RESPONSE TO THE AUSTRALIAN UNIVERSITIES ACCORD PANEL DISCUSSION PAPER

In late 2022 the Minister for Education formally commenced the Australian Universities Accord process, announcing the appointment of a Panel of eminent Australians led by Prof. Mary O'Kane, and Terms of Reference to guide the Accord process. The Panel commenced its consultations with the sector by seeking feedback on the priorities for the Accord and the Terms of Reference. They subsequently released a Discussion Paper and this submission responds to that paper.

The Discussion Paper canvasses a wide range of topics, asking 44 questions of the sector as it looks to craft a new vision for Australian higher education. In responding to the issues raised in the paper, this submission offers answers to 24 of the Paper's questions by attempting to answer seven broader questions:
1. What higher education funding arrangements are needed?
2. Which students get access to Australian higher education?
3. What kinds of higher education institutions does Australia need?
4. How to encourage quality teaching and learning?
5. What level of digital capability is needed?
6. How do we encourage more lifelong learning?
7. How do we strengthen VET pathways?

BACKGROUND

I have worked in the Australian tertiary education sector for more than two decades. My previous roles have included senior positions in the public, independent, and non-profit/community sectors as well as in the Australian, New South Wales and Queensland governments. In my government roles I had responsibility for regulatory policy and operations, strategic policy, educational policy, planning, performance review, research and funding.

I now run my own consulting company and have a small number of other positions in the sector. This submission is made on my own behalf and draws on my previous experience, as well as my knowledge and understanding of new and emerging issues in the Australian higher education and VET sectors.

WHAT FUNDING ARRANGEMENTS?

The Discussion Paper asks a number of questions about the funding for higher education predominantly focussed on university funding.

> **Q.47 What structure of Commonwealth funding is needed for the higher education sector for the system to be sustainable over the next two decades?**
>
> **Q.48 What principles should underpin the setting of student contributions and Higher Education Loan Program arrangements?**
>
> **Q.49 Which aspects of the JRG package should be altered, and which should be retained?**

In his submission to the Accord's Terms of Reference, the Australian National University's Prof. Andrew Norton outlined a raft of issues for the Panel to consider when deciding the funding for undergraduate students and the appropriate mix of government and student contributions.[1] The Productivity Commission has also expressed a view on these issues in its most recent 5-year Productivity Inquiry.[2] There are a lot of useful recommendations for the Panel to consider in both documents.

Specifically the Commission recommends:

8.4 Grow access to higher education over time
The Australian Government should adopt an improved demand-driven model for providing Commonwealth supported places to domestic undergraduate university students, subject to measures outlined in other recommendations that: contain fiscal costs (recommendation 8.5); and ensure all students are adequately supported (recommendations 8.13 and 8.14)

8.5 Better targeting investment in higher education
The Australian Government should introduce a new funding model to better target investment while facilitating wider access to higher education.
- Total university funding per student by field of study (comprising the student contribution and government contribution) should continue to be the cost of delivery for that field (reflecting a median estimate of efficient costs with the methodology to be refined over time as outlined in recommendation 8.6).
- The student contribution should be set based on average expected earnings for each field of study, with students with a greater capacity to repay incurring more debt. Student contributions should be higher, on average, to recoup a greater share of the costs of university from those who benefit from attending university, rather than recouping this from the broader tax base. This would also help to fund the return to a demand-driven system.
- The government contribution should make up the gap between the student contribution and estimated cost of delivery for each field of study.

8.6 Improve price setting in tertiary education
The Australian Government should conduct regular costing exercises to estimate the cost of delivering tertiary teaching and research. The methodology underpinning these cost exercises should be periodically reviewed and refined to inform more accurate cost estimates, and should aim to ultimately reflect only efficient costs. These cost estimates should inform funding as well as price and loan caps, to encourage efficient delivery of quality education and research by tertiary institutions.

In addition to the recommendations made by the Commission and Prof. Norton, there is also benefit in supporting students to make more informed study decisions, not by manipulating student contributions but rather by making data from Jobs and Skills Australia more readily available to students – to support their decision making, specifically:
1. average salary data by occupation, and
2. employment data at a regional level by occupation (ie how many employed in each occupation, projected future demand by occupation, etc)

Making this data accessible in a ready-to-understand format on websites such as ComparEd (and even commercial sites which assist with student course decision making), along with clearer information about the loans students will be taking on to finance their studies – will support students and families to understand the costs and employment benefits of their potential future study choices.

When considering the Job-ready Graduates package and which elements to retain and which to amend or remove, there are two changes which have received relatively little discussion in the sector:
1. a shift from funding specific student places to the introduction of a 'funding envelope' enabling universities greater flexibility in how they use their government funding and which potentially support specialisation, and
2. "student protections" to remove eligibility for Commonwealth Supported Places funding from students who fail a number of their university subjects.

Increased funding flexibility
As the Panel considers if and how to encourage greater diversity within the higher education sector, as well as potential changes to the current Job-ready Graduates reforms, it will need to determine how CSP funding should be allocated - either reintroducing funding restrictions or leaving this aspect of the current arrangements in place.

It is likely that if left unchanged, the removal of restrictions on how government funding is used across fields of study, as well as across AQF level (ie sub-Bachelor, undergraduate and postgraduate courses), will see some universities shift their student profile.

With the combined disruption of COVID and the considerable delays in publishing higher education annual student data, as well as the recency of the changes, it is too early to properly understand how universities are using the flexibility in the new arrangements, but it remains for the Panel to explicitly consider what, if any, restrictions they want to reimpose on the use of CSP funding – especially if there is a desire to increase diversity in the sector.

Student funding eligibility aligned to satisfactory progress
One of the other issues the Panel will need to tackle, arising from the Job-ready Graduates package, and which has become more apparent recently is what the government at the time described as "student protections… ensuring that (universities) are more accountable for the outcomes they deliver for students, industry and the wider community. Every student can be confident that wherever they choose to study, they will be assessed as being academically suited to that study, their academic progress and engagement will be monitored, and they will be prevented from incurring debt for study for which they are not suited."[3]

In fact since the Job-ready Graduates changes were introduced the 'student progress rate' has been falling, meaning that more students are likely to have their CSP-funding withdrawn.[4] Some students are failing enough subjects that they cannot continue to receive government funding to continue their courses at their existing university, but they are eligible for government funding if they enrol at another university and that is what some appear to now be doing.[5]

This would appear to indicate that not only are the reforms failing to achieve their aim, but potentially vulnerable students may be being forced to leave the university where they have built relationships and established themselves, to be able to keep accessing government funding support for their studies. While the intent of this element of the reforms was sound – to stop students at risk of failure from accruing large debts and failing to complete their degrees – in fact it serves only to penalise vulnerable students and force them in some instances to switch universities to pursue their study aspirations. Changes are needed to incentivise universities to step in and provide additional support to students at risk of failure and to help limit the debts students who are failing can continue to accrue – while still allowing them to pursue their studies if they are able (with the support of their institutions) to improve their academic results.

Recommendations
The Panel should consider recommending that:
- on the advice of the Productivity Commission and Prof. Norton funding should return to a demand driven formula which includes some additional funding for research activities
- the level of student contributions be aligned to the average expected earnings for each field of study
- students are provided with clearer information on the overall cost of their loans, average expected earnings and labour market forecasts by occupation to support more informed study choices
- the current mechanisms allowing flexibility in how universities use their CSP funding be retained, and
- the current arrangements removing funding from students at risk of failing be amended to ensure these students are better supported by their universities to successfully complete their courses (eg perhaps consider financial disincentives to universities which have higher rates of failure and do not implement changes to strengthen student support).

