Innovative Research Universities

Will Government fund higher education to the standard required?

The IRU argues that the approach of Governments of both sides has not and will not deliver the significant increase in Government funding sufficient to teach students to the standard required. Governments have not taken past opportunities to increase funding in this way, despite recommendations from the Bradley report and the Lomax-Smith report about the relative funding between disciplines and the clear areas of underfunding.

The lesson is clear: Governments will invest in additional students. They will not invest more for each student, regardless of the resources universities need.

The issue is obscured by data showing the constant increase in total higher education expenditure, including a substantial increase since 2008, and the fluctuating high level data on funding per student. The increase in total expenditure reflects the expansion of university activity to support many more additional students and to increase research outputs. They are valuable outcomes but they do not reduce the challenge universities face to educate those students effectively.

Claims and counter claims about savings made and savings proposed without connection to related expenditure increases also muddy understanding.

This note considers the major packages announced in 2009 and 2014 following the past two changes in Government to identify the extent to which they set out to improve investment in the education of each student.

Labor: *Transforming Australia's Higher Education System*

The Rudd Government responded to the Bradley review of higher education and the Cutler review of national innovation system in the 2009 budget through its *Transforming Australia's Higher Education System* package. The package had sixteen budget initiatives partly offset with two savings measures.

Table One considers the initiatives from *Transforming Australia's Higher Education System* to identify the extent to which they supported universities improve the quality of the teaching they provide. [1]

Of the sixteen initiatives in that package only four target improving the resources for universities to do better in teaching students, three of which were subsequently reduced in scope. 28% of the estimated cost of these initiatives was offset by the abolition of the Learning and Teaching Performance Fund:

- a per student loading for low SES enrolments, which continues but whose value was reduced in a 2012 budget decision;
- raising student contributions for nursing and education to match those for humanities. This was an increase in student payments supported by HELP, not an increase in direct Government investment;
- performance funding, targeting teaching and learning outcomes and participation improvement by under-represented groups. The larger scheme to rewards learning outcomes was abandoned in the 2011 budget and mid-year financial update; and
- effective indexation, to ensure the value of funding is maintained not reduced year by year. The value of the indexation change would be undermined by the planned efficiency dividend announced in 2013, which would embed an ongoing reduction in Government investment.

[1] *Transforming Australia's Higher Education System,* Commonwealth of Australia 2009, Appendix One

The impact of these measures was to halt the slide in funding per student in recent years but not address the gap Bradley and Lomax-Smith identified.

Other factors affect the high level data of funding per student.

An important outcome of demand driven funding was strong growth in science, technology and health science disciplines, see Table Two. A side effect of this is that the funding per student rises because those areas receive above average funding but universities are no better equipped to teach any discipline since the funding rates have not increased.

A simple example is a university with 100 students in Management and Commerce and 50 students in Engineering and Related Technologies in 2009. By 2013 these have increased to 108 students in Management and Commerce and 62 students in Engineering and Related Technologies. In such a case average Government funding (at 2015 rates) has increased from $6924 in 2009 to $7391 in 2013, while funding for each discipline remains constant.

Coalition: *A sustainable Higher Education System*

The package has been the subject of intense debate since its announcement on Budget night 2014. Its essence is a classic case of Governments' preferred approach since the major expansion of higher education in the 1990s and the creation of HECS, now HELP:

- the system is to expand to take in sub-bachelor programs and to cover all higher education providers; while
- Government funding per head is to reduce by 20% with universities and other providers to set student charges to raise all other revenue required.

IRU would welcome a change of approach by Governments to invest more in the education of each student. Experience suggests that this is not likely.

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Table 1: *Transforming Australia's Higher Education System*: Impact on student learning outcomes[2]

Measure	Original Estimated Funding 2009-10 to 2012-13 ($m)	Impact on student learning outcomes	Subsequent measures
1. Funding to support low SES participation targets • Partnerships • Student loading	Partnerships: $108 m Students: $325 m	Partnerships expands university activities to reach out to future potential students. *Student loading assists universities better outcomes for students*	The allocation of funds for Student loading was partially redirected in the 2012 budget.
2. Demand driven entitlement system for domestic higher education students	$491 m	Additional students, the major initiative from Bradley.	Funding exceeded initial estimates. Access for sub-bachelor places retained within capped numbers, 2011 MYEFO
3. Higher Education Loan Program (HELP) repaying reduction for education and nursing	$83 m	Student support initiative with no impact on university finances	To be repealed in HERR Bill, schedule 7
4. Increase in the maximum annual student contribution amount for education and nursing	$33 m	*Betterment: universities retain the additional charge. Government bears cost of additional HELP.*	

[2] *Transforming Australia's Higher Education System,* Commonwealth of Australia 2009, Appendix One

5. Indexation	$578 m	*Betterment –avoids further reduction in the effective value of Government funding year to year*	2013 efficiency dividend announcement, not yet legislated would undermine the impact of the indexation decision.
6. Sustainable Research Excellence in Universities	$512 m	*Betterment, research focused*	Introduction delayed, 2012 MYEFO
7. Joint Research Engagement	$0	Change in research incentives	
8. Collaborative Research Networks	$52 m	Expand research outcomes	
9. Excellence in Research for Australia (ERA)	$36 m	Funding for ARC for ERA	
10. Education Investment Fund	$2985 m	Primarily used to expand facilities not upgrade existing	
11. National body for regulation and quality assurance	$57 m	Funding for TEQSA	
12. Performance Funding	$206 m	*Betterment*	The bulk of the program abandoned before introduction, 2011 Budget and MYEFO.
13. New arrangements for student income support	$0 [funded through another portfolio]	Better outcome for students. No financial impact for student learning outcomes.	2013 Emerson statement, to transform Start Up Scholarships into a HELP like loan.
14. Postgraduate Research Student Support	$52 m	Better outcome for research students. No financial impact for student learning outcomes.	
15. Removal of OS-HELP loan fee	$17 m	Better outcome for students. No financial impact for student learning outcomes.	
16. Structural Adjustment Fund	$402 m	Transitional	

Savings Measures

Learning and Teaching Performance Fund	-$324 m	*Reduces funds for learning and teaching for those universities which received LTPF funding.*	
Workplace Productivity Program	-$78 m	No direct relation to university outcomes.	

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Table 2: Growth in enrolments by Discipline, 2009 to 2013

Discipline Group	2009	2011	2013	Change 2009 to 2013	% Change 2009 to 2013
Health	64,649	75,485	84,583	19,934	31%
Natural and Physical Sciences	63,029	70,773	80,936	17,907	28%
Creative Arts	42,589	47,224	54,040	11,451	27%
Engineering and Related Technologies	26,983	30,118	33,571	6,588	24%
Agriculture, Environmental and Related Studies	5,909	6,621	7,290	1,381	23%
Education	39,911	42,238	47,135	7,224	18%
Society and Culture (excluding law)	103,806	111,213	118,993	15,187	15%
Information Technology	14,838	15,350	16,945	2,107	14%
Law	26,265	26,948	28,446	2,181	8%
Management and Commerce	59,524	60,531	64,152	4,628	8%
Architecture and Building	11,151	11,624	11,251	100	1%
Food, Hospitality and Personal Services	141	194	302	161	114%
Mixed Field Programs	38	86	266	228	600%
TOTAL EFTSL	458,833	498,405	547,910	89,077	19%

Source: Department of Education and Training, Higher Education Student Collection