

HIGHER EDUCATION REVIEW

*ACCI SUBMISSION
TO THE
DEPARTMENT OF EDUCATION
SCIENCE AND TRAINING*

OCTOBER 2002

Commerce House, 24 Brisbane Ave, Barton ACT 2600 • PO Box E14, Kingston ACT 2604 Australia
Telephone: 61-2-6273 2311 • **Facsimile:** 61-2-6273 3286 • **Email:** acc@acc.asn.au



BACKGROUND

The Australian Chamber of Commerce and Industry (ACCI) is the peak council of Australian business associations. ACCI members are employer organisations in all States and Territories and all major sectors of Australian industry. Through our membership, ACCI represents over 350,000 businesses nation-wide. That makes ACCI the largest and most representative business organisation in Australia.

Membership of ACCI comprises State and Territory Chambers of Commerce and national employer and industry associations. Each ACCI member is a representative body for small employers or sole traders, as well as medium and large businesses. This network of businesses enables the concerns of members to be identified. Through this process, business policies are developed and strategies for change are implemented.

ACCI has worked closely with Government to ensure that the needs of business are taken into account in the development of policies and has contributed significantly to reforms within the education and training system.

The process of promoting a relevant education and training system is a shared responsibility. ACCI supports an increased and ongoing partnership between industry, that system and the individual. The clients of this system are taxpayers, employers, parents and students and they all have a vested interest in its effectiveness and efficiency.

The restructuring now occurring in Australian industry clearly highlights the need for advanced knowledge and skills, a commitment to lifelong education and the development of applied research expertise on an internationally competitive basis. An educated and skilled workforce is integral to the future of Australia.

Principles of Education and Training Policy

ACCI advocates a comprehensive education and training system which enables all Australians to contribute to a cohesive, democratic and prosperous society in which the attributes and skills of individuals are fully developed. This is crucial in meeting the short and long term economic goals of Australia, and provides business with a competitive edge to compete in the global economy.

HIGHER EDUCATION REVIEW

Industry requires a system that retains incentives for employers and promotes the flexibility to choose education and training options which meet specific industry needs.

Policy Objectives

ACCI supports education and training policies which:

- improve education and training as a demand driven system that is specifically aligned to industry needs;
- support the allocation of government funding to education and training outcomes that provide incentives for employers to participate, maximise opportunities for participants and enhance efficiencies within the system;
- expand the role of competitive markets in all sectors by pursuing open competition principles that diversify the supply of education;
- create competitive conditions that enhance the User Choice principle;
- promote student centred funding that allows an individual to purchase a course of study through the school, vocational education and training provider or university of their choice;
- maximise education and training pathways from school to the workplace;
- align packaging of training standards leading to a national qualification under the Australian Qualifications Framework (AQF);
- focus on nationally consistent outcomes and achieve standards that are comparable to international standards of best practice;
- respond to the growing need for students to undertake workplace learning programs that develop links with industry and create pathways to further training and employment;
- improve, and regularly test, on a nationally agreed and consistent basis, literacy and numeracy standards;

HIGHER EDUCATION REVIEW

- strengthen the focus on sound basics, such as literacy and numeracy, at primary school level;
- acknowledge, develop and assess in a contextual manner, the employability skills;
- improve and integrate careers education, key competencies and enterprise education principles into the education and training system;
- provide the adoption of an enterprising culture, particularly by young Australians;
- support articulation arrangements across the school, vocational education and training and higher education sectors;
- promote equality of education opportunities and options for groups with special needs;
- enhance opportunities for education providers to be trained and qualified to standards which are adequately benchmarked; and
- promote training reform which is enterprise focused, demand driven, and flexible, mindful of all parties involved and devoid of extensive bureaucracy.

The Policy Framework

Australia's education and training system must provide people with the knowledge, skills and attitudes they need to participate fully in Australian society - culturally, socially and in their employment. All Australians must be able to:

- benefit from a sound education platform which provides basic literacy and numeracy skills;
- pursue future education and training opportunities which enhance workplace skills; and
- develop a positive attitude to the concept of life-long learning.

ACCI plays an active part in the development, monitoring and evaluation of education and training policies and programs that impact on business. This is in recognition that growing support for

HIGHER EDUCATION REVIEW

the development of a comprehensive education and training system is pivotal to the achievement of short and long term economic goals of Australia.

