

The Griffith model

for reform of Australian higher education

Response to the Commonwealth's discussion papers
Higher education at the crossroads

The Griffith model
for reform of Australian higher education

Griffith University
Brisbane, Logan and the Gold Coast

Griffith University, September 2002

The Griffith model for reform of Australian higher education: response to the Commonwealth's discussion papers Higher education at the crossroads.

Griffith University: Brisbane, Logan and the Gold Coast
QUEENSLAND 4111 Australia

<http://www.gu.edu.au/vc/crossroads/>

G.Davis@mailbox.gu.edu.au

Phone (+61 7) 3875 7111

Fax (+61 7) 3875 7507

Foreword

The Minister for Education, Science and Training, the Honourable Dr Brendan Nelson MP has launched a remarkably open process of consultation for the Australian Government's comprehensive review of higher education in 2002.

Griffith University commends the Australian Government on the openness of its consultation for this review, congratulates the Minister on his conduct of the review, expresses appreciation for the overview paper and issues papers and thanks the secretariat for their cooperation during the review.

Governments consult on the development of their policies for manifold reasons: to seek advice, to persuade and to test the limits of reform. Griffith's response in turn has multiple objectives: to offer advice, to persuade colleagues and other participants in the debate as much as the Commonwealth, and to present the university as a lively and engaged member of the community.

This publication collects the university's responses to the Commonwealth's discussion papers into a single work and presents them as a single vision, the Griffith model for reform of Australian higher education.

In his preface to his ministerial discussion paper Dr Nelson challenges us to conduct public discussion in a transparent manner free of the highly emotional and politicised language of the past. Griffith publishes the *Griffith model* in that spirit. It is not a cautious document and the university has not adopted a safe strategy. But public policy formulation is improved by the open discussion that the minister has launched and I am pleased that Griffith has followed the minister's lead in testing its views in an open public forum.

I encourage members of the Griffith and wider community to participate in the debate and I welcome responses to the Griffith model and comments on issues more generally.

Glyn Davis
Vice Chancellor
September 2002

Contents

Foreword.....	iii
Tables.....	vi
Acronyms and jargon	vi
Preface	viii
Summary.....	ix
1 Introduction	1
A world class university	1
Comparison of the University of Michigan and the University of Melbourne ...	4
Conclusion: a world class system.....	6
2 Institutional diversity	7
Region	8
Level of aggregation.....	10
Small class sizes	10
Causes.....	10
Possible policy responses	11
Interaction with funding models	12
Duplication of programs.....	12
Causes.....	12
Possible policy responses	12
Interaction with funding models	13
Similar institutional types.....	14
Cause	14
Possible policy responses	15
Interaction with funding models	16
Sectoral diversity.....	16
Scope of action	16
Timeframe	17
3 Resourcing	18
Efficiency	18
Revenue flexibility to support industrial flexibility	19
Model 1: Discipline-based model	20
Description:	20
Possible variations:.....	20
Model 2: Fee deregulation.....	21
Description:	21
Possible variations:.....	22
Model 3: Flat rate learning entitlements	23
Description:	23
Possible variation:	23
Model 4: Variable rate learning entitlements.....	24
Description:	24
Possible variations:.....	25

3	Resourcing (continued)	
	Essential features of a loans scheme	26
	Deregulated fees, debt aversion and vertical segmentation	27
	Model 1	28
	Model 2	29
	Models 3 and 4	30
	Performance based funding.....	33
	Income-contingent loans available at private providers.....	33
	No public investment in private providers	34
	Private investment in public providers.....	34
	Under-provision of Commonwealth places on the Gold Coast.....	34
	The Griffith model	36
	1 Student load-based funding.....	36
	2 Multiple contestable funding for institutional performance.....	36
	3 Institutional effectiveness.....	38
	4 Greater role for business and other private sources of funding.....	39
4	Research.....	40
5	Teaching and learning	44
	Academic standards.....	45
	Graduate skills assessment	45
	Rating institutions and programs.....	46
	Staff policies.....	47
	Professionalising higher education teaching	47
	Quality learning.....	48
6	Vocational education and training.....	50
	Equivalence of knowledge	50
	Economics of higher education	52
	Recommendations	52
7	Equity.....	54
8	Indigenous Australians in higher education	56
	Possible strategies	56
	Early connections with schools	57
	Indigenous staff	58
	Resources	58
9	Governance.....	60
	Ownership of the university	60
	Joint State, university and Commonwealth nominations committee	61
	References	62

Tables

Table 1: selected characteristics of the top 10 US doctoral-granting universities	2
Table 2: selected characteristics of the group of 8 Australian universities	3
Table 3: undergraduate admission to the top 10 US doctoral-granting universities	4
Table 4: resourcing of the University of Michigan and the University of Melbourne.....	5
Table 5: Commonwealth grants to higher education institutions by broad function	14
Table 6: relation between public investment and student contribution levels	28
Table 7: 4 types of course	29
Table 8: economically rational response to model 2.....	30
Table 9: population projections and Commonwealth places for selected major regions.....	35
Table 10: distribution of excellence in Australian research links	42

Acronyms and jargon

Abstudy	Strictly means-tested income support or living allowance for Indigenous Australian students.
Access	Students' entry to education.
ATSIC	Aboriginal and Torres Strait Islander Commission.
Austudy	Strictly means-tested income support or living allowance.
AVCC	Australian Vice-Chancellors' Committee, the body that represents the vice chancellors of all Australian universities.
CRC	Cooperative research centre, a centre designated by the Commonwealth following a rigorous and highly competitive process that assesses applicants' research achievement and potential, contribution from industry, and potential for further collaboration with industry.
Completion	Students' finishing their program to be eligible for the award of a qualification.
DEST	Department of Education, Science and Technology.
EFTSU	Equivalent full time student unit, the study load normally expected of a normal full time student for that program. A student with a study load of 0.5 eftsus is studying half time.
Green paper	A Government paper proposing a policy. In higher education, Minister Dawkins' proposals for higher education in 1987 or the reorganisation of research proposed in 1999.
HECS	Higher education contribution scheme, the requirement introduced in 1989 for students to contribute to the cost of their higher education, now at the rate of from \$3,598 to \$5,999 per eftsus depending on the discipline of their subjects.
Income contingent loan	A loan repaid when and if the borrower's taxable income reaches a defined threshold, which is \$23,242 pa for HECS.

Level D	2 nd highest academic staff classification – associate professor, reader.
Participation	Students’ enrolment in education, a product of access and retention.
PELS	Postgraduate education loan scheme, which allows a student to take a loan to pay all or any part of a tuition fee charged for a postgraduate coursework program by a higher education institution.
PhD	Doctor of philosophy, a qualification awarded for a sustained and original contribution to knowledge, normally requiring 3 years’ full time research.
Program	A structured sequence of studies, normally from 1 to 3 years’ duration full time, which leads to an award or qualification – course.
Retention	Students’ persistence in education.
RFM	Relative funding model, the relativities between disciplines and levels of study established in 1989 to even out Commonwealth funding of higher education institutions from 1989 to 1992.
Semester	A period of study, normally lasting from 12 to 14 weeks.
Sessional staff	Staff employed just to teach specified classes, almost always but not necessarily employed casually.
Success	In the context of students’ performance, students passing the units in which they are enrolled.
TAFE	Technical and Further Education, normally used to refer to public vocational education and training.
Unit	A self-contained study of a subject that normally lasts from 1 semester to a year – subject.
VET	Vocational education and training.
White paper	A Government paper announcing policy. In higher education, Minister Dawkins’ announcement of higher education policy in 1988 or <i>Knowledge and innovation: a policy statement on research and research training</i> published in 1999.

Preface

Griffith University started the development of its model for the reform of Australian higher education with a series of forums held on each campus in June 2002, soon after the Minister for Education, Science and Training, the Honourable Dr Brendan Nelson MP released his ministerial discussion paper *Higher education at the crossroads: an overview paper*.

For each of the six subsequent discussion papers the process of developing a university position started with the principal policy adviser, Gavin Moodie, preparing a briefing paper for the vice chancellor's executive group. The executive group decided an initial position on the issues raised, which was published internally on the vice chancellor's web site. The vice chancellor circulated a global email to the university community inviting comments on the initial position adopted by the university.

Extensive written submissions and comments on drafts were received from many members of staff. The principal policy adviser submitted a draft submission to the executive group based on the briefing paper, the initial position adopted by the group, comments received from members of the university and additional investigation and thinking. Some drafts were adopted with minor changes, others were reshaped extensively by the executive group and yet others were redrafted by individual members of the group.

The chapter on Indigenous Australians in higher education was largely prepared by the Gumurri Centre's Mr Graham Coghill in collaboration with Ms Mah-Lis O'Rourke of the centre with important contributions from Ms Boni Roberston, director of the Gumurri Centre, and by Ms Suzanne Wilkinson principal adviser student equity services. The chapter on vocational education and training was written by Professor John Stevenson of the school of vocational, technology & arts education. Dr Linda Conrad acting director of the Griffith institute for higher education contributed sections to the chapter on quality teaching.

The *Griffith model* therefore reflects the contributions of many Griffith members.

Each chapter of the *Griffith model* starts with a brief recapitulation of the main points arising from the paper to which it is responding. Most chapters then introduce principles that are used in the subsequent discussion. The chapters then comment on some of the issues raised and present the Griffith model. The university has not sought to comment on every issue raised nor to provide a comprehensive policy statement, nor to make points that are adequately made by others. Griffith has confined itself to points which are distinctive or novel and it has sought to express them in an accessible form. So while key references are given in the text and in the references at the end of the publication, we have avoided the full scholarly apparatus of comprehensively citing authorities and studies supporting the propositions we have put. They are available should readers want and Griffith would be pleased to provide full references and supporting material.

Summary

Griffith agrees with the Commonwealth that almost all Australian higher education institutions aspire to and conform to the norm of a comprehensive, research-intensive, campus-based university. Institutions' concentration on research is a direct and natural response to the Commonwealth's funding incentives, since the only significant contestable funding for institutions is for performance in only one institutional role, research and research training (pages 14-5).

Griffith therefore argues for a funding framework that would reward and therefore encourage institutions to enhance strengths in their two other core roles, teaching and community service and equity. This is set within a comprehensive financing framework which has 4 parts.

- 1 A strong but streamlined role for the Commonwealth in planning public investment in higher education through HECS places.
- 2 Encouragement of institutions to develop new institutional types by establishing 3 contestable institutional performance funds –
 - (a) an institutional teaching performance fund of \$271 m;
 - (b) an institutional community service and equity performance fund of \$271 m;
 - (c) an institutional research performance fund of \$271 m (replacing the institutional grants scheme) (page 36).

Institutions would be allowed to compete for 2 but not 3 performance funds to require them to choose the roles in which they want to specialise, driving real diversity in the system rather than allowing institutions to compete in all 3 funds which would result in their achieving different levels of performance in all roles rather than a diversity of roles.

- 3 Financial incentives for institutions to improve their management outcomes, leaving it to universities to determine the most effective measures to achieve those outcomes.
- 4 A greater role in higher education financing for business and other sources of private funding through changes to the taxation and regulatory regimes (page 34).

The *Griffith model* also argues for the major changes introduced by *Knowledge and innovation: a policy statement on research and research training* to be worked through before making further changes to research policy (chapter 4), for quality measures in teaching and learning which reflect academic standards and values (chapter 5), that studies undertaken in VET and universities should be seen as separate and different, but that they should nevertheless be seen as equal in value when they contribute to the same professional ends (chapter 6), for a strengthened role of the Commonwealth in higher education equity (chapter 7), for measures to improve Indigenous Australians' outcomes in higher education (chapter 8) and for clarity of the Commonwealth and State/Territory governments' roles in institutional governance (chapter 9).

1 Introduction

The last systematic sector-wide policy for Australian higher education was the unified national system of higher education announced in *Higher education: a policy statement* ('the white paper') circulated in 1988 by the Hon J S Dawkins MP Minister for Employment, Education and Training. Since then the Commonwealth introduced a number of policy changes which were limited in scope individually but which in aggregate have transformed the sector.

Almost a decade later in 1997 it became clear that a systematic review and reform of higher education was needed and the Australian Government established the review of higher education financing and policy chaired by Mr Roderick West. The Government did not proceed with reforms following that report in October 1999.

Review and reform which was clearly needed in 1997 became urgent 5 years later and on 26 April 2002 the minister launched a comprehensive review of Australian higher education by releasing his ministerial discussion paper *Higher education at the crossroads: an overview paper*. Being an overview, *Crossroads* raised broadly many issues which were explored at greater depth in subsequent issues papers upon which Griffith comments in later chapters. One issue raised in *Crossroads* not explored in greater depth in subsequent papers is

Can Australia have at least one world-class university? What would it take?
(Qd1, page 25)

This question is addressed in the next section.

A world class university¹

Crossroads (at page 24) quotes this statement from Professor Alan Gilbert, vice chancellor of the University of Melbourne, which attracted widespread interest –

The gap between the best universities in Australia and the best universities in the world is large. On any commonly adduced international measure of academic standing, the best universities in Australia are not among the world's top 75 universities, and probably not among the top 100. They have quality researchers, but few nodes of research activity able to build the 'critical mass' research teams find necessary to survive the loss of a few key individuals. (Gilbert, 2001)

Crossroads comments –

There have been a number of recent calls for Australia to aim to have one or two 'world-class' universities. Whether this is an appropriate goal, whether it is achievable and how it might be achieved, are questions that need to be addressed (page 24).

Establishing a ‘world class’ university in the terms considered by the discussion paper is beyond the scale achievable by Australia, at least in this generation. Table 1 below shows selected characteristics of the top 10 US doctoral-granting universities ranked by the *US News & World*. Characteristics of Australia’s group of 8 universities are shown in table 2 by way of contrast.

It will be noted, first, that the top 10 US universities tend to have higher proportions of postgraduate students than typical for Australian universities, but graduate study in the US includes courses leading to the high status vocations, such as architecture, education, engineering, ‘government’, law and medicine.

TABLE 1: SELECTED CHARACTERISTICS OF THE TOP 10 US DOCTORAL-GRANTING UNIVERSITIES

Institution	Nobel laureates on staff	Postgraduate enrolments	Undergraduate Enrolments	2000 budget (\$US)	\$US per enrolment
Princeton University	8	1,750	4,600	\$671,468,000	\$105,743
Harvard University	12	12,889	6,650	\$2,228,200,000	\$114,039
Yale University	2	5,873	5,253	\$1,330,000,000	\$119,540
California Institute of Technology	4	1,100	900		
Massachusetts Institute of Technology	10	5,984	4,220	\$1,385,000,000	\$135,731
Stanford University	17	7,536	6,637	\$1,900,000,000	\$134,058
University of Pennsylvania	4	8,018	9,700	\$3,050,000,000	\$172,141
Duke University	2		6,325	\$2,407,848,000	
Columbia University	5	15,704	6,721	\$1,574,083,000	\$70,193
Dartmouth College		1,375	5,057		
University of Chicago	6	8,700	4,050	\$1,154,000,000	\$90,510

Source: US News & World (2002) National universities – doctoral: top 50.

It will also be noted that the top US universities have much higher rates of funding per student. The top US universities for which data are readily available are funded at the rate of \$US100,000 to \$US150,000 per student, compared with \$Aus15,000 to \$Aus50,000 per equivalent full time student unit at the group of 8. This is not funding just for teaching since a sizeable proportion of universities’ funding is for research, and the figures include income that would be recorded differently in different systems, but it gives a good indication of the level of resources available for academic activities at the elite universities in the 2 countries.

TABLE 2: SELECTED CHARACTERISTICS OF THE GROUP OF 8 AUSTRALIAN UNIVERSITIES

Institution	Nobel laureates on staff	Postgraduate EFTSU	Undergraduate EFTSU	2000 budget (\$Aus)	\$Aus per EFTSU
Adelaide	0	1,833	9,197	\$274,000,000	\$24,841
ANU	0	2,216	5,838	\$408,000,000	\$50,658
Melbourne	0.3	6,141	22,728	\$589,000,000	\$20,403
Monash	0	5,557	27,621	\$559,000,000	\$16,849
Queensland	0	4,106	20,728	\$522,000,000	\$21,020
Sydney	0	4,989	25,019	\$579,000,000	\$19,295
UNSW	0	6,110	19,145	\$529,000,000	\$20,946
UWA	0	2,178	9,998	\$307,000,000	\$25,214

Source: Department of Education, Science and Training (2002a) Higher education report for the 2002 to 2004 triennium.

The most obvious cost to establish a world class university is financial. The easiest case, ANU, would take an extra \$Aus1.2 billion per annum to achieve recurrent funding at the rate of \$US100,000 per efts, and an extra \$Aus6 billion p.a. (just a little under the Commonwealth's total higher education funding) would be needed to fund the University of Melbourne at the rate of the top US universities. The sums are so large because world class institutions are supported by massive surpluses extracted from economies 3 to 20 times larger than Australia's.

An Australian world class university would also have to recruit its students nationally and much more selectively. It will be seen from table 4 below that most of the top US doctoral universities accept from 10% to 25% of applicants for undergraduate places. There is no tertiary admissions centre in the US – prospective students have to apply separately to each institution – so these figures are not comparable with Australian acceptance rates.

Around 90% or more of the undergraduate intake into the top US doctoral universities is from the top 10% of their high school class. This would be like saying that an Australian world class university would have a cut-off score of 90 for all of its courses. For admission in 2002 ANU's lowest cut-off scores were 70. The University of Melbourne's lowest cut-off score was also 70 (for agriculture) but most cut-off scores were above 80.

