National Tertiary Education Union (NTEU) submission to the

Senate Education and Employment Legislation Committee's Inquiry into the

Higher Education Support Legislation Amendment (A More Sustainable, Responsive and Transparent Higher Education System) Bill 2017

Submitted 7 June 2017

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Submitted by: Jeannie Rea, NTEU National President,

Contact and Enquiries: Paul Kniest, NTEU National Policy and Research Coordinator,

Email:

Phone:

NOTE: All Figures designed by Paul Kniest from data sourced as acknowledged.

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Introduction

The National Tertiary Education Union (NTEU) appreciates the opportunity to provide feedback in relation to the *Higher Education Support Legislation Amendment (A More Sustainable, Responsive and Transparent Higher Education System) Bill 2017*, which was introduced in the House of Representatives on 11 May 2017. With over 27,000 members, the NTEU is the principal trade union in Australian higher education and represents the industrial and professional interests of staff in higher education and allied organisations.

The Bill seeks to implement a number of significant changes to the regulation and funding of higher education in Australia commencing from 1 January 2018. The important changes specifically covered in this submission are:

- changes to funding arrangements for Commonwealth Supported Places (CSPs), including a 7.5% increase in student contributions over four years and the imposition of two 2.5% efficiency dividends on Commonwealth Grants Scheme (CGS) contributions (which represents the Commonwealth contribution to supporting CSPs);
- the staffing impact of these funding changes;
- expansion to the demand-driven funding system to include sub-degree (diplomas, advanced diplomas and associate degrees) qualifications offered by universities;
- changes to the funding arrangements and allocation for enabling courses and postgraduate coursework qualifications;
- making 7.5% of CGS funding will be paid contingent on universities meeting certain performance criteria;
- changes to the Higher Education Loans Program (HELP); and
- changes to Higher Education Participation and Partnerships Program (HEPPP).

The NTEU's analysis finds that the government would achieve savings in higher education to the order of $740million by 2021 through a 7.5% increase in student contributions over four years and the imposition of two 2.5% efficiency dividends on Commonwealth Grants Scheme (CGS). Universities would be $1.2billion worse off in terms of the resources they have to the educate CSP students under the new model, compared to what they would have received under existing arrangements.

The NTEU is strongly opposed to these funding cuts on the grounds that:

- Australia already has one of the lowest levels of public investment in tertiary education in the world, and any additional cuts would put Australian universities, students and graduates at a competitive disadvantage globally;

- Australian higher education students currently pay amongst the highest fees in the world to attend a public university, and any increase is an unreasonable imposition;
- Australian students and universities have already contributed close to $4billion in budget repair since the election of the Coalition government in 2013;
- As public institutions, Australian universities are required to operate within budget. Ongoing operating surpluses are necessary to fund capital and other works. This has been reached through measures, including increased reliance on insecure employment, which the NTEU considers to be detrimental to the capacity and reputation of Australia to sustain a world-class university system. Cutting government funding on the basis that universities are generating surpluses is disingenuous, and also ignores that at least a quarter of public universities cannot generate a surplus.

1. Funding arrangements for Commonwealth Supported Places (CSPs)

Current arrangements

The funding of Commonwealth Supported Places (CSP) has two components, namely:

- the Commonwealth contribution which is funded through the Commonwealth Grants Scheme (CGS); and
- the student contribution, which students can finance through the income-contingent Higher Education Loans Program (HELP), formerly known as HECS.

Figure 1

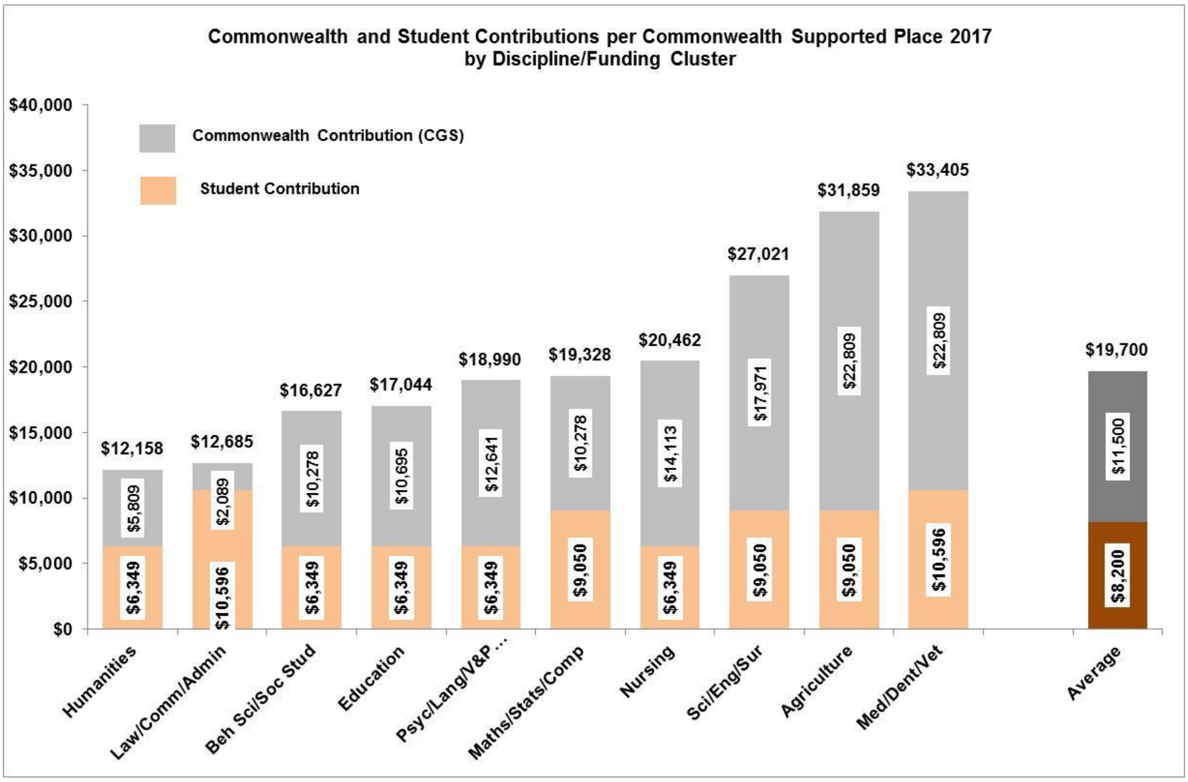


Figure 1 shows the relevant Commonwealth and student contribution amounts for various funding/discipline clusters as they apply in 2017. The total amount of funding a university receives for each student is the sum the Commonwealth and student contribution amounts. In 2017, universities on average received about $19,700 per CSP, which was made up of $8,200 from the student contribution (42%) and $11,500 from the Commonwealth (58% of the total).

Schedule 1 of the Bill makes significant changes to these arrangements by:

- increasing the maximum student contribution for CSPs by 1.8% for four years. The first increase will take effect from 1 January 2018 and will apply to all students including those who are currently enrolled;

- reducing Commonwealth contributions in 2018, 2019, 2020 and 2021 to offset the increased student contributions; and
- imposing an efficiency dividend of 2.5% per annum to CGS funding in 2018 and 2019.

Funding per CSP

While the financial analysis of the proposed changes presented as part of the Budget papers and associated portfolio statements is no doubt accurate, the real impact of these changes on universities and students can be masked by growing enrolments and increasing nominal value of grants due to indexation.

To better understand the underlying impact of these changes, the following analysis is undertaken on a per student basis and in real 2017 values, which for the purposes of the analysis assumes that inflation and therefore indexation over the period 2018 to 2021 is zero.

Figure 1

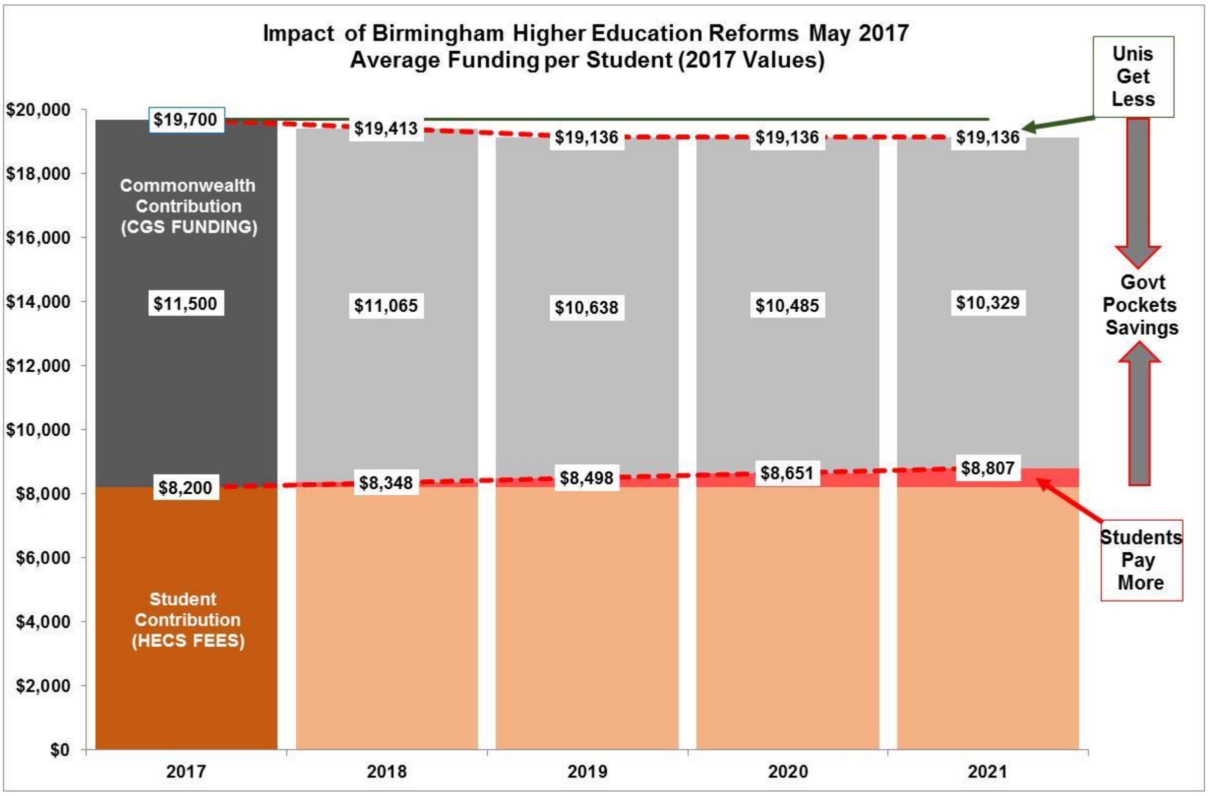


Figure 2 demonstrates how the four 1.8% increases in student contributions (and offsetting Commonwealth contributions) and the two 2.5% efficiency dividends interact in relation to average Commonwealth and student contributions. **Figure 2** shows that in 2017 values over the four year period, the average student contribution will increase from $8,200 to $8,807 an increase of 7.4%.

The total amount a university receives to educate the average student will fall from $19,700 to $19,138 or 2.8%. As a consequence of these changes, the level the Commonwealth contribution for the average student falls from $11,500 to $10,329 a cut of $1,171 or 10.2%.

Figure 3 shows how changes to Commonwealth and student contributions impact on each of the funding/discipline groups as per **Figure 1**. Again the data is per student and in 2017 real values.

