

A Review to remember? A Review to forget? Ensuring we make the most of the Bradley Review

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Précis

The Discussion Paper for the Review of Higher Education led by Professor Denise Bradley provides a guide to the issues which need resolution but provides few hints to the Review's likely outcomes. The challenge is not the answers to the individual questions of the Discussion Paper but how the Review team can bring together a coherent set of answers.

This presentation will consider the outcomes we need from the Review if it is to provide the settings for higher education for the coming decade or more. It will then consider some aspects that should shape its outcomes with a focus on:

- an assessment of who future students will be and the implications for future higher education framework; and
- how to structure funding systems for the longer term, not the short term.

Introduction

The history of higher education in Australia has been framed by a number of reviews known now by the key author – the Murray report in 1957, the Martin report in 1963, the Dawkins green and white papers of 1989. I am not here today to give a history so I will risk the statement that I do not think the Commonwealth take over of universities in 1973 was guided by a Report but I might be wrong. The 1970s did give us the Kangan report (1974) which significantly influenced the structure of TAFE. More recently, when I started with the AVCC in 1998 we were in the throes of the West Review.

So the title of this talk is asking whether in ten to twenty years' time we will remember 2008 and Bradley as a useful short hand for a notable change in the approach to higher education as with Murray, Martin and Dawkins or whether it will be best passed over, as with West, or seen as a mid term upgrade such as Nelson in 2003.

My intention is not so much to answer that question but, I hope more usefully, to consider what the Review needs to do - and what we need to do to help it – to be remembered positively in the decades to come.

I cannot address everything so I have chosen three points to focus on:

- first, what are the questions we need answers to from the Review for it is to provide Government the settings for higher education, as part of a broader tertiary sector for the coming decade or more;
- second, who will be the future students and thus what are the consequent implications for the future tertiary framework that has to service those students; and
- third, drawing on perhaps my one real area of expertise, how to structure funding systems for the longer term, not the short term, such that they support, rather than hinder, achieving the outcomes we want from higher education and does so in a way that is applicable more widely within the tertiary sector.

Two points on terminology:

- I have picked up the use of 'tertiary' from the Review's terms of reference to cover the array of post school education and training. It is simpler than 'post compulsory schooling' as a reference point, without meaning to understate the undoubted overlaps and interactions between the latter years of schooling and elements of tertiary education so defined; and
- 'funding' will mean Government funding since that is what people mostly think it means. I will use 'revenue' and 'resourcing' to cover the broader set of financial inputs such as fees and charges.

1. What would such a framework look like?

The university sector lacks a sense of a guiding framework that helps shape the direction each university pursues. This drives the tendency of many Universities to continue along the same broad path, jumping at each new initiative to extract what funds they can from it. Hence one major outcome from the review should be a clear statement of the key outcomes desired by Government (and public) to provide a real framework for universities to work with and test their plans.

The Review Discussion Paper includes four broad outcomes expected of a higher education system which in my language comes down to education and research that each contributes to our social and economic wellbeing. They are a good set but, other than some contemporary wording (which will age quickly), they are a set that could have applied any point since 1945. That is not to attack the list. Rather the issue is: how do we best achieve those outcomes for the next ten to twenty years? What are the driving elements of a coherent higher education system for the future? It is such a framework that then allows the detail to be sorted out.

It is the Government's role to set the framework. In setting up the Review it has indicated that it wants the opportunity – it is our task to help it actually complete the task and do it well. In this section I consider the important issues and questions I think it has to answer in its framework.

The framework is for the long term

We are thinking 2020, we should be hoping for 2030. In this I fully support the argument of Glyn Davis that Universities should have the capacity for longer term planning. I think they do now but the temptation of reaching into every Government hat, only to see the bunny disappear down a nearby hole, is too strong.

A good framework can only be rigid in a few places. The rest of it must have room to develop as we discover what the world really holds for us. The good structure is the one that is intended to develop.

Is Government there to direct or to influence?

Nearly every proposal for change, in some way or another, rests on strengthening the role of choice of individuals. This is consistent with the flavour of the Government – that it wants to see markets operating well, with the Government setting the broad parameters. Ms Gillard has criticised the previous Government for notionally being free marketeers but yet tightly regulating many aspects of higher education.

I generally support this approach. The array of demand for education and training, the various ways in which it could reasonably be met, and the likelihood that these will only continue to change and fragment all argue against strongly directive and controlled systems. The challenge is to make sure it works for the student, and for those who want educated and skilled graduates. Providers must remain delivery mechanisms not become the winners from the system.

Hence the challenge is to define the relevant parameters for a tertiary system, with a robust higher education element – and the issues I consider next form crucial parts in doing that.