Education and training is imperative for:

- an increase in the competitiveness of enterprises and the need to respond to global competitiveness pressures;
- employee satisfaction/motivation through acquisition of higher skills;
- flexibility/adaptation of workers to change in the workplace;
- ability of companies to draw on workers in emerging labour markets and meet new industry needs; and
- enabling enterprises to build upon skills of existing workers, particularly younger workers, to adapt them to a particular workplace.

It is also important to note the contribution of education and training provision to regional Australia and the economy more broadly through provision of services internationally or to students from overseas studying domestically.

Education and training provides business with a competitive edge to compete in the global economy. ACCI plays a key role in ensuring that education and training principles reflect the needs of business. For this purpose, a range of forums and consultative structures are assisting industry and government to work together in reforming the education and training system to better meet the needs of industry.

HIGHER EDUCATION REVIEW

ACCI supports a broad debate into the issues and policy choices required to make the Australian higher education system a world-leader.

Higher education is a key element in Australia's skill development strategy and, along with vocational education and training and senior secondary schooling, comprises the post-compulsory education system.

HIGHER EDUCATION REVIEW

This Review must focus on higher education's contribution to post-compulsory education and Australia's economic and social development. It is also an opportunity to draw from the lessons learnt from reforms made by governments and industry to vocational education and training in recent years.

It is imperative that the Review takes full account of business and community expectations of the higher education sector and is not overwhelmed by views of the institutions themselves.

This submission is not a comprehensive implementation strategy for the entire education and training sector. Rather, it raises broad issues which must be taken into account in order for fundamental reform of the sector to occur. This submission should also be taken in the context of the previous submission by ACCI, the Business Council of Australia, and the Australian Industry Group, to the "Higher Education at the Crossroads" Discussion Paper.

VISION

Under the current system, universities have little incentive to operate in a flexible and responsive way. The needs of students, industry and the wider community are secondary to the needs of the universities. Often, regardless of performance, universities receive an allocation of funds (from the Government) based on numbers of students and tend to fill places regardless of regional or economic need. There is limited collaboration across the sector to rationalise courses.

Those universities that work hard to improve performance and strive for improvements in quality and responsiveness are treated no differently from those universities that do nothing in these areas. Both types of universities receive the same amount of income for undergraduate programs from government funds and student contributions – there is no significant differentiation made between poor service and excellent service.

There is little incentive for universities to adopt forward looking practices, to reform existing rigid administrative arrangements and staffing structures, to pursue opportunities for domestic growth and to respond quickly to the changing needs of students and industry. Despite this there are some good examples of best practice which, no doubt, have been highlighted during the course of the Review.

Higher education has an important but not exclusive role to play in economic development.

HIGHER EDUCATION REVIEW

Unless the Higher Education sector responds to the needs of its customers and improves its performance, the economic and social benefits that flow from a highly skilled and adaptable workforce will not be fully realised.

Industry and community expectations are increasing. The Productivity Commission Report, *Skill and Australia's Productivity Surge*, has stated that more attention has been placed on developing skills for the workplace in recent years. The interest stems from three propositions:

- Australia needs to become a higher-skill, more knowledge-intensive producer in response to global pressures if it is to raise or even maintain its living standards;
- technological change, particularly information and communications technologies, increases the relative demand for skill; and
- the shift toward services in economic activity changes the demand for certain types of skills, with a focus on conceptual and interpersonal skills.

Employers expect better outcomes and continually look for products tailored to their needs. Knowledge based industries are growing which is placing more importance on higher education. Just like all service industries predominantly funded by government, there is enormous pressure to improve cost effectiveness and desired performance levels.

Increased demand is coming from demographic pressures as well as pressure from employers and industry for skilled workers as opposed to unskilled workers. In addition, demand for skilled workers relative to unskilled workers measured in terms of educational attainment, increased during the 1980s and the 1990s. Increasingly, students and employers are requiring a mix of vocational and academic skills development options.

Factors affecting the level of demand include the fact that competition is increasing among higher education and other providers. Potential competitors now come from outside the established network and from other education sectors.

As well Information Technology is revolutionising education products, changing the way teaching is delivered and the way administrative processes are managed.