WHICH STUDENTS GET ACCESS?

There are a number of questions raised by the Panel which essentially ask about the representativeness of the domestic student profile in Australian universities and the diversity of the international student population.

Q28 What is needed to increase the number of people from under-represented groups applying to and prepared for higher education, both from school and from other pathways?

Q29 What changes in provider practices and offerings are necessary to ensure all potential students can succeed in their chosen area of study?

Q30 How can governments, institutions and employers assist students, widen opportunities and remove barriers to higher education?

Q33 What changes to funding and regulatory settings would enable providers to better support students from under-represented groups in higher education?

Q43 How should the current recovery in international education be managed to increase the resilience and sustainability of Australia's higher education system, including through diversification of student enrolments from source countries?

Q44 How can the benefits of international education be shared broadly across the system, including in regional areas, and what level of reporting should there be?

Domestic university students

The National Centre for Student Equity in Higher Education (NCSEHE) provides compelling evidence of how little progress, and in some cases regress, Australian universities made between 2013 and 2019 in terms of enrolling students from defined equity groups.[6]

Percentage Point Change in Participation by Students from All Equity Groups (Australia, 2013-2019)

Improving access for students from underrepresented groups is only one small part of the challenge universities face. Not only do they need to be doing more to ensure their student population better reflects the Australian population, but they subsequently need to support these students to achieve at rates comparable to those of other students.

Edith Cowan University Deputy Vice Chancellor, Prof. Braden Hill argues that issues of equity and access do not start when students enrol at university and that therefore as leaders in their communities, universities need to be doing more in those communities (working with schools and other community organisations) to help ensure higher school completion rates for students from underrepresented groups. Universities should be more actively engaged in efforts to improve school retention rates and provide meaningful, supported pathways to higher education.[7]

Speaking at the 2023 Universities Australia annual conference, Prof. Sarah O'Shea from the National Centre for Student Equity in Higher Education challenged not only the level of access universities offered students from traditional 'equity' groups, she went further to argue for the need for a new focus. By 2030 she argued we will need to have moved away from the equity categories we have had since the 1990s – as they "do not capture the diversity of our equity student populations." She also argues that with more than 50 per cent of equity students falling into more than one of the current equity categories, students experiencing multiple disadvantage need to be better identified (in a national framework) and better understood so that their educational and other support needs can be better met. And she also urged progress on educating 'first in family students' – currently they comprise 50 per cent of university students but it varies significantly across institutions – as she explains the intergenerational impact of higher education means that a focus now on identifying and supporting first in family students will make it much, much easier for future generations.[8]

As the Panel thinks about how to improve the representativeness of the domestic student population in Australian universities – they would do well to also consider the lack of diversity in university senior management. Prof. Hill also used his presentation to the 2022 TEQSA annual conference to point out this lack of diversity:

- 94% of those serving on Australian university governing councils are white
- 94% of top tier university senior executives in Australia are white
- 96% of Vice Chancellors in Australian universities are white
- no senior leader in Australian higher education publicly shares having a disability, and
- only 10 Table A university Vice Chancellors are women.*

As he observed, these statistics do not "really paint a particularly diverse picture of where power resides in our sector."

Until senior leadership in our universities better represents Australian society it is arguable that questions of equity and access will continue to sit outside of many universities' core areas of focus.

Domestic non-university students
An additional element of equity in higher education involves the support offered to students seeking educational opportunities not available in Table A universities. Currently these students face disadvantage in multiple ways – they do not receive any government support for their studies and most pay a significant loan administration fee (currently 20 per cent of the amount borrowed).

The Productivity Commission, amongst many others, have pointed out the inequities in the loan administration fee imposed on students using FEE-HELP loans in non-university higher education providers. Notably students at Table A universities accessing FEE-HELP to pay for postgraduate studies do not pay the loan administration fee and, since 2018, nor do undergraduate or postgraduate students studying with Table B universities.

The Panel will need to decide if government funding should be provided to support students seeking education offered outside the Table A universities (on equity principles and/or to help meet the increased demand arising

* Some commentators use the term 'public' university to describe the universities listed in Table A of the *Higher Education Support Act* (2000) and which are therefore eligible for CSP funding. In fact, in addition to Batchelor Institute, two of the Table A universities are private, non-profit universities (Australian Catholic University and the University of Notre Dame Australia).

from the Costello baby boom students seeking to access higher education). While there may be political and/or philosophical reasons for government funding to be restricted largely to Table A universities – there are equity arguments why students seeking alternatives (for example specialist courses offered by providers in the creative industries, religious studies, hospitality, etc) which are not available in the university sector should be eligible for some government funding to support their studies. At a minimum they should not pay additional administration fees which have been waived for other students using the same loan scheme at other institutions.
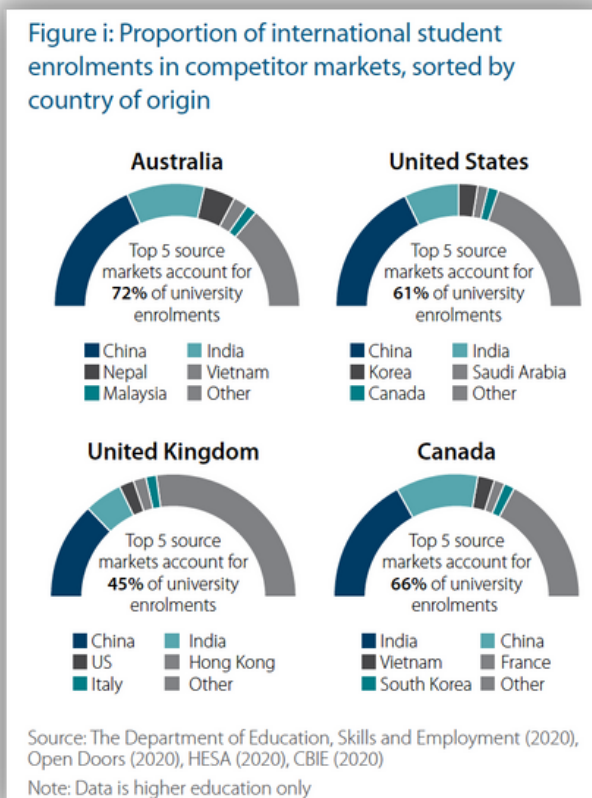
International students

The *Australian Strategy for International Education 2021 – 2030* has an explicit emphasis on the need for greater diversity in Australia's onshore international student cohort.[9] While the strategy argues for greater diversity on the basis of encouraging greater sustainability in the sector, including financial sustainability, there is another equally important reason for Table A universities to be recruiting a more diverse mix of international students – to provide domestic and international students with a better educational experience.