But if Government's role is to influence it means that we avoid targets, whether it be of the proportion of the population with particular qualifications, proportions of GDP spent on particular things, the number of engineers we must have in 2020 and so on. They all presume a confidence of the future that the past tends to suggest we should not have. Rather we want settings that should work for the kind of future we think likely but which leaves considerable lee way for what actually comes to pass. To take one issue I cover more later – we think there is considerable need for more vocational and probably higher education graduates: it looks reasonable, but we should allow for those estimates to be wrong (either way) but be prepared to meet the need that does emerge.

Higher Education should fit within a comprehensive post school education and training system

The Review's terms of reference allow it to consider the relationship of higher education to other tertiary education. I think this should be a central consideration for the Review's report – how will what it says for higher education fit with other tertiary education and training? The proposals should enhance the relationship, positioning higher education as one part of the broader system, not strengthen current differences. This is based on the assumption that it will be more likely, not less, in the future that people will need to access more than one type of post school education and training.

An effective tertiary wide approach does not require higher education to bend to the needs of the other parts of such a system. They too could do with change. In reality the major inhibitors to an effective flow across the sectors are accountability and funding rules: in practice these are hard to change but they are essentially peripheral – we need to set ourselves the challenge of altering them where needed.

We also have a good opportunity since Governments' current jargon is for demand driven, client focussed vocational education. This creates a more fluid vocational world that could intersect with similar changes in higher education.

Consistent with this argument I will endeavour to frame the rest of this talk with a tertiary system setting – a focus on higher education but how it could or should fit with vocational and further education considered.

What is the need for higher education (and by implication for other post school education and training)?

Focusing on the education function the guiding issue is our assessment of who future students will be and their major types. We talk of a mass higher education system, while too many of our inner assumptions and values remain based in a selective higher education world. We need to think through who are the different broad groups of likely students, how many of them there will or should be, and from that we will be in a better position to determine how that education should be provided, funded, regulated and by whom or what. The answers will likely vary for different groups.

Hence in the second section of today's talk I focus on this question, largely hypothesising in the lack of much in the way of data (or data within my capacity to manipulate). Professor Bradley has flagged that the Review has commissioned work on this. I very much look forward to the outcomes.

What is the need for research, development of society, building of regional and national economies?

I am not exploring today these three aspects of the Review's proposed functions for a higher education system. However, this question is where I would start if I were to do so. The rationale is the same: by understanding what it is we want as an outcome we can then better work out how best to ensure it happens.

Who or what are the providers to meet the education need?

Perhaps inevitably most discussions of higher education either start with, or quickly focus on, the institutions. So a couple of guiding points.

First, we are developing a higher education part of a tertiary system. The intent is to deliver education and stimulate knowledge and skill development – the providers are just a mechanism, a means of delivery.

Second, Universities are just one type of provider, albeit the dominant type and one whose dominance I expect to remain. Indeed a quick look at the Higher Education Support Act 2003 will show you that the Commonwealth already only funds Higher Education Providers. There is not one benefit or requirement specific to a University. The National Protocols for Higher Education Approval Processes define a University as one type of provider with the combination of education and research being the key distinctive factor. The Protocols now allow for other self accrediting providers as well as supporting the array of others approved course by course to delivery higher education.

The future will only complicate the array of providers further. We need a known process that ensures all those offering education and training services are competent to do so, without limiting the number so approved.

The present structure has some sense to it:

- approving an organisation initially course by course, offering by offering;
- then allowing organisations to take greater and then full responsibility for approving their own courses based on capacity, experience and trust.

This is one of the decision points:

- Do we determine the set of provider types and force each organisation to fit one or other of them – like an enforced Carnegie classification? To have any chance of working this requires good, and quick, mechanisms to create new types. Even so I think the approach wrong – it is a rigid approach to flexibility. Classifications should be informative about points of commonality; they should not become determinative;
- do we only determine the types of education we need, the requirements that go with each and let each provider determine where it wants to sit within or across those types. This keeps the potential for rigidity about the types of education. But this strikes me as the place to start: it focuses on the outcomes rather than the process.

So lets get rid of one ongoing debate early. One of the few weak points in the Review's discussion Paper is how it grapples with uppity TAFEs and RTOs taking on higher education courses. This reflects a common argument that TAFEs shouldn't do Higher Education because – well because they are TAFEs. You can twist this a number of ways: if a TAFE is an institution that does not do Higher Education then when a one time TAFE takes up Higher Education it no longer is a TAFE but a new beast; or conversely we expand our conception of a TAFE (which is clearly more in the mind than the literal words behind the acronym). My approach is that a TAFE can set out to meet the requirements for providing a degree if that is what it, and its owner, the State, want it to do.

That still leaves untidy the status of the term 'University'. Linking this to a combination of education and research in the one institution provides a meaning and one that is fairly compatible internationally. I do not see a need to change this. The issue should be how to ensure other types of providers can operate successfully, offering an alternative.

