and international public and private bodies are quite capable of conducting "quality assurance", and other forms of regulation, in higher education.
- An appropriate "quality of regulation" may be best secured through competition between TEQSA and these other bodies.

FUNCTIONS OF TEQSA

- The government should reconsider whether it is wise to establish a regulatory agency which deals *only* with "quality" matters.
- There is a strong case, for example, given its proposed responsibilities regarding certain standards, that TEQSA should play a major role in considering the future of the Australian Qualifications Framework (AQF). There is evidence that qualifications frameworks are conceptually and practically dysfunctional (Allais, 2007a, 2007b; Blackmur, 2004).
- ***If, however, the government decides to keep the AQF, TEQSA should assume legislative and administrative responsibility for it.*** The synergies associated with such integration would be significant, and there is little justification for maintaining a separate AQF Council and secretariat.
- Economies of scale and scope may justify a mandate for TEQSA which might include responsibility for the efficient resolution of any market failure issues in higher education.

- ***The government has already indicated concerns over market failures which arise out of information asymmetries in higher education.*** It has suggested, for example, that TEQSA will help students make informed decisions about what and where they will study.
- One of TEQSA's responsibilities could thus be to analyse the determinants of student choices of programme and provider.
- If it found, for example, that rankings of universities played a significant role, then TEQSA could conduct and publish an evaluation of the strengths, weaknesses and reliability (quality) of such ranking systems. TEQSA could also evaluate the claims made in university advertising.
- Other market failures which could compromise the performance of Australian higher education might be addressed by TEQSA. Such failures can arise:
 - * from possible monopoly and cartel-like behaviour by universities;
 - *if some universities free-ride on the reputation of the system;
 - * if universities offer a sub-optimal selection of programmes;
 - *if universities respond too slowly to external environmental changes;
 - *and from any public goods dimensions of higher education (but these are extremely rare).
- In dealing with market failures in higher education (when it is efficient to do so), TEQSA would perform many of the functions which are typical of an economic regulator.●
- The government should consider if TEQSA should eventually perform all the functions of (i) a fully fledged economic regulator of the higher education system (including fee levels), and/or (ii) the regulator of access and equity matters in higher education.
- Over-regulation (at great cost), by the same token, can occur if TEQSA is given inappropriate functions. Allocation of functions to TEQSA should be determined only after a comparison of the net benefits of feasible alternative ways of addressing the government's higher education policy objectives has been made.

TEQSA's REGULATORY APPROACH AND METHODS

- Given that the Australian higher education system is to be more demand driven, one of the driving forces of regulatory action should be the nature and extent of complaints, especially those made by students and recent graduates, about the performance of individual universities.
- In the first instance, universities should seek to resolve stakeholder complaints through internal mechanisms.
- Complaints not satisfactorily resolved by such means can be referred for decision to TEQA at the initiative of a party(ies) associated with the complaint. Acting as the adjudicator of last resort of stakeholder complaints would be one of TEQSA's prime responsibilities.
- This would allow TEQSA to gradually establish if there were any patterns to the complaints and if such patterns justified a closer review of related university processes in particular cases.
- *The government promises a comprehensive new approach to higher education quality assurance. This is welcome and overdue.*
- *There is a risk, however, that this could amount to putting old wine in new bottles. Examples follow.*
- *The government has said that TEQSA will be expected to encourage "best practice".* This, however, begs the question as to whether there is there any such thing as "best practice" in higher education. "Best practice" is another one of those terms which are thrown around in quality assurance debates with little attempt to define clearly what it means.
- Before anything can be determined to be "best practice" in education, knowledge of the dimensions of various input/output relationships is necessary. Hanushek's work (2004), however, implies that definitive connections between inputs and outputs are extremely difficult to determine in school education. It may just not be possible to talk sensibly about "best practice" in education.
- Higher education quality policy should be equally sceptical when it comes to proposals that a regulator can decide what is "best practice". In any event, providers, *not the regulator*, are best placed to discover if there are "best practices" in their particular contexts.

- ***The government also proposes that TEQSA will conduct “quality audits”. This proposal should be reconsidered.***
- Australian higher education cannot afford a continuation of what Gavin Moodie (2008) has called the current “pointless and wasteful quality assurance regime” (the AUQA model).
- Australian higher education quality assurance will, however, be saddled with this inappropriate regime if TEQSA is required to audit internal university systems and process (Blackmur, 2008).
- Such matters are properly the exclusive task of universities under normal circumstances. Intervention by TEQSA should only occur if its investigations of stakeholder complaints provide *prima facie* evidence of serious problems with internal systems in particular universities, and as part of a licencing process for aspirant providers.
- ***The government proposes that TEQSA will work with universities to improve areas such as graduate outcomes. It is vitally important for the government to define precisely what outcomes it has in mind.***
- ***The government has also announced that quality benchmarks related to graduate outcomes will be hallmarks of the new system.***
- Globalisation in higher education implies that at least some of these outcomes and benchmarks, and related assessment methods, must be internationally agreed.
- ***TEQSA must thus be involved in the development of internationally acceptable minimum outcome standards for the major qualifications (Bachelor, Master, Doctor) through participation in OECD’s International Assessment of Higher Education Learning Outcomes project.*** The Collegiate Learning Assessment model also stays under notice, and lessons might be learnt from OECD’s Programme for International Student Assessment.
- ***Such a standards’ approach will, however, fail if governments insist on a long, complex list of outcomes.***
- ***TEQSA should initiate and engage in national and international discussions about what might be two or three “outcome” characteristics common to all university qualifications globally, and what might***

constitute an international minimum standard of graduate achievement in respect of each of these.

- These graduate outcomes would include the capacity of newly minted graduates to engage in analytical and critical thinking at or above the threshold standard for each qualification. Determining these minimum standards is a task of fundamental importance.
- The threshold “degree of difficulty” could be expressed in internationally agreed exemplars. Testing outcomes would be conducted in “end of qualification” examinations, as a stand-alone test and/or within discipline-based assessments initially at the under-graduate degree level.
- Is such an approach feasible? The debate needs to be conducted, but existing, practical models such as the Chartered Financial Analyst international examinations are instructive.

ACCOUNTABILITY

- The Productivity Commission should recommend the principles and processes through which TEQSA will be held accountable.
- The Commission should deal with matters such as:
 - *the risks of mission creep and agency capture from both internal and external interests, and possible risk mitigation strategies;
 - * the structure and principles of corporate governance to be applied to TEQSA; and
 - * whether a sunset clause should be included in TEQSA’s enabling legislation, or, alternatively,
 - * whether TEQSA’s performance and relevance should be assessed, say, every 5 years.
- TEQSA should be subject to all parliamentary accountability processes, freedom of information legislation and so on that are typical of public regulatory agencies.
- Establishing TEQSA as a company limited by guarantee under the corporation’s legislation (the current AUQA model) should be avoided because it seriously dilutes accountability.

- The TEQSA Act should require TEQSA to observe the principles of efficient regulation, and should pay special attention to the role that *ex ante* and *ex post* regulatory impact statements should play in TEQSA's processes.

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