Submission to the Interim Report of the Australian Universities Accord

Tom Karmel, Mackenzie Research Institute

Executive Summary

The submission comments three aspects of the Interim Report. The first is the belief that an expansion in higher education is required. The second is that of social inequity. The third is consideration of new institutions.

An expansion in higher education is required

In Karmel (2023a) I looked the intersection of occupational employment growth and the change in education qualification levels between 2011 and 2021.

If we rank occupations by average income then it is clear that employment growth has been biased. Sorting the occupations into income deciles defined in terms of full-time employment in 2011, we see that growth in full-time employment has been strongest in the top four income deciles (and especially in the top two), while growth in total employment was strongest in the top four income deciles and the bottom two. That is, full-time jobs have been strongly biased toward the better paid jobs, while growth in all jobs has shown a hollowing out of the occupation distribution with growth at the top and bottom at the expense of the middle.

Our analysis, however, has another element, and this is the rapid increase in credentials. It is the intersection of the increase in credentials with the significant occupational structure change which will impact on the employment prospects of individuals. In respect of qualifications, the period 2011 to 2021 was one of growth in credentials, particularly in higher degrees and bachelor degrees. The strongest growth was in higher degrees where the proportion of employed persons with a higher degree increased from 5.1% to 9.1%, while the proportion with a bachelor degree increased from 20.8% to 26.3%. There are now more people with a degree than with a certificate III/IV.

The very large increase in persons with qualifications is much larger than can be accommodated by the changes in the occupational structure. That is, having a qualification does not automatically imply that the individuals will gain a job commensurate with the qualification. If we look at the 'new' jobs (the net increase in employment between 2011 and 2021) for persons with a higher degree, over 12% of them are in the two lowest income deciles (as defined by the distribution of full-time employment in 2011. Similarly, over 20% of new jobs for those with a bachelor degree are in the two lowest income deciles. A university degree may be a gateway into a well-paid job but provides no guarantee.

The interplay between increases in qualification levels and the changing occupational structure is illuminated through a shift share analysis. This analysis decomposes the change in number of persons in jobs into three components: a qualification share effect reflecting changes in the share of jobs within occupations of persons with a certain qualification; an occupational share effect, reflecting the change associated with differential growth in occupations; and an overall growth effect which reflects the overall increase in the total number of jobs.

We find two important structural changes. First, the change in the occupation structure clearly favour those with degrees and especially those with higher degrees. Second, the qualification share effect shows that it is the increase in supply of persons with qualifications that is dominant for those with higher degrees, and to a lesser extent for those with bachelor degrees.

The point is the expansion of higher education has resulted in very large increase in credentials in a wide range of jobs. While occupational change has been biased toward 'good' jobs that change is dominated by increases in credentials within occupations. Thus not only does the pay-off to credentials become less certain but those without low level or no credentials are increasingly competing with better credentialed persons. The expansion in higher education has arguably led to greater disadvantage for some.

My point is that we should treat calls for expansion of higher education with circumspection.

Social inequity

I have no argument with the argument that there is uneven participation in higher education across many groups, and that we should have mechanisms in place to ensure that every one has the opportunity of undertaking all levels of education. However, I do warn against putting too much reliance on universities to provide redress for previous disadvantage.

First, I would argue that the best way of addressing educational disadvantage is to attack it as early as possible. That is, it is better to invest in early childhood and school education than in higher education if we are trying to address educational disadvantage.

Second, I would argue that the VET sector is much better situated to address educational disadvantage than the university sector. It has been well documented that disadvantaged groups tend to be over represented in VET and the style of education in VET is likely to appeal to those who have struggled in the school environment. If students are not appropriately prepared for further study then they are being set up to fail or achieve a poor quality degree.

In this context, I would question the creation of Regional University Centres as a way of improving access in regional and remote areas. Surely, it would be more sensible to build on the very broad footprint that VET (and government TAFES in particular) has established.