Figure 3

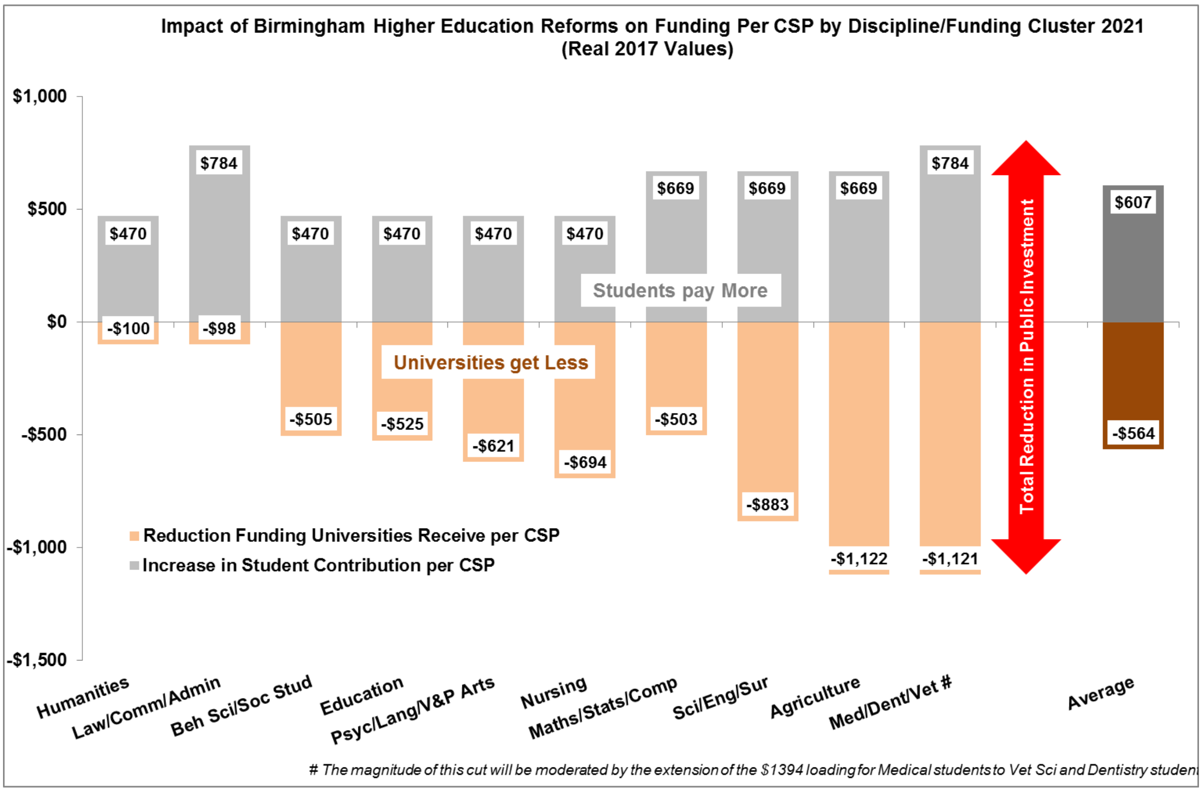


Figure 3 shows that in real 2017 values, the cuts to public investment (the sum of increased student fees and reduced funding for universities) varies from $570 per CSP (for places in the humanities funding/discipline cluster) to well over $1,500 (for places in the science/ engineering/surveying, agriculture and medicine/veterinary science/dentistry clusters). It should be noted that Schedule 1 of the Bill also extends a loading of $1,394, which currently only applies to medical units of study, to veterinary science and dentistry units of study from 2018. This will moderate the extent of the reduction in university funding. (The exact impact, though, on the relevant funding cluster is not known due to a lack of detailed data on student enrolments in veterinary science and dentistry.)

Figure 3 also illustrates issues about the uneven impact of falls in public funding on students in different kinds of degrees. The data shows that the burden of the cuts to public investment per student will be predominantly borne by students enrolled in the law/commerce/administration and humanities clusters.

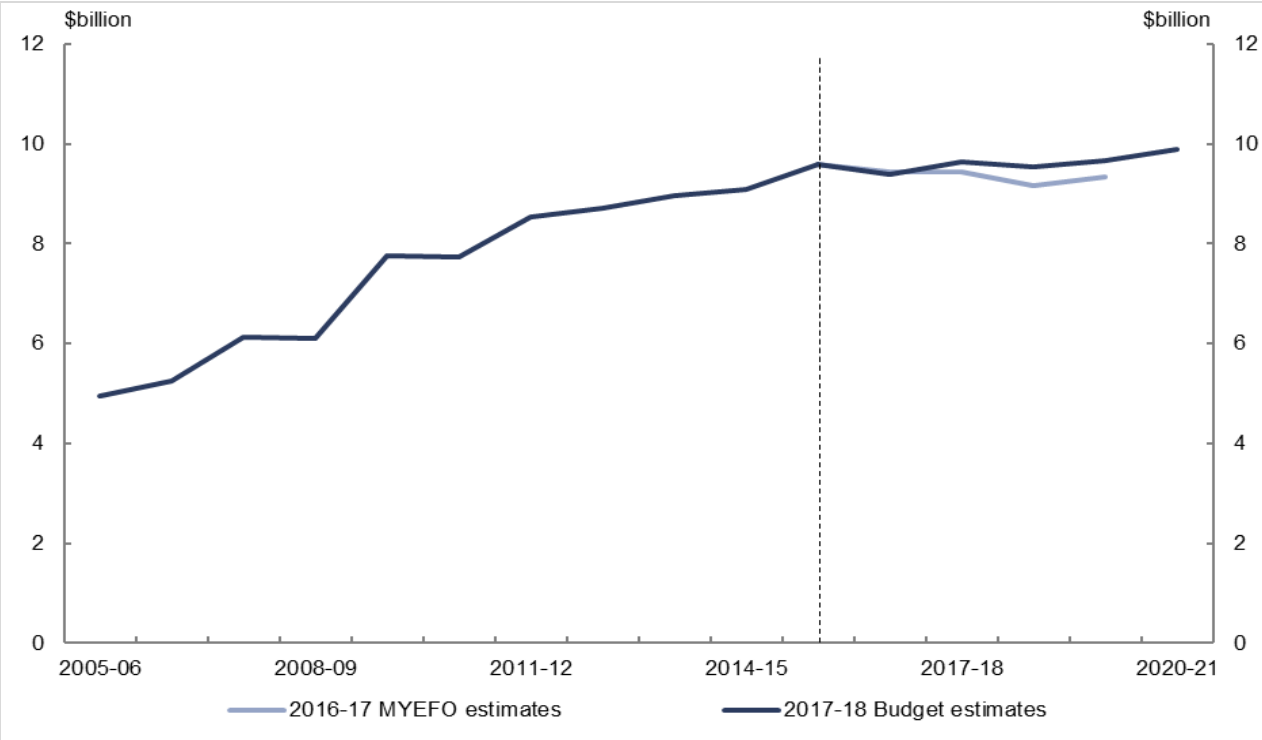
This distortion not only raises specific equity concerns, where for example law/commerce/administration students will pay for more than 90% of the cost of their education, it also raises questions about where universities will seek to increase enrolments in the future. The new funding arrangements provide a clear incentive for universities to increase enrolments in these two clusters because they have the least impact on the overall level of resourcing for those students.

Cut to total CGS funding

These changes constitute a very significant cut in the level of public investment for our universities. The government's assertion that the CSP funding changes are 'moderate, balanced and fair' because fee increases are between $500 and $800 per year (or $1500 per student in 2017 values), does not stand closer scrutiny.

Appreciating the full extent of the cut in public investment, however, is almost impossible to quantify from the forward estimates contained in the Budget Papers and associated portfolio statements because these include unlegislated and eventually withdrawn (zombie) policy measures going back to the election of the Coalition government in 2013. The government's decision to reverse the unlegislated savings measures contained in 2014-15 and 2015-16 effectively renders the forward estimates of higher education spending contained in the budget and MYEFO statements redundant.

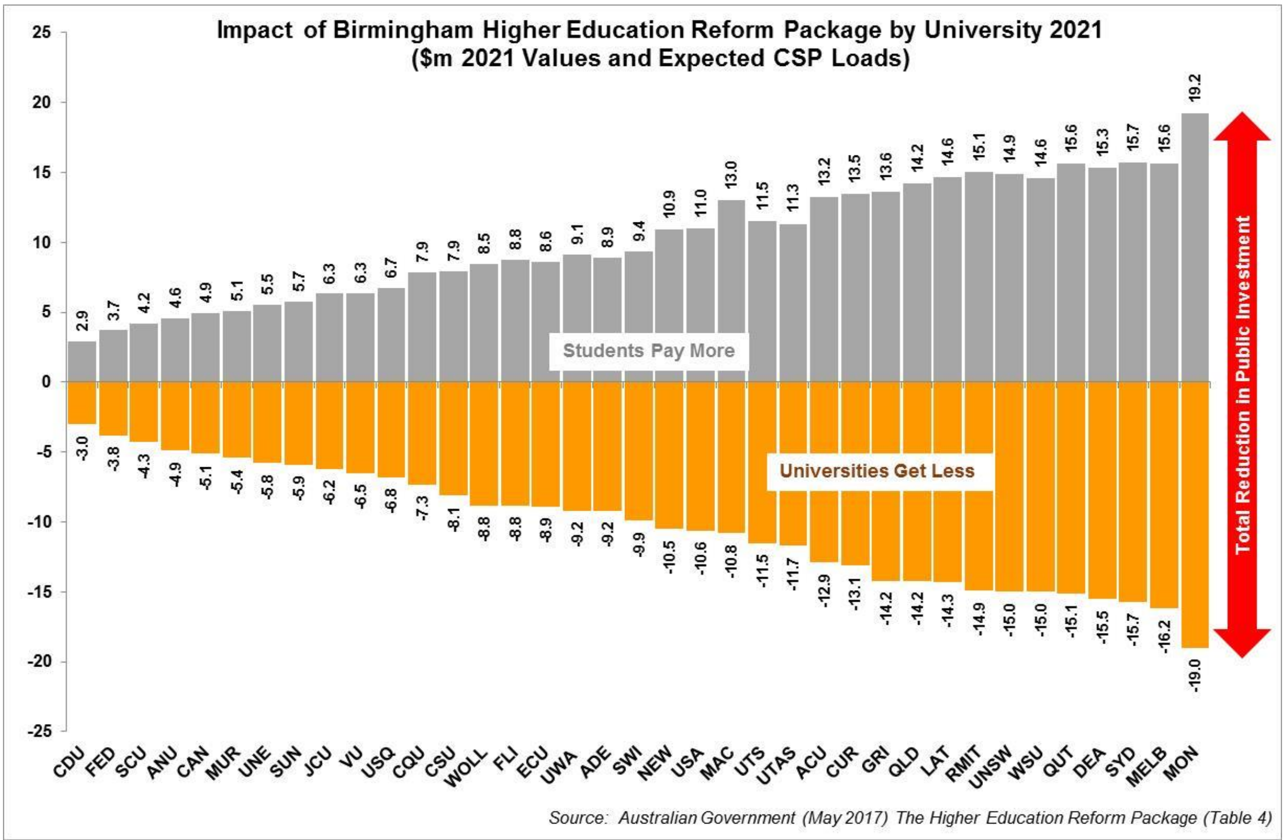
Figure 2



The most reliable analysis of the impact of the government's proposed changes to higher education funding is the [Parliamentary Budget Office's 2017-18 Budget Charts] released on 31 May 2017. **Figure 4** above reproduces Figure 37 from the PBO's report. This shows that total higher education investment flat lines from 2016-17 and is estimated to increase by less than a total of $1billion over the entire forward estimates period. **Figure 4** also compares the total level of higher education funding under Birmingham's higher education reform package, to those included in the 2016-17 MYEFO which contained the worst aspects of the Pyne package including the 20% cut to funding per CSP. As **Figure 4** shows, the additional expenditure associated with the new so-called "moderate and measured" reforms are microscopic in funding terms compared to the Abbott government's failed 2014 higher education agenda.

In order to understand the impact of the funding changes on the financial position of individual universities, the NTEU has used data published as part of the government's Higher Education Reform Package to estimate how much extra students will pay in higher fees at each university and how much universities will lose to educate these students in 2021. The results of this analysis are presented in **Figure 5**. (The data contained in Table 4 of the Higher Education Reform Package document shows the level of funding each would have expected to have received in 2021 should the existing funding arrangements continue and what they are most likely to receive under the proposed new arrangements. The relevant student and Commonwealth contributions for each case were calculated assuming an average student contribution of 42% under current arrangements and 46% under the proposed new arrangements.)

Figure 5



The analysis in **Figure 5** includes the effects of indexation and increased CSP load. Similar to the data contained in **Figure 3**, the total cut in public investment is obtained by adding the increase in student fees and cut in funding universities will receive. **Figure 5** indicates that in 2021, students will end up paying an additional $370million in HELP fees, and the total funding universities receive to educate these CSP students will fall by a similar amount.

Taking into account the fact that each $1million in funding equates to around 20 to 25 full-time equivalent (FTE) jobs, the real impact of these changes will extend from current and future jobs to the very learning conditions of students.

