



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

Submission to the Senate Education and Employment
Committee
September 2020

Introduction

There have been a number of attempts in the last decade since the demand driven system was introduced to change the funding model for Commonwealth supported higher education providers. There should be no doubt that change is needed, and the impact of the baby-bonus bump reaching tertiary education age, as well as the implications of the COVID-19 pandemic on demand for places, will create extra strains on the system. The Australian Chamber of Commerce and Industry (ACCI) broadly supports the direction of the proposed reform and recommends that the Bill be passed. However, it seeks further consideration of some aspects of the Bill, recommends a phasing of some of the larger changes, and emphasises the importance of better informing the market about how degrees and course units are funded and the impact of the changes.

Support for the Reform Objectives

The reforms are attempting to achieve a range of objectives which we broadly support:

- Planning for short and long term demand for student places arising from:
 - our ongoing aspiration of being a knowledge nation and the demands of employers and the labour market for higher levels of skills,
 - the wave of additional 17- and 18-year-old Australians that reflect an increase in the birth rate during the “baby-bonus” boom
 - the likely gravitation to education by school leavers who cannot find work during the pandemic
 - ongoing student demand for qualifications that will lead to better, higher paying jobs.
- Better aligning course unit and qualification funding to the actual costs of teaching and learning
- Shifting funding to areas of population growth and supporting regional education to improve equity and access outcomes for rural students.

- Providing incentives for students through funding shifts that encourage the completion of subjects that will improve graduate outcomes and deliver higher public benefits.

There are issues in the detail of the reform that may provide some barriers to the achievement of these objectives or may create unintended consequences. It is these issues that are briefly addressed in this submission.

Impact of the changes on course funding

The following table shows the impact on total funding of the proposed changes by ordering the figures provided in the Department of Education (DESE), Skills and Employment *Job-ready Graduates – Higher Education Reform Package 2020* according to the proposed combined funding from students and the Commonwealth:

Course Discipline	Current Funding (\$)			Proposed Funding (\$) ¹			Difference Proposed to Current
	CGS	Student	Total	CGS	Student	Total	
Environmental Studies	24,446	9,698	34,144	16,500	7,950	24,450	-9,694
Engineering	19,260	9,698	28,958	16,500	7,950	24,450	-4,508
Science	19,260	9,698	28,958	16,500	7,950	24,450	-4,508
Communications	13,547	6,804	20,351	1,100	14,500	15,600	-4,751
Maths	11,015	9,698	20,713	13,500	3,950	17,450	-3,263
Agriculture	24,446	9,698	34,144	27,000	3,950	30,950	-3,194
Clinical Psychology	13,547	6,804	20,351	13,500	3,950	17,450	-2,901
Social Studies, Political Science & Behavioural Science ²	11,015	6,804	17,819	1,100	14,500	15,600	-2,219
Allied Health	13,547	9,698	23,245	13,500	7,950	21,450	-1,795
Nursing	15,125	6,804	21,929	16,500	3,950	20,450	-1,479
Teaching	11,462	6,804	18,266	13,500	3,950	17,450	-816
Languages	13,547	6,804	20,351	16,500	3,950	20,450	99
Architecture	11,015	9,698	20,713	13,500	7,950	21,450	737
IT	11,015	9,698	20,713	13,500	7,950	21,450	737
Other Health	11,015	9,698	20,713	13,500	7,950	21,450	737
Creative Arts	13,547	6,804	20,351	13,500	7,950	21,450	1,099
Law & Economics	2,237	11,355	13,592	1,100	14,500	15,600	2,008
Management & Commerce	2,237	11,355	13,592	1,100	14,500	15,600	2,008
Medical	24,446	11,355	35,801	27,000	11,300	38,300	2,499
Dental	24,446	11,355	35,801	27,000	11,300	38,300	2,499
Veterinary Science	24,446	11,355	35,801	27,000	11,300	38,300	2,499
English	6,226	6,804	13,030	13,500	3,950	17,450	4,420

¹ The proposed funding total represents ACCI's understanding of what the fees will be after the announcements made in August 2020.

² Excluding psychology and social work which are now in the \$7950 student contribution band.

It is important to note this is illustrative of average course delivery funding. However, an aspect of the reforms which we support is that funding is set at the course unit level rather than at the qualification level, so actual costs to students may be different if they chose more subjects that have been given a greater funding benefit from the reforms, such as maths. The intention for this to encourage, say, humanities students to take some science or maths subjects is supported.

That said, for the most students, as can be seen from the table, the impact of the changes on certain course areas is much greater than for others. ACCI is concerned that such substantial shifts without phasing and evidence of behavioural change, may have detrimental consequences.

