



INDEPENDENT
HIGHER EDUCATION
AUSTRALIA

IHEA SUBMISSION ON THE JOB-READY GRADUATES EXPOSURE LEGISLATION

17 August 2020

Submission to: Department of Education, Skills and Employment
Response to: *Job-ready Graduates Reforms Exposure Legislation*

Independent Higher Education Australia thanks the Department of Education, Skills and Employment for the opportunity to comment on the exposure legislation to implement the Australian Governments' Job-ready Graduates package. This submission addresses the relevant sections as identified in the discussion paper.

Redesign funding clusters and student contribution bands

Under current funding arrangements these amendments directly impact the Australian university sector that relies on Commonwealth funding to operate. Whilst shifts in funding and contributions in the public sector impact pricing in the broader Australian education market, IHEA members will continue to deliver quality education with services finely tuned to student demand. We acknowledge the Commonwealth's responsibility to determine funding clusters and contribution bands for the funds it distributes.

IHEA notes that the Job Ready Graduates legislation reallocates existing funding levels on the basis of 'national priorities'. The COVID recovery environment will require governments to target education funding to economic shortages and skills demands and IHEA supports this broad approach as the basis of the draft legislation.

IHEA's view, however, is that in the longer term more substantial reform of Australian higher education funding is necessary to:

- Design a sustainable funding model that supports and balances the lifelong educational value of the sector with the more immediate demands of industry and current government policy priorities
- Maximise the national benefits of Australia's high-quality independent tertiary education sector that delivers innovative courses and rapid qualification attainment through blended and flexible delivery, is highly attuned to student and industry demand and achieves excellent graduate outcomes for its students
- Reform Commonwealth funding eligibility to be based on provider quality rather than provider category as recommended in the 2008 Bradley Review following the creation of TEQSA¹
- Implement deeper integration of the tertiary sector giving students greater mobility and education pathways across the VET and HE sectors, enabling skills attained through training to deliver employment outcomes and form the basis of career development and lifelong learning

Introduce funding envelope

No specific comments

¹ See Recommendations 25 and 29 of Bradley, D., et al., *Review of Australian Higher Education: Final Report*, Canberra, ACT: Commonwealth Government of Australia, 2008, pp. xxii-xxiii

Introduce demand driven funding for CSPs for regional and remote Indigenous persons

IHEA supports the introduction of demand driven funding for Commonwealth Supported Places (CSPs) for regional and remote Indigenous persons and the policy intent to increase Indigenous participation in higher education. IHEA proposes that access to CSP support for regional and remote Indigenous persons not be limited to Table A providers.

IHEA proposes that the policy intent of improving Indigenous participation could be better achieved if Indigenous students were equally supported to enrol with *any* TEQSA registered higher education provider.

Independent providers with smaller class sizes and greater attention to individual learning needs, lead the national QILT ratings for overall quality, skills development, learner engagement and student support. The independent sector is well placed to provide high-quality educational opportunities to underrepresented cohorts.

Obviously, appropriate reporting mechanisms and funding arrangements would need to be implemented, but several independent providers already receive CSG funding for the delivery of national priority places and thus the proposed funding model does not in itself limit provider eligibility.

The strengths of this participation policy should not be diminished by limiting Commonwealth support on the basis of provider type and to the potential detriment of a student's chosen career and educational aspirations.

This legislation could be improved through amendment to enable regional and remote Indigenous persons to be funded to undertake education at a provider of their choice.

Provide legislative authority for the NPILF and the IRLSAF

IHEA supports the creation of the National Priorities and Industry Linkage Fund (NPILF) and an Indigenous, Regional and Low Socio-Economic Status Attainment Fund (IRLSAF), however, proposes that they be expanded to provide greater benefit across the higher education sector.

IHEA proposes that the policy intent of the NPILF and IRLSAF could be better achieved with all higher education providers having access to the grants administered by these funds.

Establishment of these funds recognises the importance of linkages between higher education institutions and students and industry. Like Table A providers, independent universities and providers have established links with industry. Similarly, students choosing to study with independent providers seek to develop skills that are valued by industry, just as their public sector peers do.

IHEA proposes that access to grants and participation in programs supported by these funds should be based on equitable criteria to facilitate sector wide links with industry and industry-relevant course material and outcomes. Similarly, enrolments from regional, Indigenous and low socio-economic cohorts should be encouraged and supported on the basis of educational and career choice rather than provider category. IHEA proposes that the Commonwealth provide the necessary financial support to enable access to these funds to be based on equity and educational criteria rather than it being limited to a particular provider category.

This legislation could be improved through amendment to provide funding and access being based on equity and educational criteria rather than it being limited to a particular provider category.

Make certain WEI units of study eligible for CGS funding

No specific comments.

Extend and strengthen student protection and provider integrity measures

IHEA supports the extension of the 2017 Provider Integrity measures to all Commonwealth supported students. Implementation of these measures was based on delivering greater student protections and minimising the accrual of unnecessary and unproductive HELP debt. IHEA remains of the view however that these measures should be regulated by the TEQSA Act for all registered providers.

IHEA supports:

- **A sector-wide definition of ‘genuine student’**
- **Equality in any academic progression requirements for all students**
- **Universal requirements for ethical marketing and recruitment practices**

The intent of these measures, which are designed to protect students, are supported by IHEA’s membership of high-quality independent higher education providers.