HIGHER EDUCATION REVIEW

Given these changes, it is imperative that there be a fundamental repositioning of the higher education sector, which takes account of a number of key elements, in particular:

- **a demand driven system** – this more closely aligns education and training to the needs of business, students and governments and shifts the focus to a business culture where incentives are created for maximising volume and quality, reducing costs and using resources more effectively;
- **a competitive and diverse market** – competition and diversity will lead to a more efficient and cost effective system while increasing the range of options available. This will require a higher level of flexibility to enable better use of capital assets and to address issues such as economies of scale and third party access;
- **deregulating the system** – ensuring quality outcomes and appropriate quality servicing arrangements across Australia minimises Government intervention and relaxes many of the current points of regulation. This allows more effective, responsive delivery of services. At the same time a framework must be maintained that incorporates accountability, quality and accreditation.
- **universal access** – the system must promote the concept of a universal entitlement to post secondary education for all eligible Australian students (school leavers and mature age students) together with programs which have equity considerations based on ability rather than income;
- **student centred funding** – students should be able to purchase a course from any public or private provider (User Choice). Funding should be linked to student outcomes/achievements with prices determined by market forces. It is recognised that some transitional arrangements will be required to implement this arrangement;
- **simplified articulation pathways** – this requires closer cooperation between the sectors on credit transfers and recognition of prior learning and articulation streams. In this context, the Australian Quality Framework (AQF) should be accepted as a standard continuum and credentials aligned with AQF levels; and
- **quality research and development** – closely linked to economic needs and close business collaboration.

HIGHER EDUCATION REVIEW

During the course of this Review it has become evident that the development of a clear vision agreed by all interested parties has been stifled by self-interest and emphasis has been placed on the art of what is achievable in the short-term, rather than where higher education, in the context of other post-compulsory learning, should be positioned for the benefit of the economy and all Australians. Simplistic notions of the Organisation for Economic Co-operation and Development (OECD) relativities, particularly comparisons against percentages of Gross Domestic Product (GDP), and participation targets have been put forward which have no clear justification or connection to other post-compulsory activity. The analysis has been lacking in contextual depth.

The vision for higher education in Australia should take account of developments in other education and training sectors rather than perpetuating points of differentiation and separation. The central goal of any reform should be the development of an integrated post-compulsory system which is driven by its primary customers (that is individuals and business) with the full spectrum of providers being supported by an incentives regime to deliver appropriate services of excellence in education, training and research.

FINANCING

In March 2002 ACCI General Council supported a number of key priorities for education and training. In the area of resourcing, the relationship between post compulsory education systems needs to be examined. The relationship between higher education, VET and schools offering years 11 and 12 is becoming increasingly blurred. The financial year 2002/2003 provides an excellent opportunity to closely examine these aspects, including resources and better ways to integrate and coordinate VET and higher education activities. Increasingly, students and employees are moving between sectors, often to gain a single qualification or complementary ones. For example, a significant number of undergraduates are entering the workforce after university through a New Apprenticeship.

Issues in this Review should include an examination of learning accounts for individuals and rationalising of, and access to, infrastructure across institutions and sectors. This Review will allow the community to debate higher education's contribution to post-compulsory education and Australia's economic and social development. To date, most of the submissions focus exclusively on higher education in regards to resources. This is a very narrow interpretation of the necessary reforms required in education and training.

HIGHER EDUCATION REVIEW

Broader discussions around financing need to take place for four reasons.

- There is considerable movement between the sectors by students and an increasing expectation to have access to that mobility.
- There is a need to examine the total level of resources flowing into the post compulsory sector in an holistic manner.
- Substantial efficiencies could be achieved through the rationalisation of course offerings and infrastructure.
- Flexibility in the post compulsory sector will be required for lifelong learning options.

Student Centred Funding

Throughout the course of the Review, business groups have continued to advocate the introduction of a student entitlement, or student centred funding arrangement. ACCI considers the outcome of the Review should recommend the introduction of student centred funding with further work to be done on appropriate models and implementation arrangements. Therefore, any other change needs to be undertaken clearly in the context of transitional arrangements towards the new regime.

Public funding for tuition should be tied to student choice. This requires a direct relationship between the providers and students which determines the flow of public funds to institutions. It also puts the onus on the student to make the right choice. There are arguments that students would make poor choices. In other areas students exercise choices about voting, financial loans, employment contracts and a range of other critical matters in their lives. Provided they have access to the right information to support their choice, they should also have the responsibility to exercise control over their higher education choice.