It is unconscionable for any of Australia's Table A universities to be offering international students the opportunity for an "Australian education" only for students in some discipline areas to find themselves studying in cohorts dominated by other international students from their own home country and with little chance to meet and engage with domestic students. And it is also inappropriate for domestic students in these disciplines to find themselves in cohorts dominated by international students from just one country.
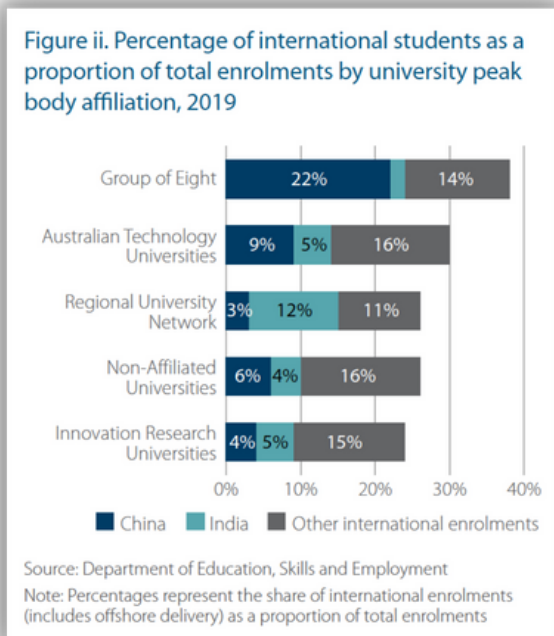
There are significant benefits to domestic students, Australian universities, communities and businesses as well as to international students and their families and communities from international students studying in Australia. The former government was right to be focussed on the diversity of international students at Australian Table A universities and it is good to see the Panel continue to raise this important issue. The subsequent *Discussion Paper on International Student Diversity at Australian Universities* provides useful data showing:[10]

- how relatively undiversified Australia's international student cohort is compared with other key destination countries for international students – with Australia's Top 5 student markets accounting for 72 per cent of all international students compared to between 45 – 66 per cent in the US, UK and Canada

Figure i: Proportion of international student enrolments in competitor markets, sorted by country of origin
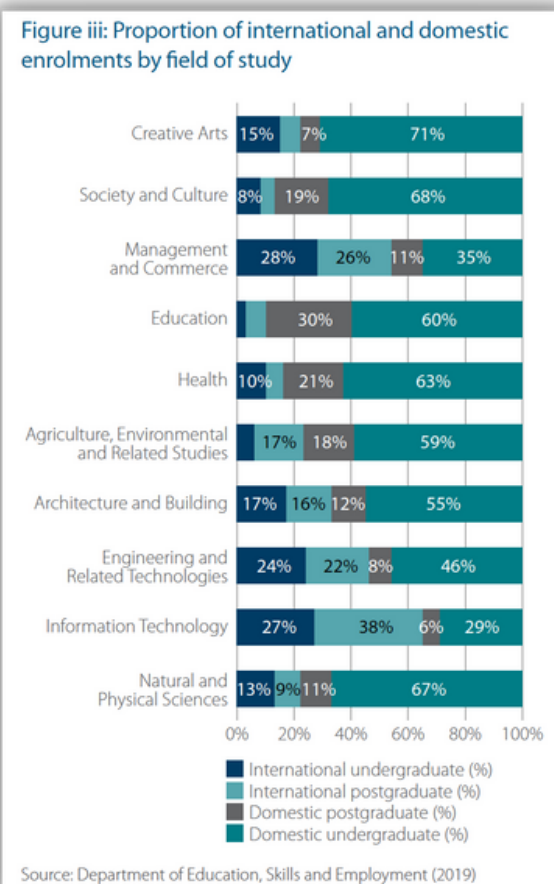
- how different types of universities have a greater or lesser reliance on international students from specific countries, with the Group of Eight universities having the highest overall proportion of international students as well the highest proportion of Chinese students, while the Regional Universities Network has focussed on recruiting students from India – often to study in CBD campuses which predominantly or exclusively educate international students[†]

Figure ii. Percentage of international students as a proportion of total enrolments by university peak body affiliation, 2019

Source: Department of Education, Skills and Employment
Note: Percentages represent the share of international enrolments (includes offshore delivery) as a proportion of total enrolments

- how different fields of study have a greater or lesser proportion of enrolments by international students

Figure iii: Proportion of international and domestic enrolments by field of study

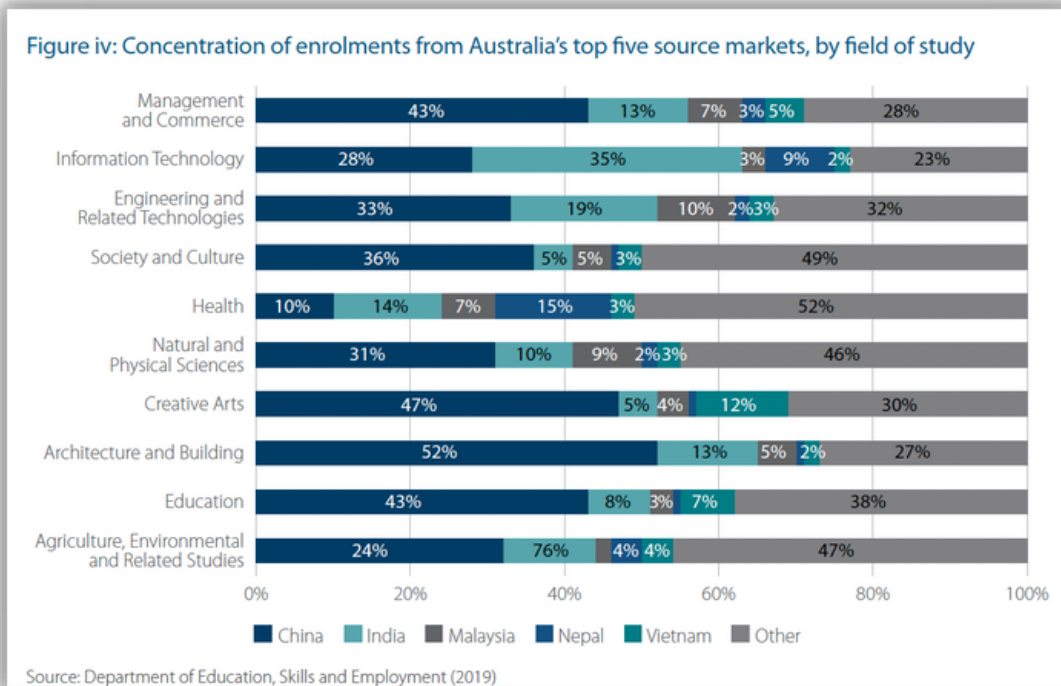Source: Department of Education, Skills and Employment (2019)

[†]Since this data was collected some regional universities have closed their CBD campuses while others have opened new campuses in capital city locations. Regional universities are also not the only Table A universities to operate campuses focussed heavily or exclusively on international students in interstate capital city locations.

- how different fields of study attract students from different countries.

Figure iv: Concentration of enrolments from Australia's top five source markets, by field of study

Source: Department of Education, Skills and Employment (2019)

As Prof. Fran Martin at the University of Melbourne said in a 2019 interview (reflecting on her research with female Chinese students in Australia) "it's an indictment on the universities that they don't do more to break up the cliques, to force interaction (with domestic students)," ... Teaching staff should be doing more to encourage student interaction… and this in turn would help international students improve their English. But they aren't trained in the kind of cross-cultural skills needed. By failing to do this, Australian universities are depriving both their international customers and the domestic students, who could benefit from such interaction. Despite the numbers of international students, we are not running a genuinely international system of education."[11]

Recommendations

The Panel should consider recommending that:
- the Department of Education collect and publish annual data on the diversity of Table A university senior leadership and university governing councils
- the Department of Education should encourage greater diversity in international students by institution (and campus) by collecting and publishing annual data
- TEQSA should regularly check that all non-Table A institutions which are CRICOS registered and have a specific focus on educating international students are marketing themselves transparently to international students – as being specialist international education providers (so that students do not arrive at these institutions expecting an education involving large numbers of domestic Australian students), and
- the Australian government should consider amending the *National Code of Practice for Providers of Education and Training to Overseas Students* to require lecturers and senior managers involved in the delivery of educational programs with high proportions of international students to undergo cultural awareness training.