It will be noted that over 80% of commencing students at most top US universities were from out of the State in which the university or college is located. In Australia the figure is less than 5%. Inter State mobility in the US is supported by the very high proportion of full time students who live on campus, mostly above 80%. This in turn is supported by loans and scholarships for residence as well as tuition costs, much of which is an additional cost to students and their parents, but some of which is supported by institutions and Government grants and subsidies.

TABLE 3: UNDERGRADUATE ADMISSION TO THE TOP 10 US DOCTORAL-GRANTING UNIVERSITIES

Institution	% of applicants accepted	Top 10% of high school class	Out of state entrants	Students who live in college housing
Princeton University	12%	92%	85%	97%
Harvard University	11%	90%	85%	96%
Yale University	16%	95%	92%	83%
California Institute of Technology	13%	98%	64%	87%
Massachusetts Institute of Technology	16%	97%	92%	98%
Stanford University	13%	89%	57%	93%
University of Pennsylvania	23%	92%	82%	90%
Duke University	26%	86%	84%	83%
Columbia University	13%	87%	73%	96%
Dartmouth College	21%	86%	97%	87%
University of Chicago	44%	82%	79%	66%

Source: US News & World (2002) America's best colleges.

While having one or two universities in the top 100 universities in the world contributes to a nation's prestige and national pride, the gap between world class universities and the rest of higher education is so great that there is no significant academic trickle-down effect. Most world class scholars' interactions are horizontal and international rather than downwards and local. Separate and additional arrangements would have to be made to build links to knowledge application and to derive social and economic benefits from the nation's very considerable investment in establishing the world class university.

This analysis is reinforced by a case study by the Allen Consulting Group recently commissioned and published by the Business Council of Australia (2002:45). The next section relies heavily on the section of the Business Council of Australia entitled 'Case study: comparing revenues of the University of Michigan and the University of Melbourne'.

Comparison of the University of Michigan and the University of Melbourne

The University of Michigan-Ann Arbor is ranked 25th of US national doctoral universities by the *US News & World*. It would therefore be considered amongst the middle of the top 100 universities worldwide. The University of Michigan-Ann Arbor has some 25,000 undergraduate students and 13,000 postgraduate students, which is similar in size to the University of Melbourne which has approximately 27,000 undergraduate and 10,000 postgraduate students. The universities have similar numbers of casual academic staff, at about 450 each. However, the University of Michigan has significantly more full time academic staff than the University of Melbourne – 3,408 (excluding 564 clinical instructional staff in university hospitals) compared to 2,164 at the University of Melbourne. This is a reflection of the very considerable difference in the level of resources of the two institutions.

It will be noted from the table below that the sources of the universities' revenues are quite similar. Some 42.5% of the University of Michigan's revenue was from government, only slightly less than the 49.8% of the University of Melbourne's revenue from government. Some 28.6% of the University of Michigan's revenue is from student fees, which again is only slightly more than the 20% of the University of Melbourne's revenue from student fees.

But there is a very considerable difference in the level of resources of the two institutions. The University of Michigan has revenues 3.7 times those of the University of Melbourne.

TABLE 4: RESOURCING OF THE UNIVERSITY OF MICHIGAN AND THE UNIVERSITY OF MELBOURNE, 2000

Measure	University of Michigan	University of Melbourne
Total Revenue –USD	\$1,681m	\$450m
Revenue from government (state and federal) including one-third of HECS revenue – USD	\$716m (42.5% of total income)	\$224m (49.8% of total income)
Revenue from fees (including two thirds of HECS revenues) – USD	\$480m (28.6% of total income)	\$90m (20.0% of total income)
Revenue from other sources (including grants, bequests, donations, investments, auxiliary operations, research income) – USD	\$485 million (28.9%)	\$136m (30.2% of total income)

Sources: University of Melbourne, Annual Report 2000; University of Michigan, www.umich.edu.

The University of Michigan's figures do not include its hospitals revenue, of USD1,519 million in 2000. But they do include revenue of the university's residences which would be higher than for the University of Melbourne because a higher proportion of its students live in residence. The University of Melbourne figures were converted to USD at a rate of A\$1=USD0.60, the exchange rate at 1/7/00. The Allen Consulting Group believes that this probably slightly understates the University of Melbourne's revenue in view of the purchasing power parity of the two currencies.

The Business Council draws this conclusion from the gap in resources between the University of Michigan and the University of Melbourne (2002:45).

Given the presence of at least some correlation between financial resource levels and performance, this revenue gap suggests that resourcing a top generalist university would represent a significant funding challenge in the Australian context. Perhaps a focus on having a number of world class centres of excellence in particular disciplines within individual universities may be a more appropriate goal.

Conclusion: a world class system

This chapter has considered only the practicalities of establishing ‘one or two “world-class” universities’. It has not considered the effects of the vertical segmentation that would be needed to resource one or two universities at the level of the best resourced universities in the world, nor whether this would provide the educational, social and economic benefits that Australia wants from higher education. Even so, it is clear that establishing even one world class university is not feasible for Australia, at least in this generation.

The better approach is to develop a world class system of higher education. Such a system would be shaped mainly to serve Australia’s interests rather than to win some supposed world competition. It would be of international quality indicated by the familiar criteria – publications in international journals, appointment of Australian PhD graduates as postdoctoral fellows in leading universities overseas, acceptance of Australian honours graduates as PhD candidates in leading universities overseas, and attraction of international students.

All Australian universities are of international quality on these criteria. The Griffith model would support the development of a world class system of higher education in this sense. To do otherwise would be to sell short the students and regions served by the institutions that are not supported to meet the highest international standards.

2 Institutional diversity

The review's discussion paper for its higher education review *Varieties of excellence: diversity, specialisation and regional engagement* presents this argument.

1 Almost all Australian higher education institutions aspire to and conform to the norm of a comprehensive, research-intensive, campus-based university.

2 This causes institutions to duplicate their offerings.

'The field 'business and management' is offered at each of the 37 universities, 'studies in human society' (eg. history, anthropology) and 'behavioural science' are offered at 36 universities. The breadth of field offerings at the State level is in some cases extensive. Every university in New South Wales offers 'computer science', 'teacher education', 'accounting', 'business and management', 'sales and marketing', 'banking, finance and related fields', 'studies in human society', 'law', 'communication and media studies' and 'performing arts'. Similar examples of complete field coverage are evident in other States, but they are not always for the same fields. Victoria's eight universities all offered nine particular fields, but only one was common to the New South Wales list indicated above.' (Paragraph 180)

3 For this and other reasons there are too many units with very low enrolments.

'At the same time, there are a large number of courses with very small enrolments. Twenty per cent of units have fewer than five students. Some 4,200 units have just one student. Clearly some of this is warranted. However, duplication and low enrolment may represent inefficient use of public funds. The paper examines ways such issues could be addressed.' (Page ix)

4 This duplication and inefficiency may be eliminated or at least reduced and greater diversity may be introduced by encouraging or requiring universities to specialise.

This chapter makes 4 key points.

1 Institutions' statistical returns reporting several units with low enrolments are largely artefacts of enrolment systems and do not indicate large numbers of small classes, which in any case is hardly likely in a sector with an average student:staff ratio of 20:1.

2 Duplication/competition/choice and diversity need to be analysed by level of aggregation (unit, program, institution, sector) and by region, since different considerations apply at different levels and in different regions.

3 There can be no competition without substitutability of programs, which in another context is choice between and duplication of programs. The Commonwealth is therefore faced with a fundamental choice between maintaining or increasing competition which necessarily entails duplication, or minimising duplication which necessarily entails lessening competition and choice.

- 4 In any case the Commonwealth can't take a significant role in planning or coordinating the sector without reinvesting in expertise, staff and planning mechanisms.

The chapter starts by considering concepts of region and level of aggregation which are then used to discuss the 3 key issues raised in the discussion paper: units with low enrolments, duplication of programs and similar institutional types. The chapter closes by raising two additional issues relevant to any policy adopted – the scope and time-frame of its application.

Region

Region is a key concept in analysing duplication/competition and in planning the sector, but is only tacitly acknowledged in the *Diversity* discussion paper. Region is the geographic area which a program or campus serves, or the catchment area from which a campus attracts most of its students. Two identical programs within one region duplicate and compete against each other. Two identical programs in different regions do not duplicate/compete against each other.

As the trade practices cases illustrate, the definition of region or the geographic bounds of a market is critical to determining the extent of duplication/competition. Regions might be different for different study modes, programs and for different groups of students. Thus for distance education domestic students the relevant region is Australia. In theory the region for distance education fee-paying students is the world, but in practice the region for Australian fee-paying distance education students is still the nation. The Commonwealth may want to designate some highly specialised campus-based programs for which the relevant region is also Australia, and other specialised programs for which the relevant region is the State/Territory. But for the large majority of the 80% of students who study internally the relevant region has been defined by what is regarded as a reasonable commuting distance, say 1 hour's travel. This has informed the Commonwealth's planning of the sector, and in particular, its funding of new campus developments.

Of the 39 universities listed in Stevenson and colleagues' 1999 study of the distribution of higher education resources across regions, all but 11 had multiple campuses. Since then campuses have further multiplied, most with strong and much appreciated Commonwealth and State support. Each campus develops a range of programs suitable for its region. To observe that many campuses have a similar range of programs is to observe simply that many regions have similar needs. Even if they offer the same programs, these campuses duplicate their offerings only inasmuch as their catchment areas overlap.

It would be possible to change the understanding of higher education region by expecting students to relocate to study on campus. But while this has some attractions, it has two major disadvantages. First, students who are tied to their present location by their family or their career would be most unlikely to relocate to study. This would apply to, say, the 40% of students who are over 24 years old. While mature students are likely to be less mobile they are more suited to independent study and so could be expected to study by distance education (by whatever combination of technologies). But many mature age students who do not have recent experience of advanced study still prefer to study by the more familiar face to face mode, so expecting them to relocate or study by distance education is likely to make continuing professional development and lifelong learning harder to achieve.

The second difficulty in expecting students to relocate to study on campus is in financing the extra costs of travel to and accommodation and living expenses on a distant campus. Even if the source for most of these finances were private, it is still money that would have to be diverted from other, potentially more productive or rewarding uses. Many young students and their families currently finance their higher education by commuting to a local campus but could not be expected to meet the extra cost of relocating to study at a distant campus. The Commonwealth would have an equity obligation to provide support to these students as well as providing extra support to students who are currently receiving study assistance through the youth allowance, Austudy and Abstudy.

Different considerations apply to regions of different types. Assuming that for most of higher education the region is defined by a reasonable commuting distance, higher education has 5 main types of region:

- 1 regions which include 3 or more campuses in which there is reasonable competition/duplication in a broad range of programs, such as large but by no means all areas of the large capital cities of Adelaide, Brisbane, Melbourne, Perth and Sydney;
- 2 regions which include 2 campuses in which there is limited competition/duplication in programs, such as Albury/Wodonga and Canberra/Queanbeyan;
- 3 regions which have a comprehensive range of programs but no competition/duplication, such as Armidale, Ballarat, Bathurst, Bendigo, Churchill, Darwin, Geelong, the Gold Coast, Hobart, Launceston, Lismore, Newcastle, Townsville, Rockhampton, Wagga and Wollongong;
- 4 regions which have a limited range of programs such as Alice Springs, Bundaberg, Burnie, Coffs Harbour, Dubbo, Horsham, Kalgoorlie, Ourimbah and Whyalla;
- 5 regions which have no substantial higher education presence.

As is argued in more detail later in this chapter, duplication and overlap of programs applies only to regions of the first and second type. To observe that campuses in the third and fourth type of regions offer similar programs is to observe simply that these regions have similar needs.

Griffith agrees that planning for diversity is probably best done at the State/Territory level as the discussion paper suggests. However, two States or Territories would need to be involved with the Commonwealth in planning higher education for at least these regions:

Albury-Wodonga;

Canberra-Queanbeyan; and

Gold Coast-NSW north coast.

Level of aggregation

The discussion paper analyses higher education at four levels, expressing different goals for each level.

<i>Level</i>	<i>Main goal</i>
unit –	to reduce the number of units with small enrolments;
program –	to reduce duplication of programs by different institutions;
institution –	to increase institutional specialisation;
sector –	to increase systemic diversity.

It is likely although not necessary that different mechanisms would be appropriate at each level. It is also necessary to consider the interaction of each possible policy response with the teaching and learning financing models considered in *Setting firm foundations: financing Australian higher education*.

Small class sizes

Causes

There are probably 3 causes of units with small enrolments:

- 1 supply factors such as maintenance of high priority but low demand areas such as physics honours, academics wishing to teach units in their area of specialisation, maintenance of workloads for otherwise under-employed staff, and maximisation of student load by academic organisational units;
- 2 demand factors such as students wanting a broad range of units available locally, students being attracted to courses with multiple options, employers and professional associations wanting specialist areas covered in programs; and
- 3 artefacts of enrolment systems such as students repeating units that are otherwise discontinued, units with multiple codes for different programs, and students taking individual study programs such as doctoral research programs that nonetheless need unique unit codes to conform to system requirements.

The Commonwealth expresses concern at the number of units with low enrolments because this may reflect inefficiency or at least a sub optimal allocation of resources. The number of units with low enrolments is not a good measure of the allocation of teaching resources and therefore teaching efficiency. First, the unit of measure should not be enrolments but student load. Secondly, teaching effort is not related to units, but to classes. A unit with 3 teaching hours per week takes 3 times the teaching effort of a unit with only 1 teaching hour per week. And any analysis should aggregate student load recorded in units with multiple codes for different programs but who take the same class.

A proper study of the allocation of teaching resources therefore needs to combine data from the institution's student load file with data from its timetabling system, and this should be checked with academic organisational units to ensure that the institutions' central records reflects actual practices. Griffith undertook such a study in 1999 on 1998 data and found that removing multiple unit codings reduced the apparent number of units offered by 32%. Multiple unit codings were much higher for postgraduate courses where units may be taken towards nested awards (graduate certificate, graduate diploma and coursework masters). Removing multiple codings for postgraduate units reduced the apparent number of units by 48%.

Without such a detailed analysis it is not possible to say with any confidence the causes of small class sizes in other institutions and in the sector overall. However, supply and demand factors alone are unlikely to explain large numbers of small class sizes in a sector with an average student: staff ratio of 20:1.

Possible policy responses

If the number of small class sizes is considered a real problem and is not just a rhetorical device to rationalise funding cuts, the Commonwealth should first investigate the extent of the problem and possible causes. The analysis would have to be by regional type since different considerations would apply to a small class in a region which has only 1 campus. If further investigation showed that there weren't very many small classes one acceptable response would be to do nothing. A threshold of small classes is tolerable in view of the desirability of maintaining a reasonable choice of units in smaller regions, of maintaining high priority but low demand disciplines, and in view of the difficulties and additional expense of possible corrective action noted below.

The obvious response of cutting funding until waste is eliminated is too blunt to achieve the Government's aims since it would affect equally justifiably small classes. Increasing competition would not reduce small classes since it would intensify the demand factors causing units with low enrolments. National planning would be far too cumbersome to manage at the unit level, and as the discussion paper acknowledges, too intrusive.

An alternative would be for the Commonwealth to publish data on the proportion of units with small student load for each institution, which would soon lead to self-correction. The Commonwealth might publish the proportion of units an institution offered with student load less than 0.625 efts (5 students enrolled in a standard unit of 1/8th of a fulltime load or 0.125 of an efts), in the band 0.75 efts to 1.25 efts (6 to 10 enrolments) and in the band 1.375 to 1.875 efts (11 to 15 enrolments). The Commonwealth might even contemplate constructing an efficiency index which would be more complicated to explain but would have the advantage of allowing institutions to off-set units with small student load against units with very large student load and thus, at least on this analysis, taught efficiently.

Whatever form in which the information is presented, the mechanism of publish and self-correction would be highly effective since no institution wants to be designated inefficient. If necessary the Commonwealth could include an efficiency index in a contestable fund for teaching performance or general institutional performance.

Interaction with funding models

Inasmuch as demand factors contribute to institutions maintaining small classes, Government regulation would affect institutions' competitive position. However, publication and self-correction would not compromise institutions' competitive positions since they would have the discretion to retain units which had substantial market justification.

Duplication of programs

Causes

As we noted above, programs are duplicated if they are sufficiently similar to be substitutable and are offered in the same region. Both conditions have to be met for there to be duplication.

Two programs are functionally substitutable if they lead to similar educational and vocational outcomes. But two programs are only actually substitutable depending on students' behaviour, and this may not coincide with functional substitutability. Thus two programs leading to membership of Certified Practising Accountants Australia are functionally substitutable but may not be actually substitutable if students would not enrol in the other course if enrolment in their preferred course were not available.

Some of the cause of institutions' duplication of programs is likely to be institutional isomorphism discussed further below, but the overwhelming cause is the competition for students. Depending on the program and the institution's circumstances program duplication is caused by institutions' competition to fill student load, to attract high-achieving students and to attract domestic and international fee-paying students.

There can be no competition without duplication, or substitutability of programs. So if duplication is a problem competition is the ultimate problem. The range of policy responses is therefore the mechanisms that might be available to end, limit or circumscribe competition.

Possible policy responses

Program duplication could be ended by planning the sector so completely as to remove all institutional competition for students. This is unlikely to be acceptable politically even were it likely to lead to desirable outcomes.

Another possibility would be to zone institutions, to define unique regions for each institution or campus. This is common in public school education, of course. While there are some early examples of zoning of US community colleges and British colleges of further education, these institutions aren't zoned now and there is no tradition of zoning post compulsory education institutions in Australia. This, then, is also unlikely to be acceptable in Australia.