Third, I would be wary in designating funded places at university for equity cohorts. My reason is that the identification of equity groups is problematic. Schemes targeting individuals on the basis of statistical information will be very unfair and likely to lead to game playing (residential address is notorious).

I am attracted to the notion of a universal learning entitlement as a way of addressing disadvantage if that entitlement can be directed to ensuring a proper educational preparation for post-school study.

An entitlement model would be a way of partially overcoming the current funding incoherence, by allowing similar levels of support for a range of pathways. In particular, it would address the needs of those who did not achieve a good level of secondary schooling. However, it would have to be constructed carefully so that it does not result in a financial blow out and delivered in an environment which is suitable for those who struggled with the academic approach that dominates at school. My initial thought is that a modest entitlement would provide support for a general education diploma pitched at a standard commensurate with a good quality year 12, such that it would provide a firm foundation for further study at either VET or university. I would argue that it would be best delivered at institutions that adopted a practical approach; in this context VET institutions are better placed than universities which inevitably will take a more academic approach.

New institutions and VET

It is gratifying to see that the Accord process is entertaining some ideas about diversifying the range of educational institutions. However, it appears that the Accord is firmly wedded to historical structures where VET is distinct from higher education. If we are serious about parity of esteem, and see a role for VET larger than short term lower level industry training, then it is time to rethink boundaries and the types of institutions that are supported.

Bruce Mackenzie and I have argued for a high level vocational approach as a genuine alternative to the more academic approach of universities. We are envisaging a tertiary institution, focused on teaching and practice, delivering VET certificates, diplomas and bachelor degrees, possibly applied masters degrees. Ideally there would be pathways from certificates to diplomas to degrees.

For such a model to have any chance of working there would need to be some fundamental reforms of institutional structures. The key one is funding. Unless such an institution were assigned Commonwealth Supported Places (CSPs), it would have no chance of being successful. In addition, there may have to be changes to the Australian Qualification Framework, so that it is agnostic as to whether a bachelor degree is VET or higher education. Regulatory structures would most likely to have to be amended – in this regards we know that the self-accrediting power of universities is a sore point with non-university providers.

There are four arguments for such a model. The first is an educational one; there are numerous fields where a practice based training philosophy is a good one and will meet the needs of the labour market more effectively. The second is a diversity argument. The so-called unified system in which colleges of advanced education morphed into universities, has led to a system where all universities aspire to become comprehensive research universities. Surely, some diversity, with strong institutions with a different focus, would be of benefit. The third is an efficiency argument. Teaching only institutions do not have the option of cross subsidising research with funds notionally allocated to teaching. The fourth is an equity argument. While there is much rhetoric from the universities concerning equity, it is unarguable that VET has a broader reach than universities in terms of students' age, educational background, social and cultural backgrounds. And it would be VET, with its emphasis on training for the labour market, which would underpin the new type of tertiary institution. This type of institution is more likely to be successful in addressing social inequity than the mainstream universities.

The long term implications for such a development would be profound. We would be creating genuine diversity in the higher education system. One branch would be the research universities, with the roles of teaching, research training and research. Another would be the professional universities with a practically inspired teaching orientation, and an emphasis on meeting the needs of a diverse student body and providing pathways from the lowest qualification to the bachelor and professional master degrees. It would be a different sort of institution to current universities; it would differ significantly in terms of client groups, markets and the nature of delivery.

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Introduction

I wish to comment on three aspects of the Interim Report. The first is the belief that an expansion in higher education is required. The second is that of social inequity. The third is consideration of new institutions.

