



Professor Mark Scott AO
Vice-Chancellor and President

19 December 2022

Professor Mary O'Kane AC
Chair, Australian Universities Accord Panel
c/- Commonwealth Department of Education

Dear Professor O'Kane,

Priorities for consideration by the Accord

The University of Sydney welcomes the opportunity to provide some initial thoughts about the priorities the [Australian Universities Accord](#) should consider in 2023. We strongly support the concept of an Accord, to facilitate a national discussion and consensus building around the role that the tertiary education and research sector should play in Australia's future. Our attached submission provides feedback on priority issues in each of the seven key areas outlined in the Accord's terms of reference. At this early point in the Accord, we see the priority issues as follows.

1. Lift educational access and attainment

As the Accord's terms of reference note, over the next five years, nine in 10 new Australian jobs will require a tertiary qualification while 50 percent will need a bachelor's degree or higher. Yet, according to the Mitchell Institute, each year around 110,000 Australians still do not make successful transitions to post-school education, training or work by the age of 24. These failures to make successful transitions come with enormous costs for individuals, families, communities and governments.¹

Increasing the supply and improving the quality of Australia's teaching workforce will be foundational to addressing levels of tertiary education access and attainment. The Accord's work will need to align with the [National Teacher Workforce Action Plan](#) and the work of the [Teacher Education Expert Panel](#) Minister Clare has established. The Accord should also revisit the evaluations of previous Labor Government initiatives designed to improve the participation of under-represented groups in higher education, including the [Higher Education Participation and Partnerships Program](#) and the [system of demand-driven funding](#) that operated in full from 2012 to 2017.

Australia's income-contingent Higher Education Loan Program (HELP) removes upfront tuition fees as a direct barrier to access to higher education. However, there are no provisions to cover indirect study costs like textbooks and consumables, while the burden of covering basic living expenses such as housing, food, transport and utility costs continues to prevent too many students from accessing and succeeding in their tertiary studies. This is especially the case for students without family support, those who need to move to expensive city locations for study and those who cannot supplement their income through paid work. Australia's system of student income support has not been [independently reviewed](#) for more than a decade and the Labor Party in opposition formally recognised the need for such a review. The Bradley Review gave much attention to issues of student finances and support as they represent critical infrastructure for student success, particularly for students from low socio-economic backgrounds. The Accord should do the same or include a recommendation for such a review in its interim or final report.

2. Fix the worst elements of the Job-ready Graduates Package

There is an urgent need to consider how the JRG Package's changes to tuition fees for Commonwealth-supported students have affected cohorts from different backgrounds studying in

¹ <https://www.voced.edu.au/content/ngv%3A76621>

different fields of education. This should include an assessment of the consequences for all students, but especially women, Aboriginal and Torres Strait Islander students and those from urban and regional areas who are heavily represented in the fields of education where the JRG changes increased student contributions the most. There is also a need to consider the appropriateness of [restricting demand-driven funding to Aboriginal and Torres Strait Islander](#) students who live in regional and remote communities and the merits of persisting with the JRG Package's [Low Completion Rate rule](#) due to the disproportionate consequence it is having for students from under-represented backgrounds.

The JRG's approach to funding higher education is based on flawed assumptions about the type of skills workers will need in the future, the factors influencing university students' study choices and inaccurate data about teaching delivery costs that pay no regard to course quality and graduate outcomes. The resulting funding framework creates perverse incentives for providers and the Commonwealth when allocating places, putting the quality of teaching and skills development at risk. When combined with industry and profession-specific factors (for example, in teaching, nursing, medicine, engineering, agriculture, veterinary science and IT) the system is failing to deliver the volume of skilled professionals the economy needs in many fields of national priority. As the Productivity Commission recently concluded, the current approach of "rationing places in tertiary education – through skill lists or provider funding caps – impedes efficient skill acquisition by limiting access or distorting course choice."² Australia needs a tertiary education funding system that is much simpler, more transparent and offers strong incentives and flexibility for providers to pursue diverse missions in serving the changing needs of learners, local communities and the economy.