WHAT KINDS OF HIGHER EDUCATION INSTITUTIONS?

The Discussion Paper asks a number of questions about the institutional diversity of the Australian higher education sector, including institutional responses to local communities.

> **Q.2 How can the diverse missions of Australian higher education providers be supported, taking into account their different operating contexts and communities they serve (for example regional universities)?**
>
> **Q. 5 How do the current structures of institutions, regulation and funding in higher education help or hinder Australia's ability to meet these challenges? What needs to change?**
>
> **Q7 How should the mix of providers evolve, considering the size and location of existing institutions and the future needs of communities?**
>
> **Q35 Where providers make a distinctive contribution to national objectives through community, location-based or specialised economic development, how should this contribution be identified and invested in?**
>
> **Q.45 How should the contribution of different institutions and providers to key national objectives specific to their location, specialist expertise or community focus be appropriately financed?**

Australia is highly urbanised, with almost three-quarters of the population living in major cities. A further 18 per cent live in 'inner regional areas' and the remaining 10 per cent in outer regional and remote areas.[12]

Given Australia's vast size and the relatively small population living in regional and remote areas, when contemplating changes to higher education funding and to the diversity of the Australian higher education sector, the Panel will need to think specifically about the impact of any changes it recommends, to the availability of higher education in regional communities.

Changes made in metropolitan areas will also impact communities but with the level of higher education provision in major cities by Table A universities, other universities and non-university higher education providers – any negative or unintended impacts of changes to institutional diversity in metropolitan areas will be much less than in the regions.

Regional universities
The Panel is right to be asking specific questions about how to ensure the missions of regional universities can be adequately funded and secured.

Prior to the COVID pandemic the financial results of a number of regional universities were weaker than most metropolitan universities, and furthermore a number of regional universities had a very high reliance on revenues from international students.[13]

The COVID pandemic reduced international student revenues (which many universities use to subsidise research activities), and at the same time most regional universities typically received little of the COVID research funding made available by the Australian government. More recently it has become apparent that some universities have had difficulties in attracting the level of domestic students they expected.[14] Against this backdrop, the new *Higher Education Provider Category Standards* took effect, requiring all universities to meet a level of research excellence (amongst other criteria) to retain their status as a university.

In the last Excellence in Research Australia rankings, a number of regional universities had lower levels of research excellence than most metropolitan universities. While a *Review of the Australian Research Council Act 2001* is currently underway – it is designed in part to identify more effective ways of measuring research excellence, not to

reduce the need for universities to be undertaking excellent research. Therefore it is likely that whatever amendments are eventually made to the measurement of research excellence, the collective circumstances facing some regional universities mean that without a specific focus on them in the Panel's deliberations and recommendations, Australia runs a real risk of reducing the depth and breadth of tertiary education available in regional communities as some universities may choose to reduce the number of fields of education they offer to improve the proportion of fields in which their research is deemed to be excellent (thus ensuring their ongoing status as a university).

Metropolitan universities

While the Panel asks how the 'diversity of missions' of (metropolitan) universities can be supported - the data provided in Table 1 of the Accord's Discussion Paper would seem to reinforce the similarities in the fields of education offered (and proportions of student enrolments) in Australia's Table A universities.

With the exceptions of the Australian Catholic University and the University of Notre Dame Australia (with their explicit religious underpinnings) and Batchelor Institute with its specific mission – it can be argued that there are relatively few differences in the missions of the other Table A metropolitan universities. While some Table A universities are more research intensive than others, some were previously Colleges of Advanced Education prior to the Dawkins reforms, and some are formally constituted as dual-sector providers, there are many more similarities than differences across Australian metropolitan universities.

By contrast, the non-Table A universities, ie Avondale University, Bond University, Torrens University, and the University of Divinity,‡ and Australia's non-university higher education providers are more distinct in their missions – due to their diverse ownership, funding and histories.

There are some metropolitan universities which, like some regional universities, are also ranked relatively poorly on measures of Excellence in Research. They are likely to be as impacted as regional universities if their funding levels do not increase – although the impact on students and communities is likely to be lessened because in most metropolitan areas students have a choice of university available to them and most metropolitan universities offer similar courses.

Whether there is a need to introduce more diverse institutions in metropolitan areas is questionable. As the *Review of the Higher Education Provider Category Standards* makes clear – most advanced economies have relatively little diversity in the number and type of higher education institutions in their systems (with the US being a notable exception).[15]

However one way in which Australian universities do differ from their counterparts in other advanced economies, is in their size. As the head of the Department of Prime Minister and Cabinet, Prof. Glyn Davis, pointed out in his address to the 2022 TEQSA annual conference there are two Victorian universities which will soon be enrolling more than 100,000 students each and the University of Sydney currently enrols almost 75,000 students. These enrolment figures, and those of many other Australian universities, make our institutions some of the largest in the OECD.[16]

One issue the Panel will therefore need to determine is the optimal size of an Australian university, particularly as the sector prepares to enrol the additional students who will need to be educated as the 'Costello baby boom' generation completes secondary schooling. The Panel's deliberations on this issue will occur against the backdrop of the proposed merger of the University of Adelaide and the University of South Australia which, if it proceeds, will create the largest university in Australia by domestic enrolment numbers.

One important question the Panel will answer, explicitly or implicitly, in its recommendations is whether these additional places should be allocated to existing Table A universities? Or whether there is merit in demerging some

‡ Ordinarily these universities would be categorised as Table B universities but Schedule 1A of the HESA Act has not yet been amended to include Avondale University as a Table B university.

of the largest universities to encourage more diversity and more localised community engagement? Or whether funding should be provided to other universities and non-university higher education providers to meet the demand for extra places without adding additional students to our already very large Table A universities?

Non-university diversity
The non-university higher education sector includes both university colleges and institutes of higher education. Due to a problem with the TEQSA website it is not currently possible to accurately break down the number of institutes of higher education and university colleges by type, however the sector includes the following different types of providers:
- TAFE Institutes (eg TAFE NSW, William Angliss Institute)
- Government-owned entities (eg the Australian Federal Police, the Bureau of Meteorology)
- Professional associations (eg Australian College of Nursing, Chartered Accountants Australia and New Zealand)
- Niche providers (eg Adelaide Central School of Art, National Institute of Organisation Dynamics Australia)
- Business and management specialists focussed on international students (King's Own Institute, Stanley International College)
- Providers with a religious mission (eg Alphacrucis University College, Kollel Beth HaTalmud Yehuda Fishman Institute)
- University-owned pathways colleges (eg UoW College Australia, UTS College), and
- Independently-owned pathways colleges (eg Kaplan Higher Education, Western Sydney University International College).