An expansion in higher education is required

More students enrolled in higher education, a fair system that ensures access and attainment and a larger system that better meets national jobs and skill needs p6, B

Australia needs to significantly increase tertiary education participation and attainment levels to create a stronger economy and a fairer society over the next three decades. p6, B

The report calls for an expansion of the higher education system. On P4, the report lists as the first important problem needed to be addressed

While the demand for graduates grows ever stronger, too few Australians are going to university. It is projected that over the next five years more than 90% of new jobs will require post-school qualifications, with over 50% requiring a bachelor degree or higher

The above statement draws on the National Skills Commission projections as in the Employment outlook (five years to November 2026). This is not the place to undertake a debate on the utility of projections of employment, but an examination of trends observed over the last ten years or so is salutary. In Karmel (2023a) I looked the intersection of occupational employment growth and the change in education qualification levels. The major points to emerge were:

Between 2011 and 2021 occupational change has been significant. In terms of full-time employment growth has been strongest in community and personal service workers, professionals and managers. All remaining broad occupational groups had less than average growth, with lowest growth being among clerical and administrative workers, sales and technicians and trades workers.

If we rank occupations by average income (the occupation with the highest average income in 2011 was surgeons and anaesthetists) then it is clear that employment growth has been biased. Sorting the occupations into income deciles defined in terms of full-time employment in 2011, we see that growth in full-time employment has been strongest in the top four income deciles (and especially in the top two), while growth in total employment was strongest in the top four income deciles and the bottom two. That is, full-time jobs have been strongly biased toward the better paid jobs, while growth in all jobs has shown a hollowing out of the occupation distribution with growth at the top and bottom at the expense of the middle. It is clear that the growth in part-time jobs has tended to be in the poorer paying jobs.

Our analysis, however, has another element, and this is the rapid increase in credentials. It is the intersection of the increase in credentials with the significant occupational structure change which will impact on the employment prospects of individuals. In respect of qualifications, the period 2011 to 2021 was one of growth in credentials, particularly in higher degrees and bachelor degrees. The strongest growth was in higher degrees where the proportion of employed persons with a higher degree increased from 5.1% to 9.1%, while the proportion with a bachelor degree increased from 20.8% to 26.3%. Diplomas increased a little while the proportion of employed persons with a

certificate III/IV remained constant (at 19.5%). There are now more people with a degree than with a certificate III/IV. The groups which have seen a decline are those with an 'other certificate' (which include certificates I and II and those qualifications that fall outside the Australian Qualification framework) and those with no non-school qualification. The decline has been very significant in respect of the latter, declining 8.7% points from 37.4% to 28.7%.

The very large increase in persons with qualifications is much larger than can be accommodated by the changes in the occupational structure. That is, having a qualification does not automatically imply that the individuals will gain a job commensurate with the qualification. So, for example, if we look at the 'new' jobs (the net increase in employment between 2011 and 2021) for persons with a higher degree, over 12% of them are in the two lowest income deciles (as defined by the distribution of full-time employment in 2011. Similarly, over 20% of new jobs for those with a bachelor degree are in the two lowest income deciles. A university degree may be a gateway into a well-paid job but provides no guarantee. We also find that persons with no post-school qualification are being displaced by people with credentials, predominantly in the poorer paid jobs. Credentials are becoming increasingly important even in lower paid jobs.

The interplay between increases in qualification levels and the changing occupational structure is illuminated through a shift share analysis. This analysis decomposes, in an accounting sense, the change in number of persons in jobs into three components: a qualification share effect reflecting changes in the share of jobs within occupations of persons with a certain qualification; an occupational share effect, reflecting the change associated with differential growth in occupations; and an overall growth effect which reflects the overall increase in the total number of jobs. A simple interpretation of the qualification share effect is that it reflects an increase in the number of persons with that qualification over and above that needed to maintain the proportion of people in an occupation with that qualification.

The results of the shift share analysis show clearly two important structural changes (Table 1 and Table 2). First, the change in the occupation structure clearly favour those with higher degrees and degrees (especially those with higher degrees), is relatively neutral for those with diplomas and is unfavourable for those with a certificate III/IV. It is also very unfriendly to those with no post-school qualification. Second, the qualification share effect shows that it is the increase in supply of persons with qualifications that is dominant for those with higher degrees, and to a lesser extent for those with bachelor degrees.