On what basis will Government permit various forms of tertiary education to be provided? What support will Government provide and how is that structured?

I will touch on both these questions in the following sections. My main argument is that the approach should be driven by getting the outcomes for the students, taking account of the capacity of the students to get what they need themselves. That is, we should work to strengthen choice.

What special place if any is allocated to public institutions, and hence what specific support or requirements would tie to such a status? How do we resolve the debate about concentration of effort against ensuring a wider distribution of effort and potentially of access and outcomes

Is there an ongoing public good role for some institutions that generates particular expectations of, and benefits for, them? In any system an important test remains that suitable education and training is accessible to all which goes to capacity to pay whatever charge is due and to get to the facility or otherwise access its services.

I will explore this in section two looking at the different likely groups of students and their needs. But in essence I expect we will continue to need large institutions spread widely geographically as the base for most initial post school tertiary education. I think the currently dominant institutions will continue to flourish (most of them) under any likely system but at the edge some question of explicit support may be needed.

2. So who needs tertiary education?

There is an interesting conflict in the information we have about demand for tertiary education, much of which is set out in the Discussion Paper. If we believe those attempting to project the demand from business and others who use graduates we should expect continued growth in the skills of the workforce, growth beyond that which current vocational education is delivering, and probably more than that which current higher education is delivering.

In contrast the demand for higher education places can only be described as consistent – it bobs around but the annual number of applications has been about the same for a decade. These figures apply primarily to undergraduate courses and of course we do not have a similar data set for vocational education. My limited observation at one University VE provider is a year round effort to ensure the complex set of State VE targets is met. I am told that if opened up there is demand beyond supply in some areas but not in all.

That leads to a couple of scenarios our future system needs to be sufficiently robust to deal with:

- the trends are accurate: we need more people to take up tertiary education and training such that we need to think about how to get them there;
- the industry demand is as estimated and student demand responds such that the challenge is to ensure sufficient provision; or
- the industry demand is overstated (perhaps due to skill deepening being driven by current levels of graduates rather than a desire by employers and others for more qualified staff) such that current numbers are sufficient in the future.

The Government is strongly committed to the analysis that further growth in skills – both of current workers and of those currently outside the job market - is essential for worthwhile employment in Australia within a global economy where many parts of the world are producing basic goods at a quantity and price Australia could not match.

Hence we need to prepare for significant further growth in the demand for education and training while being alert to the potential for our predictions to be overstated. The following sections consider the major groups of people who could be seeking tertiary education and training.

i. School leavers A

School leavers are at risk of becoming somewhat unfashionable. We are told there won't be so many of them in the future such that no self respecting University would rely on them for a sustainable future.

Figure 1: 17-19 Age Group, 2004 to 2030 (Version 1)

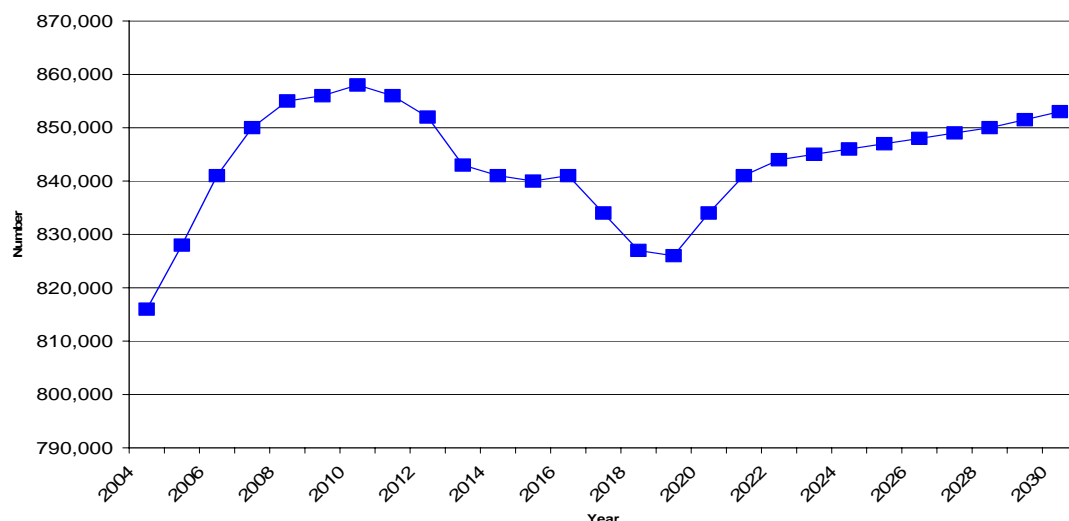
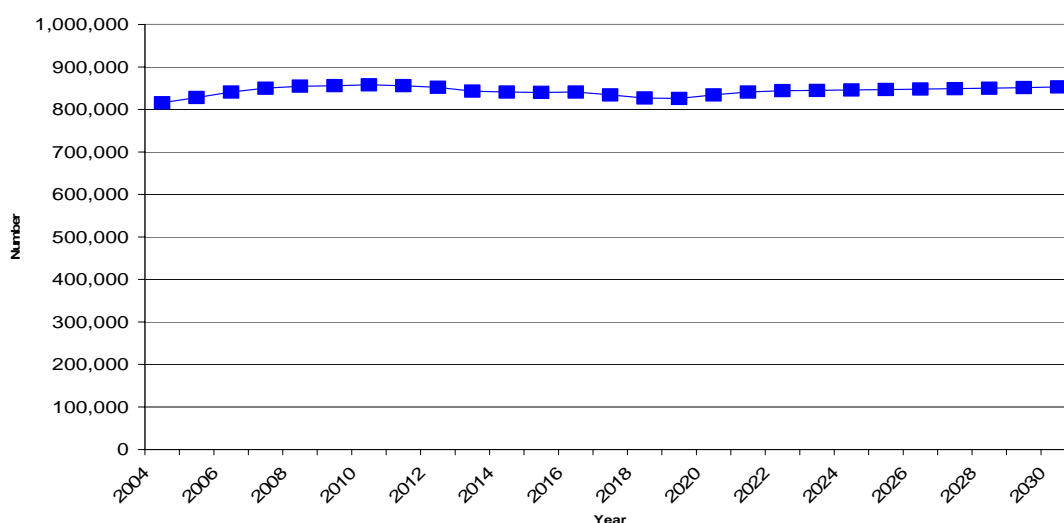


