

WESTERN SYDNEY
UNIVERSITY



Submission to the Senate Education and
Employment Legislation Committee's

Inquiry into the Higher Education Support Legislation Amendment

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Western Sydney University's 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

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About Western Sydney University

Western Sydney University is a multi-campus university with integrated sites in major population centres throughout Western Sydney, including Parramatta, Penrith, Campbelltown, Bankstown, Richmond and Blacktown.

The university's nearly 45,000 students are among the most culturally and linguistically diverse cohort in Australia. The majority are the first in their family to undertake university study, giving effect to the university's commitment to enact transformational change across its region.

Western Sydney University's academic offerings encompass a comprehensive range of core and emerging disciplines, including: business, STEM, education, the humanities, medicine, nursing and midwifery, law, health and the social sciences.

The university is focused on impact-driven research with five world-standard or better research institutions committed to realising end-user outcomes and applications of tangible benefit to the region and further afield. Areas of particular specialisation include: urban and living society; health and wellbeing; education and aspirational change; and, environmental sustainability.

Western Sydney University ranked in the 'Top 100 Young Universities in the World' and among the 'Top 500 in the World' or 'Top 3 per cent' (THE rankings). It is a university with a commitment to catalysing and driving transformational regional change.

Introduction

Western Sydney University welcomes the opportunity to make a 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.

The university notes the proposed Bill's very limited resolution of protracted funding and regulatory uncertainty. The aspects of the Bill that afford universities a level of stability are nevertheless welcome. Other measures, for instance, the 'performance contingent funding' component will have the opposite effect.

As this submission details, for Western Sydney University, the proposed 'efficiency dividend' will be devastating.

To foreground the tone and subsequent rationale of WSU's submission and, importantly, the impact of the proposed Bill it is critical to note the government has framed it within the context of the federal budget.

The proposed reforms have not been forged via, for example, an evidenced-based, transparent and collaborative 'green' and 'white' paper process of discussion and policy development. This is disappointing given the implications for the national interest of higher education reform extend far beyond the fiduciary paradigms of the budget.

A critical opportunity for deliberative, progressive and socioeconomically integrated reform has been missed.

Reflective of the structure of the proposed Bill, the university's submission is structured around the following three themes:

- (1) improving the sustainability of higher education;
- (2) more choice for students; and
- (3) increased transparency and accountability.

WSU's submission closes with a summary of its appraisal of the Bill and an overview of its broader implications for Western Sydney and the national interest.

1 Diverse Skills and Knowledge: More Choice for Students

The Bill's proposed 'efficiency dividend' directly undermines Western Sydney University's (WSU) capacity to meet the government's 'diverse skills and knowledge' objectives. If implemented, the university will incur funding shortfalls of approximately \$17 million per year over the coming four years. This would wipe-out the university's most recent, modest surplus of \$10 million.

Compelled to find further savings (on top of the cuts) it would no longer be economically viable for the university to fund a range of measures that support 'more choice for students'.

For example, WSU could no longer initiate, test and invest in courses and research that have a high transactional cost but deliver a low or negative margin in the short-term. The outcome: reduced 'choice' and diversity.

WSU's capacity to invest in courses that build the innovation and entrepreneurial skills required to improve professional, social service and industry outcomes across its region is at risk.

The resource-intensive development by WSU of offerings in, for example, fields such as 'Digital Cultures', 'Data Visualisation', 'Innovation and Change', 'Enterprise Innovation and Markets', 'Leadership and Entrepreneurship', 'Social Web Analytics', 'Robotics' and 'Automated Manufacturing' would not have been possible under the contracted funding settings the government is proposing.

The government's own policy agenda for the region – as, for instance, articulated in the Western Sydney City Deal – would be directly undermined by the resulting contraction in skills, knowledge and labour market diversity.

With regard to equity and supporting socioeconomic uplift, cutting \$17 million (year-on-year) in higher education funding to Western Sydney and placing 7.5 per cent of support in limbo will do nothing redress the more than 31 per cent educational attainment gap between 25 to 34 year-old Western Sydney residents and their Greater Sydney peers.

Just over 25 per cent of WSU's total students are of low SES status; and nearly 62 per cent are the first in their family to go to university. The measures the government is proposing would undermine the university's ability sustain a range of demonstrably successful programs that support the retention and progress of these students.

WSU urges the government consider the extent to which they would prefer short term efficiency dividends over increased student choice and net economic benefit. The reform package may – through the incorporation of sub-bachelor level, advanced diploma and associate degree courses – provoke a marginal expansion of the system in scale but not necessarily an improvement in the choice and diversity of courses for students nor would it support the flow of ‘diverse skills and knowledge’ into the broader economy.

With a large multicultural and socioeconomically diverse population, choice and diversity in higher education is extremely important to Western Sydney. If implemented the proposed reforms will impede the very rationale on which they are based. The resulting retreat in choice for students will, over the coming decade see reduced skills, agility and capacity in the Western Sydney labour market. The effect would be a stalling and potential reversal in the development of Australia’s third-largest and fastest growing economy.

