



University Chancellors Council Submission

Australian Universities Accord Discussion Paper

April 2023

Executive Summary

The University Chancellor's Council welcomes the opportunity to provide a response to the Accord Panel's published Discussion Paper.

Established in 2004, the University Chancellors Council (UCC) comprises Chancellors of all universities in Australia that have been established under their own Acts of Parliament. The role of the Council is to represent and advocate on behalf of the sector, providing the perspective of Chancellors and the Councils/Senates of universities, specifically in relation to their role in university corporate governance, strategy setting and total university performance assessment, financial sustainability, and executive appointments and performance.

The commentary provided here is from the particular perspective of Chancellors, not seeking to cover all issues raised in the Discussion Paper, nor addressing in detail areas where other stakeholders have greater expertise or operational responsibility. We invite the Accord Panel to regard ours as a supplement to other submissions, adding diversity of perspective into the whole process.

This submission relates to two of our above functions: corporate governance and financial sustainability. The UCC also accepts the Accord Panel's invitation to comment on equity, research and diversity, offering a strategic and system-wide view rather than an institutional one. We also take a national view.

The limits of time and the complexity of working across the 39 universities has curtailed the development of more detailed arguments presented in this document. To that end the UCC welcomes the further opportunity to contribute the Accord Review process in a meaningful way.

A handwritten signature in blue ink, appearing to read 'John Stanhope', is positioned above the typed name.

John Stanhope AM
Chancellor, Deakin University
Convenor, University Chancellors Council

Summary of recommendations

1. Include industry as a party to the Accord.
2. Streamline, simplify and clarify the whole system.
3. Reform the system with a view to policy stability.
4. End unfunded growth.
5. Restore and modernise the original principles behind the Higher Education Contribution Scheme (HECS).
6. Reduce administrative costs by sharing some services across universities.
7. Make better use of balance sheets.
8. Explore further the 'funding envelope' idea.
9. A national campaign to raise aspirations.
10. Address the direct and opportunity costs of going to university.
11. Increase affordable accommodation on or near campus.
12. Reconsider the career incentives that the system creates (intentionally or otherwise) for researchers.
13. Review the scale of competitive project grants with a view to rolling more into block grants.
14. Supercharge innovation through collaboration between universities and industry.
15. Make coursework students part of the research process.
16. The Compacts process should be strengthened to ensure that universities express clear, differentiated missions.
17. Support regionally-headquartered universities and regional campuses.

Introduction

Amongst the challenges facing Australia is increasing the rate of productivity improvement through innovation, as noted recently by the Productivity Commission. Universities can make a major contribution to this and the UCC endorses in particular the first of the Commission's five themes, 'to build a skilled and adaptable workforce'.

In the most recent Global Innovation Index from the World Intellectual Property Organisation, Australia ranks 25th overall, but our Labour Productivity Growth is 78th and Knowledge Diffusion 72nd. There is undoubtedly room for improvement here, and universities should be part of it.

As Chancellors coming from many walks of life, we are conscious of the fiscal constraints that Australia faces due to world events and the effects of the COVID-19 pandemic. Accordingly, we are focused on getting more out of what is already there by doing things differently and through collaboration.

However, there are two related issues that we feel that an increase in spending is necessary: improving equity and supporting our regional universities. To the extent that these require the raising of new money, we would support an increase in domestic student contribution amounts to reach parity with public contributions on average, but only if reforms are made to the HECS- HELP system to make its operation fairer.

A High performing university sector

The Australian university system as a whole is very good. In rankings of whole higher education systems around the world by Universitas 21 (of which four of our oldest universities are members), the Australian system ranks 9th overall, and 3rd for output.

This contrasts with the relative size of Australia's economy, which is 14th by nominal GDP.

At the institutional and subject level, many of our universities rank highly in the three major international ranking exercises. Recently, Australia performed fourth globally across the 54 subject areas ranked; and 39 universities are now highly ranked in at least one area.

There may be concern about distortions introduced by pressure to perform well in rankings, but it is clear we do perform well.

As the Productivity Commission has pointed out, there is room for improvement in aspects of university performance as well as the economy's performance. Nevertheless, our starting point is that Australia should be proud of its universities, and to the extent that it is not there is scope for the Accord process to help make it so.

The UCC welcomes the accord idea

We see the Accord as a continuing process of structured discussion, and not simply a document. National needs and challenges will change over time and be perceived differently, which would soon leave a static document behind the times.

Recommendation 1: Include industry as a party to the Accord.