It would be possible to define student markets not by students' location but by their level of achievement. This is done by the Californian state government which restricts direct admission to the research-intensive University of California to first-time freshmen who are high school graduates who have combined grade point averages and standardised test scores placing them in the top 12.5% of all California high school graduates; it restricts admission to the comprehensive California State University to the top 33% of California high school graduates, and community colleges have open entry (Douglass 2000).

California mandates strong student transfer programs by law, although their effectiveness in supporting student mobility between segments is debated. In addition to limiting one dimension of competition/duplication, the Californian system has an additional benefit of an in-built limit to the size of the system. The more expensive selective segments can be at the most 45.5% of a cohort, and demand for community colleges is depressed because the programs they offer in their own right lead to less attractive vocations, they are of lower status and the hurdles to transfer to a 4-year institution are perceived to be daunting.

While in Australia admissions to post compulsory institutions are largely segmented by level of student achievement, this occurs by the market of student places operated by the State tertiary admission centres, where the unit of exchange is the tertiary entrance score. Irrespective of the merits of this system, it is firmly established in Australia and disturbing it is unlikely to be attractive if there are other mechanisms to limit competition/duplication.

Australian governments have a long practice of limiting duplication/competition by level of award. In 1957 the Murray Committee recommended that universities relinquish their sub-degree programs, which then comprised 25% of their enrolments. In 1965 the Martin Committee recommended that universities relinquish diplomas and advanced diplomas which were to be the highest and distinctive awards of the advanced education sector it recommended be established. In 1975 the Kangan Committee recommended that the Technical and Further Education sector it recommended be formed offer awards only up to certificate IV. Since then Commonwealth and State governments have sought to maintain designations of sectors by the level of awards they offer. Typically, this causes unhappiness amongst institutions, staff and some students but is effective for as long as governments maintain their will against institutions' vigorous submissions.

Thus, the advanced education sector won the right to offer bachelor degrees within 2 years of the sector's establishment and it gained the right to offer coursework postgraduate degrees soon thereafter and eventually gained the right to offer doctorates. The vocational education and training sector has established the right to offer graduate certificates and diplomas and now has gained the right to offer bachelor degrees in South Australia and Victoria.

It would also be possible to limit duplication/competition by field of study. While levels of award have tended to be controlled at the Commonwealth level in Australia, fields of study have tended to be coordinated at the State level. There is a suitable tool in the Australian standard classification of education recently developed by the Australian Bureau of Statistics and adopted for the purposes of reporting by both higher education and now vocational education and training. Commonwealth-State planning bodies would probably need specialist advisory bodies in each of the 11 broad fields of education, so a reasonably elaborate administrative infrastructure would be needed. There would be considerable adjustment expenses as fields were moved between institutions, but again this could be done readily enough over time.

Interaction with funding models

Minimising duplication of, and hence competition between, programs removes any point to the competitive models of financing teaching and learning. It would be consistent only with the discipline-based model, model 1.

Similar institutional types

Cause

It is true that almost all Australian higher education institutions aspire to and conform to the norm of a comprehensive, research-intensive, campus-based university. This is the direct result of Commonwealth policy since 1957 when it established the Committee on Australian universities under the chair of Sir Keith Murray, chair of the UK Universities Grants Committee. As we have noted, the Murray Committee recommended that universities discard their sub-graduate teaching, and greatly expand their research and research training, essentially introducing to Australia the model of a modern comprehensive research-based university that Wilhelm von Humboldt established in the University of Berlin in 1810.

The von Humboldt model was further refined and reinforced in 1965 when the Commonwealth established the committee on the future of tertiary education in Australia under the chair of Sir Leslie Martin, chair of the Australian universities grants committee. The Martin committee recommended that universities stop offering diplomas, it increased the emphasis on universities' research training which was posited as their distinctive role and it discouraged university involvement in external study because it argued that campus-based education was most appropriate for university education.

The Williams committee of 1979 relaxed some of the restrictions on the university norm established by Murray and Martin and maintained thereafter by the universities commission and then the universities council, but it was careful to maintain the university type that had by then been established. While the unified national system of higher education established by Minister Dawkins in 1988 formally provided for different institutional types largely defined by their size, funding and therefore incentives were maximised for large, comprehensive research-intensive institutions. The White Paper also restricted distance education to a limited number of distance education centres to minimise duplication and maximize economies of scale.

The Commonwealth's current policy intensifies universities' concentration on research and research training. Of the \$5.4 billion the Commonwealth grants to institutions, \$271 million or 5% is awarded to institutions for performance in research through the institutional grants scheme. A further \$516 million or 10% is allocated through the research training scheme which heavily rewards research performance. The vast bulk of institutions' grants – \$4.6 billion or 85% of institutions' total grants – is the general operating grant which is allocated by student load inputs. Only 0.5% of institutions' grants – the higher education equity programme and the Indigenous support funding programme – are allocated for performance in equity.

TABLE 5: COMMONWEALTH GRANTS TO HIGHER EDUCATION INSTITUTIONS BY BROAD FUNCTION, 2002

Factor	Teaching & research	Research only	Research training	Equity	Indigenous student
Name of institutional grant scheme	Operating	IGS	RTS	HEEP	ISFP
Amount	\$4,613 m	\$271 m	\$516 m	\$5.9 m	23.7 m
% of total institutional grants	85%	5%	10%	0.1%	0.4%
% allocated by performance	0	100%	100%	33%	100%

Source: DEST (2001) Higher education report for the 2002 – 2004 triennium, tables exec2, 2.15, 2.13, 3.1, 3.4, http://www.detya.gov.au/highered/he_report/2002_2004/html/contents.htm

Since the only significant contestable funding for institutions is for performance in only one institutional role, research and now research training, the only Commonwealth incentive is to maximise institutional performance in research. While there are signs of some diversity developing in the system with the establishment of various groupings of universities, this is happening slowly and is in any case most unlikely to result in the diversity of institutional type envisaged by the discussion paper.

Possible policy responses

Institutional types as different as those envisaged by the discussion paper – undergraduate-only institutions, undergraduate and specialised postgraduate institutions, research intensive institutions, international specialists and specialised institutions – could be developed only with firm national planning.

Another possibility would be to encourage differences between institutions by establishing contestable funding for institutional roles in addition to the current contestable institutional funding for research and research training. Under this option there would be an institutional teaching performance fund of \$271 million and an institutional community service and equity performance fund of \$271 million to complement the institutional grants scheme of \$271 million, which would be renamed the institutional research performance fund. Institutions would be allowed to compete for 2 but not 3 performance funds. Institutions would therefore chose one of 3 options to maximise their institutional performance:

research and teaching;

research and community service;

teaching and community service.

This model is elaborated in the later chapter on resourcing.

A third possibility would be to hope that deregulation and more competition would produce greater diversity of institutional type. However, as the discussion paper notes, while expert opinion is divided, there is a strong view that markets tend to vertical uni-dimensional stratification and not horizontal multi-dimensional differentiation. This also seems to be the view of institutions themselves. Consider a list of Australian higher education institutions by research performance. Ask the institutions at the top of the list to rank institutions by teaching performance and by performance in community service. At least according to their responses to *Crossroads*, the biggest research performers put themselves at the top of these ranks as well. This was also the assessment of the Committee for Quality Assurance in Higher Education from 1993 to 1995.

Interaction with funding models

Establishing distinctive institutional types by national designation and planning is consistent only with mission-oriented funding, an option discarded by the financing discussion paper. Developing institutional differentiation with multiple contestable funds depends on performance based funding, which the discussion paper also rejected.

If the Commonwealth maintains its position on financing options, it is therefore left with hoping that one of the more competitive financing options will generate at least some worthwhile institutional diversity. But as we have noted, there can be no competition without duplication or substitutability of programs. So if the Commonwealth restricts itself to the 4 models in its financing discussion paper it will have to balance reducing program duplication against increasing institutional diversity.

Griffith believes that the Commonwealth will need to revisit its financing options to achieve the multiple goals it has for the sector. The Griffith model of higher education resourcing integrates the encouragement of institutions to develop new institutional types through multiple contestable funding with a strong but streamlined role for the Commonwealth in planning public investment in higher education through HECS places and a greater role for business and other private funding sources through changes to the taxation and regulatory regimes. The university elaborates its proposal in the later chapter on resourcing.

Sectoral diversity

The Commonwealth rules out re-establishing the former binary divide within higher education, but does not consider increasing diversity by restructuring the higher education and vocational education and training sectors. While the Commonwealth may not want to restructure the sectors in this review, it should at least note the option which may be considered in subsequent reviews.

Scope of action

The Commonwealth will need to consider whether its measures to reduce the number of units with small student load, to reduce the duplication of programs and to increase institutional specialisation applies:

only to student places and research funded by the Commonwealth;

also to domestic and international fee-paying places;

also to teaching and learning provided by fee for service; and

also to research funded by non Commonwealth bodies.

The Commonwealth will also want to consider the implications of its measures for income earnings from fee-paying postgraduate and international students. The Commonwealth may build up a few institutions by concentrating research and fee-paying students in them but thereby reduce income earned by the sector as a whole and reduce the nation's foreign income earnings overall.

Timeframe

Developing significant diversity would take at least 20 years. Concentrations of research strength and teaching excellence could be developed only gradually as institutions, staff and students adjusted to the new planning framework. Australia should not be shy of adopting a plan for higher education that would take 20 years to implement fully. The Californian master plan setting the current arrangements for higher education was established by the Donahoe Act in 1960 and has been kept relatively stable since. Over the same period Australia has established the advanced education sector (1965), established the technical and further education sector (1975) and effectively abolished the advanced education sector (1988).

3 Resourcing

The Commonwealth's third discussion paper for its higher education review, *Setting firm foundations: financing Australian higher education* repeats some tendentious assertions about institutions' supposed inefficiency but the core of the paper is 4 possible models for financing teaching and learning. This chapter introduces some basic concepts about loans schemes and deregulated fees which are used to consider the effects that each of the discussion paper's financing models would have on institutions' behaviour. It anticipates undesirable outcomes from each model.

Griffith proposes 'model 5', a financing and sector-setting model for higher education that comprises 4 parts, each with different criteria and processes to advance the multiple goals that the Commonwealth and the general community has for the sector. The Griffith model:

- 1 retains a strong but streamlined role for the Commonwealth in planning public investment in higher education through HECS places;
- 2 encourages institutions to develop new institutional types through multiple contestable funding;
- 3 offers financial incentives for institutions to improve their management outcomes, leaving it to universities to determine the most effective measures to achieve those outcomes; and
- 4 gives business and other sources of private funding a greater role in higher education financing through changes to the taxation and regulatory regimes.

Efficiency

Many of the assertions in *Crossroads* of higher education's inefficiency are wrong and others are ill conceived, provocative and unenlightening point-scoring, such as the claim that 'most universities are fully operational for only 150 days a year'. On the same analysis, of course, the Australian Parliament is 'fully operational' for only 70 days a year, Parliamentary breaks often leave Parliament House idle, weekend use of Parliamentary facilities is minimal and shared use by community organisations or other providers in Parliamentary downtimes appears to be rare.

The big increases in international student enrolments over the last 7 years have been achieved by a steady revolution in work practices which has supported the introduction of intensive summer semesters and other flexible teaching arrangements on shore, and by the introduction of twinning arrangements, block mode, and shared teaching off shore. Further major changes in work practices are being made with the introduction of on-line learning.

Institutions are able to manage these challenges in the future, as they have so successfully managed them over the last decade. There is, however, a structural contradiction in the Commonwealth's industrial relations and financing framework for the sector which is beyond the sector to handle itself.

Revenue flexibility to support industrial flexibility

Enterprise bargaining assumes that enterprises have the discretion to:

- 1 negotiate wage outcomes that reflect productivity increases and the enterprise's resources;
- 2 change the enterprise's revenue by changing the prices of its products;
- 3 change the enterprise's profitability by changing the volume of its products.

Universities have 1 but neither 2 nor 3. They therefore have no effective long-term discretion to negotiate enterprise bargains. The outcome for the Commonwealth has been fortuitous unplanned but significant savings since the new arrangements were introduced on 1 January 1996 which in 2001 amounted to 0.12% of institutions' wage costs or more than \$500 million for the sector per annum. The outcome for students has been increased class sizes and reduced access to staff resulting from a 33% increase in staff- student ratios from 1:15 in 1995 to 1:20 in 2001. The outcome for institutions and staff has been not only greatly increased workloads but a hollowing out of the sector's staffing structure. As table a12 of *Crossroads* shows, since 1991 the proportion of academic staff above senior lecturer has grown by 29% and the proportion of staff at lecturer level A has grown by 21%, but the proportion of lecturer level B staff has fallen by 11%.

Under the current arrangements the differential between enterprise bargain outcomes and institutions' base grants automatically increases each year and is therefore unsustainable in the long term. The Commonwealth should start by restoring the sector's funding shortfall which has now reached \$535 million p.a, generating a cumulative shortfall of \$1,763 million since 1996. Three long term strategies are open to the Commonwealth:

- 1 index institutions' base grants according to salary determinations by an academic salaries tribunal;
- 2 index institutions' base grants according to average wage movements less productivity-based increases, such as the wage cost index developed by the Australian Bureau of Statistics;
- 3 give institutions the other two-thirds discretion assumed by enterprise bargaining, discretion to change the price and volume of their products.

The third option is clearly consistent with Commonwealth policy since 1996. Australia has the considerable advantage of being able to examine the effects of this option in many Canadian provinces and US states, which like Australia have cut general operating grants but unlike Australia have given institutions the flexibility to change their price/volume mix. The outcome has been increases in tuition fees far in excess of increases in the consumer price index, considerable unhappiness and agitation amongst students and their parents (particularly those in the middle and upper middle income levels who suffer the full brunt of tuition fee increases), legislated capping of tuition fees and therefore adoption of option 2 – increasing institutions' base operating grants according to average wage movements.

Griffith University would prefer option 1, indexing institutions' base grants according to salary determinations by an academic salaries tribunal, since the determinations of the previous academic salaries tribunal were rational, credible and not subject to the vagaries of industrial negotiation. But if that is not agreed the only acceptable option is 2, restoring the sector's funding shortfall of some \$535 million p.a and indexing institutions' base grants according to the Australian Bureau of Statistics' wage cost index.

The Commonwealth's 4 possible models for financing teaching and learning are set out in full below.¹

Model 1: Discipline-based model

Description:

This model is a variation on current arrangements.

The Government would set a maximum number of Commonwealth funded places for the higher education sector. These would be allocated to institutions on the basis of an agreed minimum number of places with a provision for a percentage variation around this level. Institutions would be free to allocate places at the undergraduate and postgraduate coursework levels and across disciplines. Institutions could offer places beyond Commonwealth funded load on a full fee-paying basis.

The Government would establish a range of public investment levels based on course costs. The investment provided by the Government for a particular student would be the same for courses within the same public investment level band. Commonwealth payments to institutions would reflect the mix of courses they provide.

As now, most students would contribute to the cost of their course via HECS. Each course would be allocated by the Government to one of the three existing HECS bands. The allocation of courses to HECS bands could be reviewed periodically although continuing students would be eligible to complete their course under their original band rate.

Enrolments in undergraduate full fee-paying places would be restricted to a certain percentage of the overall load for each public investment level band but there would be no limit to the proportion of full fee-paying places in any individual course. Over time full fee-paying students would be able to transfer to a Commonwealth funded place on the basis of relative merit.

All students would have access to income-contingent loans.

Possible variations:

- Additional HECS band levels could be introduced to reflect the variation in personal benefits from higher education.
- The basis of allocation of courses to particular HECS bands could be varied.
- A single HECS band providing a flat-rate student contribution could be used.

¹ This section is taken from the Commonwealth's issues paper *Setting firm foundations: financing Australian higher education*, pp 43-50.

207 This model would address the inequities associated with the Relative Funding Model, which is currently the basis for determining the amount of government funding to institutions. Current arrangements discourage specialisation by financially penalizing universities if they want to place increased emphasis on higher cost courses.

208 Institutions would have increased flexibility over current arrangements in terms of student numbers and also in terms of course offerings since funding would directly reflect student mix. This model would allow institutions to take a more strategic approach to their offerings and in a relatively predictable funding environment.

209 Full-fee paying undergraduate students would need to be limited to a percentage of places at any particular government investment level band to spread the Commonwealth's commitment equitably across disciplines. They would be entitled to transfer to a Commonwealth funded place after an appropriate study assessment period if they met the merit criteria for these places. It is likely that universities would maintain some level of funded places in all courses to ensure they remain attractive to the brightest students seeking entry to courses without incurring fees.

210 Over time, as institutions specialise and greater diversity is introduced into the sector, student choice would increase. Access to higher education would be improved with the introduction of income-contingent loans for all students and increased flexibility in terms of total places.

211 Issues brought out in submissions to the Review are relevant to this model. Key questions include:

- Does the model provide sufficient flexibility for institutions to pursue their objectives?
- Does the model provide sufficient flexibility to introduce an appropriate level of specialisation and diversity in the sector?
- Does the model provide sufficient choice for students?
- Should private universities be eligible for a greater share of funded places? some funding models for teaching and learning.

Model 2: Fee deregulation

Description:

Under this model the Government would set the base rates for student contribution. Universities would be free to adjust the rates above or below the base. Those institutions choosing not to increase levels above the base rates for a specified majority of their student load would receive a financial loading from the Government. This would be based on the size of the student load for which student contributions remain at the base rates or lower. Institutions could review decisions annually.

The Government would set a maximum number of Commonwealth funded places for the higher education sector. These would be allocated to institutions on the basis of an agreed minimum number of places with a provision for a percentage variation around this level. Institutions would be free to allocate places at both the undergraduate and postgraduate coursework level and across disciplines. Institutions could offer places beyond Commonwealth funded load on a full fee-paying basis.