2 Improving the sustainability of higher education

The proposed 7.5 per cent increase in maximum student contributions will disproportionately impact on demand for certain disciplines at Western Sydney University and without evidence nor sufficient rationale with respect to labour market dynamics.

From 2018, the government intends to raise the maximum student contribution amount by 1.8 per cent, per year to 2021 to a total of 7.5 per cent. The headline split between student contribution and government funding through the Commonwealth Grant Scheme under the new arrangements is an average of 54/46 by 2021; a change from the current average 58/42 split.

The proposed adjustments seem, on the face of it, moderate, applied fairly across the various fields of education. However, Table 1 (below) shows the 2017 student contribution/CGS breakdown by funding cluster. As a percentage, some students contribute proportionately more to their degree program than others.

TABLE 1

Funding Cluster	Broad disciplines	Maximum student contribution	CWLTH contrib.	Comm %	Student %	Total amount
1	Law, accounting, administration, economics, commerce	10,596	2,089	16.47%	83.53%	12,685
2	Humanities	6,349	5,809	47.78%	52.22%	12,158
3.1	Mathematics, statistics, behavioural science, social studies, computing, built environment, other health	9,050	10,278	53.18%	46.82%	19,328
3.2	Mathematics, statistics, behavioural science, social studies, computing, built environment, other health	6,349	10,278	61.82%	38.18%	16,627
4	Education	6,349	10,695	62.75%	37.25%	17,044
5.1	Clinical psychology, foreign languages, or visual and performing arts	6,349	12,641	66.57%	33.43%	18,990
5.2	Clinical psychology, foreign languages, or visual and performing arts	9,050	12,641	58.28%	41.72%	21,691
6	Nursing	6,349	14,113	68.97%	31.03%	20,462
7	Engineering, science, surveying	9,050	17,971	66.51%	33.49%	27,021
8.1	Dentistry, medicine, veterinary science, agriculture	10,596	22,809	68.28%	31.72%	33,405
8.2	Dentistry, medicine, veterinary science, agriculture	9,050	22,809	71.59%	28.41%	31,859

The three tiers of student contributions reflect – with varying degrees of intention – potential graduate earnings, policy priorities, the balance of perceived public-private benefit attached to particular degree programs and, as one commentator put it, ‘the accumulated result of ad hoc decisions going back 25 years’.¹ The 2011 Lomax review of base funding similarly concluded ‘across disciplines there is significant variation, with students contributing as little as 19 per cent of total

resourcing for their discipline and as much as 84 per cent. There is no rational basis for these wide variations.’²

It is important to note that the government’s proposed cost recovery measures compound this circumstance without clarifying the principles on which differential funding is based.

The government’s proposed ‘rebalancing’ fails to reflect the reality of current labour market returns. Such an intervention in the level of fees students are compelled to pay or repay would significantly alter demand patterns across the sector.

This push to implement changes in the contribution mix of various degree programs makes no account for the resultant impact of labour force dynamics. Such a move runs counter to government’s call for ‘greater transparency’.

Cluster 1 – with a mix of law and business disciplines – is particularly affected. The publicly available graduate outcomes data (QILT) shows that an engineering graduate can expect a median salary of \$62,000 a year. A business and commerce graduate can expect \$52,000 a year despite paying more as a student contribution for their degree. There may be policy imperatives – on the government’s part – behind driving a change in the labour force. If so, these should be articulated.

Absent such imperatives, the seemingly benign ‘rebalancing’ of the cost burden of education will – at Western Sydney University – see either a shift in demand patterns or, far worse, for this particular region, students choosing not to pursue tertiary education.

Given that the government is relying on the supposed dividends of the demand-driven system granted through economies of scale to pursue cost recovery, it is counter-intuitive to pursue measures that will lower demand and destabilise the sector.

Western Sydney University is not fundamentally opposed to adjustments in the balance of public-private investment in higher education. However, we recommend that the government transparently model the demand-impact of the changes to the contribution split before pursuing a ‘rebalance’. Further, we recommend that the government revisit the differential student contribution model on a collaborative, broader and better evidenced basis.

3 Increased Transparency and Accountability

Proposing to bring about ‘increased transparency and accountability’ by the imposition of opaque institutional performance criteria is not a platform from which to institute positive reform. Nor is it a reasonable or indeed, productive way to achieve funding efficiencies in the context of Australia’s broader skills, economic and productivity challenges.

WSU strongly opposes the linking of ‘performance contingent funding’ (7.5 per cent of total Commonwealth Grant Scheme allocations) to institutional transparency criteria.

The indications are that the benchmarks the government is proposing will be based on compliance with related transparency requirements, although there is no clarity on what those criteria might be or how compliance will be measured.

Of more concern is the ambiguous phrasing about ‘failure to comply’ with any criteria that may be set in the future. University ‘performance’ could be measured against any number of indices in the transparency measures, such as retention rates, completions, or graduate outcomes.