(Relevant to Discussion Paper Questions 1, 13, 23, 26)

We think the Accord should be a tripartite process between governments, universities and industry.

None of Australia's major challenges - be they an ageing society, a transition economy or the defence of the nation - can be solved by government alone, by universities alone or by industry alone. A tripartite process helps each party understand the others' priorities and ways of seeing things. Each party learns to become 'multilingual'. From this will flow good and stable policy, better education and more innovation.

We say governments in the plural and we are not prescriptive about the precise representatives of higher education and industry in an Accord. This is all to be worked out in a collaborative spirit.

We also see the Accord as a process to communicate to audiences at home and abroad the excellence of our university system. This includes welcoming international students for the many benefits they bring to Australian society and culture. If there are issues such as risk management or diversity, they are not the responsibility of individual students and their parents. They should be handled at system level rather than through equivocal messages abroad.

A vision for the sector

The UCC envisages a high performing, joined up and collaborative tertiary sector that promotes prosperity and social inclusion, with higher education having a special role in developing students' capabilities for successful careers and enriched lives, and in driving innovation through basic, applied and translational research.

This vision rests on an idea of collaboration. Collaboration is obviously not possible or even desirable in everything, but as a general ethos it is our starting point. We have a system in which the public makes a substantial investment, and the public is owed collaboration between governments, sectors, institutions and individuals to deliver the best outcomes in the most cost-effective way. In contrast, competition, particularly over small amounts, can be wasteful in time and resources. A collaborative education system within a framework of cooperative federalism is a goal that we urge the Accord Panel to pursue in a bi-partisan way.

This vision also emphasises capabilities, not particular levels of knowledge or job-readiness. Much occupational and professional knowledge is out of date quite quickly. Job-readiness, interpreted literally, is unrealistic in a new university graduate. Capabilities, including critical thinking, creativity, knowing how to continue learning and good communication, are amongst the core skills that an adaptive workforce needs in a fast-changing world. To neglect these is also to do a disservice to our students. In recent years, 'job-readiness' has tended to replace career-readiness and preparation for lives that will be characterised by change. We hope that a new balance can be struck.

Corporate governance and regulation

Recommendation 2: Streamline, simplify and clarify the whole system.

(Relevant to Discussion Paper Questions 5, 17, 19, 20, 36, 37)

To the novice and the initiated alike, Australia's tertiary education system is a maze of jurisdictions, regulators, agencies, funding schemes, quangos and interest groups: a maze of overlapping requirements that saps time and resources that would be better spent on teaching and research.

The status quo is no doubt the product of numerous well-intended policy interventions over time and the evolution of Australia's federation but it is also the product of bureaucratic structures that will always grow unless regularly pruned. It needs to be mapped, with a view to removing unnecessary requirements, duplication and complexity.

The whole system should be streamlined, simplified and clarified as a necessary pre-condition for the success of any other initiatives that come out of the Accord process. Without this streamlining, many of the intended benefits from reform will be lost in the system, never again to see the light of day.

When we say 'the whole system' we are conscious that the Accord process is about higher education, but numerous benefits would flow from extending such a process to the Vocational Education and Training Sector, not least of which would be better communication and collaboration between the two.

The NCVET has recently updated its timeline of VET policy initiatives, averaging one every few weeks across 25 years. It is difficult for higher education to connect better with a sector that itself is so distracted by change and reform.

The product of a system architecture review might ultimately be a proposal for a national system under one level of government, but the UCC is not calling for this. The paramount consideration should be to maximise the possibilities for cooperative federalism, noting the legitimate interests that states and territories have in universities.

This recommendation is more than one about red tape and reporting requirements. It involves a hard-headed look at the whole system architecture, with a view to freeing up energy and resources. Its beneficiaries will stretch from the community at large through to the individual student, parent and school counsellor. They also include the many Australians who will need to re-train, upskill and re-skill over their lifetime, as the employment market changes.

Recommendation 3: Reform the system with a view to policy stability.

(Relevant to Discussion Paper Question 1)

The UCC hopes that greater policy stability will be one of the outcomes of the Accord process.

The higher education system operates in the long term. Undergraduate degrees rightly take several years. Lightbulb moments can take years to generate practical, cost-effective inventions. We hope that the Accord process can have a strong bi-partisan aspect and the major planks of a new system can survive changes of government.

Financial sustainability

Recommendation 4: End unfunded growth.

(Relevant to Discussion Paper Question 6, 11, 12, 47)

Australia's university system has grown at a faster rate than its resourcing. While some efficiencies through economies of scale and innovation have been achieved, it is not possible to continue growing without the quality of education, research and user experience suffering.