Table 1: Decomposition of the percentage change (evaluated at the mid-point) in full-time employment by qualification level

	Qualification share effect	Occupational share effect	Overall growth effect	Total
Higher degree	43.1	15.0	10.8	68.8
Bachelor degree	13.5	11.4	10.8	35.7
Diploma or advanced diploma	5.8	2.1	10.8	18.7
Certificates III and IV	1.6	-6.8	10.8	5.6
Other certificates	1.0	-5.8	10.8	6.0
No post school qualification	-26.5	-9.1	10.8	-24.7

Source: Census of Population and Housing, 2011, Census of Population and Housing, 2021, TableBuilder

Table 2: Decomposition of the percentage change (evaluated at the mid-point) in total employment by qualification level

	Qualification share effect	Occupational share effect	Overall growth effect	Total
Higher degree	45.6	10.5	18.0	74.1
Bachelor degree	15.9	7.6	18.0	41.5
Diploma/advanced diploma	7.8	2.6	18.0	28.4
Certificates III and IV	3.7	-3.5	18.0	18.3
Other certificates	-0.4	-2.9	18.0	14.8
No post school qualification	-23.9	-5.7	18.0	-11.6

Source: Census of Population and Housing, 2011, Census of Population and Housing, 2021, TableBuilder

The point is the expansion of higher education has resulted in very large increase in credentials in a wide range of jobs. While occupational change has been biased toward 'good' jobs that change is dominated by increases in credentials within occupations. Thus not only does the pay-off to credentials become less certain but those without low level or no credentials are increasingly competing with better credentialed persons. The expansion in higher education has arguably led to greater disadvantage for some.

My point is that we should treat calls for expansion of higher education with some circumspection. While there is good reasons to assume that higher level jobs will expand relatively quickly (although historically we have seen a hollowing out of all jobs, with very strong growth at the top and bottom of the distribution), it is likely that the expansion of persons with degrees and higher degrees will be greater than that associated with the occupational change. Inevitably, this means tougher competition for the good jobs and an increase in the probability of getting a poorer job where the credential is underutilised. An emphasis on equity may exacerbate this risk if it means that persons with a poorer educational preparation undertake degrees. There is no doubt that there is a very good average return to having a degree. But this does not mean that there is a good marginal pay-off, and we may inadvertently encourage into higher education students who are likely to get a poor pay-off from a degree.

We should also be aware that current labour market shortages cut across both university trained and VET trained occupations. According to the latest Labour Market Update (Jobs and Skills Australia 2023), the occupations in greatest shortage are Registered Nurses, Software and Applications Programmers, Aged and Disabled Carers, Child Carers, Construction Managers and Motor Mechanics. We should be wary about expanding higher education provision for its own sake.

Social inequity

Our goal must be growth through greater equity.

More ambitious enrolment and equity targets will be crucial.

For these reasons, the Review is giving further consideration to the following policy areas:

a. *Setting targets for tertiary education participation and attainment, including higher education, through consultation with Jobs and Skills Australia (JSA) and the VET sector*
b. *Setting targets to raise First Nations participation and completion rates in higher education*
c. *Creating specific higher education participation targets for students from underrepresented backgrounds and equity groups to achieve parity by 2035. These groups will include students*

from low socio-econo0mic, regional, rural and remote backgrounds and students with a disability

d. *Developing a universal learning entitlement to ensure Australians can gain the qualifications and credentials as they need or desire.*
e. *As a priority element of the universal learning entitlement, ensuring that all students from equity cohorts are eligible for a funded place at university.* (P9)

I have no argument with the argument that there is uneven participation in higher education across many groups, and that we should have mechanisms in place to ensure that every one has the opportunity of undertaking all levels of education. Indeed, Australia has always had one of the most open education systems with many pathways into higher education. However, I do warn against putting too much reliance on universities to provide redress for previous disadvantage.

First, I would argue that most educational disadvantage can be traced back to early childhood (pre-natal in the case of alcohol foetal syndrome) and that the best way of addressing educational disadvantage is to attack it as early as possible. That is, it is better to invest in early childhood and school education than in higher education if we are trying to address educational disadvantage.