With little government funding available to these providers many are reliant on their ability to differentiate themselves in the sector to attract students willing to pay full fees for courses which are not government-subsidised.

There is currently a route for these providers to add to the diversity in the university sector – but it is understandably a very slow process: over a number of years they can demonstrate their teaching and research capacity and integrity and (with TEQSA approval) move from an institute of higher education to a university college, and then after demonstrating for some years their teaching and research excellence they can apply to TEQSA for approval to be registered as a university. While the prestige of the university title is significant - under the current arrangements there is no guarantee that a new university will receive government funding for their domestic students.

In his submission to the Accord's Terms of Reference, Prof. Norton suggested that "one way of alleviating the risks of current Table A institutions not responding to new student demand would be greater use of non-university providers. In 2020 these providers enrolled 4.4 per cent of domestic undergraduates. A proposal to extend demand driven funding to other higher education providers reached Parliament in 2014 but never became law. Most students in non-university higher education providers pay full fees, and if undergraduates also pay a 20 per cent loan fee. These charges create a significant financial disincentive for students to enrol in these providers."[17]

He then goes on to point out that, amongst the non-university higher education providers registered with TEQSA there are a number of TAFE Institutes, "which have a wide geographic reach, which would have been beneficiaries of the 2014 policy." He goes on to note that "demand for non-university providers would increase if their students did not incur a large financial penalty compared to their CSP peers. Realistically, however, extending CSP eligibility to more higher education providers and students will not quickly lead to significant increases in enrolments."

Given the current size of most existing Table A universities, if the Panel does not see merit in continuing to increase their enrolments, then there are a limited number of other options available to accomodate the Costello baby boom generation, and all will take time to achieve scale. These options include:
1. reclassifying the four non-Table A Australian universities as Table A universities allowing their students access to CSP funding (although as Prof. Norton notes most would take time to scale), and/or

2. expanding the priority places funding which allows non-Table A institutions to offer CSP-funded places in courses leading to priority occupations eg nursing (again this option would take time to scale), and/or

3. incentivising existing large Table A universities to restructure and divest some of their operations into new organisations (with the new entities potentially being institutes of higher education, university colleges, or smaller Table A universities in receipt of CSP funding). Even assuming the incentives could be found to encourage this approach there would still be significant organisational challenges to be addressed, including:

- the legislative changes/new legislation required if the new entities were to be created as new smaller public Table A universities
- if the new entities were created as non-profit Table A universities then a rationale would be needed to explain why they should be eligible for CSP funding and not existing Table B universities
- the divesting institutions and the new entities would need time and the skills to manage the separation of existing university systems to the new entity at a time when these systems in many universities have been proven to have significant flaws (eg HR systems)
- the high reliance in a number of universities on external partners for online teaching and learning potentially requiring new partnerships to be struck or changes made to existing contracts to continue to use existing online education platforms and specialists
- the challenges and costs in promoting the new entity to domestic and international students, and
- ensuring the continuation of research funding and projects during the divestment period.

Given the challenges involved in achieving a scaled response to delivering the extra student enrolments the sector is expecting it would be easiest to 'do nothing' and merely provide more funding to the existing Table A institutions and reinforce their size. However if the Panel sees merit in moving the sector away from a 'growth at all costs' mentality then there is an option to boost diversity and community responsiveness by allocating some of the additional government-funded places required in coming years, to a diverse group of providers for specific reasons. That is, to provide additional funding to regional universities, incentivise existing Table A universities to set-up new institutions, consider providing some CSP funding to university colleges, and expand CSP priority places funding to specific institutes of higher education.

The Panel should also consider making all Australian universities eligible for CSP funding for their undergraduate students, after all what is the rationale for providing CSP funding to the Australian Catholic University and the University of Notre Dame Australia (by making them Table A universities) but not, for example, the University of Divinity (established in 1910 as the College of Divinity by an act of the Victorian Parliament) or Bond University established more than 30 years ago as a non-profit corporation - the same as the Australian Catholic University?

Recommendations
The Panel should recommend that:
- future government funding recognises the importance of regional universities by ensuring they have sufficient funding to strengthen their research outputs and continue to deliver a diverse range of fields of education
- some of the extra student places needed for the expected Costello baby boom students are allocated to Table A universities
- the distinction between Table A and non-Table A Australian universities be removed and therefore all Australian universities should be eligible to receive CSP funding for their undergraduate students (but potentially this funding should not be demand driven at least in the early years of any changes), and
- some CSP funding should be allocated to university colleges and other non-university higher education providers which either offer priority courses and/or courses which are less common/unavailable in Table A universities.
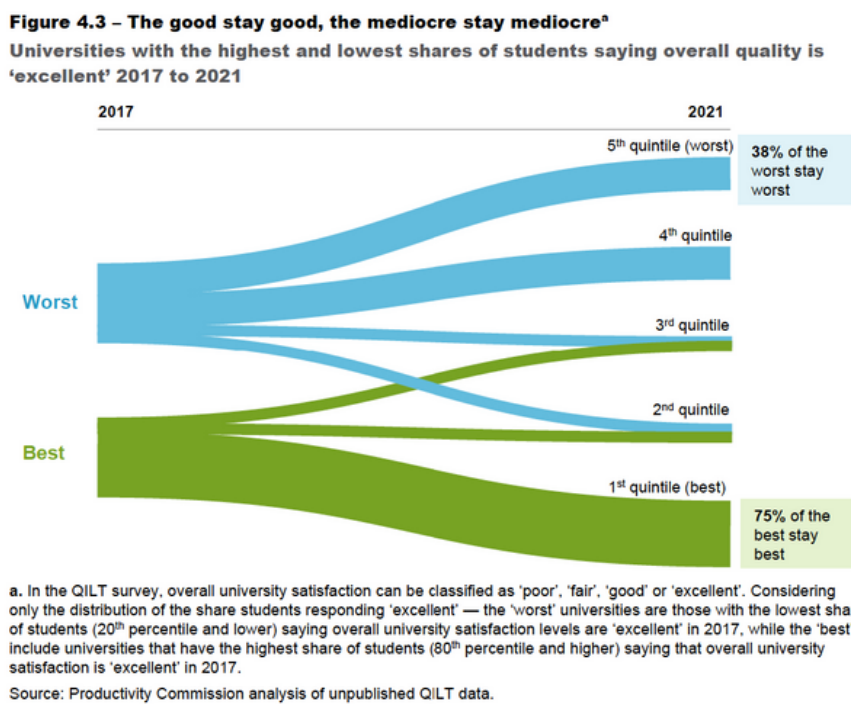
HOW TO ENCOURAGE QUALITY TEACHING AND LEARNING?

> **Q39 What reforms are needed to ensure that all students have a quality student experience?**

There are many factors which combine to create a quality student experience and other submissions to the Panel will undoubtedly provide specific suggestions on where and how improvements should be made.

An important factor which should be driving improved student experiences is the Quality Indicators of Learning and Teaching (QILT) data which is collected and reported annually. It could be being used by students to help inform their study choices but, regrettably, recent analysis by the Productivity Commission offers an important critique of the usefulness of the QILT data in terms of both universities using it to make improvements to the student experience and/or in the data being readily available to inform student decision making.[18] Instead, when examining the information provided to prospective students to help inform their future study choices, the Commission notes that:

"universities may mislead students in their use of such international indicators. In marketing its teaching quality, one prominent university indicated that it was first in Australia and 32nd in the world with the implication this related to teaching. However, those rankings had barely any link to teaching quality, but to a wide range of performance metrics that gave little weight to teaching. Using QILT measures, the university rated at the bottom or close to the bottom for all of the aspects relating to the student experience, such as teacher quality, skills development, and learning resources."