Figure 2: 17-19 Age Group, 2004 to 2030 (Version 2)

The argument is driven by a quick look at the numbers, for example Figure 1 (taken from Figure 8 of Review Discussion Paper): from 2010 there is big drop in the numbers of 17-19 year olds through to 2020 after which it starts to recover. It is first useful to point out that the even growth of recovery from the mid 2020s is a statistical artefact – it relates to people not yet born; the earlier data counts live humans, reflecting the ups and downs in actual births.

The alternative view is provided in Figure 2, which shows a flat wavy line. The difference is that for Figure 2 I set the scale to start at zero rather than 790,000. I hold that figure 2 is the more useful way to look at this data: the school leaver target group is fluctuating through the mid to high 800,000s, with a 4% reduction from the 2010 peak to the 2019 bottom. The most telling part of this debate is that the suggestion of a 4% variation in one main feeder group over ten years is considered a potential disaster – we need a university system capable of dealing with that level of change.

Hence I consider that the traditional school leaver group of those with good to excellent school results who have a reasonable grasp of what they want will remain a constant set of entrants to higher and vocational education.

They are also a group for whom current arrangements work – but indeed almost any arrangements would. These students already have considerable effective choice of course and provider. We could, and should, open that choice up fully but the impact is likely to be modest.

ii. School leavers B

Figure three is the more useful. It shows the extent to which school leavers at various ENTER deciles apply for, receive an offer for, and take up a University place. In a previous life I used this to show that there remains considerable potential for universities to expand without necessarily drifting down the ENTER scale. That point clearly remains true. My current role alerts me to the absence of VE from the chart – many of those seemingly not pursuing post school education and training or rejecting offers for a university place will in fact be taking up vocational places. (For someone to overlay the two would be useful).

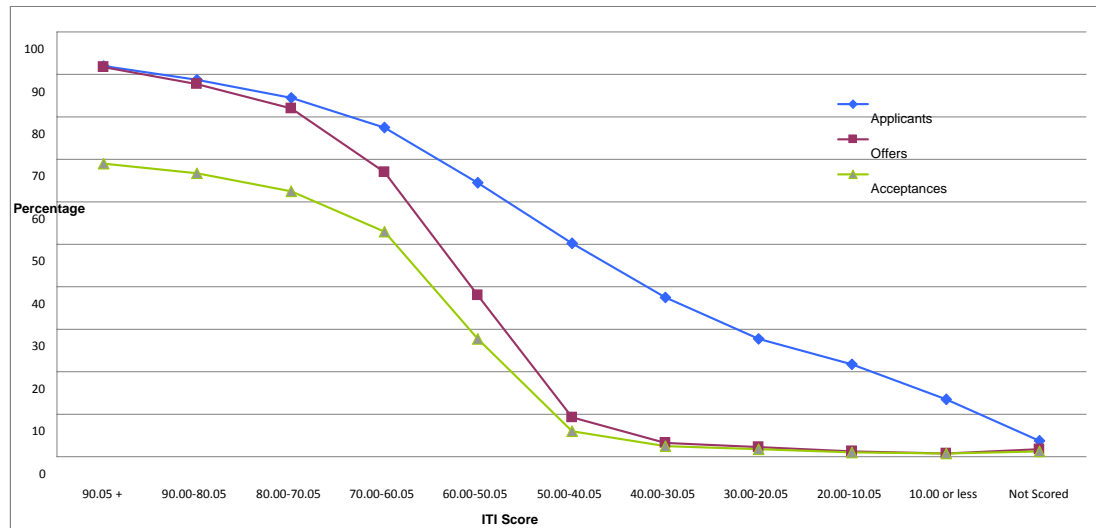
Against the reasonable argument that some form of vocational or higher education should be a near universal stage in education and training the Dusseldorp Skills Forum's *How Young People are Faring 2007 At a Glance* suggests about 30% of young people attend university immediately after school and 24% attend vocational and other education. That leaves a good 46% who are not but many of those will