3. Increase Australia's R&D intensity

Our national capacity for research matters because research underpins the new knowledge creation that is critical for social and economic wellbeing, and for inspiring creativity, innovation and national self-understanding. Strength in research underlies the creation of new products, services, industries and new high-value jobs for current and future generations. It helps create greater economic complexity – another key challenge we face – mitigating the risk that we become overly reliant on a few industry sectors. Research drives skills development, productivity, economic growth and competitiveness. It equips us to address our greatest challenges and to interpret and apply the vast amount of new knowledge and technology that is created overseas. Many studies have demonstrated the strong returns that flow from public investment in research, yet Australia's level of R&D intensity continues to lag well below the OECD average, with the recent trends suggesting we are falling further behind in the innovation stakes. The Accord should therefore strongly endorse the Albanese Government's aspirational commitment to increase Australia's gross investment in R&D to three percent of Gross Domestic Product and make recommendations about how to achieve this target. As Government and Business investment in R&D (BERD) are such important components of our total R&D investment, we need to strengthen both over the long term. For the business component, this requires understanding and addressing the key factors holding Australian firms back from investing in R&D, especially in collaboration with our universities.

4. Achieve sustainable funding for Australia's sovereign research capability

The JRG Package's effective separation of funding for higher education teaching and research, combined with adoption of [stronger threshold standards for university status](#), have exposed a major structural gap in the way Australian university research is funded. The previous government recognised the significance of the problem by providing an extra \$1 billion in funding under the Research Support Program (RSP) in 2021. However, this emergency funding increase was not continued. The gap between the value of the RSP and universities' externally sourced income for research projects has continued to grow and there is evidence that many Australian universities, including Sydney, rely heavily on fees from international students to cover full research costs. The inherent risk of Australian investment in R&D at universities being so heavily dependent on international student income is a critical issue that needs to be considered. The Accord also needs to interrogate and understand the complex interdependencies between funding for university teaching and research. Reforming our national approach to supporting university research would unlock resources that can be used to improve teaching quality, the student experience, equity of access and outcomes, and employment security for university staff.

² [5-year Productivity Inquiry: From learning to growth](#), Interim Report no.5 – September 2022, p.43

5. Strengthen the role of international education

Opportunities exist for Australia to meet its future workforce and skills needs, as well as to strengthen defence, diplomatic and people-to-people relations in the Asia-Pacific region and beyond, by taking a far more strategic approach to international education, skilled migration, regional development and engagement. For example, Australia's universities are renowned for providing world-leading education across the health professions while our health system faces major skills shortages. Countries across the Asia Pacific are also confronting serious health workforce challenges and are very interested in the training Australia has to offer. Yet our universities cannot meet the demand from international students in many fields due to a lack of clinical placements, made worse by the pandemic. The Accord presents an opportunity to think creatively about how education providers, governments, industry and local communities can work better together to address long-term skills needs – in both Australia and our region – across the health professions and many other critical fields that are facing similar challenges, including teaching, engineering and information technology. It presents an opportunity to critically assess the importance of international education in relation to 'soft power' and public diplomacy in the region, which was viewed as a feature of the original Colombo Plan. In terms of student flows to and from the region, the New Colombo Plan is a success story, because it has boosted Australian students' knowledge of the region's diverse languages and culture. However, the long-term value of the Australian Government assisting more students from the region financially to access high-quality tertiary education cannot be overstated.

6. Deliver a simpler and more transparent system

Australia's approach to funding and administering the higher education system has become far too complex. It is not widely appreciated, but Australia's public universities are arguably some of our most heavily regulated organisations. Currently, the University of Sydney must comply with the requirements of more than 200 separate pieces of Commonwealth and State legislation, as well as increasingly quasi-regulatory requirements as departments increasingly seek to administer programs through non-legislative guidelines, codes and contractual terms. There is great potential to improve the simplicity and efficiency of the operation of higher education regulatory and funding systems, including the various and duplicating reporting requirements set through the Commonwealth's funding agreements with higher education providers. However, achieving significant reform in these highly technical areas will require a dedicated commitment and leadership from the Federal Department of Education and the States. It will also take a genuine and sustained willingness from the Department to work in collaboration with technical experts from within providers, to identify key pressure points and address them progressively, in close partnership with the sector.

7. Improve the way tertiary education policy is made

Finally, the Accord should consider recommending a fundamental change in the way that the Commonwealth develops tertiary education policy – to improve its quality, transparency, and the likelihood of evidence-based decision-making. The Albanese Government has confirmed its support for such an independent body covering the vocational education sector, through the establishment of [Jobs and Skills Australia](#) (JSA). However, as the Accord's terms of reference note, half of all new jobs expected in Australia will require a bachelor's degree or higher. The Accord therefore presents an opportunity to examine whether JSA should also be equipped and empowered to provide high-quality independent advice to government on labour market trends for jobs requiring bachelor's degrees and higher, and regarding policy options to ensure the higher education system is capable of meeting Australia's knowledge and skills needs.

