



10 September 2020

Alan Raine
Committee Secretary
Senate Education and Employment Committees
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Mr Raine

Re: Higher Education Support Amendment (Job-Ready Graduates and Supporting Regional and Remote Students) Bill 2020

Thank you for the opportunity to comment on the Higher Education Support Amendment (Job-Ready Graduates and Supporting Regional and Remote Students) Bill 2020.

The value of higher education

Universities are economic powerhouses, training graduates whose contributions increase local and national productivity and wellbeing, and generating research that solves the big challenges facing society. Universities are critical to economic growth, with the knowledge they create and the graduates they train creating new jobs, opportunities and industries.

More graduates grow the economy and improve productivity

University graduates are critical to Australia's productivity, undertaking the work that propels our economy forward. With a growing trend towards automation, the strength of tomorrow's workforce in Australia will increasingly depend on university graduates. Indeed, Federal Minister for Education, the Hon. Dan Tehan MP, has acknowledged that the majority of new jobs created in Australia in the coming years will require a university degree.¹

Universities Australia estimates that Australia's university sector directly contributed \$41 billion to the national economy in 2018, supporting 259,100 full time equivalent (FTE) jobs.² These benefits have been shown to extend well beyond the employment opportunities and wage premium experienced by individual graduates. For example, for every 1000 new graduates entering the workforce, 120 new jobs are created for people without a degree, while the wages of those without a degree are boosted by \$655 a year when more graduates enter the workforce.³ Research

¹ Minister Tehan address to National Press Club, 28 August 2019. <https://ministers.education.gov.au/tehan/national-press-club>

² <https://www.universitiesaustralia.edu.au/wp-content/uploads/2020/04/200325-Deloitte-one-pager-FINAL.pdf>

³ Deloitte Access Economics (2016), *Estimating the public and private benefits of education*, Report to DET, p.47, cited in Australian Government 2016, *The Higher Education Reform Package*, p.9-10.

commissioned by the Federal Government has shown that 55% of the benefit to the economy of each graduate – found by the OECD to be US\$167,700 per male graduate and US\$126,500 per female graduate – was a public benefit, compared to a 45% private benefit.⁴

University research has a significant economic benefit and will be critical to Australia's recovery from the current crisis

Research undertaken at universities drives economic growth benefiting the wider NSW and Australian population. The Group of Eight (Go8) universities released a report in 2018 written by London Economics, which highlighted that for every dollar invested in university research, around \$10 came back in benefits.⁵ That same report also found that for every person employed at research intensive universities such as those making up the Go8, 2.4 jobs were created in the broader community.

The importance of university research to Australia's economy, and to our recovery from the current recession, has recently been highlighted by the National COVID-19 Co-ordination Commission (NCCC), who asked the Rapid Research Information Forum (RRIF) to inquire into the impact of the pandemic on Australia's research capability.⁶ In response, RRIF advised that universities perform approximately 43% of all applied research in Australia, and noted that any decrease in funding university research would lead to "a decline in innovation, limiting economic growth by slowing the development of new technology, skills, and efficiency gains in service and production processes."

University research has been critical to Australia meeting global and local challenges

While the economic value of research may be quantified in terms of new technologies and industries that arise from research outcomes, other university research helps address the pressing issues facing the community. We are proud of our world leading research which has led to inventions that improve lives, addresses critical challenges facing society, and provides input to the formulation of important public policy.

UNSW researchers have played a leading role in supporting public health efforts to address COVID-19, working towards finding a vaccine and cure, advising health authorities, and helping to address other impacts of the pandemic such as shortages of protective equipment, and the social, cognitive and mental health effects. We were pleased to learn in June 2020 that UNSW's Professor Raina Macintyre received the accolade of Australia's most prominent coronavirus expert, based on research by the Australian Science Media Centre. Professor Mary-Louise McLaws has similarly contributed her expertise to the public policy response to COVID-19, including through extensive media contributions.

During the 2019-20 summer bushfire crisis, UNSW researchers such as Professor Jason Sharples contributed their expertise to a number of aspects of the response, including better understanding of bushfire management, the impact on water supplies, the health impact of reduced air quality, emergency systems and the treatment of trauma in emergency service workers and impacted communities.

⁴ Ibid; OECD (2018), *Education at a Glance 2018: OECD indicators*, OECD Publishing, Paris, Indicator A5.3.