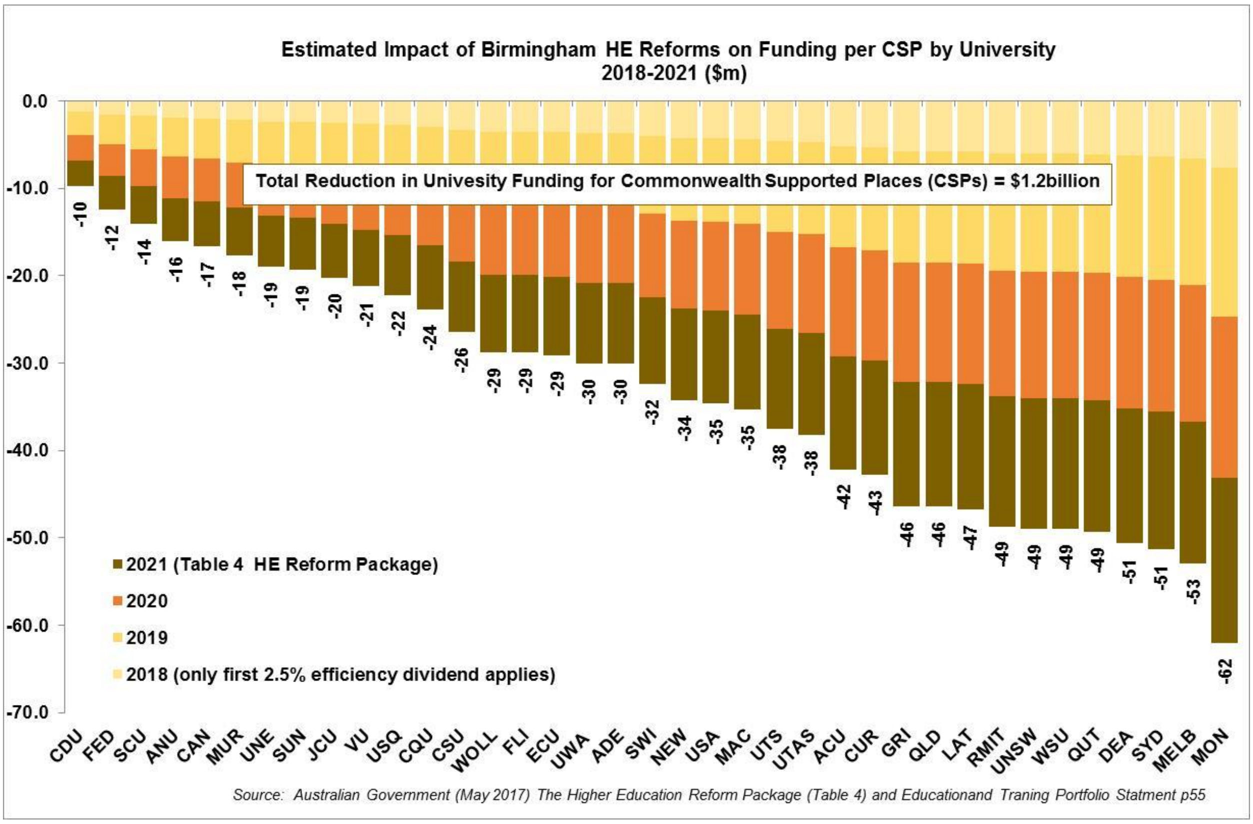
Universities Australia, in a media release on 6 June 2017, [More voices join growing chorus of opposition to university cuts](), agreed that more job losses would be the outcome:

> *Universities Australia Chief Executive Belinda Robinson said that careful analysis had confirmed how deeply the funding cuts would force universities to cut staff jobs and student support services.*

A reduction of $3million in funding for CSP students at CDU, for example, could mean a reduction of as many as 75 FTE staff positions. For Monash, the reduction of $19million could translate into as many as 160 lost staff positions. Across the sector a cut of $370million in funding to support CSPs could see the loss of between 7,000 and 9,500 FTE positions.

The government could achieve savings in investment in higher education in the order of $740million by 2021 if these expenditure cuts, along with the increases in the student contribution are implemented through the passage of this Bill.

Figure 6



The full extent of the financial impact on individual universities can only be fully understood by considering the cumulative impact of these funding changes over a four year period. **Figure 6** uses data on the reduction in the size of the funding at each university and applies indexation rates and estimates about the increased size of CSP load contained in the Education and Training's Portfolio Budget Statements to estimate the impact of the changes for each of the years 2018 to 2021.

Figure 6 shows that in total, universities would be $1.2billion worse off in terms of the resources they have to the educate CSPs under the new model, compared to what they would have received under existing arrangements. Over the same period, students will also be paying a similar amount in increased fees.

The analysis presented above demonstrates that the combined effect of these measures amounts to a 10% reduction in the level of real public investment per student. The government has targeted students and universities to share the burden of these cuts by providing universities with lower levels of resources to educate students, while extracting a higher student contribution.

No evidence for a reduction in public investment

In a Media Release on 1 May 2017, A stronger, sustainable and student-focussed higher education system for all Australians, the Minister for Education and Training, Senator Simon Birmingham argued that universities can absorb this reduction in public investment:

> *While average funding for universities per student increased by 15 per cent between 2010 and 2015, over the same period the cost for universities to deliver courses increased by only 9.5 per cent according to independent analysis from Deloitte.*

To support his case for decreased public investment the Minister relied upon a commissioned Deloitte study of university funding and costing. This has been widely criticised by Australian experts in higher education, including Dr Emmaline Bexley at the University of Melbourne. In *The Conversation* on 2 May 2017, Higher education reform: small changes for now but big ones to come**,** Dr Bexley observed that:

> *Deloitte …. specifically cautions that the cost of teaching figures from their earlier 2010 paper and the new 2015 data, cannot be compared as direct growth or decline in costs relative to funding over the five years to 2015, given the differences in the sample, and differences in cost collection approaches.*

Bexley further notes that the Deloitte paper warns that:

> *…. caution should be taken in drawing inferences about the sufficiency of [Commonwealth Grant Scheme] funding directly from these [cost of teaching to funding] ratios.*

Dr Bexley also questions the overtly political nature of the release by the Minister, pointing out that the "media release accompanying the report was accompanied by talking points, including that universities have been pocketing taxpayer funds beyond the costs of their operations". It is clear no such conclusion can be made from the Deloitte study and that these comments are disingenuous.

Australian public investment in higher education and student contributions

The OECD data presented in **Figure 7** shows that at 0.7% of GDP, Australia already has one of the lowest levels of public investment in tertiary education in the world. Australia is well below the OECD average of 1.1% GDP and lags behind other countries whom we see as higher education peers, including the USA, the UK and many European countries including Germany, the Netherlands and France. The failure to maintain a competitive level of public investment will ultimately undermine the quality and reputation of Australia's higher education system.

Figure 7

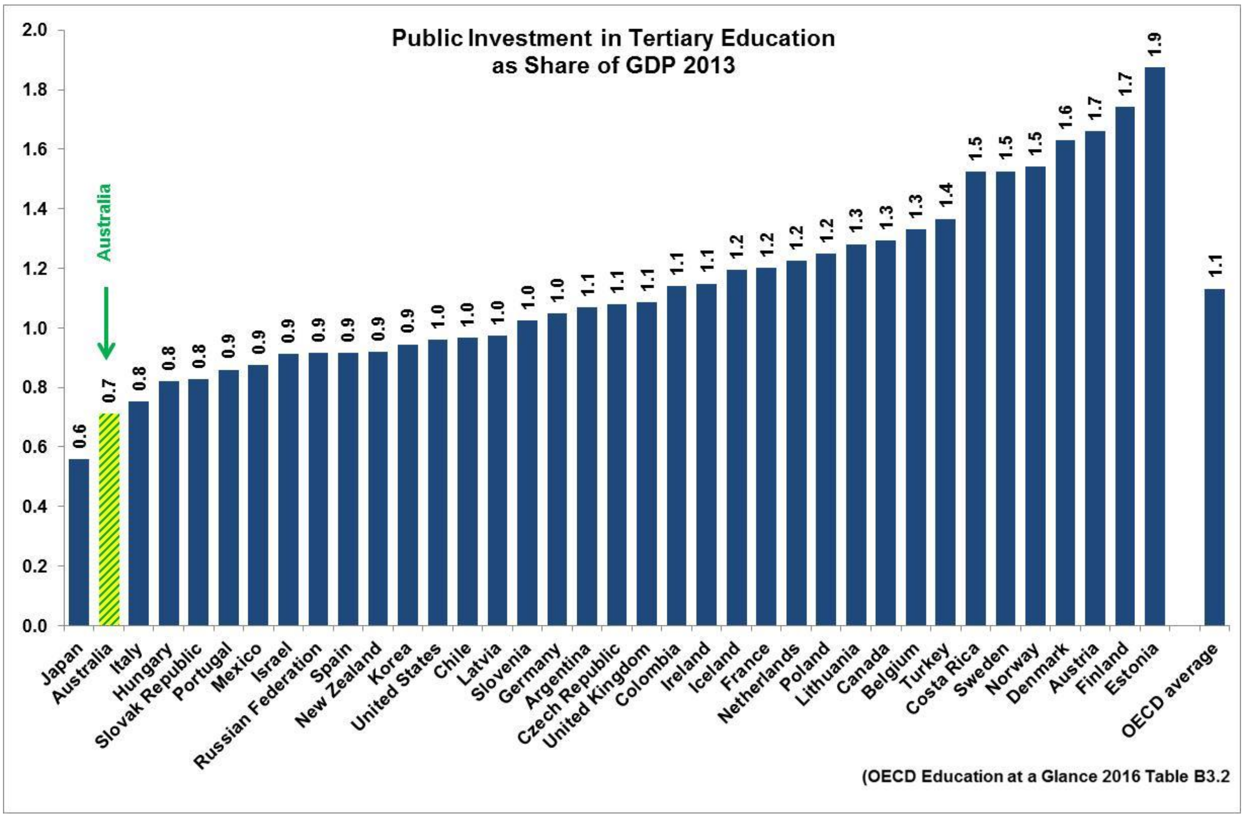


Figure 8 below illustrates that Australian students are paying amongst the highest fees to attend a public university in the world. The thrust of Australian higher education policy should in fact be to lower student fees. This would enable the Australian workforce greater opportunity to build skills and increase productivity, as is the focus of so many other developed first-world nations. It should not be to exploit the preparedness of students to pay higher fees as an excuse to shift the cost burden away from government. The approach taken by the Coalition government to increase fees is irresponsible and the NTEU questions how the Coalition government can burden the taxpaying workforce with universal increases in university student fees, while seeking to reduce corporate taxes in order to ensure we encourage further investment in industry.

The fact that student fees to attend a public university in Australia are amongst the highest in the world does not in and of itself reveal real impact of these high fees on Australian individuals or households. The full extent of these fees is revealed by the level of debt Australians owe for their tertiary education, which in the overwhelming majority of cases will be equivalent to their HELP (or HECS) debts. In the introduction to the Reform Package, Minister Birmingham said that fair value of Australia's outstanding HELP debt is currently about $40billion and this expected to rise to something in the order of $60billion by 2019-20.

Figure 8

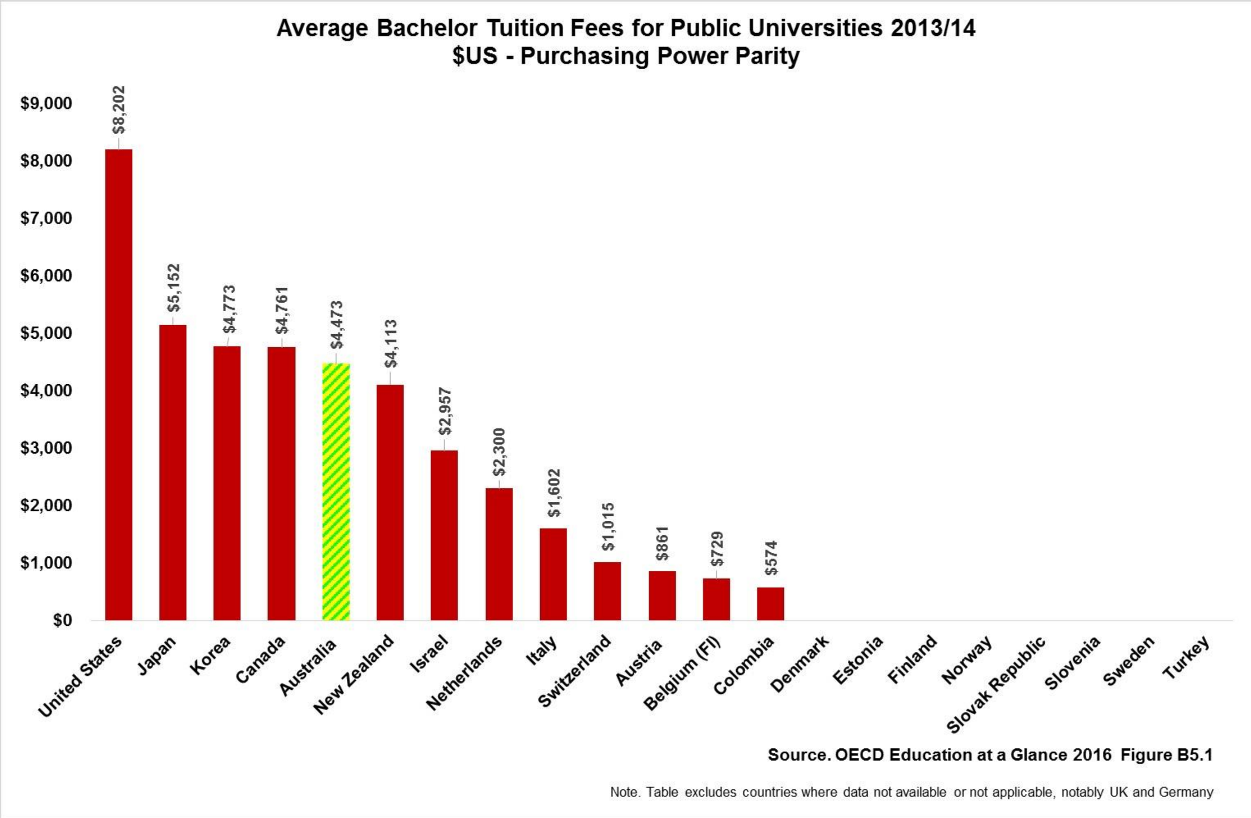
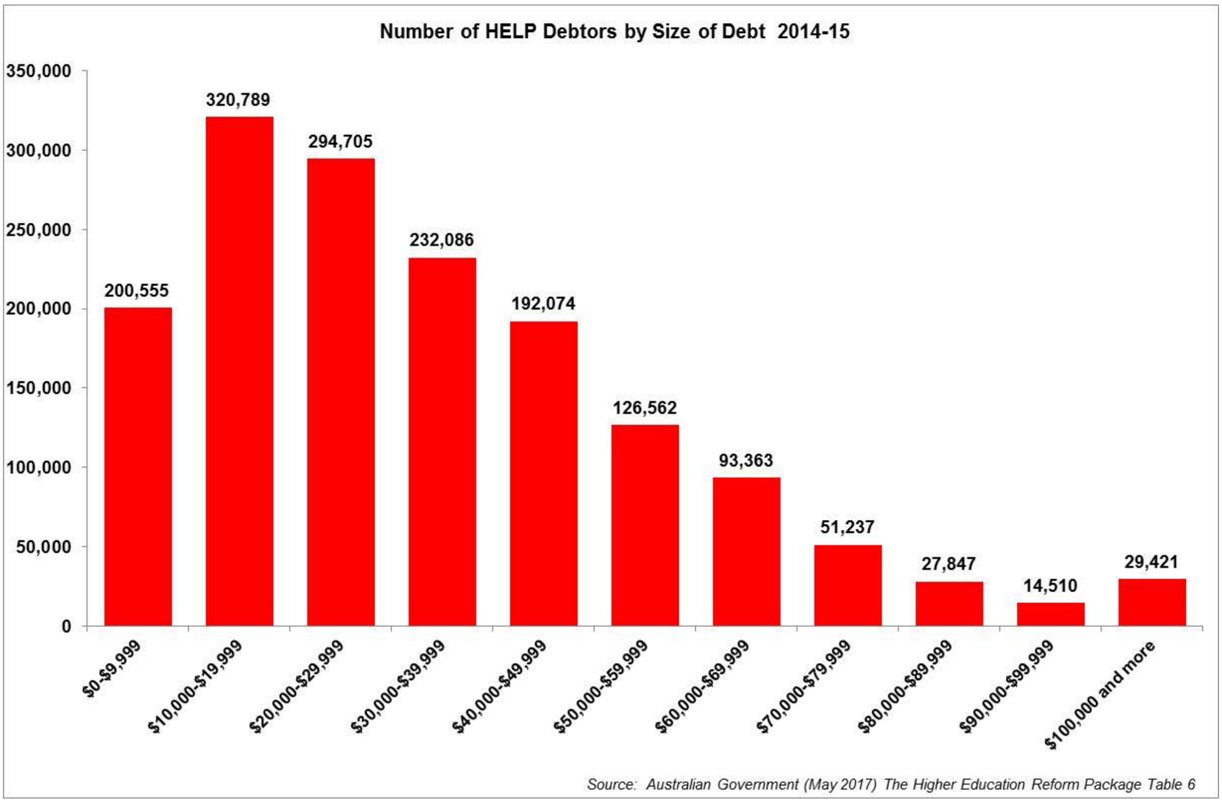