Thank you for considering this input. We look forward to being part of the Accord discussion during 2023.

Yours sincerely,

(Signature removed)

Professor Mark Scott AO
Vice-Chancellor and President

Attachment The University of Sydney, submission to the Australian Universities Accord, 19 Dec. 2022

Initial submission to the Australian Universities Accord, December 2022

The University of Sydney welcomes the opportunity to provide feedback to the *Australian Universities Accord* on the priority issues it should be considering during 2023, under each of the seven 'Focus Areas' set out in the Accord's terms of reference.

Accord Focus Area 1 - Meeting Australia's knowledge and skills needs, now and in the future

Enhance the delivery of quality education that meets the needs of students across all stages of lifelong learning and develops the skills needed now, and in the future. This will include recommendations for new targets and reforms recognising that more than nine in ten new jobs will require post-school qualifications, and fifty per cent of new jobs are expected to require a bachelor's degree or higher.

University of Sydney priorities within this focus area

- **A tertiary education system fit for the future.** The Accord presents a rare opportunity to set a bold new vision for the role that Australia's tertiary education and research sector will play in building prosperity and well-being for the nation and individuals, supported by a holistic set of reform recommendations capable of realising that vision. Australia needs a high-quality and responsive tertiary education funding system that is much simpler, transparent and offers strong incentives and flexibility for providers to pursue diverse missions in serving the changing needs of learners, local communities and the economy.

Global and local forces dictate that Australia's future success will hinge on our national capacity for high-level cognitive skills and our ability to solve complex problems. While millions of jobs in Australia will be made obsolete over the next decade, millions more will be created, mostly in our service industries and many of which cannot be imagined today. Demand for formal tertiary education qualifications is rising, with this growth only likely to continue due to the non-routine skills employers will demand, growth in our school-leaver population and increasing participation rates.

Skills formation will be essential to the future workforce and personal skills like creative thinking, teamwork, communication and cultural competence are critical to success at non-routine work. Yet Australia's current approach to funding higher education is based on flawed assumptions about student study choices, inaccurate data about teaching delivery costs and with few incentives to improve teaching quality. The funding framework creates perverse incentives for providers and the Commonwealth when allocating places. When combined with industry- and profession-specific factors (e.g. teaching, nursing, medicine, engineering, agriculture, veterinary science and IT) the system is patently failing to deliver the volume of skilled professionals the economy needs in many fields of national priority. As the Productivity Commission recently concluded, the current approach of: 'rationing places in tertiary education — through skill lists or provider funding caps — impedes efficient skill acquisition by limiting access or distorting course choice.'¹

- **Fixing research funding is essential for improving teaching quality and equity outcomes.** The interdependencies between current funding arrangements for university teaching and research need to be interrogated and understood by the Accord Panel. This should include recognition that fixing the structural weaknesses in the way that university research is funded will unlock resources that can be used to improve teaching quality, equity of access and outcomes, student support services and employment security for university staff.
- **Addressing regional workforce shortages.** Employers in regional, rural and remote Australia face particularly serious challenges recruiting the skilled workers they need in many fields. Commonwealth programs like the [Rural Health Multidisciplinary Training \(RHMT\)](#) program provide invaluable support for a national network of universities that are delivering outstanding health professional education training to students in close collaboration with local health services and communities. The RHMT is a success story

¹ [5-year Productivity Inquiry: From learning to growth](#), Interim Report no.5 – September 2022, p.43

that could provide the Accord with valuable insights about how to tackle the critical skills shortages many regional communities face in other fields including teachers, veterinarians, engineers and IT.