Further, when examining the utility of the QILT data for driving continuous improvement in universities, the Commission finds that "from 2017 to 2021, most higher performing universities remained top-performers, while most lower-performing universities stayed in the bottom part of the distribution."

Figure 4.3 – The good stay good, the mediocre stay mediocre[a]
Universities with the highest and lowest shares of students saying overall quality is 'excellent' 2017 to 2021

a. In the QILT survey, overall university satisfaction can be classified as 'poor', 'fair', 'good' or 'excellent'. Considering only the distribution of the share students responding 'excellent' — the 'worst' universities are those with the lowest share of students (20th percentile and lower) saying overall university satisfaction levels are 'excellent' in 2017, while the 'best' include universities that have the highest share of students (80th percentile and higher) saying that overall university satisfaction is 'excellent' in 2017.

Source: Productivity Commission analysis of unpublished QILT data.

This analysis raises some compelling questions about the utility of the QILT surveys and why there is so little improvement for some of the worst performing universities?

The Commission goes on to make a number of recommendations to improve university teaching– some of which are worth consideration by the Panel. Specifically the Commission's recommendations are:

8.9 Leverage information to improve quality
The Australian government should:
- increase the transparency of teaching performance by requiring universities to provide all lectures online and for free
- refine and validate new Quality Indicators for Learning and Teaching (QILT), and use these and other data to develop and publish more meaningful indicators of tertiary teaching quality and performance
- adapt the ComparED tool to address the risk that students may misunderstand its information and consider the option of abandoning it and providing additional QILT data to nongovernment funded websites that cover many other aspects of higher education providers relevant to student choice
- give the Tertiary Education Quality and Standards Agency (TEQSA) the responsibility to undertake external university teaching quality assurance review processes akin to those applied by the Quality Assurance Agency (Scotland).

8.10 Professionalise the teaching role
The Australian government should bolster the incentives for, and prestige of, higher education teaching by:
- facilitating trials of additional funding for undertaking research and teaching development provided to individual staff based on their teaching performance, drawing on the Griffith Business School's Teaching Excellence Recognition Scheme (TERS)
- trialling a modest Australian Research Council Grant that provides funding for teaching focused research for 6 months to a year
- enhancing preparation for higher education teaching, informed by the evidence collected by initiatives outlined in recommendations 8.9 and 8.11.

8.11 Develop an Australian evidence base
The Australian Government should extend the role of the Australian Education Research Organisation (AERO) to the collection and dissemination of evidence on best practice post-school teaching, covering both VET and higher education. As part of this new role, AERO should also:
- draw on the lessons from the teaching practices of awardees of the Australian Government's Australian Awards for University Teaching
- undertake a rapid review of the use of formative and summative review processes and professional development initiatives in higher education institutions.

WHAT LEVEL OF DIGITAL CAPABILITY IS NEEDED?

Q8 What reforms are needed to promote a quality learning environment and to ensure graduates are entering the labour market with the skills and knowledge they need?

Q32 How can best practice learning and teaching for students from under-represented groups be embedded across the higher education system, including the use of remote learning?

Q38 How can the Accord support higher education providers to adopt sector-leading employment practices?

Q42 What settings are needed to ensure academic integrity, and how can new technologies and innovative assessment practices be leveraged to improve academic integrity?

In reflecting on these diverse questions posed by the Panel – there is one underlying thread that links them all together – Australian universities' responses to operating and educating in an increasingly digital world.

Digital organisational systems

Starting with industrial relations and the disturbing fact that in 2022 the Fair Work Ombudsman identified universities as "a new compliance and enforcement priority" due to concerns about systemic underpayment issues. [19]

It was surprising and disappointing to read the subsequent February 2023 statement from the Australian Higher Education Industrial Association which argued that underpayment was in large part due to "the extremely complex nature of the enterprise arrangements in the sector coupled with the localised decision making that is common in universities around the world."[20]

The University of Sydney provided more insights into the nature of the problem in announcing new workshops and a survey of academic and administration managers "to get a clearer understanding of current practices and procedures for the engagement, work allocation, supervision and payment of casual staff". The announcement added that "the individual teaching approach of each faculty, school or discipline, and the devolved nature of work classification and allocation across the university means, however, that local practises have varied historically. Different interpretations have been taken to the application of the Enterprise Agreement, potentially resulting in inconsistency in local guidance, timesheet completion or payment errors."[21]

With universities earning annual revenues of hundreds and even billions of dollars it is extraordinary that "localised decision making" has not been supported by systems and processes designed to ensure universities operate in compliance with the law.

To argue that their industrial relations arrangements are "extremely complex" ignores the complexities in the industrial relations arrangements of other large, complex organisations eg those operating across multiple countries or across multiple different industries and even those, for example, in the tertiary education sector such as Group Training Organisations - which are considerably smaller in size than universities but by the nature of their role employing apprentices who are subsequently hosted at sometimes hundreds of different employers in a diverse range of industries and therefore on a wide variety of enterprise agreements and awards (which the GTO needs to comply with) - and yet they deal with these complex arrangements as part of 'business as usual'.

For a large number of Australian universities to have chosen not to introduce the necessary HR payroll systems and internal audit processes (including regular payroll compliance audits) which ensure their compliance with legislation and their own enterprise agreements, suggests both corporate governance issues and a lack of awareness of, and potential interest in, digital systems to support and assist local decision making. This is a point the Fair Work Ombudsman drew specific attention to in announcing that universities would be a priority sector for investigation in 2022-23.

Digital learning

A similar lack of deep engagement with digital systems is evident in the approach of some universities to online/hybrid learning. As Rene Eborn, Deputy of Digital Transformation and Associate Vice President at Utah State University observed recently, when making the case for students needing "personalized, flexible learning that meets their specific needs and makes them confident in their investment (in their studies)"- in other industries:

"… *consumers become accustomed to unique content recommendations and a seamless, multichannel customer service interaction. Successful and innovative leaders are taking action to revisit and enhance the student experience by redesigning the student lifecycle interactions through a customer experience lens.*"[22]

Reflecting on the experiences of UK universities, education consultant Neil Mosley makes a number of observations which are also relevant to Australian universities. Discussing digital transformation in learning, Mosley writes that "where the rubber really hits the road with learning design, is translating it into the existing organisational machinery and culture of universities."[23]

He goes on to add that:

"although there is evidence that work on the learning design of courses and programmes is becoming more of a feature in UK universities, it is largely of a particular type. Rather than being routine, learning design of courses and programmes is usually driven by higher-level changes such as new overarching teaching and curriculum strategies. In that sense it is reactive rather than proactive… The majority of the widely cited learning design models in the UK use approaches that fall into this category of learning design largely as workshop facilitation. It's all very compressed and largely synchronous."