do so over the following years. Ms Gillard's Budget Statement suggests nearly 87% of people by 25 have enrolled in higher or vocational education¹.

I think there is a second set within the school leaver cohort which covers some of those who do go onto subsequent education, but have been persuaded to do so, as well as many of those who initially choose to enter the workforce or otherwise pass the time.

It is this group who offer the major opportunity and challenge to extend the proportion of school leavers seeking higher education and VE places. It also includes those who might in the future complete year 12 or its equivalent if Government's succeed in raising this from something like 80% to 90%.

Figure 3: ENTER scores and University applications and offers



Such students often pose considerable educational challenges particularly in terms of their willingness to learn. They will place even greater pressure on the capacity of providers to teach effectively even where, through Further Education and related transition programs, basic education and learning skills have been acquired.

Many of this group seems marked as a focus for Government support, modest reliance on user payments (even with income contingent arrangements), and a fairly controlled market to reduce exploitation and ensure reasonable outcomes.

There is some support for an argument that an educational location close to where people live or cluster will be most effective for this group, while the support infrastructure is fairly flexible. This would support provision on a wide number of campuses in response to demand. While large organisations will be part of this market there it is one also suited to specialist educators practised in enhancing basic skills.

iii. Older students seeking their first post school qualification

The growth in this market appears to have stalled, if mature age applications are a guide. The logic I see is that, since the mid 1990s, the greater numbers of people accessing VE or higher education in the years shortly after school means that fewer people reach older age groups without a post school qualification, especially those with considerable potential for higher education. In addition, over the past twenty years many of those with such an interest have taken up the opportunity. (A related logic applies to Indigenous numbers – over the 1990s and since many older Indigenous Australians with an interest in higher education have found their way to University significantly reducing the pool of potential

¹ Julia Gillard, *Budget The Education Revolution*, 13 May 2008, p16 citing the Longitudinal Surveys of Australian Youths

students; Indigenous school leavers remain a tiny number such that the Indigenous 'market' is the small number of school completers plus the replenishing set of older Indigenous people).

However there will remain a sizable group – again this would be something to model (hopefully covered in the Review modelling). Some regions still have low school completion rates (rural but also for example western Melbourne) while recent non skilled immigrants remain an important group, especially in major metropolitan areas.

As with the second set of school leavers the future first time students will likely start with a lower level of academic and training skills compared with the past. The numbers may show a large potential group remains but the willingness, and then capacity, will be challenging for providers. A pathway through basic skill acquisition, mixed with ongoing employment, that may lead to higher level vocational and higher education options may be the typical path. The older part of this group (40+) will include many unskilled workers, likely to have lost jobs as industry need change, whose desire for training may be quite low.

To ensure this group can gain needed education and training is likely to require: ensuring good learning support; ensuring that charges, even deferred, do not deter; and strong monitoring of providers since the capacity of the students to define and ensure the outcomes they require will often be low. There will be much competition with adult education providers, part of whose attraction is relative ease of access and the attractiveness of a small, more familiar environment.

iv. Older students seeking renewal or upgrading of skills and change of career

The market for people with qualifications looking to extend them is very strong across both VE and higher education and all projections consider that it will remain strong. This has been the strong growth area for domestic students and is likely to grow further as

- expectations of employees and the self employed increase;
- the population profile rebalances towards older age groups so there are more people aged thirty to sixty; and
- the need to retrain older workers to retain them in the workforce intensifies.

In this market people are not necessarily moving in a linear way through qualification levels but based on individual need are as likely to seek skills across the sectors. The experience in VE that students often only want part of an award is likely to spread to higher education, forcing greater provision of non award courses and or courses tailored to particular employers and professions.