A good example of this is engineering. Current employment outcomes for engineers is strong (2019 GOS 84.8% FT employment compared to 72% average), and demand for engineers in Australia is predicted to continue to grow. Given this demand, and also the assessment of public benefit of an engineering degree (provided by DESE in the report previously quoted), it is concluded that the decision to reduce the total funding for engineering is based on the assessment of the cost of delivery being less than the proposed funding level.

What is less clear is whether this assessment of teaching and learning costs takes into account the increasing demand on engineering education providers to upgrade the equipment available to students to stay up to date with the technology used in workplaces. Job Ready graduates can only be produced if they are working on the latest technologies in a high-quality learning environment.

If a \$4500 reduction in funding available to universities per student results in less places being available (numbers) due to universities seeking other more lucrative students, or that the graduates are not as well prepared for the workplace (quality), then either of these would be a poor outcome from the reform. To make this change based on a single assessment of teaching and learning costs which may or may not have adequately built in the higher demands of the labour market for quality graduates, and the equipment they need to access, is a major risk of the reform.

Another two occupations where demand in the labour market is predicted to be particularly high is nursing and teaching, but yet these disciplines also see an overall drop in funding for delivery. Again, this places faith in the accuracy of the data on costs of teaching and learning for nursing and a presumption that the changes will not be significant enough to lead providers to shift places to areas where the overall funding is higher compared to the costs.

Environmental studies is shown in the summary table as being the most impacted by the changes. While it is noted that the employment outcomes for those graduates have been average or below in the last few years, the estimate of delivery cost being much lower than the current level of funding is clearly driving much of the proposed funding change. We would caution against such a substantial change given the emphasis in the community and labour market on environmental issues.

To manage that risk created by substantial change, it is recommended that proposed reductions in overall funding in areas where labour market demand is predicted to be high be reconsidered or at least phased over 3 or 4 years to allow assessment of outcomes in places offered by universities.

Importance of an informed market

Reductions in the cost to the student of certain subjects and courses aim to incentivise students to gravitate to those courses that may deliver to them better graduate outcomes. However, experience in the past has shown that students are generally not well informed about the relative cost of their degree choices, and in particular that the HECS HELP scheme “masks” the costs and dampens the market signal to change behaviour.

It is essential that the Government implement a significant information campaign to potential higher education students that helps them understand:

- The future job market and where the jobs are likely to be
- The job outcomes as evidenced by the graduate outcomes survey, including the longitudinal surveys – currently available in the CompareEd website
- Comparative funding arrangements including specifically the cost to student and likely debt differential depending on the course studied.

Most year 12 students are unaware of ComparEd (incorporating QILT) and it is strongly recommended that Government put more resources into promoting this website. The website can also provide information about the funding changes and comparisons across course units and qualifications.

The work of the National Careers Institute and National Skills Commission is relevant here, although at present their primary focus has been on VET.

As part of the information available to students, it is important that the recent strong emphasis on STEM disciplines is balanced by the mixed graduate outcomes from STEM qualifications. The important message about STEM is that STEM skills are important across all occupations. It does not necessarily translate that all STEM qualifications will guarantee a job. Certainly Medicine, Veterinary, Pharmacy, Engineering (those with a vocational focus) achieve much higher than average employment outcomes. However, only 63% of Science and Mathematics graduates, according to the 2019 Graduate Outcomes Survey, obtain a full-time job 3 months after graduation compared to 72% average. Given that the proposed contribution that students will make to Maths courses and degrees will now be in the lowest band, the information to students will need to be very clear that it is the subjects including in other pathways, rather than the degree, that may be a better course for them to take.

Without enough resources invested in informing the marketplace of potential students, some of the hoped-for outcomes may not materialise.

Funding orientation towards regional

Broadly speaking, the objective of shifting funding to areas of greatest need is a worthy one. However, the proposed growth funding has a wide range from 1% for campuses in low growth areas, through to 3.5% for regional campuses, with 2.5% growth for high growth metropolitan. These percentages are based on the relative growth in population even though places available at university are counting numbers of students. There is a valid argument to base the three categories of growth funding on predictions of absolute numbers of students within university catchments rather than on percentage growth forecasts. Additionally, or even as an alternative, the proposed differential could be more modest, eg. 1.5% through to 3% to acknowledge that predictions of population growth may not reflect actual demand.

Regional universities do not offer the same mix of disciplines to the much larger metropolitan universities. That mix is unlikely to align to the overall objective of orientating funding towards disciplines and study that will yield the same employment outcomes. This lends further support to the recommendation that the range of increases to be applied to growth funding should be narrower.

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