The introduction of student centred funding should be the cornerstone of any reform of higher education. Essentially it allows for a basic financial entitlement for all to be used in post-compulsory education and training activity. There is some potential for means testing the entitlement but this would meet with considerable resistance. Any introduction should take account of:

- a transition from existing practices to soften the impact on institutions;

HIGHER EDUCATION REVIEW

- the need to couple this arrangement with partial deregulation of fees;
- targeted incentives to improve specialisation of institutions in areas of study;
- appropriate careers advice in schools and for mature adults to ensure potential students can make more informed choices. This may be supplemented by appropriate information on employment outcomes for each;
- the introduction of scholarships for equity groups;
- an examination of one flat amount or additional incentives to undertake study in areas of skill shortages. Any arrangement involving skill shortages will need to take account of improved processes to identify shortages in industries and regions and projection of skills needs;
- the need to means test any arrangement;
- investigation of the interaction between student centred funding and other forms of revenue including “core grants”, research and development and private sources; and
- appropriate Living Away from Home Allowances which allow students to receive some subsidy for moving to institutions of their choice.

There is a range of models for the introduction of student centred funding. The Industry Commission Submission to the Higher Education Financing and Policy (1997) provides a succinct and thorough examination of the introduction of student centred funding and the range of options available to introduce vouchers. Each model has differing implications for the cost, flexibility, diversity, efficiency and perceived fairness of the system. Any examination of student centred funding would need to take account of the following prepared by Peter Karmel in his Submission to the *Review of Higher Education and Policy 1997* and of Discussion Paper No. 360 “Policy Perspectives on Higher Education Financing: a comprehensive program of national scholarships”.

Issues for a student centred funding (with modifications) system

- Number of vouchers
 - a fixed number each year
 - a proportion of the population or a target group within the population
- Criteria for voucher eligibility
 - merit-based
 - means tested
 - available for second and further degrees
 - available to Australian residents only
- Value of vouchers
 - fixed
 - proportion of course fees
 - capped or uncapped
 - uniform duration
 - duration linked to scheduled course length
- Degree of institutional fee autonomy
 - partial regulation – prescribed fee bands
 - full autonomy – no fee controls
- Degree of voucher portability
 - accredited public universities only
 - accredited public and private providers, including equivalent or all accredited TAFE courses
 - redeemable at recognised overseas universities.

Clearly, student centred funding could be distributed directly to students or be allocated by the relevant funding agency on the basis of enrolments.

Other matters relating to implementation arrangements need further examination. The Industry Commission's Report (1977) identified factors influencing the effectiveness of any system as outlined below.

Factors influencing the effectiveness of a student centred funded system

- Student mobility
 - competitive pressure will be increased if students are able to 'shop around';
 - in general it is likely that low student mobility will be less of an impediment to competition in city-based education markets where there are usually several post secondary education institutions; and
 - greater use of information and communication technology and open learning systems provide growing opportunities for post secondary institutions to 'travel' to the student.

- Barriers to market entry
 - it is important that government-based entry requirements for new post secondary education institutions are not overly restrictive;
 - accreditation procedures provide students with an assurance that courses are appropriate and satisfy minimum standards;
 - while these accreditation and quality assurance arrangements promote adherence to minimum standards and help to reduce the costs to students of gaining information on service providers and courses, an appropriate balance needs to be struck between maintaining quality standards and facilitating student access to diverse and innovation providers.

- Competitive neutrality
 - as far as possible, public and private providers should compete on their merits and be subject to similar regulatory and other obligations;
 - the current lack of portability of tuition subsidies to private institutions and constraints on the ability of their students to borrow on the same terms as public university students are key areas of commercial inequality; and
 - tax exemptions for public providers, establishment concessions and capital charge issues require further consideration in the context of the dominance of not-for-profit institutions in the higher education sector and the desirability of establishing a level playing field for all providers.

- Availability of information on relative performance
 - the availability of reliable and relevant information on a providers performance can facilitate informed student choice and signal a potential divergence between reputation and current practice; and
 - the public good nature of this sort of information once it is provided can lead to under-supply by private providers.