Competition from non University, non TAFE, providers is strongest in this area centred on the capacity of those providers to identify and serve new markets and small markets more quickly and effectively than traditional providers. The main caveat is that there may be some backlash against the extent of serial award collecting by people in the late 20s and 30s focused on whether the suite of graduate awards truly increases capability.

In terms of location the capacity of these students to access course content and activities with ease will be important. Use of on-line education, as it develops in the future, is likely to be strongest for this group. Where access to a provider is required location near home may be useful but it is more likely to be location near where students are working that is the more important.

This group of people are much more able to negotiate the course they need, and pay for it or get employer support to pay. They are the market where many smaller providers operate and is one that seems suited to a quite open market and a focus on Government encouragement and incentives more than direct support and regulatory intervention.

v. Research students

I will touch on this group only lightly. The Group of 8 has highlighted the lack of growth in domestic research student commencements. The previous anecdotal picture of PhD graduates unable to find academic jobs and being lost to public services and industry now seems less well founded.

While I mostly counsel against guessing future needs too precisely Government needs to consider well the true need for research doctorates through the workforce if it is to encourage significantly more people to give up 3 to 6 years of their life. More graduates will only come through a significant increase in the support during the PhD, both students' income and for the research costs.

vi. International students

International students are usually considered as a separate group. Yet clearly they spread across the previous five. The international flow of students only seems set to keep growing but that includes more Australians studying elsewhere. Much of our current market is due to the failure of home country education systems to provide sufficient education opportunities. That is reducing as those countries develop universities and other training. In their place we are now looking at students from newer developing countries of which there are many, but most further from Australia and fewer with strong English speaking traditions. Postgraduate coursework seems to be an area of growth with research degrees a potential opportunity.

The Discussion paper asks whether the international industry needs re-enforcing and if so how. One answer might be that enrolment of international students could be part of the mission of an institution which is part of the funding agreement/compact with Government. I will come back to this in the third section.

Generational Change

Across all the groups we should also consider the potential impact of generation change. Universities are only just now starting to enrol students whose parents went through school after the substantial increase in year 12 retention during the 1980s. That generation were the first to experience the majority of their cohort completing school and thus having the initial option of higher education. I expect that they will look for their children likewise to complete year 12 at a minimum, and look to higher education, or high level vocational education, as something their children should access.

That generation were also the first to experience HECS – and the assumption that every student will contribute something to the costs of education. Many will have experienced, or still have the challenge of, paying off HECS debts. A significant subset went on to pay for postgraduate coursework degrees, seemingly accepting such costs as part of developing a career. Whether that flows through to their children as acceptance of paying for post school education or engenders a reaction I am not sure, but I suspect it is more likely to be the first.

What it means for a tertiary education and training system

Taking all those groups together it appears the future may lie in three broad directions:

- continuing to prepare the traditional post school group well;
- ensuring that post school education and training (including, but broader than, higher education) engages more extensively with the large group of people who do not apply for further education and training in the years after school;
- continued growth in the people acquiring second, third and subsequent awards across both higher education and VE.

I also think it clear that they have quite different requirements from a tertiary education system if we are to ensure that each person has a reasonable chance of gaining needed education and training at different stages of life. The message that comes through looking at each the groups is that nearly everyone will need access to education and training but that the differing capacities to determine what is needed, choose which provider will best provide it, and pay for it should influence how Governments regulate tertiary provision and when they should help fund it.

3. How to structure funding and regulatory arrangements

I will take this section in three parts:

- first I will consider some basic points about funding and accountability – rules for funding systems;
- second I will consider some underpinning elements for future funding arrangements; and
- third I will sketch an approach to funding – based on higher education but potentially applicable more broadly.

i. Rules for funding systems

Governments do not know how to teach or research. They should not try to dictate how universities do what they do but focus on setting the outcomes they want.

This proposition would be supported by most in the room I suspect. Many would agree on the basis that Government intervention in the esoteric details of education and research only hampers staff. (Some might cavil that such intervention is good when it supports their particular hobby horse – Government 'rules' are too often seen as a means to force the Vice-Chancellor or other senior manager to fund some particular initiative). I support it because Governments only lose when they get into operational detail since providers can mostly find ways to work around requirements they do not like while the pretences of compliance waste resources and inhibit good outcomes.

Universities do not know about Government funding. They should not try to determine how Governments fund but focus on providing education and research in the ways they think best.

The first point has a logical parallel proposition for which there may be less initial support. My real concern here is that Universities, their staff and representatives think that the point of a funding system is to give them what they reckon they need. To contribute effectively to the debate about how Governments should fund and regulate people from the sector must think systemically. Funding is there to drive the education and training outcomes Governments, on behalf of their electors, think are needed. It is not there to support a set of institutions, albeit having some institutions will most likely prove useful.