Figure 9 demonstrates that this debt is owed by over 1.5million individuals, with over 300,000 of those having debts in excess of $50,000, and almost 30,000 individuals with debts in excess of $100,000.

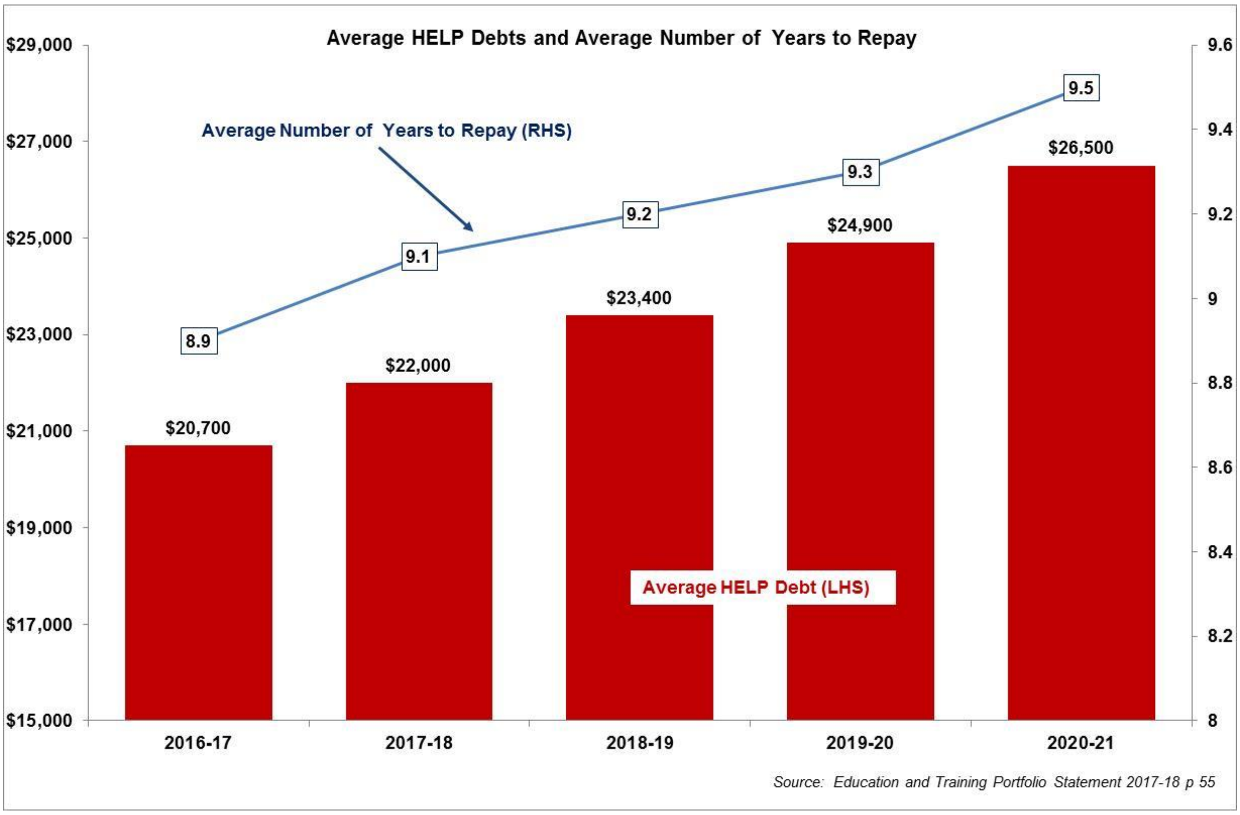
An increase in student fees can only make this situation worse. It is increasingly difficult to maintain that potential students are not deterred by fee costs, even if they are deferred. That enrolments continue to rise is an insufficient argument, as this does not account for those who have been deterred, nor those who have not completed because of concern over their rising debt.

Figure 9



The data in **Figure 10** shows the government is forecasting that both the average size of HELP debts and the average length of time for these debts to be repaid will increase over the forward estimates.

Figure 10



The most effective way for the government to get the HELP debt under control is not to increase the student contribution by 7.5% and tinker around with income threshold and repayment schedules, as is also being introduced in this Bill (see below), but rather to cut the fees it charges students to attend university. Australian students already pay too much and owe too much for their higher education to justify any further fee increases. The NTEU is not at all surprised that the National Union of Students is campaigning on the theme of "Make Education Free Again".

Higher Education contributions to budget repair

A recently Universities Australia report (The Facts on University Funding), shows that Australian universities and their students have already contributed to in the order of $4billion in budgetary savings since 2011-12. Major contributions to budgetary savings include:

- $1.4billion from converting Student Start-up Scholarship to loans
- $648million in cuts to the Sustainable Research Excellence (SRE) scheme
- $698million from abolishing performance funding for universities
- $298 million from abolishing the Capital Development Pool ($298 million), and
- $90.7million in to the Higher Education Participation and Partnerships Program ($90.7 million).

The report also notes that government has said it intends to re-purpose a further $3.7 billion earmarked for university infrastructure in the Education Investment Fund away from higher education and research toward supporting the NDIS.

University operating surpluses

In addition to relying on the fundamentally flawed Deloitte analysis of university costs as discussed above, when releasing his new package of reforms the Minister made much about the financial position of our universities, including that in 2015 Australian universities had total revenues in excess of $28billion, including over $16billion form government sources, and that the total operating margin for the sector sits at 6.1% which the accompanying documentation claimed was well above private sector profitability.

These claims, like those around the Deloitte study have been widely challenged. In addition to the article by Bexley cited above, Mark Warburton on 22 May 2017, also writing in *The Conversation*, (*Many Australian universities may be in surplus, but does that mean there's fat to cut?*) made the observation that universities are not-for-profit organisations and therefore the whole *raison d'etre* (let alone the relevant accounting standards) that apply to corporations are not relevant when analysing the financial position of public universities. Warburton wrote:

> *The focus of a not-for-profit organisation isn't to make a profit. It is to pursue its stated objectives. In the case of universities, these objectives are usually in its state establishing legislation.*

The size of vice-chancellors remuneration packages might indicate they believe they are running large corporations (see Australian universities lead world rankings ... for VCs pay). The reality remains that they are in charge of education institutions whose core objectives are public, and focused on learning and teaching, research and community service. As the leaders of large public institutions, the primary financial responsibility for vice chancellors is to manage their budgets, not to maximise profits or shareholder value or revenue as might be the case for the CEO's of large private sector corporations. University management are accountable to their governing bodies, which will often frame financial performance targets including operating results, as well their staff, students and the communities they serve. In other words, university financial management is often a case of cutting your financial cloth to achieve specified outcomes.

We would emphasise then that minimum operating surpluses are most often set in order to allow a university to finance investment in infrastructure, in the form of plant, property and equipment (PPE). As a very recently released report (Department of Education and Training December *2016 Higher Education Infrastructure Working Group Final Report*) into higher education infrastructure needs, observed:

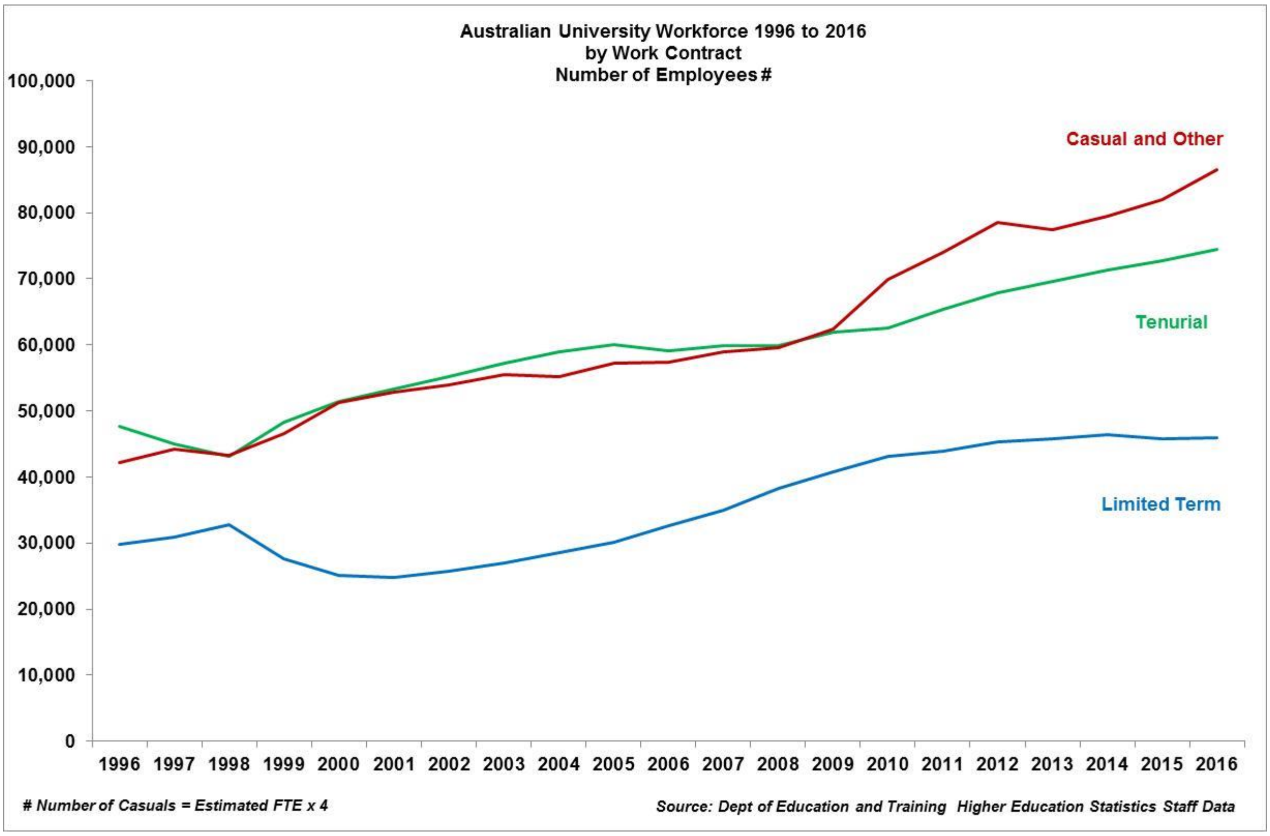
> *Both accrual analysis and cash flow analysis of university accounts over the period 2011-2013 demonstrate the sector has generally been able to generate sufficient financial resources from its operating activities including depreciation to deliver its infrastructure programs.*
>
> *… and 79 per cent of universities' $10.6 billion investment in PPE in the 2011-2013 triennium came from operating surpluses net of capital grants after depreciation is added back. (pp 18-19)*

Can universities still largely finance their infrastructure requirements from specific grants or internally generated cash in a period of uncertainty and potential funding cuts? The question we need to ask is, how do universities deliver world class education and research when the government has raided their surpluses that fund infrastructure?