Were ‘graduate outcomes’ to become a performance criteria, an institution like WSU may be adversely and unfairly impacted. While short-term graduate outcomes (mostly salary related) for WSU graduates compare unfavourably across the sector, over the longer term they exceed the average (particularly among postgraduates). To a large extent WSU graduates – the bulk of whom stay and work in Western Sydney – would be penalised for the region’s comparatively lower starting wage levels.

A legislative change that locked in this distortion would be a retrograde measure for a government supposedly committed to lifting Western Sydney’s skills base.

With respect to achieving greater operational efficiencies, WSU notes that the ‘performance’ element of the proposed legislative change would effectively allow the Minister to adjust any institutions funding to 92.5 per cent of the published level at any time, according to any criteria that might be set in the, as yet, unknown ‘guidelines’ without any legislative control or public consultation.

There is no indication of what the timing of a decision to ‘adjust’ CGS funding. This significantly undercuts the ability of universities to effectively plan ahead. A 7.5 per cent cut in CGS funding would be enough to throw almost any university into operational deficit in the year of that adjustment. That would certainly be the

case for WSU.

Given that many of the transparency factors are lag indicators, it is not clear how a university would then, in an environment of suddenly and significantly reduced CGS, demonstrate sufficient improvement to return to an unadjusted base funding level. The effect would be to further undermine rather genuinely support improvements in institutions that failed to meet arbitrary and possibly regionally distorted measures.

WSU fundamentally disagree with the proposition that universities are running in significant surplus. Given the lack of infrastructure funding available, it is necessary for universities to generate surpluses in order to improve infrastructure and ensure the ongoing provision of quality education for current and future generations of students.

Modest surplus reserves are also utilised for the direct benefit of regional economies and in the furthering of the government's stated objectives. For example, in 2013, WSU co-invested with the Commonwealth in the \$30 million Werrington Park Corporate Centre. Part of the Suburban Jobs Program, this 5,500sqm, 5-green star rated facility is now at capacity (with excess demand). It is bringing more than 400 high value jobs to Penrith (outer-Western Sydney) and forging vital links between industry, researchers and students (a stated objective of the National Innovation and Science Agenda). The university could not have been a part of this transformative and truly catalytic initiative without the ability to draw on a modest surplus achieved through already substantial, self-imposed efficiencies.

Similarly, WSU's support of innovation in Western Sydney, through the establishment (at its own cost) of the LaunchPad startup incubator network would not have been possible under the proposed funding framework. LaunchPad, which now has sites in Penrith, Liverpool and Parramatta has directly supported over 150 regional startups and tech-SME's through the provision of research collaboration, office space, technology access, marketing, advocacy, business mentoring and student internships. It is Western Sydney's only startup incubator and SME accelerator and its viability is now at risk due to potentially revised funding projections.

With regard to the Bill's proposed 'transparency' measures. Western Sydney University supports the provision of user-friendly information to students to assist with informed decision making. However, the rationale for an increase in accountability is unclear. It is also a move at odds with government's own agenda – with reference to the Phillips KPA³ and Kwong Lee Dow reports⁴ – to 'cut red tape' across the sector.⁵

The establishment of TEQSA in 2012 and the development of the Higher Education Standards Framework, that all higher education institutions are required to comply with, already ensure that institutions are held accountable. The establishment of additional accountability measures therefore seem overly bureaucratic, might in fact be counterproductive and have unintended negative consequences, especially if single measures implemented as part of performance funding allocations.

4 Conclusion

To summarise the key points of this submission:

1. Western Sydney University opposes the Bill's proposed 'efficiency dividend' on the basis it directly undermines the university's capacity to meet the government's 'diverse skills and knowledge' objectives, particularly as those objectives relate to Western Sydney's continued economic development.
2. While against an arbitrary 7.5 per cent increase in student contributions, Western Sydney University is not fundamentally opposed to adjustments to the balance of public-private investment in higher education where such changes can be rationalised by a collaborative and evidence-based process of review.
3. Western Sydney University strongly opposes the linking of 'performance contingent' (7.5 per cent of total Commonwealth Grant Scheme) funding to, as yet, opaque 'transparency' criteria.

As WSU's submission demonstrates, the impact of the proposed Bill and related Budgetary measures would be devastating, not just to the university but more importantly the region within which it is embedded. WSU urges the Committee to reflect on the points raised in its submission.

Please note, Western Sydney University's, Vice-Chancellor and President, Professor Barney Glover FTSE is willing to appear in person before the Inquiry should the Committee seek further information or comment.

- Ends -

References

¹ A. Norton: <http://andrewnorton.net.au/2015/04/08/years-to-repay-student-debt-as-a-way-of-setting-student-contributions/>

² J. Lomax, et al. Higher Education Base Funding Review, DEEWR, October 2011.

³ K. Lee Dow & V. Braithwaite, 'Expert Panel's Review of Higher Education Regulation Report', Department of Education and Training, 22 October 2013.

⁴ 'Review of Reporting Requirements for Universities', PhillipsKPA, 12 December 2012.

⁵ B. Lane, 'TEQSA must cut red tape, says Christopher Pyne', The Australian, 23 October 2013.