Quantum is for Governments

I don't propose to talk about how much funding the system requires or even the total resources. There is no good answer to that – Governments are responsible for working out how much they can afford to contribute. They never get it right but to presume we know better our relative share of the available funds is not credible.

I will say that the focus the current Government has put on education as key to productivity and participation requires it to fund to a level that lets the range of providers focus on providing good education. But it is not clear to me, perhaps reflecting my initial grounding in health and human services, that more and more education is necessarily of never ending good.

Funding is for outcomes and major outputs

University funding is not too bad in this regard now – the CGS is basically Universities to use as they wish; student contributions certainly are; the same for research block grants. But the smaller programs such as equity, disability, indigenous, infrastructure, are often set up with a requirement to show what those specific funds have been used for. Yet we can all see that if a University gets \$1,000,000 for something it is already doing in part it is possible to do little different and be seen to expend the funds. Part of the original Labor Compact's proposal seemed willing to get away from this, a direction I hope they will follow in Government.

Vocational education seems a much worse case – read the tender documents for the Government's Productivity Places Program or consider TAFEs accounting for hours of teacher-student contact.

Why is it that so many Government programs ask the recipient to prove the money was spent? There is quite a contrast to the purchase of equipment and other supplies where it is assumed that the supplier should be charging more than cost - that is the point of being in business. What matters is has the

recipient provided the promised services, in our case some kind or mix of education, training, research, advice. The main outcome from financial acquittal requirements is to create a mutual love hate dependency of mid level staff in Government and provider.

Funding formulae are about getting it sufficiently right that the organisation can, and will, provide the total set of outcomes desired using the available resources. How the funds are used to do that should be the responsibility of the organisation.

Institutions should focus on doing what they say they are for, not maximising income

This may sound somewhat old fashioned, almost golden aged. There are obvious reasons for the tendency of many Universities to jump at each new initiative to extract what funds they can from it. But that is not doing the outcomes from the system much good – hence we need to think about how to offset that tendency.

Be dynamic

A system for the longer term also has to build in an expectation of change. Hence funding and regulatory arrangements should support and reflect changes in the performance of each institution over time such that the system is dynamic. There is considerable risk that arguments for certainty year to year can simply lead to stasis which over time builds up arguments for major change and the periodic lurching from system to system that Glyn Davis has criticised.

ii. Underpinning elements

Eligibility

There could be an argument that Government should fund everyone but I think this a problem:

- the available money would be spread too thinly such that the prime target for Government support would be under supported;
- in the kind of flexible, changing world of demand I sketched earlier many of those considering further education and training will have the capacity to support its cost (whether upfront or by loan); and
- it is not clear we can assume all additional training is of public or even private value.

How can we target Government support so that everyone has reasonable opportunity for support while setting some limits to the extent of public support?

We have now in the HESA the somewhat forgotten Student Learning Entitlement which limits access to a Government funded place to seven full time equivalent years initially, with a renewal worth an extra two and a half years a decade from age 27. In effect this says you can get a start in tertiary education covering all accepted initial qualifications and after that you can upgrade or reskill for up to 25% of your life. The latter is fairly generous but limited by being tied to the current allocation of Government funded places which are primarily used for bachelor awards.

The alternative approach is to limit Government funding to awards deemed more advanced than any earlier award: the UK Government has brought this in for England (but not I think elsewhere) and it is mooted by the Victorian Government for vocational education eligibility.

I prefer the SLE approach since it leaves it to the individual to work out what awards and in which order should be supported and it supports most those seeking initial qualifications. The second has hierarchical underpinnings which sit uneasily with trends in how people gain tertiary awards and will produce all sorts of counter examples problems. In an open market the amounts of SLE may need to be reconsidered – along with the implications of applying one scheme across all tertiary education and training.

Finally, eligibility is seen as something for Australians. Let me just pose the question whether in grander interests of national development some entitlement for non Australians might pay off, initially as part of bilateral agreements for Australian to have reciprocal rights in countries party to the agreement.

Income support

I do not have time to explore income support issues in this talk but briefly propose that with eligibility for Government support should come access to Income Support of some form that is grounded in the assumption that it supports the person sufficiently to live while studying, potentially over period of some years, in contrast to current payments which are based on an assumption of sufficient income to get by until the person gains income through employment.

Such a payment could be an entitlement but more likely it would be subject to financial tests of need. A test of need seems important, especially for the many students who are in fact full time workers where employer support through time off for study is the better avenue to ensure financial needs are met.

Student Charges

Underlying any student payment should be access to an income contingent loan scheme. The Victorian Government is, I think, the first Government to float as a serious proposal income contingent loans for vocational education. This is largely been looked at as a tack onto the current HELP arrangements. A serious national scheme needs to step back from HELP to create a national Education Loans Facility that provides the base service – the loan money, and a repayment system overseen by the Australian Taxation Office. Off that, various particular schemes can hang, adapted to particular requirements and circumstances.

