

## Submission to the

Australian Senate employment, workplace relations and education committee

Inquiry into university funding and regulatory changes under proposed budget legislation

### **Consultation process**

The Government conducted a model consultation leading up to the publication of its proposals in *Our universities: backing Australia's future* but established no formal consultation process thereafter. The community has thus lacked a framework for considering the Government's proposals, making the present Senate committee's inquiry necessary. This experience reinforces the strength of the normal good practice of publishing a green paper followed by a white paper. The two papers process was followed by the last successful major reform of higher education by Minister Dawkins in 1987-8.

Minister Dawkins also commissioned detailed studies before launching the major parts of his reforms: hecs (Wran committee on higher education funding), relative funding model (3 case studies and DEET's assessment of the relative funding position of Australia's higher education institutions), research performance funding (Linke study) and equity (*A fair chance for all*). The lack of corresponding studies on key parts of *Backing Australia's future* means that decisions on these have to be made uninformed by an understanding of their likely consequences.

### **Split Commonwealth course contributions and HECS contributions (*Backing Australia's future* paragraphs 2.1 and 3.1)**

The Government's proposal to split Commonwealth course contributions and HECS contributions has the advantages of transparency and offering greater flexibility in the HECS rates set by institutions and accepted by students. It would also expose institutions to the market in all their enrolments, not just for full fee-paying students. This may be considered an advantage by some; others will think it goes too far in marketising education.

But the very transparency of the Government's proposals exposes the separate Commonwealth course contributions and HECS rates to more detailed scrutiny. For example, there seems little justification for setting the Commonwealth course contributions for law, accounting and humanities at such significantly different levels unless they were linked to different HECS rates, yet it is precisely this link which the Government's proposals are designed to weaken, if not entirely break. This generates considerable anomalies in the proportions students in different HECS bands contribute to the cost of their program. This is shown in the table below taken from Phillips Curran.

TABLE 1: STUDENTS' RELATIVE CONTRIBUTION TO THEIR PROGRAM COSTS AT STANDARD HECS RATES

<b>Discipline group</b>	<b>Students' contribution</b>
Law	81.0%
Accounting, Administration, Economics, Commerce	68.9%
Humanities	48.0%
Mathematics, Statistics	52.7%
Behavioural Science, Social Studies	36.7%
Computing, Built Environment, Health	42.6%
Foreign Languages, Visual and Performing Arts	29.8%
Engineering, Science, Surveying	30.9%
Dentistry, Medicine, Veterinary Science	29.4%
Agriculture	25.1%
Education	34.6%
Nursing	28.4%

*Source: Phillips, David et al (2003) Independent study of the higher education review: stage 2 report. Volume 2: potential impact of the higher education review, Table 2.2 Students' relative contribution, page 17, [http://www.curriculum.edu.au/mctyapdf/indep\\_study\\_vol\\_2.pdf](http://www.curriculum.edu.au/mctyapdf/indep_study_vol_2.pdf).*

It may be appropriate for medicine students to pay a lower proportion of their program costs than almost all other students, but this and the other relativities require justification. The funding relativities which generate these outcomes are based on studies done almost 15 years ago, before differential HECS was contemplated and of course without anticipating the current proposal to relax the link between Commonwealth contributions and HECS contributions. At least the standard HECS rates need to be reviewed again.

### **National governance protocols (paragraph 2.3)**

Most of the Commonwealth's proposed national governance protocols are taken from the recommendations of the Victorian Government's review of university governance and are a codification of good practice. However, the Commonwealth – this Government in common with previous Labor governments – has long had a preoccupation with the reducing the size of universities' governing bodies that is not supported by evidence from the top universities in the US, UK or Australia, nor is it supported by evidence of the size of company boards.

The University of Queensland whose senate has 35 members and the universities with the next largest governing bodies at 25 members – Griffith, James Cook and Murdoch – seem to be governed no worse than the universities that would meet the Commonwealth's prescription – Bond, Australian Catholic University, Western Sydney, Tasmania and Southern Cross.

International comparisons further undermine the Commonwealth's case. (The size of the governing boards of the top US and UK institutions is appended.) Of the US universities ranked in the top 20 by the *US News & World Report*, most have boards of trustees of 35 to 45 members to accommodate large donors since all but the University of California, Berkeley are private. Examples are Princeton, CalTech, Duke, Stanford and Emory. Some are more selective, such as Yale (19), Columbia (24) and Rice (25), while others are more expansive, such as MIT (75), Pennsylvania (60), Chicago (47), Cornell (64), Brown (54) and Notre Dame (56). The University of California system, of which Berkeley is a part, has 26 regents. Two colleges have very large boards – Johns Hopkins has 104 and Northwestern has 122 trustees. Only Harvard (7) and Dartmouth (16) would meet the Commonwealth's conditions.