At the same time that Australian universities gradually adapt to greater online and personalised learning – they are now also having to respond to the advent of generative AI in the form of Large Language Models such as ChatGPT. Rather than taking this opportunity to review assessment tasks and introduce more authentic assessment, instead some institutions have turned to paper and pen assessments, while others are relying on academic integrity software which is currently a very high risk bet.[24]

By contrast the UK's Department for Education has released a Departmental Statement which recognises that "the education sector needs to prepare students for changing workplaces, including teaching them how to use emerging technologies, such as generative AI, safely and appropriately."[25]

The Statement links to guidance from the Joint Council for Qualifications on the use of AI in assessments.[26] While the Statement and the guidance heavily focus on academic integrity – they do so from a perspective that the use of generative AI is a change that schools and universities will need to engage with and adapt to, rather than, retreat from.

Similarly, the European University Association has issued a position paper for its members on '*Artificial intelligence tools and their responsible use in higher education learning and teaching*' which states that "it is clear that banning the use of AI tools and other new technologies would be futile. Consequently, the higher education sector must adapt its learning, teaching and assessment approaches in such a way that AI is used effectively and appropriately. Universities must explore the responsible use of AI tools, in line with their mission, goals and values, and paying due regard to their legal framework and the broader consequences for and impacts on society, culture and the economy."[27]

TEQSA is to be commended for the workshops it has been running with Deakin University's *Centre for Research in Assessment and Digital Learning* (CRADLE) on generative AI, but these activities must be the start of a much more profound shift in Australian higher education assessment and more broadly across universities' operations.

Universities need the Accord process to help them appreciate the need to shift from the predominantly analogue institutions they have been, and in many ways still are, to recognise the digital age they are now operating in and the much more sophisticated systems and approaches they need to facilitate effective personalised learning, authentic assessment and basic operational activities such as ensuring staff are properly remunerated.

As the Deputy Prime Minister noted in a recent address to the ASPI Sydney Dialogue:

"The Harvard Index of Economic Complexity is a measure, which has at one end of the spectrum, the most high tech sophisticated services economy, which happens to be Japan. And at the other end, the most basic subsistence economy, it is, in many respects, an index of modernity- an index of technology. Right now, Australia ranks 91st on that index. We are sandwiched between Namibia and Kenya." [28]

While he went on to add that "that's obviously not a true reflection of where we stand in the list of modernity in the world, it does speak to the fact that as an economy, we are highly dependent upon our primary industry… and that really means that we have a national challenge, to climb the technological ladder…"

The Accord process provides the opportunity for our universities to support this transformation not just with their research activities but with their teaching and learning and their own organisational processes.

Recommendations

There are few incentives or reforms which can be introduced through the Accord process which will hasten universities' digital transformation. Fortunately the efforts of the Fair Work Ombudsman are improving employment practices, with a number of universities undertaking payroll audits and voluntarily addressing problems.

While some may argue that a 'digital learning and assessment innovation' fund would hasten the shift to more personalised learning and authentic assessment practices in the sector - the reality is that with most universities having very substantial retained earnings and investments (even after their reported losses in FY22) - it is not a lack of funding that is inhibiting the digital transformation their learners and staff will increasingly expect. Instead as Mosley and others identify the issue is as much about culture as it is about funding.

HOW DO WE ENCOURAGE LIFELONG LEARNING?

> **Q15 What changes are needed to grow a culture of lifelong learning in Australia?**
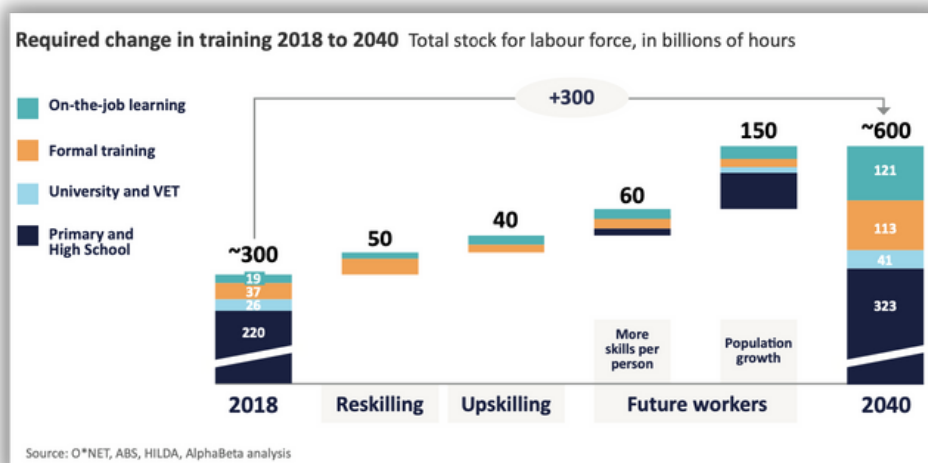>
> **Q16 What practical barriers are inhibiting lifelong learning, and how can they be fixed?**

There are two issues for the Panel to consider as it seeks to encourage a culture of lifelong learning in Australia. Firstly who needs encouragement and support to undertake ongoing learning across the course of their lifespan and secondly what kind of learning is needed?

Supporting lifelong learners

In 2021 in a statement on the future of work, the OECD wrote that "digitalisation and globalisation have sparked radical shifts in how we live and work. The coronavirus (COVID-19) crisis has accelerated these beyond anything we could have imagined. These changes raise essential questions about the precarity of our jobs, the support available if we're unable to work or retire, the skills we need for current and future jobs, the quality of those jobs, and what voice we have in shaping these outcomes".[29]

Five years ago, pre-COVID, consultancy firm AlphaBeta in a report for Google, predicted that by 2040 Australia's workforce will need to double the amount of learning undertaken after the age of 21, equivalent to three extra hours of learning per week, and for most people this extra learning will not take place at universities or VET providers but at work – in the form of on-the-job training and "short flexible courses."[30]

Required change in training 2018 to 2040 Total stock for labour force, in billions of hours

Source: O*NET, ABS, HILDA, AlphaBeta analysis

In its latest 5-yearly review, the Productivity Commission reached a similar conclusion about lifelong learning – that more learning is needed and that a lot of it will take place in the workplace. They then went further – noting that lower paid workers are much less likely to receive additional upskilling and reskilling from their employers and, combined with the growth in high skilled work, it is this group of workers who should be the priority for lifelong learning investments by government.

The OECD agrees that low skilled workers are much less likely to participate in on-the-job training and much more likely to be working in routine and medium skilled occupations most at risk of disruption from AI, digitisation and automation.[31]

The Productivity Commission's specific recommendation in their 5-yearly productivity review is:

> **8.8 Consolidate support for lifelong learning**
> The Australian Government should consolidate and examine the effectiveness and accessibility of available programs to support lifelong learning and to reduce gaps and increase uptake. In doing so, it should evaluate the effectiveness of targeted programs to inform and prioritise policies for a consolidated lifelong learning strategy by:
> - trialling policies that target support at employed lower-income people, including vouchers for career planning and work-related upskilling and reskilling
> - evaluating the incoming Skills and Training Boost to assess its effects on the uptake of additional overall training, the skills it develops, productivity, labour mobility, and the characteristics of the businesses most responsive to the measure. Government linked administrative datasets will be useful for such an evaluation but might need to be supplemented
> - extending the existing capacity for self-education deductions to education that is likely to lead to additional income outside of the employee's existing employment. This change should be evaluated after a suitable period, and pursued subject to assurance that strong integrity measures can effectively reduce the risks of fraudulent claims

In a recent speech to the Higher Education Policy Institute, the OECD's Director of Education, Andreas Schleicher argued that there is little incentive for universities to shift their focus from "front-loaded" learning to lifelong learning because it is "cheaper, easier" to focus on students immediately post-school, because "people who come mid-career are a lot more demanding."[32]

Educational consultant, Alex Usher, has suggested Schleicher is being "seriously naïve" and argues "why would (universities) shift focus from lucrative near-monopoly positions for offering bachelor's and master's degrees for a new set of credentials with no immediate financial reward?"[33]

The Panel will therefore need to reflect on the appropriate financial incentives required to support universities to offer the microcredentials employers and higher paid workers will need to adapt to the changing world of work, and at the same time the Panel will need to balance recommendations about incentives for universities with the Productivity Commission's recommendation that the focus of lifelong learning in Australia should best be targeted to lower-paid (and lower-skilled) workers who are unlikely to enrol at university and who are most in need of financial support for their lifelong learning.