With access to income contingent loans nearly everyone could reasonably be asked to make a payment. This has a useful accountability function in restricting a provider from enrolling notional students (whether or not real people) through requiring a parallel payment or incurring of a loan from the person enrolled.

The group for whom no charges might apply are those people requiring Further Education in basic learning skills including literacy and numeracy. The risks of deterrence are strongest for this group, while the potential for repayment is low until, and if, they acquire sufficient skills to earn income above the repayment thresholds. I suspect it will prove easier to hold back charges until such students take on higher level vocational or higher education.

I would also argue that where the student is being funded by Government the charge should be controlled and limited for two reasons:

- once Government is offering funding to have no limit on the charge only encourages a charge higher than necessary; and
- I prefer competition based on what a provider can do for the available money, not what they can do if they had more money than other providers.

Where there is no Government funding it is for the provider and the student to agree the charge. This would require some consideration to limits to the total debt that an individual can incur to ensure the debt remains in balance with potential to repay.

How to measure outcomes?

Simply saying that funding should focus on major outputs and quality of outcomes is not sufficient. Outcomes are notoriously hard to measure such that proxies are always used. I do not see that changing.

Hence I would challenge the standard argument that the fine detail of funding formulae should be known well in advance and not change rapidly. Rather my contrary argument is that the broad areas of funding should be known but the detail should change. If we want universities to focus on achieving quality of teaching and of research we should be prepared to say:

- there are no perfect measures of each (or of major aspects of each);
- any set of proxy measures will circle around measuring the underlying outcome;
- if the proxies are reasonably good different sets should produce similar results with the differences reflecting the approximate nature of the measures;

- hence changing the proxies regularly will tend to even out weaknesses in any particular set and discourage universities from focusing on the proxy measures rather than their own assessment of what will deliver the best outcomes.

Transition

One thing I learnt in my public service career is that Big Bang changes are very hard to arrange, especially if the intent is to extend the influence of choice-market forces. Hence an important question is how to stage the introduction of any major restructuring. The answer lies in focusing on those who have something to gain or at least believe they do – and let them take advantage of changes while holding others in a steady state.

In terms of my broad outline it means targeting the performance-outcome type sources of funding to those institutions willing to embrace the new, and let others watch the impact – but without access to much in the way of new funding or revenue sources.

iii. Towards a future resourcing system

My objective for a future resourcing system is that it encourages institutions to support the main goals for the sector, while minimising the tendency for rules governing access to resources to become the driving force in institutional actions.

I am going to outline a moderately simple system. It is a system that could operate for most or all tertiary education and training, since by setting a framework it is possible to adapt bits to particular requirements where there is a good reason for them – rather than simply to be different.

I hope it is clear from what I have already said that I think that funding and other resources should follow product and performance. So I propose basically a two tier approach:

1. Tier 1 is resources for product: having students;
2. Tier 2 is funding tied to an assessment of outcomes: how well various objectives for a tertiary sector have been achieved.

Tier 1

I see this Tier as having two broad aspects, depending on whether or not the student is entitled to Government support or not.

Those with Learning Entitlement

- Government funding to the provider (set by broad categories of course level and field)
- Government income support (likely subject to personal means test)
- Student payment at or up to set amounts (set by course level but not by field)

Those without learning entitlement

- Student payment on open market
- Employer purchased courses.

Tier 2

Against a set of major outcome areas for a tertiary system there would be payments for achievement. Possible areas are:

- education quality (teaching and learning)
- social inclusion
- internationalisation
- support for regional needs
- engagement with industry.

Where it relates to education and students Tier 2 would be based on all students, not just those eligible for direct Government funding. This would mean some Government funding for all education and training provided (and providers), recognising that the demand and mix in the future is likely to be extensive and complex.

Tier 2 is designed for Government payments. However the idea of a student or employer paying at least part of the charge only when they agreed the product was good enough is consistent with my argument but raises some challenging concepts about whether a student or employer is really able to, and necessarily objectively inclined to, assess that the education and training provided met due outcomes.

Other aspects of University activity have not been my focus in this talk but I think would likely fit under this approach with research quality compatible with the Tier 2 head – but is there a Tier 1 equivalent output?

Conclusion

The Higher Education Review offers us the opportunity for significant reshaping of how we approach the regulation and funding of universities and other higher education providers.

To do so it should be part of reshaping all tertiary education with a focus on supporting some key common approaches to key questions, while still allowing for differences where needed.

Such a reshaped system is needed to meet the varying future needs for education and training across the life cycle of future Australians.

To support such a system Governments should focus regulation at ensuring providers are capable of the education and training they offer and focus funding at the major outputs and outcomes achieved.