2. Funding cuts equal greater job insecurity

One of the major ways that universities have cut their financial cloth to manage their budgets has been through deliberate changes to university staffing profiles. As **Figure 11** shows, there has been a steady decline in the proportion of university staff who are employed on an ongoing (tenurial) basis. This has dropped from about 40% in 1996 to 36% in 2016. The rapid increase in the use of casual employees is particularly noticeable since 2009, which is the year the then Labor government announced its intention to introduce the demand-driven system for allocation of CSPs for domestic undergraduate students.

Figure 11



The following analysis provides a more detailed breakdown in the changes to the university workforce. The data, which was provided by Department of Education and Training on request, disaggregates the university workforce not only by the type of work contract by which a person is employed (casual, limited-term or tenurial contract) but also by primary function, namely academic (which is further disaggregated into teaching-only, research-only and teaching and research) and general/professional staff.

Figure 12 highlights changes in the level of Full Time Equivalent (FTE) employment for academic and general/professional staff at Australia's universities between 2009 and 2015. The data also shows the percentage change in the FTE levels by contract of employment. The total FTE increased from about 107,000 to 137,500 or about 28%. The increase in actual casuals over that period accounts for well over half (8.3%) of the total FTE growth, followed by tenurial FTE (29.7%) and limited-term employees (12%).

Figure 12

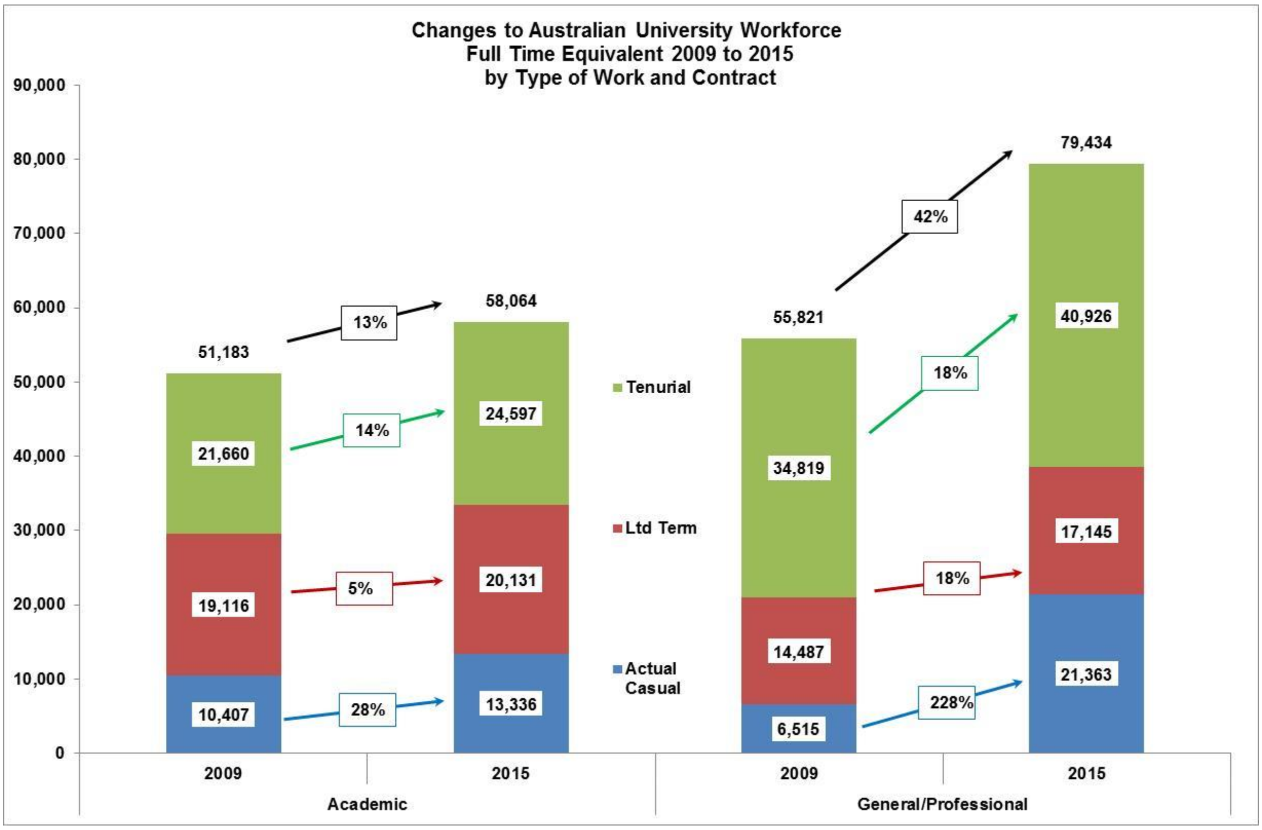


Figure 12 also shows that growth in general/professional employment has increased at more than three times the rate of academic employment. Some of this increased employment might relate to increased compliance costs associated with dealing with new quality assurance regulations and requirements associated with the establishment of TEQSA. While the NTEU does not question the need for strong quality assurance, we highlight the fact that such requirements impose additional cost on universities.

In terms of insecure employment, **Figure 12** clearly show that the two categories which experienced the strongest growth between 2009 and 2015 were actual casual general/professional staff, which more than doubled, and actual casual academic staff which increased by more than one-quarter (noting that FTE data is not a head count).

Figure 13 demonstrates that in 2015 almost eight of ten teaching-only FTE academic positions were casual and almost eight out of ten research-only FTE academic position were limited term contracts. By contrast three quarters (76.7%) of teaching and research FTEs and six out of ten general professional staff FTEs were tenurial.

Figure 13

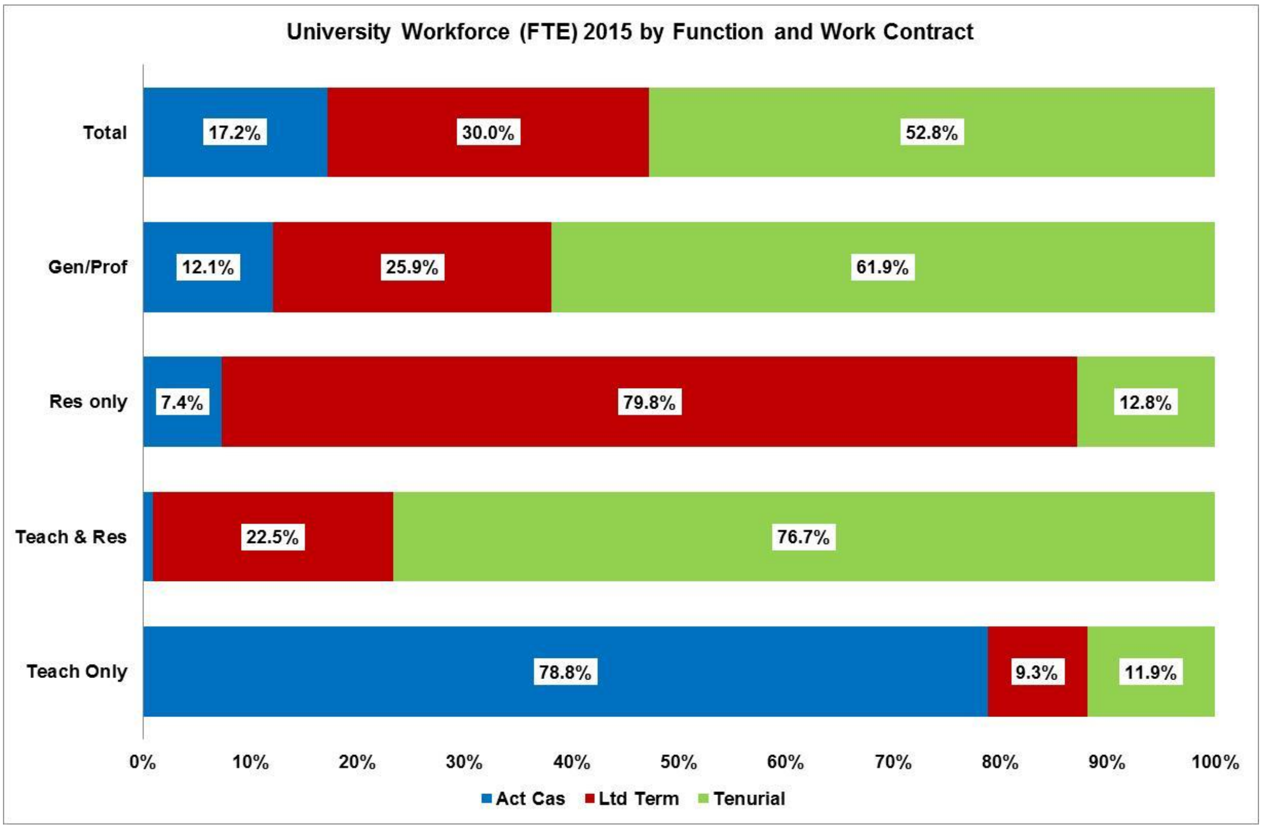
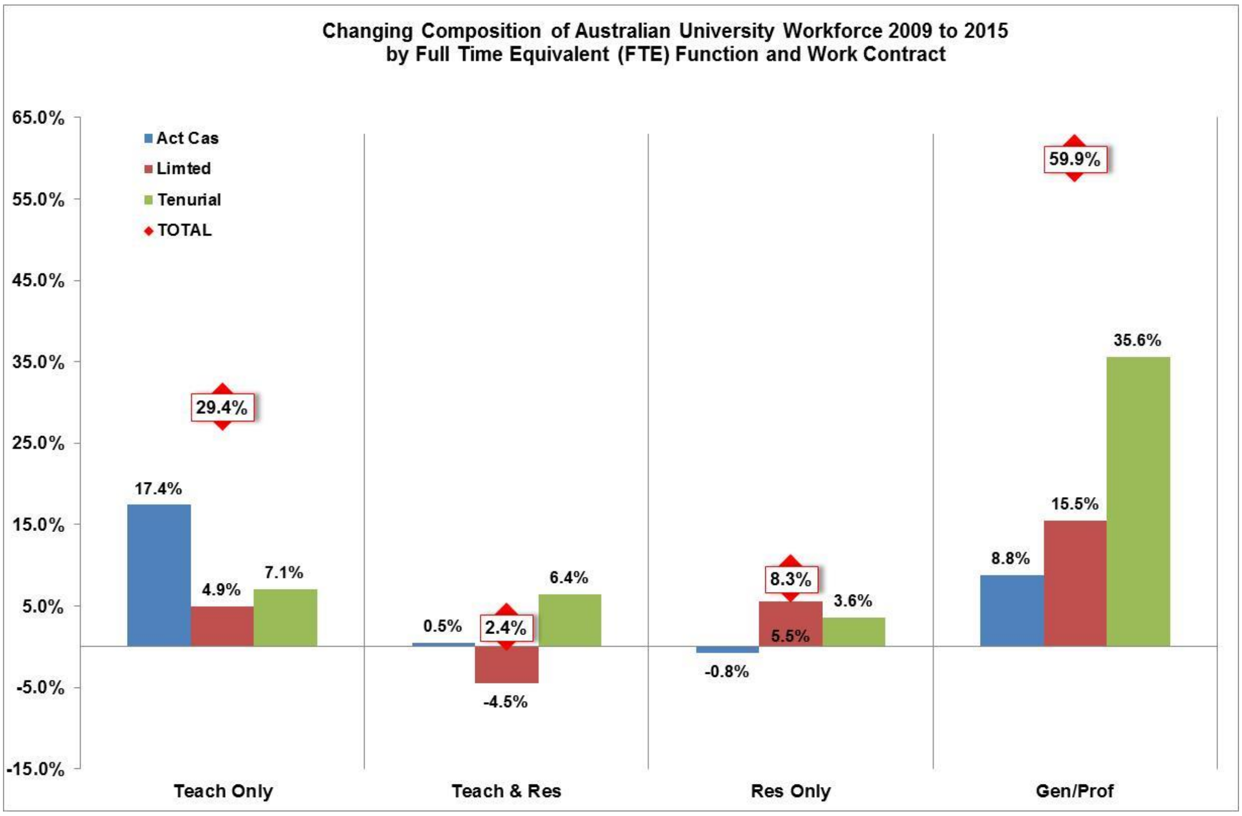


Figure 14 below provides a more detailed breakdown of the changes in employment by showing how different types of employment contributed to overall growth in employment between 2009 and 2015. For example, **Figure 14** shows that in aggregate the increase in general/professional FTE accounted for 59.9% of the increase in total FTEs, which was composed of a 35.6% from tenurial (ongoing) general/professional FTEs. 15.5% limited term and 8.8% actual casuals. The reason the actual casual number seems low compared to the data in **Figure 11** is because it started from a very low base.