The public investment levels would be as outlined in the Discipline based Model.

Enrolments in full fee-paying undergraduate places would be restricted to a certain percentage of the overall load for each public investment level band. Full fee-paying students would be able to transfer to a Commonwealth funded place on the basis of relative merit.

All students would have access to income-contingent loans for their contribution amounts.

Possible variations:

- As a transition measure, some capping of fee increases could be introduced.
- The financial loading could be applied on a course basis rather than on an institution basis. However, this could have implications for administration and associated costs.
- The financial loading provision could be removed. However, this could have adverse effects on vulnerable institutions.

212 This model would provide greater flexibility and choice for institutions. It would provide a safeguard for institutions choosing not to raise student contribution levels for the majority of courses. Base funding levels would be predictable, enabling institutions to undertake their strategic planning with confidence.

213 Specialisation and diversity would be fostered because all institutions, in areas in which they have particular strengths, would be able to vary fees and increase the number of places. This would enable institutions to commit increased resources to targeted areas, establishing a self-sustaining, reinforcing specialisation mechanism.

214 As a result of greater specialisation and diversity, students would have significant choice in terms of selection of institution, course, price and location. Access would be some funding models for teaching and learning assured through the provision of income contingent loans and increased flexibility in terms of total places.

215 Some element of central planning to meet labour market priorities could be introduced by including a provision to designate a set percentage of places for particular disciplines. This could be done through negotiation between the Government and the institutions. Alternatively, increased government investment levels could be offered for priority courses.

216 Issues of relevance to this model brought out in submissions are primarily those to do with fee deregulation. some funding models for teaching and learning.

Model 3: Flat rate learning entitlements

Description:

Each year the Government would allocate a set number of higher education learning entitlements to students entering higher education for the first time. The entitlement, which would represent the Government's public investment level, would be of a set value regardless of the course for which it was used. Students would be able to use their entitlement for a set number of years of equivalent fulltime study. The entitlement could be used for both undergraduate and postgraduate coursework studies and would be transferable between institutions. Use of the entitlement could be deferred and its value would be indexed.

Learning entitlements would be allocated on the basis of academic merit with set percentages being allocated to school leavers and mature-age students. Students holding entitlements would be able to apply to the institution of their choice for the course of their choice, taking into account the price of the course (and implicitly the extent of private investment required of them).

Student load at institutions would be dependent on the demand for places and the institution's limit on the number of places.

Institutions would set the price for all courses. Students would be required to meet the difference between the course price and the value of their learning entitlement. Institutions would receive an amount equivalent to the value of the learning entitlement plus the full amount of the student contribution. If an entitlement were exhausted prior to completion of a course, fees would apply for the remainder of the course.

Students not in receipt of a learning entitlement would study on a full fee-paying basis. All students (including postgraduate coursework students) would be eligible for an income-contingent loan for their contribution amounts.

Possible variation:

- Increases in student load could be limited, in particular during a transition phase.
- Capping of fees could be introduced, possibly during a transition period.
- The Government could provide institutions with separate funding to reduce student contribution levels in targeted courses where market forces result in labour market failures.
- To encourage life-long learning, provision for additional equivalent full-time study could be added to the value of the entitlement after a set number of years. (For example, ten years after the initial learning entitlement has been exhausted.)

217 Under this model, the allocation of Commonwealth funds to institutions would be driven by student demand. Institutions would have the opportunity to gain additional funding by attracting more students and through increased student contributions.

218 Student choice is the cornerstone of the model but this could be constrained, at least in a transition period, by capping the extent to which institutions can increase enrolments.

219 Competition between institutions would grow and this would encourage greater emphasis on information provided to students to enable them to make informed choices.

220 By limiting the learning entitlement to a set period (for example, 5 or 6 years of full-time study), progression rates may improve as incentives to complete study in a minimum amount of time would be strong. Several submissions to this Review express the view that any time limit should not disadvantage students undertaking the traditionally longer courses and double degrees, or act as a disincentive to undertake honours and postgraduate study. This is unlikely. It is possible that it would provide an incentive for a student completing a three or four year undergraduate degree to consider undertaking further years of postgraduate study later in life.

221 Issues of relevance to this model brought out in submissions include those associated with fee deregulation and issues to do with a student-targeted approach, including:

- What administrative systems would be needed to track students?
- Would there be sufficient information in the market place to ensure students made a well-informed decision?
- Would students be sufficiently mobile for the market to operate effectively?
- Would some universities, particularly those historically and/or regionally disadvantaged become unviable? And if so, what would be the consequences?
- How would universities plan given uncertainties in predicting student load from year to year?
- Could the need for particular skills in the labour market be met without some level of intervention?

Model 4: Variable rate learning entitlements

Description:

Each year the Government would allocate a set number of higher education learning entitlements to students entering higher education for the first time. The entitlement, which would represent the Government's public investment level, would be of variable value depending on the course for which it was used. The value of the entitlement would be determined by the Government.

Learning entitlements would be allocated on the basis of academic merit with set percentages being allocated to school leavers and mature-age students. Students holding entitlements would be able to apply to the institution of their choice.

Students would meet the difference between the value of the entitlement and the price of the course. Students would be able to use their entitlement for a set number of years of equivalent full-time study. The entitlement could be used for both undergraduate and postgraduate coursework studies and would be transferable between institutions. Use of the entitlement could be deferred and its value would be indexed.

Institutions would set the price for all courses. Students would be required to meet the difference between the course price and the value of their learning entitlement. Institutions would receive an amount equivalent to the value of the learning entitlement plus the full amount of the student contribution. If an entitlement were exhausted prior to completion of a course, fees would apply for the remainder of the course.

Students not in receipt of a learning entitlement would study on a full fee-paying basis. All students (including postgraduate coursework students) would be eligible for an income-contingent loan for their contribution amounts.

Possible variations:

- Increases in student load could be limited, in particular during a transition phase.
- To encourage life-long learning, provision for additional equivalent full-time study could be added to the value of the entitlement after a set number of years.
- The variable value of the learning entitlement could be set at a fixed percentage of course price, subject to capping.

222 This model would provide the Government with options to adjust government investment levels per student on the basis of course costs, labour market considerations, other national priorities and potential future earnings of graduates.

223 The outcomes from this model would in many respects be as for the Flat Rate Learning Entitlement Model. However, because the government investment level would vary, some students would have a higher contribution rate than under the previous model while others would have a lower rate.

224 Issues of relevance to this model brought out in submissions include those associated with fee deregulation and issues to do with a student-targeted approach as noted for the Flat Rate Learning Entitlement Model.

225 Although, for the sake of analytical simplicity, four distinct models have been articulated it would be wrong to assume that they are mutually exclusive. Dawkins (Submission 339) has put forward a hybrid model combining elements of some of these models. He has argued that a hybrid approach may be necessary if a student targeted mechanism were to be adopted to retain some form of direct funding to institutions.

226 Dawkins suggests that in the short-term such a model could involve about half of the available funding going to students as learning entitlements and the other half to universities to provide scholarships. In the longer term about 80 per cent of the funding could go to students as learning entitlements and the remaining 20 per cent to institutions to be used for equity scholarships or 'top-ups' to flat rate entitlements.

Essential features of a loans scheme

These features of the higher education contribution scheme are essential for any extended application throughout tertiary education:

- 1 payment of the fee to the provider is guaranteed by the Commonwealth Government to protect providers from bearing the financial risk of loan default;
- 2 no interest is charged to the borrower to protect against the debt mounting to daunting and unmanageable levels for those who can't afford to repay promptly;
- 3 but students who pay up front receive a discount of 25% (or to put the same point the other way, students who take out a loan incur a debt 33.3% more than students who don't take out a loan) in lieu of interest foregone and to compensate for the benefit of using the tax collection system;
- 4 loans are recovered through the taxation system so that default is minimised and collection costs are reduced;
- 5 students' repayment of the loan is contingent upon their taxable income reaching a reasonable threshold and the level of prepayment is progressively related to students' taxable income.

Some people argue that Australia needs to learn a lesson from the very large debts accumulated by students in Aotearoa-New Zealand, but interest is charged on these loans and so this experience is not directly comparable with Australia's. Rather, Aotearoa-New Zealand's experience demonstrates the importance of condition 2 above – that no interest is charged to the borrower to protect against the debt mounting to daunting and unmanageable levels for those who can't afford to replay promptly.

Students are not very sensitive to fees where the fee can be deferred with an income contingent loan, and particularly a loan that is heavily subsidised like HECS. Indeed, that is the whole point of income contingent loans: if they did not protect students from the cost of their course much of their benefit in encouraging participation would be lost. So fees underwritten by subsidised loans do not provide very good discipline against fee increases, and this is an important point in designing a financing system, as the US experience shows.

Most student loans in the US are guaranteed and subsidised by the federal government but there is no discount for up-front payment or surcharge for taking out the loan, loans are not recovered through the taxation system and repayment is not contingent on the student's income. The US experience that students from low socio-economic background are discouraged from higher education because they are more adverse to debt than other students (Knight, 1997) is therefore not directly applicable to Australia where loans are income contingent.

However, US federal loans' lack of a loans surcharge is similar to Australia's postgraduate education loans scheme which also doesn't have a discount for up-front payment or impose a surcharge for taking out the loan. The US experience that deregulated tuition fees underwritten by guaranteed and subsidised loans but without a surcharge for taking out the loan encourages the inflation of tuition fees (Knight, 1997) seems to be applicable to

Australia, and the early indications are that pels is leading to increased postgraduate tuition fees and that therefore the US experience of fee inflation is a real concern. The response of a number of US states has been to cap fee increases, at least by public universities.

But rather than cap fee increases immediately the better approach is to start by adopting principle 3 above – impose a surcharge on students who take out a loan in lieu of interest foregone and to compensate for the benefit of using the tax collection system. This would impose at least some price sensitivity and it may impose sufficient discipline on fee increases to avoid the blunt instrument of a cap. However, if a loan surcharge of 33% (which equates to the current HECS discount for up-front payment of 25%) is not an effective discipline on fee inflation some form of fee regulation should be considered.

Deregulated fees, debt aversion and vertical segmentation

There is no evidence that HECS even at its increased levels after 1997 has had an adverse equity impact. Members of equity groups have not been more or less represented when modest tuition fees were collected before 1974, during the brief time when tuition fees were abolished from 1974 to 1987, nor after the introduction of the higher education contribution scheme in 1989. In particular, there is no evidence that members of equity groups are more adverse to incurring a HECS debt at the highest level of \$5,999 per equivalent full time study load than they are of incurring a debt at the lowest level of \$3,598 per efts.

If there were no aversion to debt whatever its level there would be little immediate equity disadvantage in deregulating fees completely provided they were covered by income contingent loans. Griffith is not aware of any study of aversion to debt covered by income contingent loans. But it seems probable that members of equity groups would be more adverse than others to incurring debt at some level. What that level might be will remain speculative in the absence of market research, but is crucial in establishing the limits to a deregulated system.

A fully deregulated system with full income contingent loans might have full tuition fees for a resource-rich program of \$15,000 per annum, books and ancillary study expenses of \$2,000 pa, and accommodation and living expenses of \$23,000 pa. Total study costs may amount to \$40,000 pa which if deferred should incur a loan surcharge of 33% generating a debt of \$41,332 per annum, say a total of \$165,328 for a 4-year program. This might be compared with living at home for a shorter and cheaper course, incurring a HECS debt of \$10,794. It seems likely that faced with such a choice a person from a low socio-economic status background is more likely to choose the cheaper option than a person from a medium or high ses background.

If this is true such a fully deregulated system would establish a regressive cycle: students from medium and high socio-economic status backgrounds would prefer better resourced but more expensive programs which would add the advantage of a better resourced program to the advantage they already enjoy coming from a middle or high ses background. The system would become even more vertically segmented by socio-economic status. The programs and institutions that have accumulated prestige over a long period of public funding would be able to charge higher fees from which they could fund richer resources which students from low ses backgrounds are less likely to choose because of their greater aversion to high debt, thus accentuating the disadvantage they already suffer coming from a low ses background.

Avoiding such a regressive reinforcing cycle should be a fundamental condition of any deregulated fee system. It is therefore crucial to determine the level of debt aversion of members of equity groups to establish the limits of a deregulated system.

There are difficulties with each of the models outlined in *Setting firm foundations: financing Australian higher education*.

Model 1

The description of model 1 is so brief as to be ambiguous, but one possible interpretation is that public investment would be determined by teaching cost, whereas student contributions would be according to personal benefits. There are two possible difficulties with such an approach.

Teaching costs vary by subject, not by program, whereas student benefits – graduates’ employment rate and earnings – vary by program, not by subject. Institutions would therefore use subject as the basic unit for managing Commonwealth funding, but would use program as the basic unit for charging HECS. This would not be a fundamental difficulty, but it would be more complicated than using the same basic unit for both purposes.

The second difficulty may cause more problems. The Commonwealth considers some courses such as law to be low cost (ignoring clinical legal education as if it were more optional than clinical practice for health students and teaching experience for education students) but counts them as having high student benefits. The result under the current system and continued in model 1 is that the public investment in law would be at the lowest level but that students’ contributions would be at the highest level. Law students’ HECS contributions are currently about 80% of the Commonwealth’s funding rate for the course, far more than the average of 25%. The relationship between current student contribution levels and the relativities for public investment set in the relative funding model for a number of disciplines is shown in table 6.

TABLE 6: RELATION BETWEEN PUBLIC INVESTMENT AND STUDENT CONTRIBUTION LEVELS

STUDENT CONTRIBUTION	PUBLIC INVESTMENT LEVEL		
	Low	Medium	High
High	law		medicine
Medium	business	computing	engineering, sciences
Low	arts	education, nursing	

A hypothetical economically rational university would maximise its fee income by converting all current HECS places in law to full fee-paying places since it would greatly increase the institution’s income without greatly increasing the cost to the student since they are already paying a high proportion of their course costs through HECS and would have access to an income contingent loan to pay full fees. The institution would transfer its current law HECS places to courses like nursing that are treated in exactly the opposite way by the Commonwealth: higher cost but low HECS.

Model 1 and its variant model 2 allow full fee-paying students to transfer to a Commonwealth-funded place ‘on the basis of relative merit’. Models 1 and 2 give institutions flexibility to transfer places between level. So an economically rational university would seek to offer all but its highest scoring applicants a full fee-paying place in first year, offering the students who perform best in first year a place funded by the Commonwealth in second year but keeping the others in full fee places. If that seems too venal for most universities to adopt with undergraduates, the same arrangement would be possible at postgraduate level. An economically rational but not excessively venal university would maximise its fee income by transferring Commonwealth-funded and full fee-paying places between postgraduate levels if not between undergraduate levels.

In models 1 and 2 the Commonwealth would adjust its payments to institutions to ‘reflect the mix of courses they provide’. This is because the current arrangement of not changing funding in response to changes in student mix penalises institutions which transfer load from low cost to high cost disciplines. The discussion paper supposes that the current arrangement discourages institutions from transferring load to high cost disciplines (para 207) although there is no firm evidence that this is in fact the case. However, changing institutions’ funding to reflect changes in their student mix might discourage institutions from responding to student demand by transferring places from high cost to low cost disciplines – it might effectively lock places in high cost disciplines, despite shifts in student demand. Again, there is as yet no firm evidence that this is likely to happen, but if it is likely that the lack of funding adjustment to reflect student mix inhibits institutions from transferring places to high cost disciplines it is just as likely that introducing funding adjustments to reflect student mix would inhibit institutions transferring places from high cost disciplines.

Model 2

There are two possible problems with model 2. First, it assumes that students’ choice of course is influenced by course cost and we know that this is not true, at least for HECS around its current levels. So the market mechanism that model 2 posits to moderate fees is unlikely to operate generally.

The second problem is potentially more serious. Consider a university that has moderate to weak demand but which with care manages to fill its load each year. It might have 4 idealised types of courses: those that have high demand but are low cost such as law, high demand and high cost such as physiotherapy, low demand and low cost such as arts and low demand high cost such as engineering.

TABLE 7: 4 TYPES OF COURSE

STUDENT DEMAND	PROGRAM COST	
	High	Low
High	physiotherapy	law
Low	engineering	arts

Model 2 would encourage such an economically rational university to convert all its places in high demand low cost courses to full fee paying places and transfer HECS places to high demand and high cost courses with top-up fees, since in both cases students are likely to be willing to incur the higher income-contingent debt. If model 2 retains broadly the current

relativities between teaching costs, Commonwealth funding levels and base student contribution levels at the current HECS bands, our hypothetical university would probably discount arts places deeply to fill its Commonwealth-funded student load.

The university’s treatment of high cost low demand courses such as engineering would depend on the size of its engineering school and how many places it would need to fill to meet the ‘majority of student load’ specified by the Commonwealth to receive the financial loading provided in model 2. If the university has a large engineering school and needs only a few extra students to meet the ‘majority of student load’ to attract the Commonwealth’s financial loading, it would be worthwhile discounting the engineering places just to attract the loading. If the university has a small engineering school and needs a lot more students to attract the financial loading, the economically rational university would further shrink its engineering school.

TABLE 8: ECONOMICALLY RATIONAL RESPONSE TO MODEL 2

STUDENT DEMAND	PROGRAM COST	
	High	Low
High	HECS + top-up fee	Full fees
Low	Depends on local factors	Heavily discounted HECS

There are two problems for the Commonwealth with this outcome. First, each institution’s financial and student load modeling would be quite complicated. And institutions would find it doubly hard to predict load because they would not only compete with other institutions on offer strategy, but also on price. For both reasons institutions would have to centralise decision-making on student load and course fees, removing discretion from academic organisational units closest to students. Secondly, the outcome for the sector as a whole might be perverse. Or even more difficult for the Commonwealth, the subsidy signals would be sufficiently different for enough universities to make it impossible for the Commonwealth to shape an optimal outcome for the sector as a whole.