- **The role that international education can play.** Opportunities exist for Australia to meet its future workforce and skills needs, as well as to strengthen relations in the Asia-Pacific region and beyond, by taking a far more strategic approach to international education, skilled migration and regional engagement. For example, Australia's universities are renowned for providing world-leading education across the health professions while our health system faces major skills shortages. Countries across the Asia-Pacific are also confronting serious health workforce challenges and are very interested in the training Australia has to offer. Yet our universities cannot meet the demand from international students due to a lack of clinical placements, made worse by the pandemic. The Accord presents an opportunity to think creatively about how education providers, governments, industry and local communities can work better together to address Australia's and the region's long-term skills needs across the health professions and many other critical fields like teaching, agriculture, veterinary science, engineering and information technology. It also presents an opportunity to critically assess the importance of international education in relation to 'soft power' and public diplomacy in the region, which was viewed as a feature of the original Colombo Plan, launched in the 1950s.
- **Work integrated learning (WIL).** The Accord should examine, or recommend a separate dedicated examination of, the trends and challenges around the reliable availability of quality WIL opportunities for all students. There is extensive evidence about the value of WIL to student learning and employability but securing quality WIL opportunities is very challenging for providers, with the situation exacerbated by the pandemic. The Accord's review of WIL should include consideration of the policy levers available to the Commonwealth to incentivise public and private organisations to partner with providers to deliver high-quality WIL experiences for both domestic and international students. Consideration should also be given to allowing some revenue from the [Skilling Australians Fund](#) to also be distributed to higher education providers to support innovation and expansion in WIL. Alternatively, public universities and other not-for-profit higher education providers could be exempted from paying the levy on employer sponsored skilled visas, freeing them up to use these funds to directly support WIL partnerships. Since the Skilling Australians Fund levies were introduced in 2018, the University of Sydney alone has incurred \$2.1 million in levies.
- **Supporting and incentivising lifelong learning.** With the pace of technological change so rapid, and whole industry sectors and job types at risk or undergoing transformation, the Productivity Commission has recently suggested that a rebalancing of public funding to support ongoing skills acquisition may be warranted.² The three extra years 'Life-long' access to a Commonwealth-supported place recently added to the reintroduced [Student Learning Entitlement \(SLE\)](#) is a generally positive move, even though it will not take effect for a decade. Other measures such as the idea floated by Commonwealth Treasury to [extend tax-deductibility for self-education expenses to students enrolling in courses](#) unrelated from their current employment to upskill or retrain, may also have merit. Initiatives like this, combined with others like reform of student income support (see below) would help Australia address its current severe and predicted skills shortages in many sectors. They would also provide strong financial incentives for providers to develop innovative educational offerings to meet the needs of workers and employers.

Accord Focus Area 2 - Access and opportunity

Improve access to higher education, across teaching, learning and research. This will include recommendations for new targets and reforms to support greater access and participation for students from underrepresented backgrounds (including First Nations Australians, those from low socio-economic backgrounds, people with disability, and regional and rural Australians).

University of Sydney priorities within this focus area

- **The impact of the Job-ready Graduates Package on students.** There is an urgent need to consider how the Package's changes to student contribution amounts have affected students from different backgrounds and their enrolment in different fields of education. This should include consideration of the short-term but also lifetime consequences for all students, but especially those from traditionally underserved populations including Aboriginal and Torres Strait Islander students and those from regional areas, who are heavily represented in the fields of education where the JRG changes increased student contributions the most. An equity lens must be applied to the JRG Package, as levels of indebtedness will

² [5-year Productivity Inquiry: From learning to growth](#), Interim Report no.5 – September 2022, p.43

increase significantly for many students who can least afford it if the JRG's new student contribution bands remain in place. Higher levels of indebtedness for women are likely to have flow on consequences for their work and life choices, including decisions about whether and when to have children.

- There is also a need to re-consider the appropriateness of [restricting demand-driven funding to Aboriginal and Torres Strait Islander](#) students who live in outer urban, regional and remote communities and the merits of persisting with the JRG Package's [Low Completion Rate](#) rule due to the disproportionate consequences it is having for students from under-represented backgrounds.
- **The value of the Higher Education Loan Program (HELP) as an expansion and access equity measure.** Australia's innovative income-contingent higher education loan program, based around HECS-HELP, has made a remarkable contribution in expanding and widening access to higher education in Australia over the last three decades. If students are to make contributions towards the cost of their tuition, then HELP represents a much fairer approach than the arrangements that are in place in many other countries. The core purpose and role of HECS-HELP in removing upfront tuition fees as a barrier to students accessing undergraduate courses must be protected and where possible strengthened by any reforms recommended by the Accord.
- **Lifting educational attainment.** There needs to be a renewed focus on how Australia can maximise the numbers of young people who complete secondary school well and transition successfully to tertiary education, training or work. The Mitchell Institute has calculated the enormous cost to individuals, families, governments and the community of far too many young Australians failing to transition successfully to tertiary education or work by the age of 24. In 2020 it estimated, for example, that some 28 percent or more than 110,000 Australian 24-year-olds had not acquired the skills needed to become confident in themselves and the future, while some 38 percent or 145,000 were not actively engaged in the community.³
- **Measuring socio-economic status.** As recommended by the Bradley Review in 2008, the way that the Australian Government measures the relative socio-economic advantage and disadvantage of students, should be revisited to reflect their actual individual or family circumstances rather than the geographic area in which they live. We are concerned that some current student income support payments and scholarships are being poorly targeted because eligibility does not take into account the individual circumstances of students.
- **Factors affecting equitable access and success.** The key factors that prevent students from under-represented backgrounds from accessing tertiary education, and succeeding in their studies or training once enrolled, need to be better understood and freshly addressed.
- **Adequacy of student income support.** Directly related to the SES point above, there is a need for a separate independent review of the student income support system and its administration, consistent with the recommendation of the Senate Community Affairs References Committee in its April 2020 report on the [Adequacy of Newstart](#) and related payments. There is substantial evidence that meeting basic living costs while studying is forcing many domestic and international students to increase their hours of paid work to survive. Time spent working is time these students cannot spend on their studies, with flow-on consequences for their learning outcomes and experiences, mental health and even their grade competitiveness upon graduation.