Only 6.4 out of every 100 new FTE positions created at Australian universities between 2009 and 2015 were tenured teaching and research academic position. This modest increase in tenured teaching and research staff (6.4%) was offset by a commensurate decline in limited term FTEs (-4.6%). This shows that seven out of ten of these so-called new tenured teaching research FTEs were in fact created as a consequence of converting limited term FTE positions into tenurial (ongoing) FTE positions. The NTEU is negotiating for stronger clauses in the current round of collective bargaining to facilitate greater ease of conversion.

Figure 14



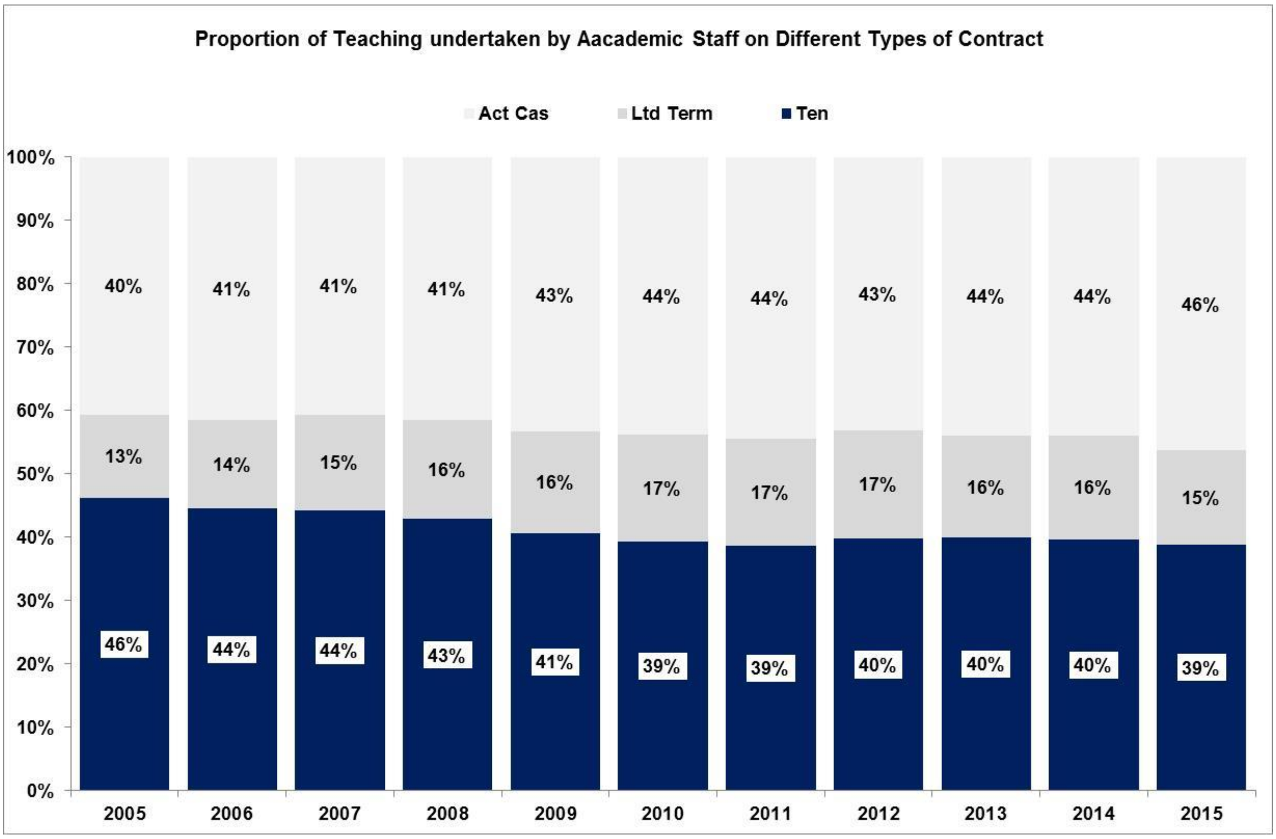
The analysis above demonstrates that not only is academic work becoming relatively less valued in terms of overall employment, the role of the traditional teaching and research academic is being displaced by more specialist teaching-only and research-only academic roles. Of interest to those concerned with the impact of public investment cuts are the changes to the composition of the academic workforce. **Figure 14** clearly shows the vast bulk of the increase in academic FTE between 2009 and 2015 is accounted for by teaching-only academics. Of even greater concern is that less than one in four (7.1% of total of 29.4%) of these new teaching-only FTE positions were tenurial (or ongoing). In other words, three quarters of the new teaching-only positions (FTE) were in the form of insecure employment, of which the vast majority were casuals.

Implications

The proportion of teaching undertaken by actual casual, limited term and tenurial academic teaching only and teaching and research staff for the period 2005 to 2015 is shown in **Figure 15**. These proportions have been calculated by assuming that teaching-only academics spend 100% of their time on teaching and teaching related activities and that on average a teaching and research academic staff spend 40% of their time on teaching related tasks. On this basis it is possible to estimate what proportion of the total university teaching effort is undertaken by staff on different types of employment contract.

The data in **Figure 15** shows that the share of the total teaching load undertaken by tenured academic staff has fallen dramatically from 46% in 2005 to less than 40% in 2015. The proportion undertaken by casual staff has mirrored this trend, increasing from about 40% to 46% over the same period. The proportion of teaching undertaken by staff on limited-term contracts has remained reasonably steady at around the 14-16% mark.

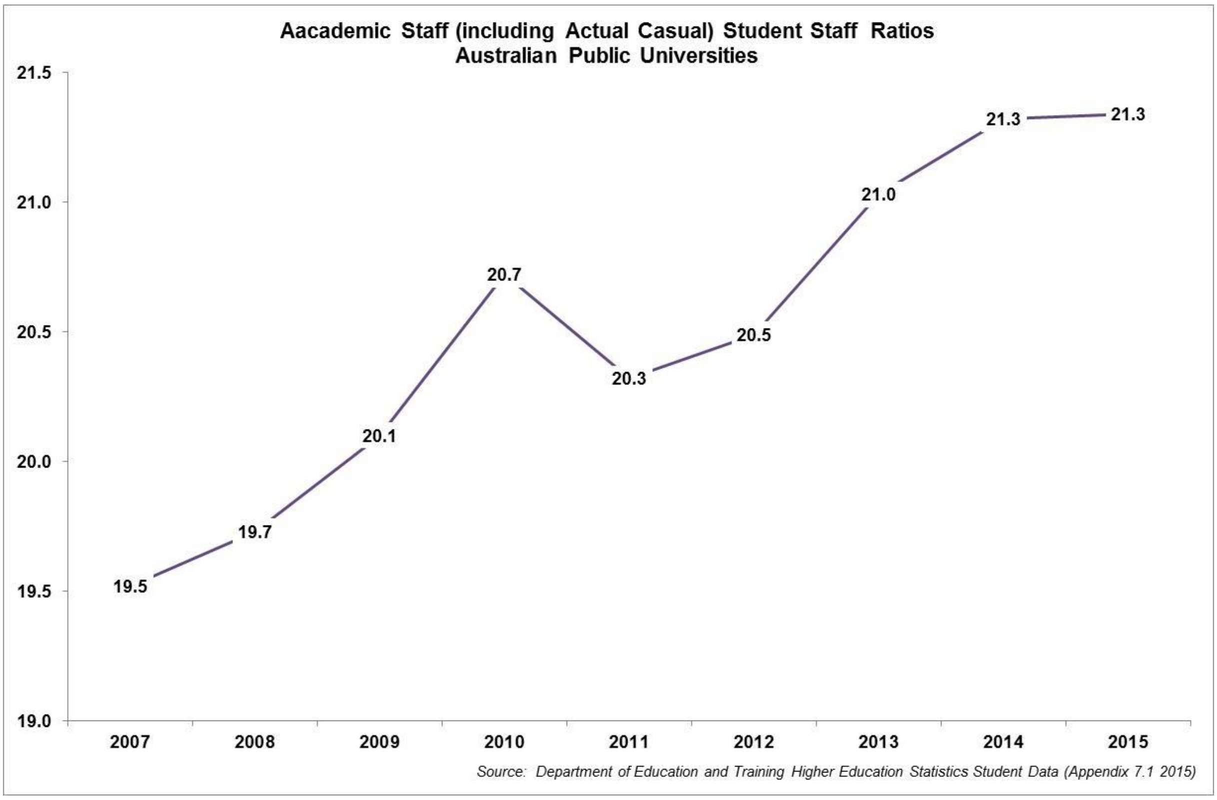
Figure 15



The NTEU contends that the increasing reliance on the use of employees engaged in insecure forms of employment (casual and limited term) has nothing to do with improving the quality of education, research or community services offered by our universities, but has everything to do with universities managing their budgets. That is, the sound financial performance of our universities, which the Minister has cited as a justification for the 10% cut to public investment in our universities over the next four years, has in part been achieved at the cost of both staff (increased reliance on insecure forms of employment) and students (through poorer staff to student ratios), which **Figure 16** shows has increased by almost 10% between 2007 and 2015.

The NTEU has argued, based too on the evidence of changes on our university campuses, the consequence of more casualised staff and less staff support is increased bigger and fewer classes, and deeper cuts to courses and subjects. The changes to the funding arrangements for CSPs included in Schedule 1 of the Bill will further undermine the capacity of our universities to continue to offer the world class education our students expect.

Figure 16



While strongly recognising that casual academics, despite their conditions, seek to deliver excellent teaching, there is no doubt that this form of employment must impact upon their productivity, as well as their institutional commitment. Furthermore casual academics have no career paths, promotion opportunities, or most employment entitlements, while employed casually.

The NTEU additionally contends that there is need for deeper interrogation of the consequences of the casualisation of academic jobs upon the strength and even future sustainability of some fields of study and discipline areas within particular universities, as well as across the Australian higher education system.

The report Characteristics of Australian higher education providers and their relation to first-year student attrition recently released by the Tertiary Education Quality and Standards Agency (TEQSA) provides tacit evidence that more secure jobs and career pathways are needed in higher education to improve standards and student outcomes across the sector. The study analysed 2014 data from 130 providers, and grouped together similar providers to seek “common institutional characteristics that could be linked to higher levels of attrition”. The report asserts a direct correlation between lower numbers of senior academic staff, lower numbers of postgraduate students, and a lower number of full-time academic staff and first-year student attrition.

3. Expanding the demand driven funding system to include sub-degree qualifications offered by universities

Under current arrangements, the number of Commonwealth Supported 'Sub-Bachelor' Places are classified as "designated places" (along with enabling places, medical places and non-research post graduate course work programs). In 2016, designated places were capped at about 22,000 (EFT) students across the sector. The number of places each provider was funded to offer was included in the funding agreements between the university and the Commonwealth.

The Bill extends the demand-driven arrangements that apply to bachelor level courses to sub-degree courses, by lifting the cap on the number of sub-degree places any university can offer. This measure removes one of the distortions in the existing funding framework, which encourages universities to enrol students into bachelor level programs where those students may benefit from the choice to enter at a lower level. To the extent that these changes not only increase student opportunities, but also the capacity for more students to attain a qualification, rather than dropping out when they have enrolled in a course they are not adequately prepared to undertake, this measure has merit. However, the NTEU has a number of concerns and questions.

Purposes of sub-degrees

Sub-degree programs including Associate Degrees are promoted to potential students as having employment outcomes, yet there seems to be little evidence of jobs requiring these qualifications. If sub-degree programs are primarily undertaken as pathways to bachelor degree programs, this invites further examination of the best and most transparent ways of facilitating this. It would be unfortunate if more students were encouraged into sub-degree programs only because of the appeal of CSP funding accruing to the university.

Restrictions on eligibility

The new subsection 36-10(4A) prevents a university enrolling a student in a CSP sub-bachelor course if that person has previously attained obtained a higher education qualifications. The NTEU considers this to be an unnecessary restriction, and may limit the capacity of mature-aged students returning to study to update their existing qualifications and skills.

Full fee paying vs CSP sub-bachelor students

It is unclear whether this provision will allow universities to enrol domestic full fee paying students into the same courses as domestic CSP students. Under current arrangements, universities are not allowed to enrol full fee paying domestic students into courses where CSPs are offered. Will the same rules apply to the new arrangements for sub-bachelor CSPs, and what are implications if they do, or do not? For consistency and to avoid any potential gaming, the same restrictions should apply to sub-bachelor courses as currently apply to bachelor level qualifications.