Chapman (2002) notes that universities’ capacity to charge fees, including charging premium HECS, is related to their reputation and to their location. Institutions’ reputation, or in business terms their goodwill, is directly related to their age: they have been built on an accumulation of public subsidies. The older institutions also tend to have prime locations on the fringe of the central business district which again have been contributed by the public through the transfer of Crown land and the allocation of capital and general operating grants. Since institutions do not account for their goodwill in their financial statements and since they do not pay rent, fee income is an economic rent which should be returned to general revenue, not to the institutions that happen to be able to extract the economic rents. Therefore half of any fees charged by institutions, including any premium HECS, should be returned to the Commonwealth to allocate to general purposes, preferably to compensate for the adverse equity impact of any fee deregulation.

Models 3 and 4

In both learning entitlement models the allocation of public investment and the shape of the sector would be determined by the individual decisions of students maximising their own interests but not therefore necessarily optimising the sector for the benefit of the community as

a whole. It is asymmetrical and in any case seems strange to invest heavy public policy in the revenue raising side – with progressive tax scales; differential tax rates for different types of earners, earnings and expenditure; and tax concessions, deductions and other preferential tax expenditures – but to invest minimal public policy in the revenue expenditure side. Letting the market decide the allocation of public funds in higher education – the ‘level playing field’ – is the expenditure equivalent of a flat tax rate on the revenue raising side.

The allocation of places is also the generation of the labour force in 4 years’ time and the allocation of effort in scholarship and research since there is a scholarship and research component in funding teaching-learning. While no-one is suggesting full labour force and research planning, it is too risky to leave the provision of graduates in 4 years’ time and the allocation of research time entirely to the decisions of students in their final year of secondary school.

In chapter 2: Institutional diversity Griffith notes that higher education has 5 main types of region:

- 1 regions which include 3 or more campuses in which there is reasonable competition/duplication in a broad range of programs, such as large but by no mean all areas of the large capital cities of Sydney, Melbourne, Brisbane, Perth and Adelaide;
- 2 regions which include 2 campuses in which there is limited competition/duplication in programs, such as Albury/Wodonga and Canberra/Queanbeyan;
- 3 regions which have a comprehensive range of programs but no competition/duplication, such as Armidale, Ballarat, Bathurst, Bendigo, Churchill, Darwin, Geelong, the Gold Coast, Hobart, Launceston, Lismore, Newcastle, Townsville, Rockhampton, Wagga and Wollongong;
- 4 regions which have a limited range of programs such as Bundaberg, Dubbo, Horsham, Burnie, Whyalla, Kalgoorlie and Alice Springs;
- 5 regions which have no substantial higher education presence.

Learning entitlements may operate effectively in regions of the first type, and may operate for some fields of study in region of type 2, but there would be no point in having learning entitlements in regions of type 3, 4 or 5 since these regions aren’t large enough to support more than one comprehensive provider, if that.

In addition to the problems with allocating learning entitlements by merit noted in the discussion paper (paragraphs 157-8) the national system would also need a mechanism for assessing applicants with work experience and other individual characteristics, and for ranking applicants with previous tertiary education study, who are one third of commencing bachelor students. The Commonwealth would also have to set learning entitlement sub quotas by State if not by region for undergraduate and postgraduate places, since there is no way of assessing the relative merits of a moderately achieving school leaver seeking an undergraduate place and a moderately achieving graduate seeking a postgraduate place.

The higher education market is governed by a cycle of reinforcing reputations. In the absence of any real knowledge of programs and institutions students choose their institution by reputation. The oldest university, the University of Sydney has had more time to accumulate a

reputation than any other, and so has the strongest demand and highest cut-off scores. In the absence of any better information employers make their graduate recruitment decisions on the hi-ho principle. This is a variant of the gi-go principle, garbage in – garbage out. Hi-ho assumes high achievers in, high achievers out. Since the University of Sydney has the highest cut-off scores, the hi-ho principle assumes it has the highest achieving graduates.

This cycle of reinforcing reputations is based on an asymmetry of knowledge which seems fundamental to the relationship between teacher and student, and therefore even more so between teaching institutions and prospective students. Learning entitlements would give even more market power to the institutions and individuals who are already advantaged by the cycle of reinforcing reputations and would entrench the cycle deeper.

Higher education is a positional good like Sydney harbourside real estate, membership of exclusive clubs and gem diamonds. A large part of their value is in their scarcity, in the position they give their holders in a reputational hierarchy. As Hirsch (1976) has shown, the market in positional goods depends on creating scarcity, not supplying it. Exclusive clubs do not increase the size of their membership despite the considerable financial benefit from doing so since this would destroy their main value. For the same reason universities whose main asset is their reputation do not respond to the market signals of supply and demand. Learning entitlements would therefore give students no greater bargaining power in the competition for places in high demand programs and institutions.

At the other end of the market where the competition is not amongst students for places but amongst institutions and programs for students, vouchers are not needed to increase students' bargaining power since they already have considerable consumer power.

Learning entitlements would therefore be of use only (1) in regions where there is duplication/competition between several institutions in a reasonable range of programs and (2) where supply and demand for places are elastic and in rough equilibrium. Taking both factors into account, learning entitlements might be effective for only about ¼ of places overall.

Learning entitlements would not necessarily develop greater diversity of programs and institutions. As the *Diversity* discussion paper notes, while expert opinion is divided, there is a strong view that markets tend to vertical uni-dimensional stratification and not horizontal multi-dimensional differentiation.

Applicants could receive at least 4 types of offer:

- a place but no learning entitlement;
- a place, a learning entitlement and a standard fee;
- a place, a learning entitlement and a discounted fee;
- a place, a learning entitlement and a premium fee.

An applicant might be willing to accept one of these types of offer for some institutions and programs but not others. Applicants could not be expected to weigh all these permutations in advance. So State tertiary admission centres would have to allow institutions to make multiple offers, thus increasing considerably the time and uncertainty of student admissions.

Various throughout the discussion paper the Commonwealth notes several limitations within which learning entitlements have to operate.

- a. Places in medicine would remain strictly limited.
- b. Special arrangements may be required for courses which provide a large part of State Governments' workforce such as nursing and education. Other disciplines such as physics and Asian languages would also claim special treatment.
- c. The regions would have to be protected.
- d. Other equity and community service considerations would have to be met.
- e. Fee caps and other fee restrictions may be needed.
- f. The discussion paper contemplates caps on institutions' increasing their student numbers, at least as a transitional measure (paragraph 218). Caps are presumably contemplated not to protect some institutions from excessive growth, but to protect others from too sudden a loss of students. But caps won't necessarily achieve this aim since some institutions compete directly with several others and thus could lose students up to the cap to several institutions, cumulatively suffering a large sudden loss.

As the limitations to a voucher model are expanded and its complexity is elaborated, its advantages are reduced and one of its considerable attractions of simplicity is lost.

Performance based funding

The discussion paper gives its reasons for rejecting performance-based funding in paragraphs 229 and 232 to 233. But the Commonwealth confronted all of these issues when it decided to allocate institutional research funding by performance in 1988. As the White Paper also announced, the Government commissioned the development of institutional research performance measures for implementation in the following triennium (Dawkins, 1988:93). There seems no reason why a similar solution could not be found for funding by institutional performance in teaching and community service.

Income-contingent loans available at private providers

It is important that students who pay tuition fees up front receive a discount of 25%, and to put the same point the other way, students who take out a loan pay the Commonwealth 33.3% more than students who don't take out a loan in lieu of interest foregone and to compensate for the benefit of using the tax collection method. With such a surcharge, income contingent loans may be extended to all accredited providers, including private providers. Income contingent loans could also be made available to TAFE institutes' up front fees for diplomas and advanced diplomas and for full fees for bachelor degrees if they are properly accredited.

No public investment in private providers

Private higher education providers and the students who attend them should not be given government funding since this would lose the whole point of having a private sector free of Government control and would allow for the unplanned emergence of a de facto public sector. The Commonwealth should concentrate its limited resources on maximising the capacity and quality of public institutions. Furthermore, the Commonwealth will want to get the maximum leverage of the shrinking proportion of public funding of even public institutions to achieve important social objectives such as equity and regional development.

Private investment in public providers

Private investment in higher education is desirable to increase the total funds available to higher education, but it also may be considered desirable to broaden the sources of higher education financing and to diversify the influences upon it. The Commonwealth correctly observes in *Financing* that private donations and bequests are a lower proportion of universities' funding in Australia than the US. However, as is reported in the Victorian Government's review of university governance (2002) private donations and bequests are not a markedly higher proportion of universities' income in Canada and the UK. This suggests that US universities may have an unusually high proportion of income from donations and bequests, rather than Australian universities having an unusually low proportion of donations and bequests.

Financing considers only taxation expenditures to encourage private donations and bequests to higher education. This would not increase private investment in higher education, but merely shift public investment from a direct investment to an indirect investment through a taxation expenditure. To increase net investment in higher education any additional taxation expenditure needs to be balanced by increased revenue raising. Overseas jurisdictions, including the US, levy probate duty and this is an important stimulus for donations and bequests to charitable institutions, including universities, as well as being a source of additional revenue to balance taxation expenditures.

Thus, the US Department of Treasury reports that there is overwhelming evidence that estate taxes stimulate charitable bequests, and recent evidence indicates that they influence lifetime giving as well (Joulfaian, 1988). In a paper for the Brookings Institution, Gale & Slemrod (2000) note that the deduction in the estate tax for charitable contributions generates a significant increase in contributions to the non-profit sector including universities, especially among the wealthiest households. In 1997, of 329 taxable estates with gross assets above \$20 million, 182 made charitable contributions, and those that did contributed an average of over \$41 million. The authors note that transfer taxes may also encourage giving to charity during life as a way to reduce gross estate values.

Under-provision of Commonwealth places on the Gold Coast

The Gold Coast has a population of about the same size as Newcastle and much larger than Townsville/Cairns and Wollongong, but the Commonwealth funds less than half the number of places per 1,000 population on the Gold Coast.

TABLE 9: POPULATION PROJECTIONS AND COMMONWEALTH PLACES FOR SELECTED MAJOR REGIONS, 2004

City	Population projected by 2004	Commonwealth-funded places per 1,000
Wollongong	269,320	29
Townsville/Cairns	278,571	28
Newcastle	486,600	24
Australia	20,011,200	20
Gold Coast	459,382	12

An extra 3,500 university places is needed for the Gold Coast to bring it up to the national average of places per population and an extra 7,000 places would be needed to give the Gold Coast the same proportion of places as cities such as Newcastle and Wollongong.

The Commonwealth Government acknowledges the problem in its third discussion paper for its higher education review, *Setting firm foundations: financing Australian higher education*. However, the Commonwealth does no more than raise the question: it presents no option for consideration. There are 3 options open to the Commonwealth.

1 Deregulation – allow institutions to fund places by charging fees

Increasing the number of places on the Gold Coast by deregulating fees would unfairly require Gold Coast residents to pay for historical inequities in public funding.

2 Transfer places from over-provided and low demand areas

Places could be transferred from other areas which have more places per population and low student demand. Only 0.88% of total Commonwealth places would have to be transferred to bring the Gold Coast up to the national average. However, as the Commonwealth notes in its recent discussion paper, the Commonwealth has found it very hard to transfer places between regions and institutions, even when they have not been filled.

3 Fund additional places

Funding the additional places would cost the Commonwealth some \$35 million per annum.

It would be optimistic to expect the Commonwealth to redress in one year a situation that has developed over a decade, and in any case the Gold Coast campus would have considerable difficulty expanding its capacity so quickly. The university therefore proposes that 200 additional places be provided to the Gold Coast each year, reaching the Australian average places per population over 7 years.

Whichever option or combination of options is preferred, measures to redress historical inequities in the allocation of Commonwealth funded places should be implemented *before* any deregulated system is introduced following the current higher education review. Otherwise the Coast would be trying to compete in a new deregulated environment while carrying the historical disadvantages imposed by the former system.

The Griffith model

The Griffith model seeks to advance the multiple goals that the Commonwealth and the general community has for higher education by establishing 4 funding categories, each with different criteria and processes to reflect different goals for the sector.

1 *Student load-based funding*

In the Griffith model the Commonwealth would retain a strong but streamlined role in planning public investment in higher education through allocating publicly funded places. This would be achieved largely by adopting the *Financing* discussion paper model 1, with 2 exceptions. In its discussion of model 1 the university noted the anomalies and contradictory price signals that would be given by having significant differences between a program's public investment level and its student contribution level. While there may be a good justification for not having student contribution levels aligned precisely with public investment levels, there would be no major misalignment in the Griffith model. This would mean that current relativities would be changed for law, either by increasing the public investment level to recognise the high cost of clinical legal education, or by reducing the student contribution level to HECS band 1 or 2.

In its discussion of model 2 the university noted that fee income is an economic rent which should be returned to general revenue, not to the institutions that happen to be able to extract the rents. So Griffith's second exception to model 1 would be to require half of institutions' income from full fee-paying places to be returned to the Commonwealth to allocate to general purposes, preferably to compensate for the adverse equity impact of any fee deregulation.

2 *Multiple contestable funding for institutional performance*

In the Griffith model institutions would be encouraged to develop new institutional types through multiple contestable funding. This would be achieved by establishing an institutional teaching performance fund of \$271 million and an institutional community service and equity performance fund of \$271 million to complement the institutional grants scheme of \$271 million, which would be renamed the institutional research performance fund.

There would thus be 3 contestable institutional performance funds:

- 1 institutional teaching performance fund of \$271 m;
- 2 an institutional community service and equity performance fund of \$271 m;
- 3 institutional research performance fund of \$271 m (replacing the institutional grants scheme).

Institutions would be allowed to compete for 2 but not 3 performance funds, for two reasons. It would ensure that different types of institution had a reasonable opportunity of attracting additional funds if their performance were sufficiently strong. This would be in contrast to the process conducted by the committee for quality assurance in higher education from 1993 to 1995, in which all institutions competed in all categories and which concentrated additional funding in a few institutions. Secondly, allowing institutions to compete in all 3 funds would

result in their maintaining effort in all roles and thus not developing substantive diversity but merely different levels of performance in all roles. Allowing institutions to compete for only 2 funds would require them to choose one of 3 options to maximise their institutional performance:

research and teaching;

research and community service;

teaching and community service.

All institutions would be tempted to continue competing for the institutional research performance fund because of the considerable prestige attached to research. However, the institutional rankings are well known, and if the differential for top performance were high enough many institutions would concentrate on the other areas in which they are better suited to performing strongly. This would encourage greater diversity in the sector, but it would be driven by institutions choosing their own areas of concentration informed by an external assessment of their relative strengths.

Institutions would be able to change the funds for which they compete in response to outcomes and their performance. Some institutions may change the funds for which they compete early in the new arrangements, but they would be likely to maintain a stable strategy after an initial sorting. Institutions would be required to report on their expenditure of their teaching performance and/or community service and equity performance grants, as they are currently required to report on their research management plans and the expenditure of their equity program grants.

The institutional teaching performance fund and the institutional community service and equity performance fund would be established by new, additional Commonwealth funding for the sector. Because the funds would be contestable institutions could not be sure of their share of performance funds from year to year and therefore could not build performance funds into operational budgets without destabilising continuing core activities and further casualising an already heavily casualised workforce. Establishing contestable performance funds with additional Commonwealth funding would give the Commonwealth considerable leverage over the sector while rewarding and contributing directly to improving institutional performance in core roles for the sector.

The Commonwealth would need to commission the development of appropriate indicators of institutional performance in teaching and in community service, as it commissioned indicators of institutional performance in research when it adopted performance-based funding for research in 1988. McKinnon and colleagues (2000) have done some useful groundwork for such indicators. In addition, the Department of Education, Science and Technology includes some relevant indicators in its *Characteristics and performance indicators of Australian higher education institutions* (200b).

The performance component for community/regional development might comprise three parts.

- 1 Equity performance, which would be assessed by the access, participation and outcomes of members of equity groups as with the current performance component of the higher education equity program.

- 2 Contribution to community development, which would be based on a qualitative assessment of the extent and depth of each institution's teaching and research community development programs. A teaching or a research program would be classified as a community development program if much of its direction were informed by a consultative community advisory committee. The extent of a teaching community development program would be measured by its number of students or participants. The extent of a research community development program would be measured by the time commitment of university staff.
- 3 Contribution to community service, which would be based on the commitment of university staff time to participation in regional groups and activities, such as membership of local school councils, advice to local government, and participation in local community and service groups.

The Commonwealth already uses institutional performance indicators to allocate funds under the higher education equity program and the Indigenous support funding program which could be readily incorporated and expanded in an institutional performance fund.

Parts 2 and 3 would require extensive new data collection for those institutions wishing to compete for community development performance funding. Some universities are already considering or planning systematising and extending their community development programs, such as Griffith's office for community partnerships. Other institutions would need to make a new commitment. While the Commonwealth should be slow to impose new data collection burdens on institutions, this data would have the considerable benefit for institutions and the sector as a whole of demonstrating the extent of community development and service provided by higher education institutions.