HIGHER EDUCATION REVIEW

It is imperative that the Federal Government commences active work in exploring the introduction of student centred funding as soon as possible, in order to clearly outline the future directions for post-compulsory education in Australia.

Transition strategies

The Business Council of Australia (BCA) recommended in its Submission to the Review titled *Developing a Framework for the Financing and Governance of Australian Universities* that transitional changes to funding are supported. These include increased fee flexibility, modification to repayment schedules of premium fees and payment of fees directly to institutions.

There are a number of important considerations here, namely:

- these transition arrangements must be time limited with active development of student centred funding arrangements;
- the higher education and more importantly, the post compulsory education system, are heavily reliant on provision of public funding;
- there is an upper limit of the ultimate financial contribution an individual can make through HECS; and
- other efficiencies can be gained through reforms, including rationalisation of infrastructure and specialisation.

Research and Development

Innovation stemming from research and development (R&D) is recognised as the major determinant of enhanced productivity and competitive advantage at both the firm and nation level. R&D has a range of outcomes from nascent technologies through to incremental improvements in products and processes.

Publicly funded science and technology impacts on the growth and productivity of Australian business and industry and can be used as a major strategic economic force if undertaken in a nationally constructive environment and if it is managed appropriately.

Australia differs from other nations in that we have a relatively high level of R&D expenditure in government research organisations

HIGHER EDUCATION REVIEW

and universities and a comparatively low level of business expenditure on R&D.

Innovation policy is not the same as research policy. Research policy is aimed at advancing scientific knowledge, whereas innovation policy is aimed at helping businesses innovate successfully, and assist them to get new products and processes onto the market. That is, or put simply, research is a process which converts money into knowledge and innovation is a process which converts knowledge into money. Innovation is therefore what provides the return on the investment in knowledge generation.

The overall objective of a public innovation policy must be to strengthen the long-term competitiveness of Australia's businesses by creating a climate conducive to research. This applies to both traditional and emerging sectors.

The Australian Bureau of Statistics reported on 15 July 2002 expenditure on research and development by both governments and non-profit organisations increased significantly in the two-year period from 1998-99 to 2000-01. Government expenditure on R&D increased overall by 14%, with expenditure by Commonwealth organisations rising by 18% and State organisations increasing by 9%. As a percentage of GDP, government expenditure on R&D remained steady at 0.35%. Expenditure on R&D carried out by private non-profit organisations in Australia in 2000-01 increased by 29% compared with 1998-99 to \$283 million. Whilst Business Expenditure on R&D has jumped dramatically in the past 12 months, the long term trend has been downward since 1996.

There are three criteria that are essential for Australia's innovation policy. These criteria are:

- the need to focus R&D expenditure on niche technologies;
- the need to have a critical mass to support Australia's R&D in those niche technologies; and
- the need for seamless articulation between research and innovation activity.

ACCI believes that any discussion of research funding should be considered against the background of the Government's \$2.9 billion Innovation Statement of 29 January 2001, *Backing Australia's Ability* (BAA). The biggest single initiative of BAA was providing an additional \$736 million for Australian Research Council competitive grants, doubling funding by 2005-06.

HIGHER EDUCATION REVIEW

In light of BAA, ACCI is of the view that the quantum of research funding is not the issue, rather the issue is how to better utilise the existing funding to maximise benefits for the Australian community, including the business community.

ACCI believes that an appropriate level of public funding on R&D already exists in Australia. This is borne out by OECD comparisons which rank Australia relatively highly for government expenditure on R&D.

Where Australia fares less well is on international comparisons of Business Expenditure on R&D.

We believe that in terms of research funding by universities, there should be more focus on how the universities can leverage their existing funding to better interact with business. Ultimately, this would be to achieve greater commercialisation of research. There are benefits to be derived from better linkages between the higher education sector and industry.

Specifically Chapter 7 of *Setting Firm Foundations: Financing Australian Higher Education* proposes the following key principles for research funding:

- excellence and quality;
- focus and national priorities;
- co-ordination and partnership;
- accountability; and
- efficiency and effectiveness.

ACCI endorses these principles as originally advanced by the Australian Research Council.

ACCI fully supports the notion of greater integration and co-ordination of research activities by universities and publicly funded research organisations. Throughout the Innovation Summit Process of 1999 and 2000, ACCI consistently called for greater linkages within the research community, and subsequently with the broader business community. The building of critical mass and focussed activity is more likely to result in business opportunities, a better skilled workforce, and economic growth.