The financial and other challenges can become even more acute when students must complete lengthy unpaid placements to meet degree and registration requirements for professions like teaching, nursing, engineering, veterinary science and many other fields where Australia faces severe workforce shortages. After a trial initiated by the NSW Government during the pandemic to bolster its medical workforce, it has recently announced the continuation of the scheme for 1,000 final year medical students annually.⁴ The same Government is piloting a similar approach to support mid-career workers to make the transition to the teaching profession.⁵ The Accord should consider the potential for such approaches to be expanded as a key part of the National Workforce Strategy.

³ <https://apo.org.au/node/309141>, <https://www.voced.edu.au/content/ngv%3A76621>

⁴ <https://www.abc.net.au/news/2022-11-27/nsw-student-doctors-get-paid-positions-to-ease-shortages/101703440>

⁵ <https://education.nsw.gov.au/teach-nsw/get-paid-to-study/mid-career-transition-to-teaching-program>

Accord Focus Area 3 - Investment and affordability

Explore funding and contribution arrangements that deliver equity, access, quality and longer-term investments to meet priorities in teaching, research, workforce and infrastructure. This will include a review of the Job-ready Graduates Package.

University of Sydney priorities within this focus area

Many of our points made in response to focus areas 1 and 2 above, are also relevant to focus area 3:

To those we add:

- **Fixing urgently the perverse incentives and inefficiencies the JRG Package has entrenched for providers.** These arise from the interaction of the post-JRG Commonwealth and student contribution amounts with the Maximum Basic Grant Amounts (MBGAs), which cap the amount of Commonwealth Grant Scheme (CGS) funding that each provider can receive. The result is a funding framework that works against providers (and the government) offering Commonwealth-supported places (CSPs) in high and higher cost CGS funding clusters, even though many fields of education represented in these clusters are areas where Australia faces significant and growing skills shortages (for example, medicine, dentistry, veterinary science, agriculture).

The need for transparency in policy processes and decision making. Independent research, including by the Productivity Commission has found that the JRG Package's design was based on flawed rationales, and has left a funding system unlikely to deliver on Australia's skills needs to 2030. The Accord should consider recommending a fundamental change in the way that the Commonwealth develops tertiary education policy - to improve its quality, transparency and the likelihood of evidence-based decision-making. The Albanese Government has confirmed its support for such an independent body covering the vocation education sector, through the establishment of [Jobs and Skills Australia](#) (JSA). However, as the Accord Panel's terms of reference note, 50 percent of future jobs in Australia will require a bachelors' degree or higher. The Accord therefore presents an opportunity to examine whether JSA should also be empowered to provide high-quality independent advice to government on labour market trends for jobs requiring bachelor degrees or higher and policy options to ensure the higher education system is capable of meeting Australia's knowledge and skills needs.

- **Reviewing the appropriateness of relying on outcomes of the [Deloitte university teaching cost exercises](#) to inform future Australian Government decisions about funding for higher education teaching and scholarship.** Professor Vin Massaro from the University of Melbourne Centre for the Study of Higher Education has neatly summarised some of the key reasons why data from these costing exercises are not reliable enough to use as the basis for setting net funding rates in different fields of education.⁶ We commend this analysis to the Accord Panel and its secretariat. The University of Sydney has participated in these costing exercises since the Review of Base Funding in 2011. We and other participating universities have consistently raised concerns about deficiencies in the methodology, while Deloitte itself has warned in its reports against their findings being used to set funding rates. Nevertheless, the Deloitte teaching cost data for 2018 were used by the former Government to help set the net funding rates that have applied since 2021 after the passage of the JRG Package's enabling legislation.
- **Rewarding teaching quality.** There is little in the current higher education funding framework that incentivises providers to improve the quality of their teaching and of the overall student experience. In fact, the system provides financial incentives for providers to increase the volume of domestic students enrolled in some areas to reduce the per student cost of delivery in a field, or to offset funding shortfalls in another field. There have been attempts at performance funding over the last decade, but they have been piecemeal and it is not clear that they have been successful in changing provider behaviour.
- **Achieving sustainable funding for research.** The JRG Package's effective separation of funding for higher education teaching and research functions may have been correct from a policy perspective, however, it has exposed - and left unaddressed - a major structural gap in funding for the full costs of Australian university research. The previous government recognised the validity and significance of the problem by providing an extra \$1 billion in funding under the Research Support Program (RSP) in 2021. However, this funding increase was not continued; the gap between the value of the RSP and