3 *Institutional effectiveness*

The Commonwealth outlines the accountabilities it seeks of universities in several places throughout its discussion papers. In paragraph 37 of the *Governance* discussion paper the Commonwealth says –

The key areas in which the Commonwealth needs assurance and which are essential in any accountability model, given the substantial level of funds it provides, are:

- assurance about minimum levels of provision of higher education for Australian students;
- financial assurance – the prudential use of funds to effectively deliver the outcomes the Commonwealth seeks;
- quality assurance – in the sense of the quality of outcomes achieved; and
- probity assurance – in university operations and decision-making, particularly in the provision of equitable and transparent access to university by students from across the community, in universities' research endeavours and commercial ventures, and in their strategic decision making.

What the Commonwealth calls 'probity assurance' would be a considerable extension of the Commonwealth's current institutional accountabilities and would require an extensive monitoring of institutions' administration and management.

In its discussion paper on *Diversity* the Commonwealth sought a reduction in the number of units with small enrolments, less duplication of programs, and increased institutional specialisation, and in *Governance* the Commonwealth seeks ‘greater sharing and rationalisation of infrastructure between universities’ (para 153), all of which would require more detailed Commonwealth planning and intervention. In *Governance* the Commonwealth also identifies several desired outcomes for the sector (para 187):

better workforce planning –

- the need for senior university managers to have strong management skills (para 189);
- ‘careful consideration’ of the sector’s age profile (para 190);

more flexible employment terms –

- more flexibility in the ratios of continuing, fixed term contract and casual employment types (para 197);
- dissolving the distinction between academic and general staff (paras 201, 204);
- teaching-only positions (para 205);
- US-style teaching semester-only contracts (paras 208, 210);
- more streamlined organisational change and redundancy processes (para 213);

improved performance management –

- streamlined unsatisfactory performance procedures (para 221);
- more discretionary pay for top performance (para 223); and

faculty level bargaining –

- remuneration tied to revenue targets (para 225).

In addition the sector should aim to increase the proportion of women employed at lecturer level D and above and to increase the number of Indigenous Australians employed in continuing positions.

These outcomes are too numerous and detailed to be implemented effectively as governance accountabilities. Furthermore, they would add to governments’ monitoring of inputs and processes rather than an evaluation of outcomes. The Griffith model offers financial incentives for institutions to improve their outcomes, leaving it to universities to determine the most effective measures to achieve those outcomes. Thus, the institutional effectiveness fund could be awarded to institutions that achieved, say, 3 out of 5 targets set for the sector.

4 *Greater role for business and other private sources of funding*

Griffith proposes that business and other sources of private funding be encouraged to have a greater role in higher education financing through changes to the taxation and regulatory regimes. But rather than stimulate private funding of higher education with additional tax expenditures alone, Griffith proposes a mix of tax expenditures and revenue-raising to achieve a balanced outcome overall. Australia should adopt the practice of overseas jurisdictions, including the US, of levying probate duty as both an important stimulus for donations and bequests to charitable institutions, including universities, as well as being a source of additional revenue to balance additional taxation expenditures.

4 Research

No issues paper for the 2002 higher education review considers research fully, possibly because the Commonwealth recently completed a comprehensive review of research policy in *Knowledge and innovation: a policy statement on research and research training* and introduced further substantial reforms with the research training scheme. However, part 7 of the *Financing* issues paper asks whether a greater percentage of Commonwealth research funding be contestable (para 264), perhaps by stripping out the imputed research component of institutions' general operating grants.

Griffith strongly opposes the Commonwealth increasing the proportion of its research funding it makes contestable, at least for the current review period, for these reasons.

1 *Long term investments*

Much of the best research is speculative and long term. Australia therefore needs to retain a significant capacity to make the significant, long term investments needed to support this type of research. This is not the kind of research that is supported by competitive research granting schemes which typically support projects of 3 years' duration which are likely to produce results with their funding term.

2 *Concentration of effort, diversity of approaches*

Griffith supports national research priorities to concentrate national research effort, but it is vital to investigate common priorities with a diversity of ideas and different approaches. Concentrating all research resourcing in 1 or 2 granting bodies would narrow the approaches and perspectives supported, risking investing too heavily in and losing time investigating 1 or 2 approaches which turn out to be unsuccessful. Maintaining a diversity of funding sources is the best assurance that a diversity of approaches will be supported.

3 *High quality research not just in a few institutions*

The effect of making a higher proportion of research funding contestable would be to concentrate research funding in a few institutions even more heavily than it already is. This issue was considered in a recent review by the Higher Education Funding Council for England (2000), which concluded that concentrating research funding much more in a limited number of institutions would choke off significant amounts of current and future world-class research. It also concluded that there would be high risks in withdrawing research funding from some institutions. Not only is high quality research extremely widespread, its emergence is not predictable. The council therefore rejected a policy of explicit concentration of research funding in a selected number of institutions.

Similar observations may be made about Australia. Just over 28% of research infrastructure block grants, which are allocated according to institutions' shares of income from Australian competitive grants, is allocated to institutions outside the group of 8 universities. Further concentration of research funding in the group of 8, or an even smaller sub set of institutions, would threaten this significant proportion of the nation's excellent research.

4 *Undermine institutional capacity*

Stripping research funding out of base operating grants would severely limit institutions' capacity to set their own research directions, doing great damage to them. It would turn universities from institutions of teaching and research to teaching institutions some of whose staff were sub contracted by an external body to conduct research.

5 *Fund future potential, not just past achievement*

It is vital for the future of Australian research that the nation funds ideas and people who have potential but not necessarily yet an extensive record of successful research and publications. Past achievement is relatively easy to identify and it justifies heavy investment. Future potential is much harder to identify. It depends largely on the judgment of the senior researchers who interact frequently with new and emerging researchers, largely through teaching and research training. But because of the risks in assessing potential, only modest investments should be made initially in new and emerging researchers.

The judgments are too subtle and the investments are too small for funding research potential to be managed effectively and efficiently by external granting bodies. It is far better to make the funding decisions close to the senior researchers who make the funding recommendations.

6 *Industry links*

While Griffith believes that high quality research is an ultimate good that should be supported for its intrinsic worth, the university understands that the nation invests heavily in research mainly for its economic and social benefits. Furthermore, universities cannot devote themselves exclusively to knowledge advancement as if knowledge application were the responsibility of others. The central issue for the Commonwealth, then, is not knowledge advancement within universities for its own sake, but the excellence of knowledge advancement and the efficacy of the links between knowledge advancement and knowledge application in advancing the economic and social wellbeing of society.

Those links are more likely to be effective if made locally. Furthermore, Griffith believes that the benefits of knowledge advancement are more likely to be realised if it is done in partnership with those who would apply knowledge. This argues for a distributed and multi-faceted effort in knowledge advancement, not a concentrated and exclusive knowledge advancement effort.

Recently, the Commonwealth Government has placed increasing importance on developing links between higher education research and industry. For example, the Australian Research Council link project grants supports high quality research that encourages research collaboration between higher education institutions and industry. Proposals must contain an industry contribution which Commonwealth funding matches. It will be seen from the table below that a disproportionately large share of these grants and other research link grants is won by institutions outside the group of 8. Further concentration of research funding in the group of 8 would perversely undermine the Commonwealth's effort to improve research links.

TABLE 10: DISTRIBUTION OF EXCELLENCE IN AUSTRALIAN RESEARCH LINKS

Scheme	Number won outside the group of 8 universities	% won outside the group of 8 universities
Special Research Centres	6	33%
Cooperative Research Centres	24	38%
Strategic Partnerships with Industry– Research and Training grants	808	54%
ARC link project grants	261	56%
ARC link infrastructure grants	25	41%

Sources: DEST (2000, 2001) Higher education report for the 2001 to 2003 triennium, tables 5.16 and 5.18, http://www.detya.gov.au/highered/he_report/2001_2003/html/5_7.htm#t5_18, Higher education report for the 2002 to 2004 triennium, tables E1 and 2 http://www.detya.gov.au/highered/he_report/2002_2004/html/default.htm; Australian Research Council (2002) 2001 large research grants by institution <http://www.arc.gov.au/ncgp/outcomes/default.htm>

7 Research dissemination of ‘trickle-down’

Knowledge advancement is achieved not only through close links and interactions with industry, but also by disseminating research throughout the broader community. Research is not effectively disseminated by being concentrated in a few institutions. As the university argued in its section on a ‘world class’ university, most world class scholars’ interactions are horizontal and international rather than downwards and local. There is no significant academic trickle-down effect.

Research is best disseminated if it is distributed. Moussouris (1998:93-4) argues that broad research dissemination or diffusion is limiting by concentrating on elite models of research and development –

While participants in the new ‘competitiveness debate’ generally acknowledged the contribution of *elite* models of higher education to sustain the R&D that underlays technological innovation – eg the MIT or Stanford exemplars of a ‘world class’ research university fueling the rise of whole new industries and high-tech districts – a new research stream emerging at this time also pointed out that this elite model appears incomplete from an economic development perspective.

Indeed, a major problem associated with the concentrated human capital investments that characterise this ‘R&D-intensive’ model is that overall it fails to acknowledge the import of diffusing skills broadly throughout the workforce in order to generate the incremental improvements in technologies, products, and processes which generally occur ‘downstream’ of the initial breakthrough-stage of an industry’s development. As cross-national research went on to explore to what extent the broad-based, *diffusion-oriented* education/training policies of Europe and Japan support the flexible, ‘high performance’ production methods that facilitate continuous adaptation to both economic and technical change, concomitant efforts to pinpoint US workforce skills ‘deficits’ focussed not on at the top end of the occupational pyramid but at various points along the middle to bottom end.

(Emphases in the original; references omitted.)

8 *Work through effects of recent major changes*

The Commonwealth has recently put \$787 million or some 15% of universities' funding at risk through the changes introduced by the research training scheme and *Knowledge and innovation: a policy statement on research and research training*. It would be extremely risky to introduce any further changes until these have worked through the system.

9 *Improved quality measures of existing contestable funding schemes*

Griffith supports introducing quality measures into existing contestable funding schemes, such as assessing the quality of publications as well as their volume.

10 *Any future concentration on centres, not projects*

If the Commonwealth increases the proportion of its research funding it makes contestable it should allocate those additional funds to centres, not to projects. Increasing the proportion of funds allocated to projects risks fragmenting research effort.

In summary, then, further concentration of research advancement in a few institutions would reduce the extent and effectiveness of its application in advancing the economic and social wellbeing of society, it would reduce the broad dissemination of research throughout society and it would risk the projects and contributions of approximately one third of the researchers identified competitively on merit as among the best in Australia.

5 Teaching and learning

The Commonwealth's second discussion paper for its higher education review, *Striving for quality: learning, teaching and scholarship* argues for more systematic and objective measures for assuring or comparing academic standards. The Commonwealth believes that one such measure would be a comprehensive application of the graduate skills assessment, which is a general test of achievement developed and administered by the Australian Council for Educational Research. Results could also be used to rate institutions and programs.

In summary, Griffith submits:

academic standards

1. that a useful start to articulating and monitoring academic standards may be made by adopting the 8 elements outlined by James, McInnis and Devlin in their response to *Crossroads* (submission 11);

graduate skills assessment

2. that the Commonwealth has not demonstrated that any benefit gained from a general use of the graduate skills assessment would outweigh the considerable cost, inconvenience and difficulties of making it compulsory;

rating institutions and programs

3. that the cost and difficulty of rating institutions and programs need to be measured carefully against the benefits sought from ratings, the utility of which would depend heavily on their credibility. However a mechanism for supporting consumer use of high education performance data should be established;

staff policies

4. direct Commonwealth involvement in staff policies such as promotion criteria would be damaging and counter-productive;

professionalising higher education teaching

5. completing basic instruction in the scholarship of learning-teaching should be made a requirement of staff starting their first substantial teaching duties; and

quality learning

6. quality learning depends on the combination of several factors, of which teaching is only one.

Academic standards

Griffith University agrees that there would be benefit in strengthening processes for assuring academic standards. The ways of assuring comparability of standards which are less obtrusive are more acceptable within the sector but give less confidence in the comparability of standards. And the measures which instil most confidence in the comparability of standards are more intrusive and less acceptable within the sector. The question is whether comparability of academic standards, which quickly slides into a discussion of assessment standards, is of sufficient concern to warrant one of the stronger forms of assurance that would meet such a concern.

Griffith believes that the eight elements for a system-level approach to articulating and monitoring academic standards outlined by James, McInnis and Devlin in their response to *Crossroads* (submission 11) are a useful start.

1. The process should provide a forum for continuing dialogue and consensus-building on standards within the Australian academic community.
2. The process should be focused primarily within fields of study.
3. Dialogue on standards should be centred on assessment and grading practices and how these underpin standards.
4. The process should lead to the articulation of a discipline-based assessment framework that includes broad criteria for learning outcomes and levels of achievement.
5. The process should be concerned with how standards are defined and monitored across the whole range of student achievement, from 'adequate' achievement to 'high' achievement.
6. The assessment framework that emerges from the process should recognise and accommodate course diversity.
7. The process should generate public documents describing learning criteria, levels of achievement and how these are assessed.
8. The process should contribute directly to enhancing teaching and learning through the articulation of clear goals and expectations.

Graduate skills assessment

Griffith does not believe that the validity of the graduate skills assessment as a measure of education value-adding has been established. It seems much more likely that the graduate skills assessment is a measure of innate ability, in which case it is measuring only the selectivity of student admissions, not the quality of student learning or teaching.

Even were the validity of the graduate skills assessment established, it is not clear that it could be used for the purpose for which the Commonwealth now intends it. In table A2 of *Characteristics and performance indicators of Australian higher education institutions, 2000*

(DEST, 2002b) the Commonwealth reports that 0.48%, 0.78% and 1.23% of the variance in course experience questionnaire scores in overall satisfaction, general skills and good teaching were due to institutional factors. So from 98% to 99% of variance in scores was due to non institutional factors. If anything like this is true for the graduate skills assessment it would be almost useless as a measure of institutional performance.

The Commonwealth is also likely to encounter considerable practical difficulties in extending the use of the graduate skills assessment. It could make sitting the test a condition of the allocation of a place subsidised by the Commonwealth, or if *Financing* model 3 or 4 were adopted, the assessment could be the criterion for the award of a learning entitlement. Queensland and the ACT currently use a common reference test to scale school-based assessment of year 12 students and the graduate skills assessment could be used as the common reference test for this purpose as well, thus saving additional effort.

The Commonwealth is likely to have rather more difficulty requiring the sitting of the graduate skills assessment as an exit exam. The discussion paper reports the widespread use of graduate exams in the US (para 105), but does not understand their place in the US system fully. US higher education is organised at two education levels. Undergraduate programs are of 4 years' duration leading to the award of a bachelor of arts or sciences, but typically not to a vocational or professional outcome. Pre-registration programs in the professions are typically undertaken in graduate programs. Admission to graduate programs is after completing a baccalaureate, but since this may be in any of a number of colleges at the same university or another, graduate schools use graduate admission tests to rank applicants from different colleges. What the discussion paper refers to as US undergraduate exit exams are better understood as graduate entry exams.

While Australia has some graduate-only entry medical schools, most professional programs for most students have undergraduate entry. Thus, Australian universities formerly offered the graduate diploma of education after the completion of a bachelor of arts or sciences for which the graduate skills assessment may have been a useful selection tool, but most pre-registration education courses are now integrated 4-year programs with undergraduate entry. The graduate skills assessment has therefore no function analogous to US graduate skills tests.

In the alternative the Commonwealth could require universities to make sitting the graduate skills assessment a condition of students completing their course. This would be unpopular with students and institutions. There is no evidence that the mandatory imposition of this test would do anything to significantly enhance the teaching and learning outcomes of university education. It meets neither the needs of employers for more detailed information on the outcome of programs, nor of the Commonwealth for a simple outcome measures of tertiary education.

Rating institutions and programs

The discussion paper confounds assuring comparability of standards with a rating of institutions and programs. We may be confident that PhDs awarded by Australian universities are of comparable standard since they are examined externally, but that does not inform a prospective candidate about the best place for them to undertake a doctoral program in their field. To serve the latter purpose an additional mechanism is needed. Again, the cost and difficulty of rating institutions need to be measured carefully against the benefits sought from such a rating, the utility of which would depend heavily on its credibility.

The discussion paper notes that private publishers produce ratings of institutions and programs overseas, but suggests that the Graduate Careers Council might collate performance data for Australia. Thus the discussion paper seeks a public sector solution to fill a gap it identifies in the private sector. The difficulty with this position is that no credible publicly funded body is likely to accept that rating courses and institutions is a 'proper use' of performance data. Indeed, the Commonwealth itself withdrew a proposal to publish institutional performance data generated from the postgraduate research experience questionnaire because of vigorous opposition from some institutions.

Griffith agrees that the Commonwealth should establish a mechanism for supporting consumer use of higher education performance data. Such a mechanism should include sponsoring a users' group to specify requirements, consulting the sector on the use of performance data and funding data providers to provide data in the agreed form.

Staff policies

Griffith agrees with the Commonwealth that there are gaps between rhetoric and practice in rewarding and acknowledging effective teaching (paragraph 253 of *Striving for quality: learning, teaching and scholarship*). However, the Commonwealth allocates no funds to institutions according to their performance in teaching and this would be corrected in the Griffith model described in the chapter on resourcing. The Commonwealth should also fund Australian University Teaching Committee teaching fellowships similar to ARC research fellowships.

Academic promotion policies and practices are very sensitive, they involve sophisticated judgements which have long term consequences for staff and institutions, and they need to reflect institution's different priorities and legacies. For these and other reasons direct Commonwealth involvement in the issue would be damaging and counter-productive. If the Commonwealth believes that institutions are not responding quickly or strongly enough it should increase institutional incentives for good teaching-learning outcomes, which if sufficiently attractive will ensure that institutions translate into individual incentives appropriate in each case.