Outsourcing

There is a trend amongst Australian universities to outsource the delivery of some of their sub-degree pathway entry courses for international and/or domestic students into courses other than by the university per se. In some cases the delivery of these courses is via a fully owned subsidiary such as Monash College or through arrangements with a private provider such as *Navitas* as is the case for Newcastle, Curtin, La Trobe and Griffith universities. Swinburne-Online is another model, were Swinburne courses are offered through a joint venture between Swinburne University and Seek Ltd.

The NTEU is concerned about the impact of expanded CSP access on third party and outsourcing arrangements being taken by universities. Concern about the quality of corporate governance, of monitoring and risk management, and the quality assurance over the activities of third party arrangements, including in relation to staffing, curriculum and delivery arrangements.

The NTEU also remains concerned about the costs for students undertaking sub-degree programs. CSPs would certainly reduce costs compared to the current market approach, but this likely still means significant costs, as students begin even earlier accumulating a HELP debt. To encourage both young and mature-age students, tuition fees should be minimal. This requires consideration alongside the funding and costs of VET programs. A focus on the tertiary sector overall, especially at the points of intersection between VET and higher education, is long overdue.

So while the NTEU is generally supportive of expanding the demand driven system to sub-degree level qualifications subject to the caveats outlined above, the legislation needs to be strengthened to cover any third party or outsourcing arrangements to ensure:

- the parent university retains control over content and delivery and is directly responsible for quality of program and student's education experience,
- TEQSA Standards reflect stronger governance requirements necessary to guard against financial and quality-related risks, and
- the partner is a public institution or not-for-profit community based organisation.

4. Funding arrangements and allocations for enabling courses and postgraduate coursework qualifications

Enabling courses

Under current arrangements, enabling places are generally made available for free to students who do not qualify for entry into a university-level course because of their personal or family circumstances. In other words, enabling places are an alternative entry pathway for highly disadvantaged students. The number of enabling places each university can offer is determined by individual funding agreements and operates in addition to the Commonwealth contribution that applies to each CSP (shown in **Table 1**) the Commonwealth provides an enabling loading ($3,271 in 2017). The loading is meant to compensate universities for providing enabling courses free of charge.

The Bill changes the current arrangements by:

- abolishing the existing enabling course loading of $3,271 per student;
- allowing universities to charge fees equivalent of $3,271 per students, which students can elect to fund and repay through a HELP loan; and
- replacing the current individually-negotiated allocations of enabling courses based on historical enrolments, performance and need, with a new three-year completive tender cycle of allocations.

The NTEU is strongly opposed to these changes because they will mean that the most disadvantaged students who are currently given an opportunity to participate in higher education through an alternative pathway could be asked to pay over $3,000 per year. If they chose to fund this fee through HELP, they will also start accumulating HELP debt before they are qualified to enter university.

In this regard, we share the views of David Bull, the President of the National Association of Enabling Educators of Australia, who pointed out that these changes will be particularly harsh on regional and outer metropolitan universities:

> *The reforms to enabling courses will particularly harm those regional institutions, who are often the major providers of enabling programs; institutions that serve demographic regions with high proportions of low SES, Indigenous and regional and remote students.*

Mr Bull's comments are supported by data, as presented in **Table 1**, which shows the number of contribution-exempt CSP students, of whom 95% are enrolled in enabling courses by university in 2015. In addition to the number of contribution exempt students **Table 1** also shows what proportion of the total number of each university's CSP students are accounted for by these students. The data clearly shows that contribution exempt (that is, predominantly students enrolled in enabling courses) are most important, both in absolute (number of places) and relative (proportion of total CSP students) terms for universities not located in our major metropolitan cities.

Table 1

Number of Contribution Exempt CSPs - 2015

	Number of Students	
University	Contrib Exempt	% of CSP
Charles Darwin University	1,384	15.3%
Central Queensland University	1,983	14.0%
University of the Sunshine Coast	1,343	13.1%
The University of Newcastle	2,905	12.0%
University of Southern Queensland	2,438	11.7%
Southern Cross University	1,089	10.0%
The University of Notre Dame Australia	632	9.4%
Edith Cowan University	1,844	9.4%
University of Tasmania	2,285	9.0%
Curtin University of Technology	2,370	8.0%
Charles Sturt University	1,676	6.9%
The University of New England	1,174	6.3%
Murdoch University	593	5.2%
University of Technology Sydney	1,137	5.0%
University of Canberra	566	4.9%
University of South Australia	1,087	4.6%
Federation University Australia	302	4.2%
Flinders University	644	3.8%
The Australian National University	316	3.5%
Western Sydney University	1,296	3.4%
The University of New South Wales	488	1.7%
The University of Adelaide	256	1.5%
The University of Melbourne	327	1.2%
La Trobe University	279	1.2%
The University of Queensland	347	1.1%
RMIT University	300	1.1%
The University of Wollongong	174	1.1%
Victoria University	138	0.9%
James Cook University	73	0.5%
The University of Western Australia	50	0.3%
Swinburne University of Technology	67	0.3%
Griffith University	63	0.2%
Monash University	33	0.1%
University of Sydney	8	0.0%
Macquarie University	0	0.0%
Deakin University	0	0.0%
Queensland University of Technology	0	0.0%
Australian Catholic University	0	0.0%
TOTAL	**29,667**	3.7%

Source: Dept of Education and Training Higher Education Statistics Student Data 2015 Table 5.6

For this reason, the NTEU is also strongly opposed to the introduction of a competitive tendering process for the allocation of enabling places, which will be open up to non-university as well as university providers. The NTEU endorses the observations of David Bull, who describes the competitive tender process as a *"rush to the bottom""* resulting in existing providers set to suffer from a significant decline in their current constituents.

The NTEU is greatly concerned that the introduction of a competitive process in the provision of enabling programs has the potential to have the same effect on those universities that opening up competition to private providers for the provision of vocational education and training places has had on public TAFE colleges.

The fully contestable VET market had a devastating effect on public TAFE provision. Evidence presented to the Senate Employment and Education's Committee's 2014 inquiry into Technical and further education in Australia (and the preceding House of Representatives inquiry into the same matter) received much evidence (including from NTEU) demonstrating the impact a fully contestable market had on public TAFEs including forced mergers, campus closures and reduced course offering (especially in regional areas) and thousands of job losses. The committee concluded:

> *The committee heard from a great many stakeholders across the country who described the impact of public funding contestability on TAFE and skills provision as a whole. The committee heard no compelling evidence that opening TAFE up to full contestability benefits anyone but the private providers. If TAFE has to compete on a cost basis only it will not survive and will be diluted to the point that its assets, in terms of expertise and capital infrastructure, will be lost. (4.31).*

It would be an inexcusable mistake to repeat this failed policy framework in relation to the provision of higher education enabling courses, particularly considering the efforts by the current Coalition government to control the worst impacts of that privatisation experiment. It is self-evident that universities, like their TAFE counterparts in VET, have a far broader set of community expectations and responsibilities than private providers.

Making enabling course funding fully contestable will result in the same outcome as was experienced in VET following the same policy framework. Those universities, who have invested considerable amounts of time and energy into serving their local communities and most disadvantaged students, will find it extremely difficult to compete in terms of cost of delivery against private providers. Indeed the impact on those universities regional universities that have a relatively high proportion of enabling students as part of their total CSP enrolments, might suffer a similar fate to public TAFEs facing the same set of circumstances. Enabling courses must be distributed on the basis of educational (Year 12 completion and higher education participation) and demographic (SES) need, not based on who can deliver a course at lowest cost.

Allocation of postgraduate coursework CSPs

Under current arrangements Commonwealth supported postgraduate (non-research non-medical) postgraduate places (CSP) are capped and allocated to individual universities as part of the annual funding agreements between universities and the Commonwealth. Under the proposed arrangements these (still limited) CSPs will be allocated to individual students on a merit basis. While the government is describing this new arrangement as a scholarship program, others including the NTEU would characterise it as voucher system.

The NTEU has further concerns about the proposed new arrangements, firstly, because it involves a reduction of around 3,000 of these postgraduate CSPs, secondly, because it is unclear how or who will be responsible for allocating the places on a merit basis. The NTEU is not in a position to support any such changes given the cut in the number of places and the lack of clarity around the way they will be allocated.

There is considerable disquiet amongst universities over the current distribution of these CSPs, but turning them into vouchers does not solve this problem. It merely introduces uncertainty around planning the ongoing provision of existing courses, and unfortunately the introduction of a competitive market that may have adverse consequences on the quality of provision. More CSPs in the postgraduate coursework filed are merited, but this should be a alongside greater scrutiny of postgraduate coursework programs.

5. Making 7.5% of CGS funding contingent on meeting performance criteria

The Bill intends to make a proportion of each university's CGS funding contingent on yet to be finalised performance benchmarks. In 2018, 7.5% of CGS funding will be contingent on universities participating in admissions transparency reform and providing more detailed education and research cost information. In 2019, this funding will be dependent on yet to be determined performance indicators, which are likely to include student outcomes and satisfaction and provision of transparent financial and management data. (It is noted that the legislation will require any monies withheld from universities to be reinvested into the sector, so is not intended as another method to reduce public investment.)

While the NTEU agrees that our universities can be made more accountable for student outcomes, we unable to support this because it is being funded from an already significantly reduced level of public investment in the CGS as described above. The uncertainty associated with the receipt of this substantial amount of funding is likely to result in universities resorting to an even greater reliance on insecure employment with all the negative connotations that this will have for staff and their jobs, and consequently the quality of education provided to students. Another concern is around whether the Coalition government will prescribe performance benchmarks that are arbitrary, politicised, poorly evidenced, lacking consensus, produced in bad faith or in other ways inadequate to the wider interests of the higher education sector.

The only circumstances in which the NTEU will support this measure would be if the contingent funding was an additional 7.5% performance loading in addition to existing CGS funding levels. If this were the case the NTEU would also want any quality indicators to include workforce measures such as the proportion of teaching undertaken by casual staff.

6. Higher Education Loans Program (HELP) including lowering and rescheduling of income thresholds

Fundamental design fault

Before analysing the impact of these changes on HELP debtor repayments it is important to highlight a fundamental design fault in the HELP repayment system, which will only be made worse by the move to the new arrangements proposed in the Bill.

Unlike the situation for income tax, where when you reach a new income threshold you move to a new marginal income tax rate, for HELP repayments once you reach a certain income threshold the repayment rate applies to your whole income. The easiest way to illustrate this problem is by way of example. Assume the government is successful in introducing a new 1% HELP repayment rate for incomes of $42,000 and above. Under the HELP arrangements someone earning $41,999 would pay zero in HELP repayments. If their income suddenly increased by $1 to $42,000 they would be liable to pay 1% of $42,000 or $420 in HELP repayments and they would experience an immediate net loss of income of $419. Therefore, the structure of the HELP system means that as you move into a new higher income threshold level you will be subject to effective marginal tax rates of more than 100%.

This situation would be made even more problematic by the introduction of a new schedule which introduces more steps in the repayment threshold, but also because it now interacts with the operation of other transfer payments such as family tax benefits and so on. This is in effect a policy measure to entrench generational disadvantage upon a new generation of HELP debtors. Rather than trying to tinker around the edges with a fundamentally flawed system, as proposed in the Bill, the government should redesign the whole system and move toward one based on marginal repayments (where you pay a certain proportion of each extra dollar earned) rather the existing system.

The Bill proposes changes to the income thresholds and schedule for HELP repayments as shown in **Table 2**. In summary the changes involve:

- lowering the existing minimum repayment threshold of $51,975 to $42,000 from 1 July 2018;
- introducing new 1% and 1.5% repayment rates for incomes between $42,000 and the $51,975; and
- introducing new 8.5%, 9.0%, 9.5% and 10% repayments rates for incomes above $94,957 (2018-19 values).

In order to fully understand the impact that the proposed changes will have on individuals, the NTEU has calculated an individual's HELP liability under existing arrangements compared to those that would apply under the proposed arrangements for 2018-19. This is outlined in **Table 2**.