IHEA continues to advocate our 2017 position that these measures should be regulated through the TEQSA Act rather than the HESA. Student suitability policies, academic prerequisites and progression, admissions procedures, ethical marketing, academic integrity, grievance procedures etc are endemic to the regulatory environment of the Higher Education Standards Framework (HESF) and best interpreted in accordance with the TEQSA Act’s regulatory principles of risk, necessity and proportionality.

The 2017 Provider Integrity legislation arose in response to exploitation of VET FEE-HELP by a small number of private VET providers. This exploitation of Commonwealth support did not occur in the higher education sector, yet the Provider Integrity legislation imposed regulatory burden on higher education providers. Assessing ‘genuine student’ requirements and academic suitability at the unit level through the HESA imposes a regime without practical mechanisms for measurement, reporting and enforcement.

Notwithstanding these inadequacies independent providers support efforts to improve student protections, avoid the accumulation of unnecessary and unproductive student debt and ensure the integrity of Commonwealth support to students and institutions. We support the equity and transparency that comes with legislative requirements that apply to all public and independent higher education providers.

This legislation could be improved through amendment to:

- **Amending the tuition protection requirements to implement universal tuition protections through a Tuition Protection Service (TPS) that covers all domestic students**
- **Assess academic suitability at the course level rather than unit level through TEQSA course accreditation and oversight of the application of academic prerequisites by institutions**

Reduce the FEE-HELP loan fee for undergraduate students from 25 per cent to 20 per cent

IHEA supports the reduction of the quantum of the FEE-HELP loan fee (‘the Loan Tax’) for undergraduate students from 25 per cent to 20 per cent, however, expresses serious concerns about the failure of the legislation to address the discrimination this tax applies to a small cohort of higher education students.

The proposed reduction of the loan tax aligns the rate in higher education with that charged to students in the Vocational Education and Training sector to access VET Student Loans (VSL). The apparent logic

of this alignment, though, does not address the inequity of the policy that exists in the higher education sector where only a small group of students enrolled at a certain type of provider are charged the loan tax.

Equating the quantum of the loan tax across the VET and Higher Education, despite implementing a minor reduction in the discriminatory tax applied to a cohort of HE students, does not diminish the systemic inequality of the tax. Equity cannot be achieved by simply equating the tax quantum with a sector where the tax is not discriminatory.

In the VET sector the current Loan Tax is 20% and applies to all VSL recipients regardless of provider – all public and independent VSL students are taxed. In the HE sector the current Loan Tax is 25% and is only applied to students of independent Higher Education Providers (non-Table A, B or C)

Provider Type VET Sector – VSL Recipients	Students charged loan tax	Current Loan Tax Quantum	Proposed Quantum of Loan Tax
TAFE	Yes	20%	20%
Private VET RTO	Yes	20%	20%
Provider Type HE Sector	Students charged loan tax	Current Loan Tax Quantum	Proposed Quantum of Loan Tax
Independent Higher Education Provider (FEE-HELP)	Yes	25%	20%
Independent University – Table B (FEE-HELP)	No	0	0
Public University – Table A (HECS HELP)	No	0	0

IHEA’s independent analysis (Wells Advisory 2020) establishes that Commonwealth revenue from the Loan tax is, in nominal terms, \$10.1m pa (\$101m over ten years). A present value analysis factoring the deferred NPV of loan repayments reduces Commonwealth revenue from the Loan Tax to \$65m over ten years.

Whilst this legislation slightly reduces the tax burden on this small cohort of students, the legislation retains the discriminatory nature of the tax in return for a relatively small amount of revenue. The equity equation of the Higher Education FEE-HELP Loan Tax is that the Commonwealth accepts that a discriminatory tax that contributes significantly to long-term student debt is justified by the small amount of revenue the Commonwealth receives.

This legislation could be improved through amendment to:

- **Abolish the discriminatory FEE-HELP Loan Tax in Higher Education to ensure all students are treated equally under Commonwealth student loan arrangements**

Student loan taxes are a disincentive to study and ultimately serve no economic benefit to the nation. The small amount of general Commonwealth revenue contributed by loan taxes does not justify the disincentive. IHEA continues to advocate that student loan taxes be abolished for all VET and HE students in the national interest.

This legislation could be improved through amendment to:

- **Abolish the VSL and FEE-HELP Loan Tax to remove the financial disincentive to enrol in tertiary studies**

Independent Higher Education Australia

IHEA is a peak body for Australia's registered and accredited independent higher education providers (including independent universities) and high-quality tertiary sector providers across Australia.

IHEA members enrol 130,000 students across Australia. Our members provide skills development and educational pathways and career development opportunities across the tertiary sector with 50% of our members holding RTO registration and operating as 'dual sector providers'. IHEA members contribute significantly to the national international education industry with 73% of IHEA member institutions CRICOS registered to enrol international students.

The majority of Australian independent higher education providers are IHEA members and educate students in a range of disciplines including Law, Agricultural Science, Architecture, Business, Accounting, Tourism and Hospitality, Education, Health Sciences, Theology, Creative Arts, Information Technology and Social Science. IHEA members are higher education institutions with both for-profit and not-for-profit models and educate domestic and international students in undergraduate and postgraduate programs across the full AQF range (Diplomas to Doctorates).

Membership of IHEA is only open to providers that are registered with the Australian regulator – Tertiary Education Quality and Standards Agency (TEQSA). Membership is also conditional on continued compliance with IHEA's Code of Good Practice.

IHEA's primary goal is achieving equity, choice and diversity for all Australian higher education students.

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