Professionalising higher education teaching

Griffith agrees that there would be benefit in professionalising higher education teaching. Completing a basic introduction to the theory and practice of student learning, curriculum planning and development, course management, course evaluation, teaching, student supervision, assessment and examination should be made a requirement for staff starting their first substantial teaching duties. Griffith also believes that such graduate certificates in learning-teaching should be made available to students in doctoral programs who are anticipating an academic career. Such a program would enhance the quality of the tutoring and other teaching duties commonly undertaken by doctoral candidates. It would also ensure that such PhD candidates graduate with foundations for careers in research and teaching. The current completion times for PhD students funded by the Commonwealth should be extended by a semester for students completing such graduate certificates.

Professional preparation programs are most meaningful when the teacher is not only exploring foundational theories of teaching and learning and gaining expertise and a repertoire of behaviours encouraging student learning (eg, assessment) but also learning from the practice of teaching *in situ*, doing 'classroom research' into student learning, trying out new approaches in a setting in which he or she can be learning from (a) other 'teaching peers' and (b) student learners as well as (c) professional mentors guiding the teacher further development. This would be achieved best by a program at the start of lecturers' careers. Ongoing opportunities for upgrading their 'teaching and learning' knowledge and skills should be available throughout a teaching career.

An in-service qualification would also avoid the difficulties of arranging for practice teaching for highly specialised pre-service aspirants and would enable the university itself to be used as the context for reflective practice for its own continuing or sessional staff, engendering a way of continuing professional development. Such in-service programs should be required for new teachers and encouraged for more experienced but unaccredited teachers by offering incentives for participation in award programs in university teaching. Such incentives could include: a) lighter teaching loads during the course of the program, b) priority given to applications for promotion from staff who have successfully completed such an award program, with 'graduation' counting as clear evidence of commitment to enhancing the quality of teaching.

Griffith also believes that institutions need to improve their support of sessional teaching staff, especially those engaged on casual contracts. Sessional staff should have:

a formal induction program including an introduction to the theory and practice of student learning, curriculum planning and development, course management, course evaluation, teaching, and, assessment and examination paid for by the institution;

information on the place of the unit they are teaching within students' whole programs;

a statement of their unit's learning goals;

a mapping of the unit's assessment tasks and criteria to its learning goals;

statements of the roles and expectations of the sessional staff member, other staff teaching the unit and the unit coordinator;

access to an experienced colleague other than their supervisor to advise them on dealing with difficult situations;

regular consultations with the unit coordinator on students' progress in the unit.

These are mainly the responsibility of individual institutions, but the Australian Universities Teaching Committee could provide useful general advice and support.

Quality learning

While quality learning features prominently in the discussion paper's title, it is considered hardly at all in the paper which is preoccupied with teaching quality. Quality learning depends on the combination of four factors:

teaching;

students' learning skills and commitment;

the learning environment both on campus and at home; and

students' interaction with the learning environment, for example, in competition with paid employment.

The Commonwealth directly affects the quality of learning environments provided by institutions by its funding levels and incentives, and it also affects a large number of students' interaction with higher education by the level of income support it provides to students through the youth allowance (study), Austudy and Abstudy. The biggest single improvement in the quality of teaching would be achieved by lowering student:staff ratios, which can only be achieved by increasing funding levels.

The Commonwealth might further note that on-line learning radically changes the learning environment and students' interaction with it, and that portfolio-based qualifications would dismantle the learning environment as it is currently understood. Unskilled or dependent learners are typically unsuited to distance education and on-line learning and may need considerable support to access portfolio-based qualifications. This suggests that the greatest benefit from portfolio-based qualifications may not be in efficiencies and savings to providers, but in the recognition of students' prior achievements and the savings in effort and time spent in their formal study.

On-line learning will undoubtedly be of central importance in higher education, both by the establishment of a new mode of learning-teaching and the incorporation of on-line techniques in other modes. However, on-line learning is still in its formative stage and much needs to be done to develop the sector's understanding of how to develop on-line learning's potential. Griffith therefore supports the proposal for the establishment of an Australian Universities Teaching Committee national center for e-learning.

6 Vocational education and training

While universities' fundamental role is in contributing to social and cultural development, they have an extremely important teaching role in preparing learners well for future employment. Because vocational education and training (VET) also prepares learners for future employment, the relationships between the sectors is critical. There are bound to be some overlaps between what VET seeks to teach in some courses and what universities seek to teach in some of their courses. Moreover, while studies undertaken in VET and universities should be seen as separate and different, they should nevertheless be seen as equal in value when they contribute to the same professional ends. For these reasons, the principles of credit transfer and articulation across VET and higher education, creating alternative pathways for learners, opening university courses to mature age learners, and sharing resources across sectors are supported unreservedly. However, it needs to be recognised that gauging and recognising equivalences across renditions of knowledge, as developed in the two sectors, is not unproblematic and warrants serious attention in order to preserve the value and essential character of courses in each sector. That is, while no learner should be forced to repeat learning in subsequent studies, at the same time, learners should not be disadvantaged by inappropriate higher degree studies because of inadequate bridging of their prior learning experiences to higher degree courses.

Equivalence of knowledge

The issues paper *Varieties of learning: the interface between higher education and vocational education and training* argues that the higher education and vocational education sectors and institutions have distinct missions and profiles. This is a fundamental premise on which to build effective relationships between the sectors. One of the most salient differences between the sectors is the kind of renditions of knowledge that are developed, with universities seeking to develop an understanding of research-based theoretical renditions of knowledge and methods, and vocational education institutions seeking to develop an understanding of knowledge for its direct utility in practice and renditions of this knowledge appropriate to industrial standards of practice. Neither of these approaches has superior claims to knowledge; they are equivalent in value, but they are nevertheless different in their qualities.

In the case of university undergraduate degrees, the overall content has multiple purposes: preparation for honours and higher degree studies, preparation for a profession, and general education. In the case of courses in vocational education the preparation is focused squarely on the target vocation and standards developed to capture practice in that vocation. Assessment practices in each sector reflect this difference in the ways in which knowledge is constructed, developed and rendered.

Thus, each sector has distinctive expertise in identifying, describing, developing and evaluating these distinctive kinds of knowledge rendition. Indeed, the problems that the discussion paper identifies at the interface of the two sectors (e.g. in recognition of prior learning, credit transfer and articulation) are due in large part to the different ways of rendering knowledge. For instance, the problems of identifying relationships between vocational education content expressed as competencies, and higher education content

expressed at content, are due primarily to the different ways in which knowledge is understood and rendered in the two sectors, rather than to differences in the value that should be afforded the knowledge for its purposes. That is, the differences are important and salient; but they do cause problems for learners making a transition from one to the other, unless attention is given to making connections between the different ways in which knowledge is understood.

Such learning and transfer problems will not be overcome simply by replacing content in undergraduate courses with content from vocational education and training. It is unlikely that the content acquired in VET will have exactly the same characteristics as the content that it replaces – it is unlikely to be derived explicitly from theory or to be understood by learners in same terms as in a university course. Rather, as competence, it is likely to be understood in a variety of other ways: in terms of industrial standards and relevant underpinning understanding.. This is to say that, while such VET learning would be important in professions at which such courses may be targeted, and it would be possible and desirable to build relationships between such renditions of knowledge and knowledge rendered in the form that it is normally developed in university courses, there is nevertheless a problem for learners to be overcome. Direct unproblematic substitution of one set of content with another may merely compound the learning problem in later parts of the undergraduate course. This compounding may take the form of university expectations of knowledge renditions in theoretical terms, when the target understanding is being rendered rather in practical / competency terms, and consequent learner frustration with the seeming disconnectedness of content. Without explicit attention to connecting knowledge rendered in different forms in different sectors, there is a danger of disconnected and ineffective learning, poor undergraduate development and ineffective higher education courses. Moreover the synergies that can be achieved by connecting different ways of rendering knowledge will be lost.

Thus, what is needed is:

- explicit recognition, in policy development, of the salience of the differences in the ways in which knowledge is understood, developed and rendered in each sector,
- recognition, in policy determinations, of the learning problems this causes at the interface,
- attention, in policy decisions, to the implications for credit and articulation, and
- explicit measures, in policy decisions, to overcome the learning difficulties.

In considering policy approaches, it should be noted that overcoming the difficulties requires attention to connecting different ways of rendering knowledge. So, a direct replacement of content in one course from one sector with content from another course from another sector is not likely to be adequate, on its own. What is required in integrating the two kinds of knowledge rendition is learner engagement in activities that connect and examine each kind of knowledge rendition, using the formalisms and codes of the other (Leinhardt et al 1995).

Such needs suggest that any piloting of approaches, aimed at overcoming interface problems between the sectors, should include a trial of explicit integration of knowledge rendered in different ways. It is possible that this may have implications for the overall length of combined or articulated courses and this should be taken into account in both pilots and final decision-making.

Economics of higher education

The funding of higher education is based on the premise that teaching in higher education should be research based to ensure that courses are at the cutting edge of knowledge, and thereby provide a solid foundation for higher degree work, research training, and entry to the professions. Accordingly, the level of funding takes account of the need for teaching staff to undertake research, publish in scholarly journals, share knowledge at scholarly conferences, read widely, use well resourced academic libraries and develop curricula appropriate to this aim. The funding of vocational education and training is based on a more one-to-one relationship between teaching time and working time, with time available for reading and course development, but not for the creation of knowledge and sharing it through conferences and other scholarly work. For these kinds of reasons, it is appropriate that teaching in VET is funded at a lower rate than that of higher education.

It may be attractive to policy makers to seek to save public funds by encouraging the provision of an early year or two of an undergraduate degree in VET, funded at a lower teaching rate. However, as pointed out above, this may lead to a diminution in the quality of undergraduate learning if attention is not given to the differences in the kinds of knowledge rendition, i.e. the ways in which knowledge is recognised, identified, developed and understood in the two sectors; or to the differences in research expectations of staff and their related approaches to teaching. While commonalities may be discerned across some parts of higher education and VET courses, it cannot be assumed that these commonalities are understood as such by learners making the transition or that they are unproblematic for learning. Moreover it should not be expected that VET teaching staff, operating at a lower level of funding, will have the capacity to develop higher-education-like knowledge renditions in learners. The transition of learners is usually supported at the higher education end by academic staff assisting learners to make the required connections, and by keeping the level of credit transfer within manageable parameters. However, the success of existing arrangements depends on the level of credit transfer and articulation, its relationship to higher education courses in focused areas, and the goodwill of higher education staff in supporting learner transitions.

Recommendations

- Universities and VET continue to be encouraged to effect better learner transition arrangements between their courses, because of the synergistic ways in which VET and university studies can prepare learners for the professions and the potential to assist learners in connecting the different kinds of knowledge renditions in which each sector specialises.
- The development, monitoring and marketing of particular and appropriate pathways across the two sectors be encouraged and facilitated. Such pathways should include the further development of joint VET-HE programs.
- Funding of undergraduate degree studies continue at a rate that enables them to continue to provide cutting edge learner preparation for plural outcomes including higher degree studies, research training and professional work.
- Studies that do not include these same plural outcomes not be denoted degrees, but be given a title that clearly captures their distinctive qualities.

- A maximum level of credit transfer and articulation between VET and higher education qualifications be set to preserve community recognition of the nature and qualities of higher education degrees. This be complemented by encouraging the provision of bridging learning experiences to assist the transitions between different ways of constructing and rendering knowledge. Exceptions be considered only where there is evidence of joint teaching and resourcing of course content with learners focusing explicitly on connecting different ways of rendering knowledge.
- The resources needed for full undergraduate degree work remain with universities, rather than be dispersed across a new dual system.
- Policy initiatives in this area be constrained to ensure that they do not reduce options available to learners - especially to those learners who are members of educationally disadvantaged social categories.
- Policy initiatives in this area also be constrained to ensure that they do not diminish the high quality and appropriate distinctiveness of education and learning in each sector
- Any piloting of credit transfer or articulation arrangements include a piloting of innovative practice in bridging the qualitative differences in renditions of knowledge as developed in VET and higher education

7 Equity

Crossroads is consistent with national higher education policy development since its origins after WWII in seeking to place equity within a system structured for other purposes. An entirely different outcome would be achieved if the system were structured to serve equity as one of its primary purposes. Currently there are specific problems with the level of income support for students from disadvantaged backgrounds and the interaction of income support, paid work, and notionally full-time study. The Commonwealth gives no recognition and makes no provision for the high additional costs institutions bear in providing adjunct support services for students from disadvantaged backgrounds, particularly in their first year. These burdens are likely to increase with the increasing reliance on on-line learning.

Some of these issues would be addressed by a greatly increased proportion of institutional funding for performance in equity and community development as argued above. There is also an opportunity for the Commonwealth to make a significant contribution to improving equitable access to higher education within the framework adopted by *Crossroads*. Studies in the US and in British Columbia have found that the time of making post-school plans is important in determining tertiary education destinations. Most students who progress to the highly selective research-intensive universities in North America decide to do so early in their school years, around year 7. Students who proceed to the less selective comprehensive universities form their aspiration around year 10 and 11. In contrast, almost one third of students who proceeded to open entry community colleges decided to do so after they left high school. (Dennison *et al*, 1975:41-3; Medsker & Tillery, 1971: 45; papers available if sought.)

These results are consistent with more recent Australian Council for Educational Research findings that psychological factors such as students' aspirations and self-concept of ability are strongly related to their progress through school. Psychological theory in turn tells us that peoples' aspirations are framed by their environment and the behavioural models they perceive. Griffith therefore supports the suggestion in *Crossroads* that improving higher education participation by under represented groups requires intervention in the early years of secondary education as pupils form their self-concept and aspirations (paragraph 104).

As a result, Griffith University, like other Australian universities, funds a number of link and transition programs with secondary schools in its region. Thus, Griffith mounts *Uni-Reach*, a series of dramas, workshops and weekly meetings with Griffith mentors to provide scaffolding for pupils in years 8 – 12 to reach for higher education. Some arrangements are targeted at specific regions, such as the Logan campus early admission scheme and tertiary access program for residents of the Logan campus region.

While these and similar programs are valuable contributions to the participating schools and regions, they are necessarily small in scale, limited to specific local arrangements, they are under-funded and they do not have secure organisational and financial support. Australia lacks a national program of culturally appropriate outreach activities to develop aspirations for tertiary study amongst secondary students and their parents and teachers. Recognising the potential of such programs, the US federal government has established *Gear Up*, a program for gaining early awareness and readiness for undergraduate programs.

Gear Up funds partnerships of schools with low college transfer rates, community colleges and universities, community organisations and business. The partnerships provide student tutoring, mentoring and counselling; they strengthen the school curriculum, and they provide professional development for teachers and staff. *Gear Up* is distinctive in starting early in students' development of post-school aspirations at year 7, in following whole classes or cohorts of students for the 5 years of their middle and senior schooling as they progress through to year 12; and in involving colleges, universities, parents and the community closely in the program.

For example, *CalWest* gear up operated by the University of California at Berkeley and the West Contra Costa County school district starts in year 7 with student and family workshops to complete a career interest inventory for each student and to start families planning for their children's college education. In year 8 the program concentrates on parents' financial planning for college, including determining eligibility for the several forms of financial aid available. In year 9 attention returns to students to develop more specific interests and their awareness of individual colleges. In year 10 advisors meet every family and review all students' college plans, activity plans, and financial aid profile, and these plans are monitored and evaluated in years 11 and 12.

Project grad involving the University of Houston, Rice University, Texas Southern University, Houston Community College and the Texas Education Agency includes a cooperative school discipline program to improve classroom management, promote student self-discipline, and build students' self-esteem. The project also supports parents in, for example, supervising their children's maths homework.

The University of Washington's early scholars outreach program engages high achieving university students from similar backgrounds to those in participating schools to serve as role models and provide tutoring and mentoring. Various activities are organised at school and on campus so that school students interact with university students in a variety of settings. A series of workshops is held for parents to help families establish home environments that promote academic achievement.

Interest in gear up far exceeded available funding in its first year. The first grant applications involved more than 4,500 organisations and the program could fund only one out of four partnership applications from individual institutions and only half of the State applications. The federal government has therefore almost doubled funding from \$120 million in 1999 to \$200 million in 2000 and 2001, engaging almost 400,000 students nationwide.

While some features of gear up are specific to the US education system, it is a useful model for a federal government to engage universities, the community and State departments of education in what is primarily a State Government constitutional and financial responsibility.

8 Indigenous Australians in higher education

It is hardly surprising that the elongated argument of cultural distinctivities surfaces once again particularly in light of equity issues as they relate to Indigenous higher education. The most pressing structural barrier simply appears to manifest itself in the dichotomy of 'appropriate' teaching methods as they apply to Indigenous learning.

Perhaps the most salient structural barrier lies within the differences between mainstream perceptions of what constitutes 'appropriate' means of education and that of Indigenous peoples'. In this context the Indigenous cultural practice of 'coming into one's own' or the non-Indigenous quasi-equivalent, 'acquisition of life skills', may be seen as a contributing factor to the disproportionately high attrition rate of Indigenous students. In other words, until approximately 35 years ago education was not compulsory for Indigenous peoples. Conversely, Indigenous people matured and 'graduated' with time's life experiences and knowledge and this, it would appear, seems to be one of many reasons why there is an ever increasing number of Indigenous students re-entering the education system particularly the VET sector.

However, the transition from TAFE matriculation courses/certificates to university may need redress.

Possible strategies

In an attempt to increase the number of Indigenous people participating in higher education a number of possible propositions might be worth considering.