Second, I acknowledge that we will never be successful in removing disadvantage at the early childhood education and school levels, and that we require methods of addressing it post-school. With this perspective, I would argue that the VET sector is much better situated to address educational disadvantage than the university sector. It has been well documented that disadvantaged groups tend to be over represented in VET[1] and the style of education in VET is likely to appeal to those who have struggled in the school environment. We would be much better off, for example, providing a diploma in general education within VET, for example, than allowing entry to university of persons with inadequate preparation, albeit with greater support. Such a diploma would provide the foundation for further study at VET or higher education. If students are not appropriately prepared for further study then they are being set up to fail or achieve a poor quality degree.

In this context, I would question the creation of Regional University Centres as a way of improving access in regional and remote areas. Surely, it would be more sensible to build on the very broad footprint that VET (and government TAFES in particular) has established.

Third, I would be wary in designating funded places at university for equity cohorts. My reason is that the identification of equity groups is problematic. For example, I looked at the use of geographic methods of identifying low SES relative to a more precise method based on data from the Australian Survey of Youth, and concluded that the geographic method was quite satisfactory for monitoring average participation rates but very poor at identifying individuals (Karmel and Lim 2013). Schemes targeting individuals on the basis of statistical information will be very unfair and likely to lead to game playing (residential address is notorious).

I am attracted to the notion of a universal learning entitlement (see point *d* above) as a way of addressing disadvantage if that entitlement can be directed to ensuring a proper educational preparation. As I have pointed out previously, government funding of different levels of

[1] For example in my response to the Australian Universities Accord discussion paper, I noted that in 2021 there were around 140,000 Indigenous program enrolments in VET compared to around 24,000 Indigenous students in higher education (VOCSTATS TVA program enrolments, Higher Education Statistics 2021 Section 6)

education is incoherent (Karmel 2023b). At the school level there is an expectation that education will be fully funded if you attend a government school. Post-school we have a mix of fee based courses and fully funded courses in VET and Commonwealth supported places with a student contribution in higher education. In VET there are considerable variations in the level and distribution of funds across states, with fees varying across states. Fee-free TAFE courses are a relatively recent development, so that we have some VET courses free but others with fees. In higher education the student contribution is covered by an income contingent loan (and similar loans are available for some diploma courses in VET).

An entitlement model would be a way of partially overcoming this incoherence, by allowing similar levels of support for a range of pathways. In particular, it would address the needs of those who did not achieve a good level of secondary schooling. However, it would have to be constructed carefully so that it does not result in a financial blow out and delivered in an environment which is suitable for those who struggled with the academic approach that dominates at school. My initial thought is that a modest entitlement would provide support for a general education diploma pitched at a standard commensurate with a good quality year 12, such that it would provide a firm foundation for further study at either VET or university. The provision of such support (without debt to the student) would go a long way to ensuring that we were providing post-school opportunity to all. I would argue that it would be best delivered at institutions that adopted a practical approach; in this context VET institutions are better placed than universities which inevitably will take a more academic approach.

New institutions and VET

The Review considers that Australian higher education would benefit from having a wider range of complementary institutions differentiated by their unique missions (p14)

(Further consideration of) *improving the integration of higher education and VET to create new types of qualifications* (p10)

(Further consideration of) *addressing barriers that prevent VET and higher education working together, especially in course and institutions that involve both sectors* (p10)

(Further consideration of) *continually working towards and aligned tertiary education system, including parity of esteem between the VET and higher education sectors* (p15)

.It is gratifying to see that the Accord process is entertaining some ideas about diversifying the range of educational institutions. However, it appears that the Accord is firmly wedded to historical structures where VET is distinct from higher education. As I have pointed out many times, higher education is very vocational in nature (and VET has an important general education role) – there is no fundamental philosophical distinction between VET and higher education. Expanding provision of degrees has led to VET being pushed out as an entry into professions. As shown in Karmel (2023a), VET qualifications are being swamped by degrees, to such an extent that we are seeing large numbers of persons with degrees in lower skilled jobs. If we are serious about parity of esteem (noting that esteem is largely driven by occupational outcomes, although no doubt there is some innate snobbery), and see a role for VET larger than short term lower level industry training, then it is time to rethink boundaries and the types of institutions that are supported.