⁶ <https://campusmorningmail.com.au/news/funding-model-inadequate-on-teaching-quality-and-standards/>

universities' externally-sourced income for research projects has continued to grow, and there is evidence that Australia's universities rely heavily on fees from international students to support the full costs of their research activities. We would be happy to provide further information and briefings to support these claims if that would assist the Accord Panel and secretariat.

- **Sustainable funding for infrastructure.** In the university sector, the abolition of key sources of federal infrastructure funding (e.g. the Capital Development Pool and [Education and Investment Fund](#)) means that universities no longer have access to any substantial public funding to support institution-specific transformational education and research infrastructure. The 2014 National Commission of Audit found that quality research infrastructure is a critical component of Australia's research, education and innovation system. Then in 2015, a major review of Australia's funding for research infrastructure (the [Clark Review](#)) found that there was a strong case for public investment in major national research infrastructure, but concluded that arrangements for planning and funding such infrastructure were not working well. The Clark Review recommended the Australian Government adopt a new long-term strategic re-investment model to provide the sector with investment certainty and sustainability. The [National Collaborative Research Infrastructure Strategy](#) (NCRIS) and its funding program do provide some funding certainty to sustain recognised nationally significant research infrastructure. However, there are no dedicated infrastructure programs or funding pools that universities can access, even on a competitive basis. The result is that our national capacity to invest efficiently and strategically in cutting-edge educational and research infrastructure remains seriously challenged, with universities (especially those that are research intensive) forced to pursue alternative sources of income to fund infrastructure renewal, including from unreliable sources such as international students.
- **Simplifying the funding system and administrative requirements.** Australia's approach to funding and administering the higher education system has become far too complex. Today, there are few people, even within our higher education institutions, who have a comprehensive and holistic understanding of its workings and of critical interdependencies. It is not widely appreciated but Australia's public universities are arguably some of our most heavily regulated organisations. Currently, the University of Sydney must comply with the requirements of more than 200 separate pieces of Commonwealth and State legislation, as well as increasingly quasi-regulatory requirements as government agencies seek to administer programs through non-legislative guidelines, codes and contractual terms. There is great potential to improve the simplicity and efficiency of operating the higher education regulatory and funding systems, including the various and duplicating reporting requirements set through the Commonwealth's funding agreements with higher education providers. However, achieving significant reform in these highly technical areas will require a dedicated commitment and leadership from the Department of Education. It will also take a genuine and sustained willingness from the Department to work in collaboration with other agencies and technical experts from providers over the long-term, to identify key pressure points and plans to address them progressively in close partnership with the sector.

Accord Focus Area 4 - Governance, accountability and community

- Enhance regulatory and workplace relations settings to support universities to meet their obligations to both staff and students.
- Explore the contribution that higher education makes to the Australian community, national security, and sovereign capability.

University of Sydney priorities within this focus area

Many of our points made in response to focus areas 1, 2 and 3 above, are also relevant to focus area 4.

To those points we add:

- **The opportunity that the Accord and the Government's recent industrial relations reforms present for a new 'compact' to be struck between tertiary education providers and their staff.** For example, the opportunity to protect and uphold freedom of speech and academic freedom through multi-employer bargaining to agree a single set of terms for inclusion in enterprise agreements.
- **An assessment of how well Australia's tertiary education system is contributing to economic and social development, the needs of local communities and to the development of sovereign capability.** This should consider the economic and social contribution that the millions of graduates of

our higher education sector have made to Australia and the region by building wealth, strengthening communities, and increasing the Government's tax base. It should also include consideration of the effectiveness - compared to international benchmarks - of Australia's current system of higher degree by research training and its global talent acquisition visa programs, in delivering the nation's higher-level human capital needs. This could include identification of local and international best practice examples of policy and practice, and recommend changes to strengthen Australia's performance in building capability in areas of R&D and innovation where we believe we have the potential to be world-leading.