⁵ London Economics, *The Economic Impact of Group of Eight Universities* (2018), available online at

https://www.go8.edu.au/Go8_London-Economics-Report.pdf

⁶ <https://www.science.org.au/sites/default/files/rrif-covid19-research-workforce.pdf>

At UNSW, cutting-edge research is regularly undertaken across a wide range of areas, including water technology, waste management, hydrogen energy storage and cancer research, while solar photovoltaic cells were developed from UNSW research, and continue to play a critical role in the global transition to renewable energy. University research offers many other opportunities to underpin the new industries and jobs that will grow as Australia recovers from the economic effects of the pandemic.

The Job-Ready Graduates package

The Job-Ready Graduates package is a substantial change to the way universities are funded. Consideration should be given to the following benefits and challenges of the proposed legislation.

Additional places and greater industry linkages are positive

There are aspects of the proposed legislation that are commendable, such as the desire to provide education for more Australians with 100,000 new places by 2030. This will increase human capital, create a more cohesive and healthier society, strengthen Australia's independence by making us more self-reliant, help us keep up with others in our region in terms of both generating new knowledge and technologies, and quickly adopting new practices. In particular, UNSW welcomes the commitment to place a CPI indexation on annual funding arrangements.

The plan to commit funds to an 'Industry Linkage Fund' to support greater interaction in research and education between universities and business/industry offers the possibility of being a positive step. UNSW looks forward to learning more about this fund, and hope that it is a step towards the type of Australian Translational Research Fund to drive the application and commercialisation of research that UNSW has been advocating for the last two years.

As a university committed to having impact at home and abroad, we welcome the uncapping of places for Indigenous students from rural and remote areas, and the funding support for those from disadvantaged communities. However, the legislation could be improved by uncapping places for all Indigenous students, regardless of where they live, in recognition that disadvantage within Indigenous communities is not confined to rural and remote areas.

The inclusion of grandfathering arrangements is positive, although in many instances greater clarity is needed to support easy administration of the provisions. This is particularly the case for students studying double degrees, changing programs or who have deferred a course along the way.

We commend the inclusion of transitional funding arrangements, which will mean that our domestic student income is protected at 2020 levels plus CPI through to 2023. That will allow universities such as UNSW to manage the transition to new funding arrangements, without the financial challenges of 2020 being made worse.

Universities are being asked to educate more students with fewer resources

UNSW recognises the financial impact COVID-19 has had on the Australian economy and on the Australian Government's budget position. Nevertheless,

spending on education should be seen as an investment in economic recovery rather than a cost.

With the onset of COVID-19 and the associated recession, the demand for university places for domestic students will now be even greater than the increases that were already occurring. The Minister is correct when he notes that the \$18 billion of government funding currently made available is at “record levels”. However, this simply reflects the growth in university education through the demand-driven system which was capped in 2017. It does not allow for the increase in demand since the cap was introduced, the demand for places generated by the economic and societal effects of the pandemic, the pressures of a rising population pressures, or the desire of Australians for ever-better educational and research outcomes.

UNSW strongly supports increased access to a university education for a wider and larger number of students, but with decreasing government funding, this is challenging. Government funding as an overall proportion of university budgets has decreased from around 90% in 1974 to 31% in 2019.⁷

Under the proposed arrangements, overall public funding for teaching would be approximately 94% of its current quantum (equivalent to a 5.8% cut in per student funding). To receive the same level of overall quantum of funding at the new rates, universities would have to provide around 11,700 additional student places than in 2018, but to teach those extra students without a commensurate increase in financial resources.

While the Job Ready Graduates package undertakes to increase the number of university places by 100,000 by 2030, the reality is that universities are being asked to teach even more students with less funding per student. At present, revenues from international student fees, much like the revenues that our international airlines rely on, have been significantly reduced. The additional per student funding reduction will weaken the education and research outputs of universities. This is a significant risk that will restrict the economic and societal contribution we could make and constrain the growth of Australian education as an area of significant export earnings.

Changes to student contributions

Increases to student contributions are yet another blow to current Year 12 students

A key feature of this legislation is the proposed changes to student contributions, designed to encourage students to move towards disciplines that are determined to be in the national interest (primarily STEM) and by implication deter students from those not seen to be in the national interest (primarily humanities). This includes increases to student contributions by as much as 113% for students of communications and humanities, 66% in creative arts, and 27.7% for students in management, commerce, law and economics.