To give a recent example, changes in the Job-Ready Graduates Package led to 39,000 new students but an overall reduction per student on average across all fields of six per cent.

The UCC is agnostic about the right attainment rate of bachelor degrees amongst Australia's younger population, but it does not automatically assume that continuing to increase it beyond population increase is self-evidently good. Nor does it assume that a higher attainment rate in a different country, with its own circumstances and definition of higher education, should automatically be chased. There might be a case for expansion, there might not be, but if real funding cannot be increased commensurately, we believe the priorities should be improving equity, supporting regional institutions and promoting institutional diversity (discussed below).

Recommendation 5: Restore and modernise the original principles behind HECS

(Relevant to Discussion Paper Question 47, 48, 49)

The UCC supports the HECS-HELP mechanism, particularly as originally conceived. It accepts that a degree confers private gain on the individual as well as public good, and that there should be a sharing of costs between the taxpayer and the student. An income-contingent deferred loan scheme to allow the student to cover their contribution is a good idea.

It may, however, have gone off track. There is no persuasive evidence that it sends a price signal to encourage students in particular directions, which has been an assumption in recent policies.

Even if it did, there is no evidence that those directions are better for the student or the community. To take a topical example, trying to dissuade students from the humanities through raising the long-term price of those degrees might deprive the economy of exactly the creative graduates it needs as humanity grapples with the right balance between people and machines.

If it is decided that on average there should be parity of contribution between the public purse and the graduate (whereas at present graduates on average repay about 48 per cent, but with wide variations from the mean), then that decision must be accompanied by improvements to HECS.

We think that the repayment threshold has been lowered too far, with disproportionate consequences for disadvantaged groups including women, and that repayment amounts rise too sharply. Rather than a large amount becoming due the moment a threshold is exceeded by a single dollar, repayments should be graduated as in the income tax system, so that a percentage of each extra dollar earned above a threshold becomes due. This will require a recalibration of levels and amounts but it will be fairer to graduates entering lower paid professions (where there are in fact labour shortages).

If the HECS system is to be used for incentive effects at all, it would be better to aim it at the end of the degree rather than at 17 year-olds making their course choices. If we want more teachers and nurses, who are often paid lower than other graduate occupations, then debt relief could be targeted at graduates in those professions, or debt deferred for longer through higher repayment thresholds.

The UCC is also concerned that indexing debts by reference to inflation is unjust in a period of sharply rising living costs. It will leave young people facing a mountain they cannot climb.

Consideration should be given to a cap on indexed increases above a certain inflation rate.

Recommendation 6: Reduce administrative costs by sharing some services across universities.

(Relevant to Discussion Paper Question 5, 17, 46)

Initiatives have come and gone over the years with some limited success, but it is still largely the case that the taxpayer is funding 40 or so large institutions for them to run completely separate administrations.

New enterprise systems are expensive and carry risk of failure. It ought to be possible to encourage some spreading of the cost and risk.

Similarly, if a group of universities all have the same compliance obligations, compliance monitoring could be shared.

No single university is likely to put forward this idea, nor is it likely to happen organically, or it would have occurred by now. The UCC is an appropriate body to argue that it is an idea whose time may have come, at least for serious exploration as to what is realistically possible, as well as advisable from a cyber security and privacy point of view.

The pay-off might be that resources are freed up for teaching and research.

It seems unlikely that a sector with about \$39 billion of revenue (2021) is unable to make substantial savings by some level of sharing in the back office.

Recommendation 7: Make better use of balance sheets.

(Relevant to Discussion Paper Question 46)

The balance sheets of most universities are strong, with total assets of over \$100 billion in 2021, although they are distributed unevenly, with Group of Eight universities representing 46 per cent. Net assets are high, and the relationship of net to total has not changed, for the most part, despite the pandemic.

The UCC does not argue that publicly funded universities should be able to use their balance sheet in exactly the way that commercial corporations can. However, there is scope prudently to make better use of capital assets through private sector financing schemes and better space utilisation.

This has been looked at before, and there has been some change, particularly around student accommodation, but a fresh look is warranted, especially in the context of streamlined regulation.

Space needs have also changed in recent years and technology is rendering some bricks and mortar less necessary for their original purpose.

Recommendation 8: Explore further the “funding envelope” idea.

(Relevant to Discussion Paper Question 2, 5, 24, 41, 45)

Formulaic and metrics-driven approaches to public funding have advantages for transparency but they can produce undesirable results where there are already imbalances between institutions according to their heritage and location.