Accord Focus Area 5 - The connection between the vocational education and training and higher education systems

- Explore possible opportunities to support greater engagement and alignment between the vocational education and training (VET) and higher education systems. In particular, the panel will have regard to the experience of students in navigating these systems and ensuring a cohesive and connected tertiary education system.

University of Sydney priorities within this focus area

Many of our points made in response to focus areas 1 to 4 above are also relevant to focus area 5.

To those points we add:

- **Identifying successful partnerships.** The Accord provides an opportunity to identify best practice examples of collaboration between universities, with vocational and higher education providers, as well as with schools and industry, that are working well to address current and emerging skills shortages across different industry sectors. The Accord could helpfully seek to understand the key factors underpinning these successful partnerships and to make recommendations to government about the steps required to facilitate more of them where our sovereign capability is weak or at risk of falling short.
- **Improving study and career advice.** We fully support the Government's commitment that the review will explore options to improve levels of collaboration between VET and HE providers, and to strengthen pathways for students to move seamlessly between different types of providers. Ensuring school leavers make the best possible initial post-school education and training choices is also critical. We are concerned that some students are not making these choices with a sound appreciation of the comparative merits of different post-school education and training options; of key trends in labour market and skills demanded by employers, or of the pathways to further study and careers that are available. Poor initial post-school study decisions can be costly for students and governments.

Accord Focus Area 6 - Quality and sustainability

- Examine the challenges faced by domestic and international students and staff due to the COVID-19 pandemic and the temporary and permanent impacts on the way the higher education sector works.
- Support a competitive and resilient international education sector, reflecting the important role international students play in our society and economy, and Australia's interest in deepening partnerships abroad.

University of Sydney priorities within this focus area

Many of our points made in response to focus areas 1 to 5 are also relevant to focus area 6.

To those we add:

- **Shared lessons and innovations from the pandemic around fully online and blended learning.**
- **International student work rights while studying in Australia.** Consultation with international students and the international education sector about reinstating an appropriate cap on the hours of paid employment international students may complete under the student visa (subclass 500) work condition is required. The primary purpose of subclass 500 visa holders being in Australia is to study. Reinstating some form of cap is needed to support their wellbeing, the quality of their learning experiences and the integrity of Australia's tertiary education and migration systems.

- **Reframing the ESOS Act Review and linking to the Migration System Review.** There is a need to reframe the [review of the Education Services for Overseas Students \(ESOS\) Act](#) commenced by the previous Government. The submissions received by that review should be used to help develop terms of reference for a new, more holistic review, which considers how the Migration and ESOS Acts can work more effectively together to support Australia's international education sector and address skills shortages as we emerge from the pandemic and over the longer-term. This should include consideration of [Ministerial Direction 69](#) under which student visa applicants risk automatic refusal if they indicate an intention to remain in Australia to work after graduation - yet our government recognises a strong desire for them to do so through its post-study work rights policies. Ministerial Direction 69 should be adjusted to recognise and encourage this pathway as necessary to help address Australia's critical workforce shortages, while still safeguarding border security and the integrity of the migration program.

Accord Focus Area 7 - Delivering new knowledge, innovation and capability.

- Support a system of university research that delivers for Australia, securing the future of the Australian research pipeline, from basic and translational research to commercialisation. In doing so, the Accord will explore relevant initiatives and other opportunities, and to further boost collaboration between universities and industry to drive greater commercial returns.
- The review will synchronise with the ARC review and consider issues raised through that review and other areas of government that impact on the capacity of the higher education system to meet the nation's current and future needs.

University of Sydney priorities within this focus area

Many of our points made in response to focus areas 1 to 6 are also relevant to focus area 7. Synchronisation with the ARC Review is critical and our input to that review will be published on our submissions website in due course: <https://www.sydney.edu.au/about-us/governance-and-structure/university-policies.html>.

In addition, we would encourage the Panel to consider developing an integrated set of higher education research system policy design questions, against which the current system's performance can be measured and strengths and weaknesses identified, and policy options to strengthen the system developed and considered for possible recommendations to the Government.