While the package does include decreases to student contributions across a range of subjects, UNSW is deeply concerned about the impact these changes will have on those current Year 11 and Year 12 students, whose studies have already been

⁷ NSW Audit Office (2020) *Universities 2019 Audits*. At p3 and https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/Publications_Archive/archive/he_funding

significantly interrupted by COVID-19, and whose preferred course prices are now being significantly inflated. For example, a student who had wanted to undertake an Arts/ Law or Commerce/ Law double degree may now be faced with student contributions of up to \$116,000. For many prospective students, this is a daunting prospect, even with FEE-HELP arrangements.

There is evidence price signals have a limited impact on course selection, while crowding disadvantaged students out of higher education

The use of price signals to influence student decisions regarding which courses to study is troubling on a couple of fronts. First, there is evidence, including through previous alterations to fees, that price signals have only a limited impact on student decisions on what course they study.⁸ That is, for most students, the price of study does not convince a student to take a course that they were not interested in in the first place. A student interested in the humanities is unlikely to change tack and study a science course that does not closely align with their skills and interests. Indeed, if such a student were to undertake a course they are less interested in, they are less likely to complete their studies, increasing the attrition rates that the Government says it wants to reduce. Where price signals do have an impact, they are typically on students from low socio-economic, rural and regional, Indigenous and other disadvantaged backgrounds. In these instances, the effect of the price signal is to deter the student from going to university in the first place.

Secondly, the attempts to influence employment outcomes are based on misconception. The Government's own discussion paper reveals that for the purposes of employment outcomes, the fact of possessing a university degree is more important than the discipline the degree is in.⁹ Furthermore, the labour market forecasts relied on in the design of this package were made before the COVID-19 pandemic, and consequently may be out of date, as the jobs market may be substantially different post pandemic. It should be noted that when prospective students are choosing their course of university study, it is likely that they factor employment outcomes and opportunities into their decision. Therefore, government intervention should not be required to push graduates towards jobs.

Changes to the overall level of course funding will drive unintended outcomes

When student contributions are taken in combination with changes to Commonwealth contributions, other issues arise that are contrary to the stated intent of this legislation. The overall funding that universities will receive for each place in a STEM course will be less than is currently the case, by \$4758, while universities will receive more per student enrolled in humanities courses. This will lead to perverse and unintended outcomes as the decline in revenue for STEM courses will not cover the costs of teaching those programs, in turn limiting the ability of universities to offer places in these programs. Meanwhile, increased funding will incentivise universities to offer more humanities places.

It has been suggested that an additional function could be added to TEQSA to monitor increased humanities places but that would require greater regulatory spending, which is at odds with Government priorities. In any event, it is not clear that gradual shifts over time could be prevented.

⁸ Gavin Moodie (29 June 2020) Times Higher Education, *HECS Discipline fee changes in 1997, 2005, 2008, 2009, 2010, 2013* and *'HECS is not a price signal'* (Stephen Taylor AFR 29 June 2020), both cited at <https://franklarkins.files.wordpress.com/2020/07/fpl-cshe-presentation-7-7-2020.pptx>

⁹ https://www.dese.gov.au/system/files/doc/other/job_ready_graduates_discussion_paper_2.pdf

Changes to the level of funding are based on inadequate evidence

We understand that the justification for the reduction in funding STEM courses is derived from a single Deloitte report on the costs of teaching. Of particular note, the data in the report and the caveats it contains indicate that “caution should be taken in drawing inferences regarding the sufficiency of CGS funding from these results.”¹⁰

Certainly, any calculation as to the cost of courses should rely on a greater body of evidence than is the case here, and should be undertaken over a number of years, with robust review of the data. Without a deeper body of evidence, serious consideration should be given to maintaining current levels of overall funding for STEM courses at universities.

Funding changes disrupt the link between teaching and research

One of the fundamental tenets of university education across all fields of endeavour, is that graduates benefit from being taught by academics active in the creation of cutting edge knowledge. This recognition has ensured funding for research has been an inbuilt component of funding teaching in STEM and other areas. The Excellence in Research for Australia standard carefully monitors research performance across the sector and the recent Provider Category Standards now require universities to be active in research in a significant range of disciplines in order to retain university status. The concern here is that the proposed legislation may remove funding for research at the same time as a requirement to be active in research is being introduced. This is another significant reason not to reduce the overall level of funding for STEM places.

Overall, this package removes more than \$2 billion from core university funding at the same time as other countries are increasing public funding of research in response to the COVID-19 crisis. We note that the Minister has established the Research Sustainability working group, which is tasked with addressing research funding. UNSW agrees that there may be benefits in research funding being decoupled from funding for teaching. Some options that may be considered include funding for validated and approved research grants awarded by national and other recognized bodies being properly supported by full economic costing and funding to institutions, based on formal ERA quality and quantity measures (at present quality is recognised but not scale), with funding being available competitively for new initiatives related to translational research in the public interest. However, to pass this legislation before the outcomes of the working group are realised, places at risk the many real and important outcomes of Australian university research.