The UCC believes there is merit in exploring a clearer two-tier financing structure whereby core funding for teaching and operations is distributed according to metrics, normally domestic student load, but second tier funding is negotiated as a block grant related to particular circumstances and outcomes.

The Accord could provide the missing foundation for compacts and funding agreements. It could provide something of a national pattern for the mosaic that the university system will inevitably be, enabling institutions to negotiate block funding for their particular, distinctive role and mission.

Transparency as to how the second-tier total has been arrived at might be a casualty, and this needs care. In principle, however, the Chancellors think that institutions should negotiate for a certain level of funding matched to their circumstances and expected performance outcomes, and then be held accountable for reaching those outcomes. Let them get on with it, but hold them to account.

Equity

As foreshadowed, the UCC argues that in times of great fiscal constraint the priority for any new funding should be equity and the related issue of supporting regional universities and campuses in their differentiated missions.

All Australians with aptitude for higher education should have equivalent opportunities for a high quality experience, regardless of their location, origins or personal challenges.

The UCC notes the progress that has been made since the Bradley Review but there is still a long way to go.

Recommendation 9: A national campaign to raise aspirations.

(Relevant to Discussion Paper Question 20, 28, 30)

Recommendation 10: Address the direct and opportunity costs of going to university.

(Relevant to Discussion Paper Question 30, 31)

Many universities have excellent programs of outreach to communities and schools, designed to promote the advantages of tertiary education and make enrolment something that a disadvantaged person can realistically imagine. This is not always an efficient use of the system's resources.

We think that there is room for federal and state governments, working together, to mount a national campaign showcasing the lifelong benefits of tertiary qualifications.

Students must live while they study. The UCC understands that a real factor in attrition rates is affordability. Many students need to work to survive, and many reach the point where something has to give.

This assumes the student has commenced university to begin with. A talented young person with a year 12 certificate, perhaps Indigenous, is likely to have a job offer. To expect them to pass this up for university, and then to find other part-time work in order to pay their way through, is too much to ask of many.

The UCC applauds equity scholarship schemes, from government, industry and philanthropy, but, as was said recently at a Student Equity Forum, scholarships are not readily scalable.

Centrelink, particularly Youth Allowance, Austudy, Abstudy and their built-in rent allowances, is the place to start. These are targeted, means-tested and administered centrally. There is some evidence that when benefits were lifted during the pandemic, equity performance in universities improved.

The UCC argues that extra funding should be allocated here, together with a review of what amounts to full-time study and some other eligibility criteria.

Recommendation 11: Increase affordable accommodation on or near campus.

(Relevant to Discussion Paper Question 30, 31)

There has been major growth in dedicated student accommodation in recent years, assisted in part by the National Rental Affordability Scheme (NRAS), but there is still a problem.

The UCC encourages the Review Panel to consider capital-raising schemes, possibly involving the private sector, to boost low-cost, non-profit, catered, student accommodation, giving priority to students in equity groups. Alternatively, a fund like the previous Education Investment Fund should be created for the purpose.

Fostering the D in R&D

The UCC is conscious of other reviews under way, including the ARC Act, Australia's Science and Research Priorities and the Australian Research Integrity Committee. Accordingly, we are commenting at a higher level about future directions.

The research function of universities is vital for Australia, the regions as much as the cities. Universities are best placed and funded for basic, theoretical and blue skies research, without which applied and translational research would not be possible. The market would fail in Australia if left to business and industry to undertake the bulk of it.

Although this submission focuses on the Development aspect of Research and Development, the UCC would not wish to see any diminution of basic research. The D must be increased but not through a reduction in the R.

The UCC also asserts the value of research in the humanities and social sciences. It fosters a conception of our civilisation and who we are. It raises ethical, economic and political issues which are not debated elsewhere. In the coming years it will help us address difficult questions about where humanity's competitive advantage over machines will lie in the long term.

Indigenous knowledges, by Indigenous researchers, also illuminate and add to other understandings of the world.

Recommendation 12: Reconsider the career incentives that the system creates (intentionally or otherwise) for researchers.

(Relevant to Discussion Paper Question 41)

Chancellors are aware that promotion criteria have been broadened in recent years to recognise and reward engagement with industry and applied research. It is less clear how much has changed in practice.

It seems that the messages for career progression are still predominantly 'publish or perish' and win grants. Coupled with the kind of information that rankings agencies choose to collect, this rewards a certain kind of research, where there are high citation journals and major grant schemes. It is less likely that research focused on Australia, or involving outcomes that will remain in Australia, will be rewarded.