Table 2

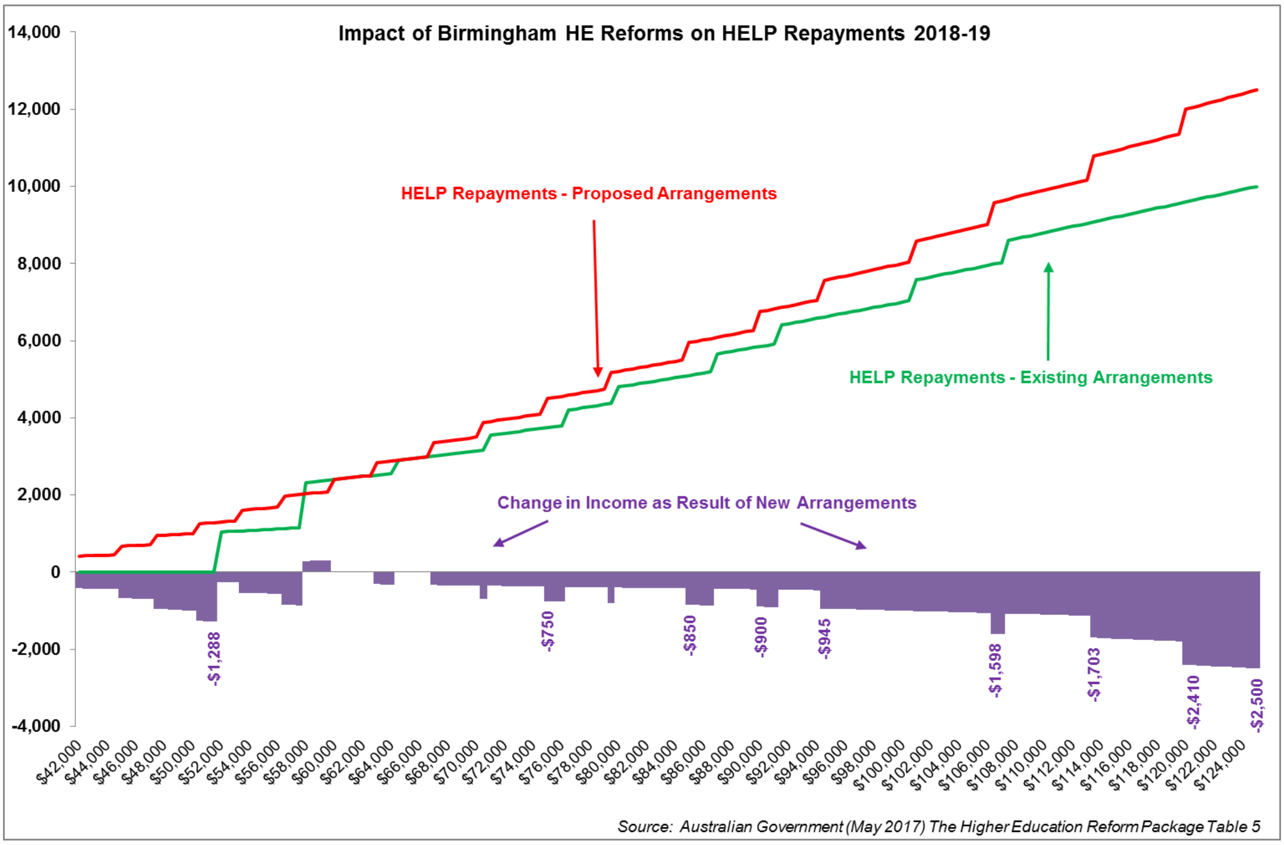
Repayment Rate	Repayment Schedule		
	Existing 2018-19	Proposed 2018-19	Proposed 2019-20
1.0%		$42,000	$42,480
1.5%		$44,520	$45,410
2.0%	$51,957	$47,191	$48,135
2.5%		$50,022	$51,023
3.0%		$53,024	$54,084
3.5%		$56,205	$57,329
4.0%	$57,730	$59,577	$60,769
4.5%	$64,307	$63,152	$64,315
5.0%	$70,882	$66,941	$68,280
5.5%	$74,608	$70,958	$72,377
6.0%	$80,198	$75,215	$76,719
6.5%	$86,856	$79,728	$81,323
7.0%	$91,426	$84,512	$86,202
7.5%	$100,614	$89,582	$91,374
8.0%	$107,214	$94,957	$96,857
8.5%		$100,655	$102,669
9.0%		$106,694	$108,829
9.5%		$113,096	$115,358
10.0%		$119,882	$122,279

Furthermore, **Figure 17** shows the impact those changes would have on one's take-home income. **Figure 17** demonstrates that with very few exceptions (people earning around $58,000 to $60,000), individuals will be no better off or in the vast majority of cases will be worse off in terms of their take-home pay under the new arrangements. This is an intended part of the new policy framework which is intended to recover HELP debt more rapidly, and therefore lower the proportion of debt never repaid.

The other interesting feature of the analysis presented in **Figure 17** is that it highlights the problem of very high marginal tax rates (as discussed above) which are shown as sudden and unsustained reductions in take-home pay as you move to higher (average) repayment rates.

Figure 17 shows that individuals who will lose the most from a move to new threshold and repayment schedules (in absolute dollar terms) are those earning between about $42,000 and $52,000 and those earning above about $100,000. For example, under existing arrangements someone earning $50,000 is not required to make any HELP repayments, but under the proposed new schedule they would be required to pay 2% of their income of $1,000 in HELP repayments. The only other people who will be $1000 a year or more worse off are those earning more than $100,000.

Figure 17



In the National Foundation for Australian Women (NFAW) report (A gender lens on the budget), which is a comprehensive and rigorous analysis of the 2017-18 Federal Budget upon women, it notes the impact of the Budget more broadly is that:

> *Women will be particularly affected by the changes included in the 2017 Budget. On average, women earn less over a lifetime of employment, and this is particularly so in the first ten years or so after graduation when they are likely to be establishing a family. Women also tend to be concentrated in lower paid occupations such as nursing and teaching, and are more likely than men to take time out of the workforce to raise children. (p68)*

The report considers that the changes to HELP income thresholds and repayment thresholds will have the greatest impact on women, "*In effect, graduates will not just begin repaying HELP loans sooner, but lower paid graduates will pay a higher proportion of their income"* (p68).

The NFAW report also cites an article by Eryk Bradshaw in the *Sydney Morning Herald* that shows how these changes become intertwined with other policy changes so that increased HELP repayments:

> *… are added to proposed increases in the Medicare Levy and changes to other benefits graduates (most of whom are likely to be women) 'earning as little as $37,000 a year and receiving rent assistance will be discouraged from looking for more work because of an increase in the effective marginal tax rate to 100 per cent'.*

This point is supported by the analysis of Greg Jericho (also cited in the NFAW report) who concludes:

> *It may not make financial sense for a woman with young children to take up a job with a salary that is close to the repayment threshold, if it jeopardises other benefits and if she is required to pay for childcare as well, something that the government recognised when it proposed a household income test for HELP loan repayments in the 2016-2017 Budget.*

This adds considerable weight to the NTEU's conclusion that the proposed changes to HELP cannot be supported, and that the whole HELP repayment system should move towards a system based on marginal repayments.

A further observation that the NTEU would make in relation to the proposed changes to HELP is that it seems to contradict the government's intention to make housing more affordable, by encouraging people to salary sacrificing part of their income into a superannuation account where those saving can be accessed as deposit for a new home. It seems absurd that on one hand the government is encouraging students and graduates to save more while on the other hand, it is increasing the cost and debt associated with higher education through higher tuition fees and also reducing graduates take-home pay through higher HELP repayments. The NTEU would contend that the best way to deal with the increasing (national and individual) HELP debt is to reduce the cost of higher education participation, which as a consequence would provide a significant reduction in the government's costs of operating HELP.

7. Higher Education Participation and Partnership Program (HEPPP)

The NTEU supports securing the funding of the Higher Education Participation and Partnerships Program (HEPPP) in legislation rather than specified in the other grants and regulations. The Bill proposes enshrining the annual funding amounts and a new student loading for students from low socioeconomic backgrounds in legislation.

However, the NTEU also notes that the 2017-18 Budget Forward Estimates for HEPPP reveal an almost $8m cut for 2017-18 and 2018-19 compared to the forward estimates included in the 2016-17 MYEFO. It is unfortunate that even positive proposals are embedded with further government reductions in investment.

In his analysis, Federal Budget 2017-18 Aboriginal and Torres Strait Islander higher education programs and funding, NTEU Aboriginal and Torres Strait Islander Unit Coordinator ,Adam Frogley also points to these contradictions:

> The release of the 2017-18 Federal Budget has seen major contradictions made by the Turnbull government, in particular the funding cuts to Aboriginal and Torres Strait Islander support programs vs. the calls for greater Aboriginal and Torres Strait Islander enrolments, completions and total Aboriginal and Torre Strait Islander staff.
>
> The total funding cuts over previous Budgets and their forward estimates, not only incorporate the 3% efficiency dividend, but also incorporate a total funding loss of 31.6% from the 2015-16 forward estimates to the 2017-18 Federal Budget.
>
> As has been witnessed over the last two decades, Australian universities and higher education providers will only seek to increase the number of Aboriginal and Torres Strait Islander staff, providing the funding allocations to their institutions under the ISSP to allow for further employment opportunities. Put simply, universities will not utilise or seek to utilise their own funds to employ Aboriginal and Torres Strait Islander staff, and unless there are other incentives to increase employment – Aboriginal and Torres Strait Islander employment growth in the Australian higher education sector will not occur.
>
> As with all funding cuts, it can be reasonably expected that Aboriginal & Torres Strait Islander students will not benefit as a result of these measures; nor will current Aboriginal & Torres Strait Islander staff. The future for increased employment opportunities for Aboriginal & Torres Strait Islander peoples in the sector, particularly full-time, permanent, ongoing roles, are now further in doubt.
>
> As we have seen previously, Aboriginal and Torres Strait Islander staff will simply be forced to do more with less or risk being culturally isolated into areas of the university outside of the Aboriginal & Torres Strait Islander Support Unit or Centre where they may have been employed in the first instance. Put simply, there are no positives in this Budget for Aboriginal and Torres Strait Islander university students or higher education staff. Those staff and students will only suffer under the fiscal pressure imposed by this Federal government: a government that would seem to have little care or concern for those particular constituents and their communities.

Conclusion

In summary the NTEU's response to the *Higher Education Support Legislation Amendment (A More Sustainable, Responsive and Transparent Higher Education System) Bill (2017)* is as follows. The NTEU is opposed to the funding cuts and increases in student contributions to funding CSPs on the basis that:

The NTEU is strongly opposed to these funding cuts on the grounds that:

- Australia already has one of the lowest levels of public investment in tertiary education in the world, and any additional cuts would put Australian universities, students and graduates at a competitive disadvantage globally;
- Australian higher education students currently pay amongst the highest fees in the world to attend a public university, and any increase is an unreasonable imposition;
- Australian students and universities have already contributed close to $4billion in budget repair since the election of the Coalition government in 2013;
- As public institutions, Australian universities are required to operate within budget. Ongoing operating surpluses are necessary to fund capital and other works. This has been reached through measures, including increased reliance on insecure employment, which the NTEU considers to be detrimental to the capacity and reputation of Australia to sustain a world-class university system. Cutting government funding on the basis that universities are generating surpluses is disingenuous, and also ignores that at least a quarter of public universities cannot generate a surplus.

The NTEU is generally supportive of expanding the demand driven system to sub-degree level qualifications, but remain concerned about the impact of expanded CSP access on third party and outsourcing arrangements being taken by universities and about the costs for students undertaking sub-degree programs. Legislation covering threshold standards needs to be strengthened to cover third party or outsourcing arrangements so that:

- the parent university retains control over content and delivery and is directly responsible for quality of program and student's education experience,
- TEQSA Standards reflect stronger governance requirements necessary to guard against financial and quality-related risks, and
- the partner is a public institution or not-for-profit community based organisation.

The NTEU is strongly opposed to the introduction of a competitive tendering process for the allocation of enabling places.

The NTEU cannot support the proposed postgraduate coursework arrangements, firstly, because it involves a reduction of around 3,000 of these postgraduate CSPs, secondly, because it is unclear how or who will be responsible for allocating the places on a merit basis.

The NTEU agrees that Australian universities can be made more accountable for student outcomes. However, we are unable to support a proportion of each university's CSG funding being made contingent on unarticulated performance benchmarks because this is being funded from an already significantly reduced level of public investment in the CGS as described above. It is also unclear how the performance criteria will be developed and whether they will be constructed in bad faith to the interests of the sector. If the NTEU was in a position of considering extra funding that included an element of contingency, we would want any quality indicators to include workforce measures such as the proportion of teaching undertaken by casual staff.

The NTEU is deeply concerned about the impact of changes to HELP repayments upon graduates' opportunities to establish their careers and lives, and emphasise the gendered impact of the proposal in discriminating against women. The NTEU argues that the whole HELP repayment system requires a redesign, and should move towards a system based on marginal repayments.

Australian universities and the higher education sector more broadly have a unique responsibility considering the future of work, domestically and internationally. Technological disruption, described in some circles as the Fourth Industrial Revolution, will not only upend and make redundant entire professions and industries, but will reduce the shelf-life for existing already highly specialised skill sets.

Adapting to accelerating technological change requires governments to lift and expand educational opportunity, to extend higher education institutions as mechanisms for life-long learning and to enable rapid and 'agile' human capital investment. To achieve these goals, the long-term focus for Australian higher education policy should be on increasing higher education participation and reducing fees, like so many other OECD comparator nations. Instead, the Coalition government's proposed Bill envisages a future workforce even more heavily saddled with debt and unable to adapt to what are now broadly understood as inevitable transformations in the Australian labour market.

National Tertiary Education Union