Of the UK's Russell group of 'research led' universities for which information is readily available on their web site, none would meet the Commonwealth's condition and most had 25 to 35 members on their governing board. Examples are Bristol, Glasgow, Leeds, Manchester, Nottingham, Oxford, Sheffield, Southampton and Strathclyde. Cambridge (21) and Edinburgh (22) have the smallest governing boards.

There is therefore no relation between small size of governing board and university performance. Even the private sector gives no support to the Commonwealth's position. In her *Review of New Zealand tertiary education institution governance* Meredith Edwards (2003, at pp 13, 53) quotes studies by Chait and colleagues (1996) and Kiel (2002) that found that outside extremes of very small and very large boards, there is no correlation between size of governing board and company performance.

### **Industrial relations (paragraph 2.2 and chapter 8)**

The Commonwealth needs to be much clearer about precisely what it wants to include in its own pattern bargaining, both for the increase in Commonwealth course contributions (paragraph 2.2) and its workplace reform mk II (chapter 8). This intrusion into management discretion is unwelcome and unwise.

### **National governance protocols (paragraph 2.3): increased Commonwealth reporting**

National governance protocol 8 proposed by the Coalition would require universities to report on 'high level outcomes required by the Commonwealth', thus duplicating the requirements of most universities' State/Territory government. Proposed protocol 10 would require universities to 'keep the Commonwealth Minister for Education informed of any significant event affecting the institution or its subsidiaries which may affect its capacity to meet its obligations as set out in its funding agreement with the Commonwealth' (page 47). These proposals are perhaps most important for their symbolising the Commonwealth's assumption of a role in monitoring university's performance, and perhaps as precursors to more intrusive surveillance.

### **Regional subsidy (paragraph 2.4)**

There may be good grounds for providing the regional subsidy proposed in *Backing Australia's future*. However, these grounds have not yet been stated. Possibilities are to compensate for:

increased costs (but most costs are lower outside the big capital cities);  
reduced economies of scale (in which case the subsidy should be allocated for all small campuses irrespective of location);  
reduced fee opportunities (but Charles Sturt, Central Queensland and Southern Queensland all have domestic fee paying students around or above the national average);  
reduced opportunities for other non government income (but James Cook, Ballarat, Northern Territory and Tasmania all earn at or above the national average of income from consultancy contract research).

Clarifying the role of the regional subsidy would provide a rationale for its allocation and provide a basis for assessing how well the Government's goal is being met.

### **Places to respond to demographic change (paragraph 2.6)**

Demand is currently projected to plateau from 2010 and fall from 2015. Australia therefore needs a process to reallocate places between States, regions and institutions within a constant or reduced total allocation. It would be highly desirable to soften the difficulty of adjustment by introducing a mechanism to shift places and adjust load with the allocation of the converted and growth places proposed in *Backing Australia's future*. It would also be highly desirable to achieve a bipartisan position on a mechanism to adjust load in response to demographic change since any phasing out of places is necessarily extended and institutions should be given time to adjust their staff and other arrangements.

### **5-year (eftsu) limit on Commonwealth supported places (paragraph 2.8)**

A sensible implementation of the Government's proposal to limit students' occupation of a Commonwealth place to 5 years (EFTSU?) is difficult without a rationale for the policy. Possibilities are to:

stop students delaying their entry into the workforce by extending their study ('professional students');

reduce expenditure on unsuccessful studies;

reduce the lengthening of programs and expansion of joint degrees;

subsidise students for one qualification but require them to pay full fees for any second qualification.

It would also be highly desirable to have some studies or at least estimates of the numbers of students and amount of student load that would be affected by the policy.

An alternative would be phase out Commonwealth support on a sliding scale, say by establishing a new hecs band 4 which is between the existing hecs band and full fees.

### **FEE-HELP (paragraph 3.2)**

Extending fee-help to private providers would increase the risks of market dysfunction, as was experienced when private providers expanded into international education and when public funding for private provision of vocational education and training was greatly expanded.

Again as with international students, the Government may be expected to respond with more control and quality assurance, which through a misplaced conception of competitive neutrality, would impose more controls on public institutions. It would be preferable to avoid the cycle of privatisation, abuse and control by not extending publicly guaranteed fee-help to private providers.

Even if confined to public providers, fee-help would provide significant Commonwealth support for private places in the form of a Commonwealth guarantee and a loan repayment and recovery system. The Commonwealth would be underwriting a system that would result in considerable disparities in facilities and services based on students' ability to pay. David Phillips and colleagues suggest a way of providing flexibility in financing additional student places while avoiding the more regressive aspects of the proposal in *Backing Australia's future*.