- Increased consultations of curriculum development units and university in developing pre-tertiary courses/modules. This would ensure and facilitate students with the necessary foundations for the TAFE to university transition.
- TAFE pre-tertiary courses need to be re-aligned so that they develop more of the skills required for successful university.
- Opportunity currently exists for TAFE students to enrol in university courses on the proviso of up-front fees, however, it would be beneficial to TAFE students pursuing university studies if university courses were compulsory in the pre-tertiary curriculum. This may raise financial barriers given the low socio-economic standing of the general Indigenous population, but the provision of income contingent loans for studies integrated with or leading directly to higher education would overcome this barrier.
- The introduction of programs to facilitate the transition of pre-tertiary students into university. This would/may possibly involve Indigenous university staff delivering periodic lectures to TAFE students within university lecture theatres. The provision of such possible teaching strategies, with the vision of pre-orientation university objectives,

would lessen or perhaps eliminate the anxieties Indigenous people encounter during the initial phase of university life – culture shock, alienation, inferiority complexes.

- Continuing networking with TAFE institutes and staff in the provision of student support and academic advice.
- Normal higher educational programs could be restructured to include material of particular interest to Indigenous students and they could incorporate support that meets the special needs of Indigenous students.
- Residential colleges play a vital role in developing student networks and in consolidating and supporting the university experience. The experience of Griffith is that student retention can be greatly enhanced by having access to such facilities. Accommodation is especially important for Indigenous students from remote locations. Arrangements need to be coordinated by ATSIC, universities and Indigenous housing bodies. They should be structured appropriately through the employment of Indigenous houseparents, agreements on the allocation of Abstudy payments to accommodation and meal packages, etc to provide an affordable, safe, culturally appropriate and nurturing environment that also encourages family involvement and student support networks. Accommodation scholarships would be valuable. A strategic approach by Brisbane universities for a West End facility would be a significant enabling strategy and provide a model for other Australian universities.
- Share ideas and experiences with successful programs in Indigenous education in other countries such as Canada.

Short duration structured courses of equal standing/credibility to that of traditional degree programs has potential for disadvantaged students, but a considerable disadvantage of such programs would be their probably low utility in the labour market.

Industry placement requirements need significant review. They are usually full-time, some compulsory placements such as those in nursing can involve hours that indirectly discriminate against sole parents and are often at significant cost. Students may have to forego part-time work, face additional transport, child care costs etc which are likely to be exacerbated for Indigenous students.

The issues paper refers to the high (and increasing) levels of incarceration of Indigenous youth but does not consider strategies to provide education opportunities in detention centres/prisons.

Early connections with schools

Currently, Griffith University's GUMURRII centre regularly offers advice to primary and secondary schools students. Staff members are frequently invited to talk and volunteer their services to primary, secondary and post-secondary institutions. The centre is also responsible for facilitating school visits however in many instances these visits are only annual. Staff within the centre assist with annual career marketing expos which are held throughout Queensland providing advice on student support, course information and career pathways.

However, further measures could be taken to increase participation.

- Establishment and maintenance of strong links at the primary, secondary and post secondary level. Although the centre appears to play a major role in community consultations and advice the frequency of visits could be increased to establish a continuing familiarity and rapport with students in an attempt to foster and maintain a continued interest in higher education.
- Establishment and maintenance of interactions with guidance officers and guidance officer forums. The information and advice with which Indigenous university support officers proffer would open more significant channels of communication to the betterment of students.
- The Gardner Report to Queensland Government on improving articulation pathways (awareness/information, pathways, support) for all students and in particular disadvantaged students has particular significance for Indigenous students. Any response by Government requires a national strategy to link schools, VET, apprenticeships and other work programs, community agencies, and industry to provide more flexible pathways, with parallel investment into improving the quality of teaching and developing skills for their changing roles within this paradigm, and for student support arrangements. The issue appears to be in the detail of how this might be achieved.

Indigenous staff

The number of formal positions in universities for Indigenous people needs to be increased in teaching, counselling, learning support, IT/communication, administration and management since role models and mentors provide critical influence. Counselling, support and learning assistance units should include Indigenous Australians.

Griffith's recent appointment of a coordinator of Indigenous employment has the potential to improve significantly the employment of Indigenous students and graduates.

Resources

From the perspective of students at risk (and this can also be the case for staff assisting them in their decision-making!), understanding and accessing the plethora of programs can be a complex and overwhelming task. Lack of coherence and collaboration in the delivery of multiple pathways can result in competition, duplication, fragmentation, overlaps, and programs that are short-term in duration, with disappointing outcomes. This suggests (1) a need for vulnerable catchment areas (ie high risk/disadvantage) to be identified for targeted funding to enable universities to provide the necessary options, flexibility and supports for their students and (2) specific investment into career/transition services to assist students in developing goals and learning plans, and accessing relevant information and study/work opportunities.

A national register of Indigenous scholarships offered across government departments, community agencies etc would be valuable. Students currently rely on the networks, information and support of staff which can be ad hoc, ill-informed, etc especially when this is not one of their functions.

Griffith's Logan tertiary access program has had successful completion and articulation rates because it is customised to local community and Griffith needs, is focussed on key learning outcomes developed in partnership by TAFE, students and university, and because it provides guaranteed access to Griffith on completion. These seem to be important because comparatively less successful preparatory programs have more generic student selection, content, support and articulation arrangements.

Resources need to be increased and administered within all levels of the education system on a scale which reflects the needs and aspirations of potential and existing Indigenous students. The extent to which these resources may be channelled should realistically be indicated through a collective Indigenous response reflecting the unique nature of individual community, primary, secondary and post-secondary situations. Academic support and careers advice is a great need, particularly in remote Indigenous communities/locations where mere spasmodic attempts reflect very few enrolments at the higher education level.

Government financial assistance also needs to be aligned with summer semester offerings. Students who rely on benefits cannot fast-track their courses (being tied to two semester and/or full-workloads) compared to those with better financial resources.

Indigenous Australians' education units have much broader roles than student support units, spanning teaching, research and consultancies. They therefore face particularly difficult decisions on competing priorities and funding.

9 Governance

Some of the Commonwealth's observations on institutional accountabilities in its sixth discussion paper for its higher education review, *Meeting the challenges: the governance and management of universities* were discussed in the chapter on resourcing, wherein Griffith argued that they were better cast as outcomes for an institutional effectiveness fund.

Ownership of the university

One of the complexities of managing a university arises from balancing multiple accountabilities.

The university's governing body is formally responsible for the university's governance, but this is qualified by the university's separate accountabilities to the State or Territory Government which is normally provided in legislation, and the university's accountabilities to the Commonwealth, some of which is provided in legislation but most of which is in various conditions attaching to different grants.

Compare this with the University of California which is governed by a board of regents established under the California Constitution (article IX, section 9) which states that 'the university shall be entirely independent of all political and sectarian influence and kept free therefrom in the appointment of its Regents and in the administration of its affairs' (University of California, 2002). The responsibility for the governance of Harvard University is even more clearly located in the Harvard Corporation, an executive board of 7 members known formally as the President and Fellows of Harvard College (President and Fellows of Harvard College, 2001).

In both cases the US federal government – which provides considerable funding to the universities directly in research grants and indirectly through student grants and guaranteed loans – has no formal or informal role in universities' accountability: it acts solely as a purchaser of universities' services, although of course a major and important purchaser.

One way of clarifying these issues in Australia is to determine who 'owns' universities. The clearest formal position would be to recognise State and Territory governments as the universities' owners, in which case the Commonwealth's role would be only as a purchaser of services, although of course a very important purchaser. But if the Commonwealth sought a greater role in university governance it could seek to 'buy' universities from their present owners, State and Territory governments.

Or to put the foregoing argument in a slightly different way, Australian university governance is complicated by multiple and in some cases duplicated accountabilities to State/Territory and Commonwealth governments. This is because the constitutional responsibility for universities in State/Territory governments is overlaid with financial dependence on the Commonwealth: universities are a clear case of vertical fiscal imbalance. If the Commonwealth wished to strengthen universities' governance by removing the ambiguity in their governance it could ask State/Territory governments to transfer statutory responsibility for their universities to the

Commonwealth. Presumably State/Territories' starting price for the transfer would be the net present value of universities' assets, which in 2000 was reported as almost \$20 billion (DEST, 2002a: 50).

Joint State, university and Commonwealth nominations committee

If transfer of statutory responsibility for universities to the Commonwealth is too ambitious to contemplate in the present review, multiple interests in university governance could be accommodated in a nominations committee for each university's governing body. The nominations committee recommended by the Victorian Government's review of university governance (recommendation 11, paragraph 3.2.2) would be a sub committee of the governing body. While such a nominations committee would go some way to systematising appointments to governing bodies, it would not directly involve the State government which is responsible for several appointments to governing bodies, and it would not involve at all the Commonwealth, which is responsible for financing universities.

A more interesting alternative would be to establish a nominations committee for each university's governing body as a committee of the appropriate State or Territory Government with membership from State or Territory Government, the Commonwealth Government and the university. This would reflect each level of government's interests in university governance without necessarily having them represented directly on each university governing body. And it would ensure that governing bodies had the range of expertise and experience considered desirable from time to time. A different nominations committee would be needed for each university because each university needs a different range of expertise and experience on its governing body, and because the nominations committee needs to understand the dynamics of the governing body to make the best nominations.

University governing bodies joint nominations committees could be given formal standing and perhaps even delegated authority by establishing them in each university's Act. However, they could have an informal advisory but still influential role merely by administrative arrangement between the Commonwealth, each State and Territory Government and each university.

Such a mechanism would be preferable to seeking to provide for the Commonwealth's direct participation or representation in universities' governance by providing for their membership of university governing bodies. While this would eventually achieve the immediate goal, it is inflexible and blunt.

References

- ANDERSON, DON, JOHNSON, RICHARD & MILLIGAN, BRUCE (1996) *Performance-based funding of universities*, Higher education Council commission report no. 51, AGPS: Canberra.
- BURKE, GERALD & PHILLIPS, DAVID (2002) *Implications of changed indexation arrangements for the Australian higher education system*, <http://www.avcc.edu.au/policies%5Factivities/funding/broad%5Fsectoral%5Ffunding/pb%5Fchanged%5Findexation%20.doc>
- BUSINESS COUNCIL OF AUSTRALIA (2002) *Higher education in Australia: developing a new data framework and international comparisons and issues*, <http://www.bca.com.au/>.
- CHAPMAN, BRUCE (2002) 'A submission on financing issues to the Department of Education, Science and Training inquiry into higher education reform', submission 317, <http://www.detya.gov.au/crossroads/submissions/pdf/317.pdf>
- DAWKINS, THE HON JOHN S (1988) *Higher education: a policy statement* ('White paper'), AGPS: Canberra.
- DENNISON, JOHN D, TUNNER, ALEX, JONES, GORDON & FORRESTER, GLEN C (1975) *The impact of community colleges: a study of the college concept in British Columbia*, BC Research: Vancouver.
- DEPARTMENT OF EDUCATION AND TRAINING (2002) *Review of university governance*, <http://www.eduweb.vic.gov.au/highered/>.
- DEPARTMENT OF EDUCATION, SCIENCE AND TRAINING (1999) *Knowledge and innovation: a policy statement on research and research training*, <http://www.detya.gov.au/archive/highered/whitepaper/default.asp>
- DEPARTMENT OF EDUCATION, SCIENCE AND TRAINING (2002a) *Higher education report for the 2002 to 2004 triennium*, www.dest.gov.au/highered/he_report/2002_2004/html/contents.htm
- DEPARTMENT OF EDUCATION, SCIENCE AND TECHNOLOGY (2002b) *Characteristics and performance indicators of Australian higher education institutions, 2000*, <http://www.detya.gov.au/highered/statistics/characteristics/characteristics00.pdf>
- DEPARTMENT OF EDUCATION, SCIENCE AND TRAINING (2002c) *Striving for quality: learning, teaching and scholarship* <<http://www.detya.gov.au/crossroads/pubs.htm#quality>>
- DEPARTMENT OF EDUCATION, SCIENCE AND TRAINING (2002d) *Setting firm foundations: financing Australian higher education*, <http://www.detya.gov.au/crossroads/pubs.htm#finance>.

- DEPARTMENT OF EDUCATION, SCIENCE AND TRAINING (2002e) *Varieties of excellence: diversity, specialisation and regional engagement*.
<http://www.detya.gov.au/crossroads/pubs.htm#varieties>.
- DEPARTMENT OF EDUCATION, SCIENCE AND TRAINING (2002e) *Achieving equitable and appropriate outcomes: Indigenous Australians in higher education*,
<http://www.detya.gov.au/crossroads/pubs.htm#achieving>
- DEPARTMENT OF EDUCATION, SCIENCE AND TRAINING (2002f) *Meeting the challenges: the governance and management of universities*,
<http://www.detya.gov.au/crossroads/pubs.htm#governance>
- DEPARTMENT OF EDUCATION, SCIENCE AND TRAINING (2002g), *Varieties of learning: the interface between higher education and vocational education and training*,
<http://www.detya.gov.au/crossroads/pubs.htm#vet>
- DOUGLASS, JOHN AUBREY (2000) 'Institutional differentiation and coordination: a case study of California', mimeo, Berkeley: Centre for Studies in Higher Education, University of California.
- GALE, WILLIAM G & SLEMROD, JOEL (2000) *Resurrecting the estate tax: policy brief #62*, The Brookings Institution, <http://www.brook.edu/comm/policybriefs/pb62.htm>
- GILBERT, A (2001) 'The idea of a university: enterprise or academy', paper presented to the Manning Clark symposium, Canberra, 25 July 2001,
<http://www.unimelb.edu.au/vc/present/manningclark.pdf>
- HIGHER EDUCATION FUNDING COUNCIL FOR ENGLAND (2000) *Review of Research*, Report 00/37 <www.hefce.ac.uk/Pubs/Hefce/2000/00_37all.htm>
- HIRSCH, FRED (1976) *Social limits to growth*, Harvard University Press: Cambridge, Mass.
- JOULFAIAN, DAVID (1988) *The federal estate and gift tax: description, Profile of Taxpayers, and Economic Consequences*, U.S. Department of the Treasury, OTA Paper 80 December 1998, <http://www.ustreas.gov/ota/ota80.pdf>
- KNIGHT, SHAHIRA (1997) *College affordability: tuition tax credits vs savings incentives*, a study for the Joint Economic Committee of the United States Congress,
<http://www.house.gov/jec/fiscal/tx-grwth/college/college.htm>
- LEINHARDT, G, MCCARTHY YOUNG, K & MERRIMAN, J (1995). Commentary. Integrating professional knowledge: the theory of practice and the practice of theory. *Learning and Instruction* 5(4), 401-417.
- MARTIN L H (chair) Australian Universities Commission, Committee on the Future of Tertiary Education in Australia (1964), *Report*, Government Printer: Canberra.
- MCKINNON, K R , WALKER, S H & DAVIS, D (2000) *Benchmarking: a manual for Australian universities*,
<http://www.detya.gov.au/highered/statistics/characteristics/characteristics00.pdf>

- MEDSKER, LELAND L & TILLERY, DALE (1971) *Breaking the access barriers: a profile of two-year colleges*, McGraw-Hill Book Company: New York.
- MOUSSOURIS, LINDA (1998) The higher education – economic development ‘connection’ in Massachusetts: forging a critical linkage?, *Higher Education*, **35**: 91-112.
- MURRAY, SIR KEITH (chair) Committee on Australian universities (1957) *Report*, Government Printer: Canberra.
- NELSON, BRENDAN (2002) *Higher education at the crossroads: an overview paper*, <www.dest.gov.au/crossroads>.
- OFFICE OF POSTSECONDARY EDUCATION (2002) *Gear Up* <<http://www.ed.gov/offices/OPE/gearup/>>
- PARRY, GARETH & THOMPSON, ANNE (2002) *Closer by degrees: the past, present and future of higher education in further education colleges*, Learning and Skills Development Agency, www.LSDA.org.uk.
- PENNINGTON, DAVID (2002) *Review of council committees of Adelaide University*, <http://www.adelaide.edu.au/pr/media/releases/2002/pennington.pdf>
- PRESIDENT AND FELLOWS OF HARVARD COLLEGE (2001) *Governance of the university*, <http://www.news.harvard.edu/guide/underst/index.html>
- STEVENSON S, MACLACHLAN M & KARMEL T (1999) *Regional participation in higher education and distribution of higher education resources across regions*: Occasional Paper Series, No 99-B, Canberra, Higher Education Division, Department of Education, Training and Youth Affairs. <http://www.detya.gov.au/archive/highered/occpaper/99B/default.htm>
- UNIVERSITY OF CALIFORNIA (2002) *About UC: shared governance*, <http://www.universityofcalifornia.edu/aboutuc/governance.html>
- UNIVERSITY OF EDINBURGH (2000) *Constitution of the university*, www.sec.ed.ac.uk/Committees/Court/Constitution.htm
- US NEWS & WORLD (2002) *America’s best colleges* <<http://www.usnews.com/usnews/edu/college/rankings/natudoc/tier1/t1natudoc.htm>>
- VICTORIAN DEPARTMENT OF EDUCATION AND TRAINING (2002) *Review of university governance*, <http://www.eduweb.vic.gov.au/highered/pdfs/Review%20of%20University%20Governance.pdf>
- WILLIAMS, BRUCE R (chair) Committee of Inquiry into Education and Training (1979) *Education, training and employment. Report of the committee of inquiry into education and training*, AGPS: Canberra.

¹ The discussion of a world class university is substantially the same as pages 8 – 10 of the response to *Crossroads* from Victoria University of Technology (submission number 215) because its main author moved from VUT to Griffith University during the time when both universities’ submissions were drafted.

