

## **Comment on the Grattan report *Investing in Regions***

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### **SUMMARY CONCLUSION:**

This report contains some interesting, even important, insights. However, the report does not make the case that regional universities have no economic impact.

It certainly provides no basis on which to confidently advocate that regional students should be encouraged to study in capital cities or that government investment in education and research in regional Australia is misplaced.

As the evidence simply isn't there, these conclusions cannot be logically derived.

A very great deal more work is required before the authors' can draw any valid and reliable conclusions, let alone recommend a major shift in Government policy.

### **FULL COMMENT:**

The Grattan Institute's report *Investing in Regions: Making a Difference* is an interesting read. Naturally, given the title, I assumed that the report would outline how investing in the regions makes a difference.

Instead, for the most part, the report seeks to establish the illogic of investing in the regions, particularly investing in regions featuring smaller inland cities and smaller populations.

Personally, I found a number of interesting snippets in the report. Regional cities are growing faster on average than capital cities (p. 10). Growth in coastal cities is most pronounced in Queensland and Western Australia (p.13). There is insufficient reliable data to know whether Australian regional job attraction schemes have been effective (p.20). Queensland's Smart State Strategy "...appears to have had some success...", with Townsville and Cairns both featuring high-tech and general patent application rates that are higher than other regional centres (p.25). And more.

Of course, my attention was most acutely drawn to a chapter focused on the impact of regional universities as far as regional economic development is concerned.

After noting the usual error - the authors gathering a diverse array of regional universities and campuses in order to draw generic, on average conclusions that hide enormous institutional and regional variation - I saw greater cause for concern.

The report recommends increased support for regional students to move to capital cities to study (p.7) and attempts to make the case that Government investment in regional universities is misplaced.

The trouble is that a very long and rather fragile bow must be drawn to connect the evidence in the report with these recommendations.

First, the issue of encouraging students to leave their region for the capital cities.

This recommendation is made largely based on an analysis of the 2006 cohort of 22 year old school leavers. Rates of higher education attainment by this cohort and retention of these graduates within the region they studied form the backdrop of this recommendation.

The authors note that the presence of a regional university increases (indeed doubles) the proportion of school leavers gaining a degree and remaining in their home region.

They then go on to comment that the presence of the university, while important, is not as important to graduate retention as the size of the population of the home region in which the university (and graduate) is located.

There are major problems here.

Relying on mobility data for school leavers does not capture anything close to the full story. Many students studying in regional Australia are mature-aged. Their mobility is often constrained by work and other personal factors. To ignore the retention of this large cohort of regional graduates is to severely under-represent the retention of graduates from regional universities – and their impact on regional economies.

Even if we were to use this segment of graduates to form our conclusions, far from showing the presence of a regional university is not important, the analysis actually shows that presence of a regional university and a large population are both important in explaining graduate retention. In other words, the report shows that presence of a regional university does help explain graduate retention in the regions.

Indeed retention may be even higher, even for this partial cohort, depending on how closely regional retention is measured. To explain, a 2009 survey of all contactable James Cook University medical graduates revealed that 60 percent have stayed in rural and remote Australia (compared with nationally 20 percent of medical graduates working in regional Australia). JCU's medical graduates mostly work in northern Queensland but well beyond there too. I suspect this report would have counted these graduates as retained if they had stayed around Townsville, but not retained if they moved to Atherton or Mt Isa or Inverell. That's a problem. Distance works differently in different regional areas and I suspect regional retention is probably best broadly interpreted.

Moreover, in gathering their case, the authors rely on a 2010 DEEWR report to assert that access to a regional university campus is not important in explaining university participation. The trouble is that the analysis in the DEEWR report simply does not support this conclusion (see attached 'Proximity not sole participation factor', *HES 9/6/2010* p.44).

An argument based on a partial cohort is worrying enough. Add to this that the study shows that the presence of a regional university does help to explain graduate retention and it is difficult to see how we can logically conclude that the obvious policy prescription is for Governments to provide more encouragement to regional students to study in capital cities.