Phillips and colleagues suggest capping all undergraduate fees (both hecs and 'full' fees) at the same level. If the Government were also to establish the same loan repayment arrangements for all domestic students by removing the real interest rate proposed for fee-help, all domestic students would be treated in exactly the same way and the category of fee-paying Australian students would disappear. As Phillips and colleagues argue, this would have substantial benefits for equity and simplicity. (See Phillips, David *et al* (2003) *Independent study of the higher education review: stage 2 report. Volume 2: potential impact of the higher education review*, page 74, [http://www.curriculum.edu.au/mctyapdf/indep\\_study\\_vol\\_2.pdf](http://www.curriculum.edu.au/mctyapdf/indep_study_vol_2.pdf).)

#### **Commonwealth scholarships (paragraphs 4.1, 4.2)**

While any scholarship program is welcome, the Government is proposing such a small number of Commonwealth education costs scholarships and Commonwealth accommodation scholarships that they would be available to only 1% - 2% of students subsidised by the Commonwealth. Increasing the number of scholarships to make a significant improvement to the sector's equity outcomes would require significant additional funds. Some improvement could be made, however, by making the conditions for holding the scholarships more flexible. As currently proposed they would require students to maintain a full time study load, which is difficult for students who need to work to fund themselves through higher education, which is precisely the group that the scholarships should be seeking to support.

#### **Learning and teaching performance fund (paragraph 5.3)**

Griffith University welcomes the Government's proposal to establish a learning and teaching performance fund and notes that it is a partial implementation of the *Griffith model*, the university's submission to the *Crossroads* review. The *Griffith model* argues that the proportion of performance funds available for research, teaching and equity and community service indicated their relative priority. The Government proposes to allocate \$83.8 million to a learning and teaching performance fund in 2007, which would be 1.8% of the Commonwealth's grants to institutions of \$4,613 million in 2003. This is higher than the proportion of funds allocated to institutions for their performance in equity (0.1%) and in Indigenous student support (0.4%), but far less than the proportions allocated for performance in research (5%) and research training (10%).

TABLE 2: PROPORTIONS OF COMMONWEALTH GRANTS TO INSTITUTIONS ALLOCATED BY PERFORMANCE

	<b>Teaching</b>	<b>Research only</b>	<b>Research training</b>	<b>Equity</b>	<b>Indigenous students</b>
Grant scheme	Teaching performance fund	IGS	RTS	HEEP	ISFP
Amount	\$83.8 m	\$271 m	\$516 m	\$5.9 m	23.7 m
% of total institutional grants allocated by performance	1.8%	5%	10%	0.1%	0.4%

### **Graduate skills assessment (paragraph 10.3)**

The GAMSAT, UMAT and ALSET tests are successful because they have a substantive use, for selection into graduate and undergraduate entry to medicine, dentistry and law. In this they are similar to the tests typically taken in the US after completion of a general undergraduate degree for selection into graduate professional schools. The STAT is successful for the selection of special entry applicants into undergraduate programs.

The graduate skills assessment serves no substantive role and is unlikely to be adopted in the way sought by the Commonwealth. The Commonwealth's policy would be achieved more effectively by sponsoring the development of more tests for specific purposes and encouraging their extension to more general purposes.

### **Voluntary student unionism (chapter 13)**

As proposed, the Commonwealth's policy on optional membership of student organisations would decimate student support services. If the Commonwealth is serious it should increase Commonwealth course contributions accordingly.

SIZE OF GOVERNING BOARDS OF THE TOP 20 US NATIONAL DOCTORAL UNIVERSITIES AND THE  
UK RUSSELL GROUP OF 'RESEARCH LED' UNIVERSITIES

<b>Institution</b>	<b>Governing body</b>	<b>Members</b>
<i>Top US national doctoral colleges, in US News &amp; World Report rank order</i>		
Princeton	Board of trustees	40
Harvard	President and Fellows of Harvard College	7
Yale	Yale Corporation	19
CalTech	Board of Trustees	37
Duke	Board of Trustees	37
MIT	MIT Corporation	75
Stanford	Board of Trustees	35
University of Pennsylvania	Board of Trustees	60
Dartmouth College	Board of Trustees	16
Columbia	Board of Trustees	24
Northwestern	Board of Trustees	122
University of Chicago	Trustees of the University	47
Washington University	Board of Trustees	53
Cornell	Board of Trustees	64
Johns Hopkins	Board of Trustees	104
Rice	Board of Trustees	25
Brown	Corporation	54
Emory	Board of Trustees	35
Notre Dame	Board of Trustees	56
UC Berkeley	The regents	26
<i>UK Russell Group universities in alphabetical order</i>		
Birmingham		
Bristol	Council	32
Cambridge	Council	21
Edinburgh	University court	22
Glasgow	Court	25
Imperial College	Court	150
Leeds	Council	33
Liverpool	Council	46
Manchester	Council	30
Newcastle upon Tyne		
Nottingham	Council	28+
Oxford	Council	26
Sheffield	Council	35
Southampton	Council	30
Strathclyde	Court	27
University College London		
Warwick		