We have engaged with many reviews relevant to Australia's research and innovation system conducted over the last decade, advocating for policy design issues including the following 10:

1. **Long-term holistic planning** The need for Commonwealth research and innovation policy to take a holistic, long-term approach to building and sustaining the innovation and skills ecosystem, linking higher education research policy as an integral pillar of the overarching plan.
2. **Research excellence** The underpinning role that research excellence plays in supporting sovereign capacity for innovation and productivity improvement, as well as our largest services export industry (international education).
3. **Research training excellence** The importance of Australia having a strong system of research training producing world-class graduates and attracting top talent from overseas.
4. **Funding actual research costs** The need for Commonwealth funding of research to reflect the true costs of the funded research and remove the perverse incentives that arise from funding shortfalls.
5. **Fundamental research** The need to stem Australia's declining rates of investment in fundamental, discovery research, especially in its universities.
6. **Research breadth and depth** The importance of maintaining research capacity across the disciplines, including in the humanities, arts and social sciences.
7. **Sustaining the dual funding system** The challenges facing Australia's 'dual funding' system, including the large resource and opportunity costs imposed for researchers, research organisations and the Government's funding councils and agencies.

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| 8. Enhancing university/industry collaboration and commercialisation | Improving levels of research collaboration between universities and industry, particularly focused on the creation of new industries and jobs through research commercialisation and the exchange of human capital. |
| 9. Research infrastructure | The importance of strategic and stable approaches to the investment in Australia's stock of research infrastructure as a national asset over the long-term. |
| 10. International engagement and talent acquisition | The value of Australia's participation in international research collaborations, people-to-people exchanges and the importance of Australia remaining desirable to, and open for, top research talent from around the world. |

The continuing large and growing shortfall in funding for Commonwealth nationally competitive research grants compared to the true costs faced by universities in supporting this research remains a fundamental structural challenge to the long-term quality and sustainability of Australia's research and innovation system.

Leading competitor countries like the US and UK have, for decades, recognised the importance of ensuring that public funding for government-prioritised research meets much of the full economic costs that universities incur delivering that research and sustaining the supporting infrastructure. For example:

- The US Government has, since the 1970s, recognised the importance of funding essential costs incurred indirectly by universities when they conduct research on its behalf. Each university has a negotiated Facilities & Administration cost rate, which is agreed and updated annually, based on financial information collected through [a common policy and accounting standard](#). The US system accommodates different cost profiles for different types of institutions, different types of research and campuses. For example, the University of California has a F&A cost for research ranging from 54 percent to 60.5 percent across its ten campuses, with these rates applied to all externally funded research projects.⁷
- The UK has applied a [Transparent Approach to Costing \(TRAC\)](#) to inform the funding of research in its universities for more than 20 years. The TRAC aims to achieve transparency, accountability, efficiency and the long-term sustainability of the UK's research institutions (including research infrastructure, maintenance and renewal) by understanding the full economic cost of conducting research and teaching. On the available data, the UK's research-intensive universities and those with medical schools, received on average, funding equivalent to 75 percent of the full economic cost of delivering their externally funded research.⁸

Alongside the Bradley Review, the Australian Labor Party has previously recognised the vital importance of addressing the issue of full research costs. In 2009, it established the now defunct Sustainable Research Excellence (SRE) initiative, designed to progressively increase funding for the indirect research costs of nationally competitive research grants from around 20 cents in the dollar to 50 cents. This goal was never met, however, and we now estimate that funding under the Research Support Program (RSP) represents less than 18 percent of total external research income earned by universities to pursue research projects.

To fill the gap, Australia's research-intensive universities have relied heavily on income received from international students. COVID-19 has demonstrated the risks inherent in this strategy, which is not a sustainable way for Australia to be funding university research over the long-term. A quid pro quo from the sector may require us to do less research (i.e. not all institutions will be research-intensive, or do research across multiple domains), or collaborate more effectively on a state-wide or sector-wide basis. This would mean addressing the unsustainability of the current 'Dawkins model', which continues to underpin Australia's university sector.

The Accord should seek to consolidate the work that has been done on the indirect costs of Australian university research since the [Venturous Australia](#) (Cutler Review report of 2008) and to consider global trends and benchmarks for how competitor countries are approaching this critical issue. For research training, the 2016 [report of the Australian Council of Learned Academies \(ACOLA\) review of the research training system](#) should serve as a good starting point for this important, but too often neglected, area of higher education policy.

⁷ <https://www.aau.edu/issues/costs-research>, <https://www.nsf.gov/bfa/dias/caar/indirect.jsp>, <https://www.ucop.edu/research-policy-analysis-coordination/policies-guidance/indirect-cost-recovery/background-on-rate-agreements.html>

⁸ [UK Office for Students, Annual TRAC 2019-20, Sector summary and analysis by TRAC peer group.](#)