

## EDUCATION, SCIENCE AND TRAINING

### SENATE LEGISLATION COMMITTEE - QUESTIONS ON NOTICE 2005-2006 BUDGET ESTIMATES HEARING

**Outcome:** 2

**Output Group:** 2.4 – Funding for Higher Education

#### DEST Question No. E339\_06

Senator Carr provided in writing.

#### Question:

- a. Furthermore, isn't it the case that the total wage cost bill of universities shows something quite different from unit costs? Doesn't it indicate instead how universities have chosen to manage their wages bills in the face of inadequate indexation?
- b. Doesn't it tell us that universities have taken measures to reduce their staffing budgets: for example, they have cut staff numbers and reduced the unit cost per employee?
- c. Isn't it a fallacy to compare growth in total wages costs with the growth in the SNA for that reason?

#### Answer:

##### *Safety Net Adjustment*

- a. Wage costs are the largest component of annual expenditure for universities. The *Review of Indexation Arrangements in the Higher Education Sector* noted that "the growth in [higher education] wage costs . . . is broadly comparable to growth in the SNA". The comparison was provided in order to provide some context for the rate of growth in wage costs. It was not making any assumptions regarding the value of unit costs.
- b. The increase in total wage costs over this period shows that universities have increased their staffing expenses by 28%.
- c. The SNA, which is determined by the Australian Industrial Relations Commission, is one measure representing the movement in wage costs from one period to the next. The *Review of Indexation Arrangements in the Higher Education Sector* noted that "the growth in [higher education] wage costs . . . is broadly comparable to growth in the SNA". The comparison was provided in order to provide some context for the rate of growth in wage costs. No link between the two measures was suggested. Wage costs comprise approximately 75 per cent of Commonwealth grants.