It is also less likely that research about taking inventive ideas to the next stage will be rewarded.

There is a view that research that turns out to lead nowhere will be a black mark against the researcher's name. If we are to encourage experimentation, we also need to accept failure. Of itself, a project that does not work out should not operate negatively for career and track record purposes.

The Accord and compacts processes are places where we can restate the modes of research that are regarded as important, and the value of long shots.

The UCC knows that it would be unwise and impractical to sign off from the world's research system, or from international rankings which have an influence on how foreign students perceive our institutions, but there is nevertheless an opportunity now to send corrective messages that other kinds of research and innovation are also important.

Recommendation 13: Review the scale of competitive project grants with a view to rolling more into block grants.

(Relevant to Discussion Paper Question 41, 45)

Chancellors observe enormous amounts of time and resources devoted by academic staff to applying for relatively small sums of money from schemes that are so competitive that the success rate is low. There has also been a proliferation of agencies and schemes distributing research funds, all of which must be administered and paid for by someone somewhere.

The UCC would support moves towards consolidating funding bodies as part of streamlining the whole tertiary education and research ecosystem.

It would also support including a clear and more substantial component for research within universities' block grants, to be distributed internally in line with the objectives and outcomes agreed in their compact and funding agreement.

Recommendation 14: Supercharge innovation through collaboration between universities and industry.

(Relevant to Discussion Paper Question 23)

No one seriously argues that Australia is a world leader in university-industry partnerships producing innovative techniques and products. The situation may not be as bad as some data and reports have suggested, but it is not particularly good either.

If industry is made a part of the Accord process, and the multilingualism we referred to earlier takes hold, we think that organic processes will improve the situation.

Despite the various schemes that are now in place to encourage collaboration, the UCC believes there is still room for some fresh thinking. We note a recent paper from the Bionics Institute, 'Building Australia Through Innovation', which discusses four ways to supercharge innovation. One of these in particular is co-location, through precincts and hubs. Although not new as an idea, we think incentives to industry could be improved for co-location and clustering with universities.

Recommendation 15: Make coursework students part of the research process.

(Relevant to Discussion Paper Question 25)

All students can become part of research and innovation, not only those enrolled in a research degree.

Australia is now predominantly a services-based economy, but productivity growth is lower in services than in the goods sector. Universities, students as well as staff, in most disciplines are ideally placed to work on innovation in services. We think that the concept of work integrated learning should encompass projects, on campus or elsewhere, aimed at assisting Australian businesses to innovate successfully.

System Diversity

The UCC notes the ongoing debate about whether the higher education system is too uniform, and, if so, what drives that. Some see great diversity between institutions. Others, looking at the same evidence, see mere variants on the same model.

Without seeking to resolve this one, the UCC offers the following.

Recommendation 16: The Compacts process should be strengthened to ensure that universities express clear, differentiated missions.

(Relevant to Discussion Paper Question 2, 7)

The system will never comprise identical institutions. Nor will it comprise completely differentiated ones. It will always be a mosaic rather than a jigsaw where each piece has a set place in a bigger picture.

If it is clear what each institution is really 'about', as expressed publicly and with more rigour than at present, then we will see whether there is in fact a problem of uniformity, and make informed changes.

Recommendation 17: Support regionally headquartered universities and regional campuses.

(Relevant to Discussion Paper Question 2, 7)

It may have all been said before, but regional institutions are the lifeblood of their local communities. Without them, some communities will die.

Despite reviews, loadings and one-off interventions, we still have a problem.

The problem has not been eased by revenue from international students because, for the most part, they are attracted to Australia's major cities and not our regional centres.

On the one hand, some universities must support loss-making operations while under other pressures to use resources that improve their rankings and academic performance.

On the other hand, some students at regional campuses have less opportunity and a thinner experience than their peers in the cities.

The era of uncapped, demand-driven undergraduate places was a mixed blessing. It enabled some universities not under the same obligations as regional ones to recruit from wider catchments. The consequences of this are still being felt.

A new two-tier approach to university financing, with a larger proportion allocated to mission-based block funding, is the opportunity to resource regional higher education properly.

For reasons both of student equity and Australia's economic development, the UCC argues that this is the moment to ensure the sustainability of Australia's regional universities through extra funding on a predictable and stable basis.

Conclusion

The seventeen recommendations in this submission come from the perspective of Chancellors with diverse, senior experience. We have put the national interest front and centre with the aim of making Australia's already very good university system stronger, sustainable and more equitable.

The UCC looks forward to continuing to work with the Accord Panel on discussions relating to the future of Australia's higher education system.