HIGHER EDUCATION REVIEW

Australia is not a sufficiently large country to be able to compete in all areas of research. Perhaps the greatest lesson from opening up our economy over the past twenty years has been that success in the global economy requires that we are the best at what we do. The Australian R&D effort is no different. If Australia is to receive any benefit from our R&D efforts then the outcomes of this research needs to be world class. There are no prizes for producing second-rate outcomes. In addition, business needs to be more closely involved in the commercialisation of research.

If the resources of Australian R&D efforts are spread too thinly across too many areas of research then world-class outcomes will not be achieved. Similar to Australian manufacturing, Australian research efforts will need to be focused toward niche technologies. We need to identify the areas of research in which Australia can excel then focus our resources on those areas.

In addition to the need to focus on niche markets is the need to achieve a critical mass. Without a critical mass of research and innovation capability then our performance would be seriously undermined.

It is the provision of this critical mass that is a key role of the publicly funded centres such as the Commonwealth Scientific and Industrial Research Organisation (CSIRO), Australian Institute Marine Science (AIMS), the Australian Geological Survey Organisation (AGSO) and universities. These organisations and universities provide Australia with the intellectual foundation for all R&D conducted. It is essential that increased collaboration occurs between these key organisations and the higher education sector.

The final criterion is the need to ensure a seamless interface between R&D and innovation.

The commercialisation of the outcomes of R&D is how national benefits are achieved and it is in this area that Australia has been notably less competent than our international competitors. In particular there have been few effective mechanisms through which smaller companies are able to benefit from government supported science and technology.

How to best maximise the commercial outcomes of publicly funded R&D for the benefit of industry and the economy.

In general, public R&D has had less than optimal benefit to the majority of business enterprises because frequently it lacks commercial application. Over the last decade or so important steps

HIGHER EDUCATION REVIEW

have been taken to make public R&D more commercially focussed and business oriented.

On the other hand, whilst business R&D in Australia has been limited compared to other developed countries, there is now recognition of the need to promote greater focus in the private sector on innovation and R&D, and commercialisation within Australia of that R&D. Effective incentives for collaboration with business must be encouraged.

Universities and CSIRO have made efforts to improve their cooperative efforts with industry in the last few years, but in general are still less effective and user friendly than the Cooperative Research Centres (CRCs). Indeed, an important spin off of the CRC program is the cultural change that has been promoted more broadly in these public sector organisations.

CORPORATE GOVERNANCE AND MANAGEMENT OF UNIVERSITIES

Mechanisms should be established to encourage universities to become more flexible and responsive to the needs of individuals and business, foster autonomy of each institution and ensure accountability and quality.

It appears there are four primary ways to bolster quality and accountability, namely:

- appropriate initial registration requirements;
- encouraging choice of provider through placing the government contribution in the customer's hand (ie student centred funding);
- support for an active national audit and quality assessment arrangement as has recently been established through the Australian University Quality Agency; and
- requiring appropriate governing arrangements more reflective of other business operations.

It is also clear that existing reporting mechanisms to government are seen by many as an imposition on providers while not making organisations accountable for the large amount of government funding allocated to them and managing the growing contributions from other sources.

HIGHER EDUCATION REVIEW

Issues requiring attention on the discussions on governance should include:

- the variation between State and Territory legislation on the requirements of senates and governing councils and the possible need to develop a national uniform standard which holds governing bodies responsible for their actions. It is imperative that Commonwealth and State/Territory reporting and monitoring process are harmonised;
- senates or councils operating as governing bodies rather than advisory forums where members are not held accountable. Many institutions have alternative forums allowing opportunities for community input which are separate and occur prior to senate considerations;
- development of a clear statement of purpose of governing bodies which are then reflected in appropriate statements of roles and responsibilities. Some institutions have objects which are often very broad and lack clarity of purpose;
- the academic component of the university should not be seen as separate in terms of governance. A whole of university approach is needed for academia;
- the composition of relevant bodies is often too broad. In some cases, it is evident that individuals are involved as representatives of groups rather than due to their own expertise. In addition, it should be clear to any member that decisions made must be in the interests of the body corporate rather than other organisations. In addition, deliberations at Council need to be private and not used for public debate at a later time; and
- any established structure must be used to enhance the accountability of the Vice Chancellor and executive. The impact of this on operations is much more evident through an active Council rather than an external government body. It also provides an opportunity for genuine feedback.