If steered anywhere, it would be more consistent with the report's logic to suggest students should be encouraged towards larger regional campuses as well as capital city universities. In my view, such a conclusion would also be misguided, but at least the error in recommendation would have been consistent with the errors in analyses.

The second problem area is more complex. It goes to whether regional universities have much impact on regional economies.

The authors suggest that the impact, if any, is negligible and does not justify Government investment in regional universities on economic grounds (noting that other myriad benefits of universities are not examined in the report).

Attempting to demonstrate this is a nightmare – and not just for regional universities.

As available data is not up to the job, the authors have sought to visit history. The challenge they set for themselves is to determine what the economic outcomes for regions containing a regional university would have been if their regional university had never been established.

The authors draw their conclusions based on comparing selected regional centres with universities to regional centres without universities.

First, there is the obvious challenge of simply trying to conceive of all things being equal over the historic development of cities and towns across Australia in order to discern the independent impact of a regional university in some specific place. It is hard to feel confident that valid and reliable conclusions may be drawn from such an exercise, let alone feel relaxed about the results serving as the basis for a major shift in Government policy.

It is unclear precisely how the non-university comparator cities were chosen. It seems that they were chosen on the basis of similar size and location (though how Ballarat is matched with Bundaberg and Rockhampton with Mildura is quite opaque to me).

Assuming for a moment that all pairs are reasonably matched, we arrive at the next problem.

Having chosen cities of similar size and location, the authors have risked eliminating the variation they seek through their very choice of comparator city. Putting this another way, why would we assume that in 2011, a regional city that never had a university would be similar in size and scale to a regional city that may have featured a regional university for 50 years?

On the other hand, it would seem plausible to me that a regional city without a regional university, might have found other ways of prospering economically, if indeed that is what it has done.

But my point is deeper. I'd agree that having a regional university is not the only way to prosper a regional economy. Regions are innovative and will work with what they have, as little as that is sometimes.

I'd also agree that serious consideration is required before deciding to open new campuses, especially in small towns or in lagging regions.

But here's the thing. Just because it is possible to have a prosperous regional economy without a university does not mean that existing campuses should be denied appropriate Government support. And just because some regions have prospered without a regional university doesn't mean that regional universities have had no or little impact in their regions.

This comparison between centres simply doesn't give us enough to work with to draw robust conclusions about the effect of regional universities on their regional economies. Nor does it provide a firm basis for bold assertions that regional universities do little to promote regional economic growth and play no role in enhancing regional innovation.

But there's more. The report's analyses (Table 6) on the effect of local university presence on the increase in the number of private sector employees needs more work.

[At the time of the report's release, Professor Glenn Withers, the former CEO of Universities Australia and now at ANU, pointed out that it is not clear why the study excluded public employees and university's own often significant employment effects.

And there is a problem with method here. As Professor Withers also pointed out it makes more sense to measure regional university growth along side employment growth – not static university presence. When a university or campus was new we might expect to see an impact of 'presence'. Since then it is the growth (or change in size) that matters in its effect. Growth of private sector employment is likely to be correlated with growth of university size – and growth of public sector employment for that matter.]

The authors use population size as a proxy for diversity in the economy. A larger population may well imply a more diverse regional economy, independent of the presence of a local university. However, it seems more likely to me that economic diversity, population size, growth in local university, public sector employment, along with other variables such as transportation links, and local infrastructure like TAFE, are all likely to help explain private sector employment growth – and some of these factors would interact. There is a likely complex equation here and the simple model described in this part of the study is likely obscuring more than it reveals.

In the absence of a better explanation about the choice of comparator cities, we cannot be confident in these data, let alone their interpretation. Certainly, it would be courageous to vest much policy purchase in them.

There are many problems here. But the greatest problem with this style of report, and its peculiar choice of title, is that many will read the headlines and few will delve into the detail to see whether the headlines and the policy recommendations it makes are worthy.

It is true that this report contains some interesting and even important insights. But make no mistake, the report's analyses raise more questions than they answer.

Despite its confident tone, this report as it stands does not make the case for directing regional students to capital cities or for redirecting Government education and research investment away from regional Australia.

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