Humanities are valuable to employers

The notion that people with humanities degrees do not have good employment outcomes is not supported by evidence. For example, the QILT 2020 Graduate Outcomes Survey-Longitudinal, found 87% employment for humanities graduates three years after graduating, the same as for graduates of science and mathematics courses.¹¹

¹⁰ https://docs.education.gov.au/system/files/doc/other/transparency_in_higher_education_expenditure_2019_final_report.pdf at p34

¹¹ https://www.qilt.edu.au/docs/default-source/gos-reports/2020-gos-l/2020-gos-l-national-report.pdf?sfvrsn=de45ec3c_2 at p7

This outcome reflects the range of skills, highly valued by employers, that are taught as part of a humanities degree. Recently, the World Economic Forum cited “creativity” as one of the top three skills for Jobs of the Future, a skill that is a core component of all humanities teaching.¹² A 2018 Deloitte report into the value of the humanities found that humanities graduates have a broad range of technical skills, that are often transferable across employers and different sectors. The report also found that humanities degrees teach graduates problem solving skills that are invaluable to employers and society more broadly.¹³

Impact on students from low socio-economic backgrounds and regional Australia

The proposed reforms in the Job-Ready Package and the changes to the Higher Education Participation and Partnerships Programme will change the arrangements for student equity funding and will have a serious impact on low-socioeconomic status (LSES) students and students from other equity groups who have experienced educational disadvantage.

The new student fee scale will disproportionately impact students from low socio-economic backgrounds and regional areas

The proposed legislation may have an unequal and undesirable impact on students, particularly those from low socio-economic backgrounds and from regional Australia. It is highly unlikely that school students, especially from rural, regional, remote and disadvantaged schools, who have not been offered, nor enjoyed or succeeded in STEM subjects in school will either meet the criteria for or want to enrol in STEM programs at university. The lower student costs of a STEM degree will not change their decisions. They will simply be crowded out of higher education. A better solution would be to ensure those schools are better able to prepare students for STEM degrees.

The increased contributions required for students in the humanities may disproportionately deter students from the regions from even commencing tertiary education, as many are best equipped to pursue the humanities because school teaching in the humanities is often stronger than in STEM in regional areas. For many students who are the first in their family to attend university, an Arts degree may serve as a foundation for further study as they identify their area of specialisation. Disincentives to studying the humanities for disadvantaged students may ultimately become a disincentive to attending university.

The proposed fee differentials do not take into account likely future earnings for graduates of different courses. Under the proposals, the most expensive courses such as commerce and law will be less accessible to students from low socio-economic backgrounds, including students from rural and remote communities.

Changes to HEPPP funding undermine efforts to give low socio-economic status students a university education

This reform underestimates the role metropolitan universities play in regional NSW and the needs of low socio-economic status students in metropolitan areas such as

¹² <https://www.weforum.org/videos/this-is-why-creativity-and-empathy-will-be-as-important-as-ai-in-the-jobs-of-the-future>

¹³ <https://www2.deloitte.com/au/en/pages/economics/articles/value-humanities.html>

Western Sydney. All Universities have a pivotal role to play in the social and economic development of their regions.

The proposed change to HEPPP funding re-allocates funding from students from low-SES backgrounds in metropolitan areas to regional, rural and remote areas and to Indigenous students. Although it is recognised within the sector that additional funding is required to support regional, rural, remote and Indigenous students it is advisable that the funding formula is reconsidered so that the reforms do not disadvantage students in metropolitan areas and universities located in metropolitan areas. There is also existing funding for Indigenous students as part of the Indigenous Student Success Programme which is duplicated in the proposed changes to HEPPP. Go8 universities have undertaken extensive work in rural, regional and remote schools and communities under the current funding formula and this work will no longer be possible with the proposed changes.

Innovative partnerships with regional universities and communities, NGOs and industry, to improve the access and retention of regional students will be undermined by the proposed changes, as the disproportionate funding will result in greater competition, which – at its core – is counter-productive to equity based programs that require collaboration.

Conclusion

Thank you once again for the opportunity to comment on this proposed legislation. To further discuss any issue raised in this submission, please do not hesitate to contact our Head of Government Relations, Mr Robin Schuck on _____ or by email at _____

Yours sincerely,

Ian Jacobs
President and Vice-Chancellor