REGIONALISATION

There is some support from institutions to receive a regional supplementation for funding regional activity. There are obvious difficulties in defining what regions are when linked to funding allocations.

HIGHER EDUCATION REVIEW

Incentives could be provided to institutions to specialise rather than compete in all areas.

Some institutions argue that they must meet community service obligations and therefore require special funding in order to service the community. This is obviously difficult to measure. However, TAFE institutes are also strongly arguing the provision of this service is a key element of their activity as well. It is clear that accounting for what this is, and the resources required, is difficult to quantify.

It is better to provide incentives to offer specific courses, particularly as they relate to labour market needs, rather than developing intricate planning processes for course provision. This would often require substantial government intervention with elaborately developed, but highly inflexible, funding agreements between government and providers. The extent of course rationalisation needs to be balanced against informed student centred funding. However, offerings requiring substantial infrastructure must be limited if we are not to spread our resources too thinly.

The extent of collaboration between all post-compulsory providers (Year 11 and 12 schools, VET providers and higher education institutions) provides the opportunity for achieving significant cost efficiencies. In some instances despite the limitations of physical location there is still the potential for a limited sharing of delivery or enhanced articulation.

Whilst there are good examples of industry and provider partnerships, the extent of small business involvement is marginal. There should be focussed activity on small business – university partnerships in 2003, with some small funding provided for specific collaborative projects. There is a potential role for State/Territory governments in supporting this activity.

INDUSTRIAL RELATIONS

The issues outlined in the Review's discussion paper on *Governance and Management of Universities* are very important to furthering reforms of the higher education sector. The analysis provided in the discussion paper is a fair statement of how industrial relations operates in the university sector, and identifies the impediments and opportunities which exist to improve workplace relations.

HIGHER EDUCATION REVIEW

In particular ACCI can make the following points:

- The objective of improving workplace relations in the sector is fundamental - it is a labour intensive sector in a service industry. This means that imperatives such as flexibility, productivity, performance, career development and service standards all need to be addressed – not hindered - by workplace policies. It means agreements at a local level -both with employees as a group or in groups, and individually. Direct employee/university agreements are sadly lacking in this sector.
- The continued culture of collegiality, independence and solidarity amongst many academics, and the conflicts of interest which exist where academics both manage, employ and are employed, are impediments to reform that can only be tackled by the institutions themselves, not government.
- The pattern bargaining approach of the National Tertiary Education Union (NTEU) is the single greatest structural barrier to improving workplace relations in the sector - but it is not an excuse for inaction or a lack of strategic thought.
- ACCI strongly supports the Commonwealth's attempts to outlaw protected industrial action being taken in support of pattern bargaining. This would not prevent the NTEU making pattern demands, but would prevent strike action taken by the NTEU and its members being sanctioned by law in the absence of genuine one-on-one university/union bargaining arrangements.
- The management of the universities cannot and should not expect government to deliver reform. Workplace reform is the product of management relations with staff, and the culture created in institutions.
- ACCI strongly supports the objectives of the Commonwealth's Workplace Reform Program (WRP) that was introduced in 2000. It is one of the external mechanisms able to be employed to bring about workplace relations improvements. The fact that it was upheld as lawful by the Courts in the face of a strong legal challenge by the NTEU is illustrative of two things - the integrity of the purpose of the program itself, and the NTEU's blinkered and ideological focus on pattern bargaining. It is recognised that the implementation of the Program was not effective. However, this does not detract from the need for such an initiative

HIGHER EDUCATION REVIEW

which links financial incentives with introduction of more flexible workplace arrangements.

- Whilst governments can do some things (eg the WRP and further legislative reform) there is no doubt that the university sector has only dipped its toe in the reform processes available under the existing Workplace Relations Act. With some exceptions the sector has been very conservative in trying to make reform stick on the ground, and is too slow to quit when it becomes too hard.