Bruce Mackenzie and I have argued for a high level vocational approach as a genuine alternative to the more academic approach (with its emphasis on research) of universities (Karmel and

Mackenzie 2022). The dominance of the academic approach is in contrast with international practice where there is a diversity in terms of the delivery of higher education, with many examples of specialised, professional or practice orientated institutions which complement the research based universities.

If we wish to emulate these models, and to address the decline in Australia of practice based education, we need a new type of tertiary education institution which straddles the VET and higher education worlds. We are envisaging a tertiary institution, focused on teaching and practice, delivering VET certificates, diplomas and bachelor degrees, possibly applied masters degrees. Ideally there would be pathways from certificates to diplomas to degrees. The name of such an institution is moot. We have bandied the term 'professional university' on the basis that the term 'university' has such prestige attached to it, despite the fact that internationally some of the most prestigious institutions do not have 'university' in their title –London School of Economics, Massachusetts Institute of Technology, CALTECH (California Institute of Technology), for example. The title is something that can argued.

For such a model to have any chance of working there would need to be some fundamental reforms of institutional structures. The key one is funding. Unless such an institution were assigned Commonwealth Supported Places (CSPs), it would have no chance of being successful. Perhaps a way forward here would be to rebalance government funding such that the Commonwealth is responsible for supporting tertiary education at the diploma level and above, with the States being responsible for Certificates I-IV. In this context, we know that currently at least one TAFE has CSPs for training registered nurses. In addition, there may have to be changes to the Australian Qualification Framework, so that it is agnostic as to whether a bachelor degree is VET or higher education. Regulatory structures would most likely to have to be amended – in this regards we know that the self-accrediting power of universities is a sore point with non-university providers.

We would also like to see more emphasis in VET on general education so that a student had multiple options to both acquire technical skills and leave open the possibility of higher level study.

We also point out that such an institution would not necessarily have to be comprehensive. For example an institution could focus on health or engineering or creative arts.

We have set out the arguments for such a model previously but it is worth repeating them here.

The first is an educational one; there are numerous fields where a practice based training philosophy (as distinct from a theory based approach) is a good one and will meet the needs of the labour market more effectively.

The second is a diversity argument. The so-called unified system in which colleges of advanced education morphed into universities, has led to a system where all universities aspire to become comprehensive research universities. Surely, some diversity, with strong institutions with a different focus, would be of benefit to the nation – and it would bring Australia in line with the practice in many countries.

The third is an efficiency argument. Teaching only institutions do not have the option of cross subsidising research with funds notionally allocated to teaching.

The fourth is an equity argument. While there is much rhetoric from the universities concerning equity, it is unarguable that VET has a broader reach than universities in terms of students' age,

educational background, social and cultural backgrounds. And it would be VET, with its emphasis on training for the labour market, which would underpin the new type of tertiary institution. This type of institution is more likely to be successful in addressing social inequity than the mainstream universities.

Thus, there are very good reasons to create a genuine competitor for the current universities. We need to rejuvenate vocational education so that there is a direct pathway into higher education. We need professional universities, with a clear applied and practical approach, that offer qualifications from lower level VET qualifications to bachelor and applied masters degrees.

The long term implications for such a development would be profound. We would be creating genuine diversity in the higher education system. One branch would be the research universities, with the roles of teaching, research training and research. Another would be the professional universities with a practically inspired teaching orientation, and an emphasis on meeting the needs of a diverse student body and providing pathways from the lowest qualification to the bachelor and professional master degrees. It would be a different sort of institution to current universities; while it should as well funded as current universities in terms of 'wrap around services' (for example, counselling, advice, staff development and teacher/trainer support), and high standard infrastructure, it would differ significantly in terms of client groups, markets and the nature of delivery.

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