VOCATIONAL EDUCATION AND TRAINING (VET) AND HIGHER EDUCATION

Issues in relation to the interface between higher education and VET:

- There appears to be a degree of academic elitism by higher education to VET provision. This has led to some universities not recognising VET in Schools activity for their tertiary entrance score. This situation is improving through work being undertaken involving ACCI, but is relying on a university process to test or rank VET activity. The inherent tension between competency based learning and curriculum remains a major issue.
- Articulation between VET and higher education is a constant problem, particularly as many of these decisions are made at the institutional level.
- There is increasing overlap between what has been traditional VET activity offered by universities and VET providers offering associate degree or like courses. In 2001, 425,100 students were enrolled in VET programs with qualifications that could articulate to degrees at entry level or gain advanced standing. This compares to around 472,000 enrolled in university programs.
- The need for a nationally recognised Australian Qualifications Framework which allows all qualifications to be benchmarked.
- What has become clearer is the increase in university graduates taking a New Apprenticeship. Data on this is hard to obtain but it is understood that this is growing due to New

HIGHER EDUCATION REVIEW

Apprenticeships being offered as an entry-level recruitment option for business.

- 30% of students leave school and go to university, with research by the National Centre for Vocational Education Research (NCVER) suggesting university undergraduate completions having significantly lower employment outcomes than New Apprenticeships.

Any thorough examination of resourcing, particularly future projections, must take account of projected VET participation and relevant government resourcing.

Free movement between the sectors – differences between the sectors should not restrict the capacity of individuals to move between them. Higher education institutions are progressively delivering programs that are similar to those offered in the VET sector. Many more students are now moving from higher education into the VET sector. In addition, due to the increasing pressure from the growth of VET in Schools, the school sector will emerge as a key bridge between the VET and higher education sectors.

Cooperative ventures – this may include parts of higher education programs delivered by VET institutions and vice versa.

Education consortia – there are opportunities for the two sectors to deliver collaboratively a range of commercial consultancy, education and training services to industries and enterprises.

Pathways – are gradually opening up and now include provision for double or joint qualifications.

In the past there has been a perception that the higher education system has diverged from the expectations of industry. Equally, there is now a recognition that industry must play its part and that the level of interaction needs to be increased.

There is now a progressive broadening of industry involvement. This includes widening representation on management or advisory committees for Departments or faculties in the preparation of course frameworks, creating opportunities for formal industry contracts with lecturers and tutors and encouraging opportunities for lecturers and tutors to work within enterprises.

The issue of individual contribution to institutionalised VET courses needs to be examined, including implications of introducing a HECS style system.

QUALITY OF TEACHING AND LEARNING

The points in influencing the quality of teaching and learning include:

- better undergraduate courses for teachers which include an element of understanding the world of work;
- ongoing access to professional development;
- outcome measures which include retention, employment and utilisation of research work;
- audit of providers against agreed standards. This practice is used in the VET system against a nationally recognised framework with appropriate audit materials;
- establishment of appropriate financial incentives for individual teachers. This requires more flexible workplace relations responses and enterprise agreements;
- student and employer satisfaction surveys; and
- a revised graduate skills assessment survey which will closely align with the ACCI/BCA Employability Skills Framework.

ACCI is participating in the Reference Group for the Review of Teaching and Teacher Education. The work conducted to date indicates a shortage of secondary school teachers in Science, Mathematics and Technology. If sufficient numbers of qualified teachers are not graduating from teacher education programs, then other potential pathways to teacher certifications need to be investigated, including accessing employees in business or research.

ACHIEVING EQUITABLE AND APPROPRIATE OUTCOMES: INDIGENOUS AUSTRALIANS IN HIGHER EDUCATION

ACCI policy supports initiatives which promote a quality of education opportunity with options for groups with special needs. Therefore, it is recognised that supplementary funding should be provided to assist institutions in meeting the needs of those most disadvantaged in the labour market. This includes provision of adequate provision of support services, graduate employment

HIGHER EDUCATION REVIEW

programs, introduction of cadetships, and establishment of appropriate mentoring services to increase completions.

In the case of Indigenous students, substantial money is provided to institutions to service students but success in relation to outcomes is unclear. Indigenous student support services have varying degree of success and the connection to employers is not always strong. Opportunities for Indigenous graduates for cadetships for New Apprenticeships should be encouraged.

It may be necessary in some instances to conduct pre-undergraduate courses to enhance equity group participation.

Often other non-educational factors impact on participation including childcare, travel difficulties and isolation from family.