Courses for lifelong learning
As the Panel notes in the Discussion Paper, there is general agreement across governments, business and some parts of the tertiary education sector that what is needed for lifelong learning is more short, skill-specific courses which for the purposes of this submission are referred to as microcredentials, in addition to the ongoing provision of traditional higher education and VET qualifications.

In 2022 the Australian government released a *National Microcredentials Framework*, a marketplace for higher

education institutions to advertise their microcredentials, and funding mechanisms to support their development and delivery.[34]

At the same time that Australian universities and other higher education providers are developing microcredentials, there is also significant activity underway by private organisations in the development and delivery of alternate microcredentials. Recent research identifies 967,734 "unique education credentials in the United States, including not only associate, bachelor's and doctoral degrees but also more than half a million different badges, certificates, licenses, apprenticeships and industry certifications".[35]

It is easy to assume that with this proliferation of alternative credentials – increasingly people will rely on the quality and reputation of university 'brands' as their provider of choice for short course upskilling and reskilling, but that assumption ignores the extraordinary power of the brands of some of the companies and institutions involved in the development and delivery of these alternative courses.

Alternate credentials

The growth in alternative credentials is, in no small part, being led by global technology companies. While these companies are also partnering with universities (and VET providers) to support their digital transformation, see for example the numerous case studies showcased at the 2022 Microsoft Higher Education Summit held in Sydney.[36] They are also actively involved in the development of their own courses and microcredentials to help ensure they can access the skilled graduates they need and to upskill their existing workers. Having developed these courses, the technology giants are now making them widely available, usually at a relatively low cost, and in some instances in direct competition with formal education offerings from the tertiary education sector.

In September 2022, the Senate Economics References Committee commenced an inquiry into "international digital platforms operated by large overseas-based multinational technology companies – so called 'Big Tech' companies – and the nature and extent to which they exert power and influence over markets to the detriment of Australian consumers". While the inquiry does not contain a specific reference to education and training being offered by 'Big Tech' companies – the Issues Paper released by the Senate Committee notes that collectively Alphabet (Google), Amazon, Apple, Meta (Facebook) and Microsoft "have a joint market capitalisation of around US$4.5 trillion."[37]

It is against this backdrop of the global size and scale of the technology giants that the Panel (and universities) will need to think about if, and how, they need to compete with organisations they also have close collaborations with.

As well as the alternate credentials being offered by the technology giants, there is also a growing group of education technology (EdTech) firms such as 2U, General Assembly, and Simplilearn which both partner with tertiary education providers and also offer a growing range of non-accredited, alternative, microcredentials. Global consulting firms including EY, KPMG and PWC, and to a lesser extent (so far) professional associations, are also moving to develop and deliver their own microcredentials.

'Technology giants

While some would argue that IT companies have long offered courses to help workers use their products (eg Microsoft Excel courses) the scale of provision and the nature of the courses being offered, combined with the scale of these companies means that their offerings warrant attention from the Panel. For example, the New Zealand government has just announced a comprehensive partnership with Amazon which includes funding for New Zealanders to undertake skills training offered by AWS.[38] And recent research by Deloitte Access Economics for AWS shows that 'skills issues' are inhibiting greater government use of public cloud computing.[39]

In June 2020, in response to the COVID pandemic, Microsoft launched a suite of free, short courses. The initiative involves Microsoft working with its software development arm GitHub as well as LinkedIn, the business and employment platform it recently acquired, to take a data driven approach to identifying in-demand jobs and the skills needed to fill them. Microsoft then uses this information to design short courses to help people develop the skills

needed for these job roles, and it offers the courses to learners for free. For those learners wanting certification of their skills after completing the courses, Microsoft has incorporated a low-cost certification option, in addition to free job-seeking tools. When it launched the initiative, its stated aim was to educate 25 million learners in these short courses.[40]

Also in 2020, Google launched a suite of six-month Google Career Certificates which were announced as being explicitly intended to compete with undergraduate degrees for individuals seeking work as Data Analysts, Project Managers and user experience (UX) Designers.[41] These courses expanded on Google's existing IT Certificate offerings and gave Google's Employer Consortium, which involves major US employers including Bank of America, H&R Block, Intel, Randstad, and Walmart exclusive access to advertise their entry-level jobs to learners who complete Google Certificates. This in turn improves the employment outcomes of the students undertaking the courses which in turn makes them more attractive to learners.[42]

Google offers its courses on the Coursera platform (with Coursera also being a key online program management (OPM) partner of Australian and international universities) and has reported thousands of learners completing its courses and improving their employment outcomes, with its IT Support course being the most popular on the Coursera platform.[43]

In October 2022 Google launched the same Career Certificates in Australia. These 3-6 month courses (costing only $56 per month) were not explicitly described as alternatives to undergraduate IT degrees in Australia, but as in the US, graduates still get the chance to enter employment with leading Google partners including Australia Post, Woolworths, Canva, Optus and IAG. Google launched the Certificates with 10,000 scholarships for people from under-represented groups. The Minister for Science and Industry, Ed Husic, spoke at the launch saying that what he "loved about this initiative" is that Google was being "agile in the development of skills", that it was "going to open doors. And that's what I want to see more of. And what we do need to do is ensure that industry isn't having to do this on its own."[44]

EdTech
In addition to the delivery of industry-certified, alternative credentials by the technology giants, EdTech providers are also facilitating a shift away from formal, regulated courses in favour of industry-certification offered by non-accredited education providers. Three of the global leaders, in addition to Coursera, are 2U, General Assembly and Simplilearn and all have a physical presence in Australia.

In 2021, 2U acquired one of the original MOOCs, edX (developed by Harvard and MIT universities). The US $800 million deal provided 2U with access to edX's 50 million users, 500 university partners, and 1,200 enterprise clients. 2U originally commenced operations working with highly ranked universities as their OPM and later bootcamp partner. In Australia they had a number of Group of Eight universities as partners prior to the edX deal. Now the company reports offering more than 4,000 courses and that they currently 'reach' 48 million users. [45]

By contrast General Assembly began operations in 2011 as a co-working space. They have since evolved into an industry-certified education provider offering a range of courses in business, marketing, coding, UX design, and data. They currently operate six campuses across the world and claim an alumni network of more than 97,000 individuals, 19,000 'hiring partners' and that they have trained more than 25,000 employees of Fortune 500 companies.[46]

General Assembly states that "roughly half of our part-time students are funded by employers who want their employees trained by our experts, and GA curricula are guided by industry needs. We've helped dozens of Fortune 100 companies — and hundreds of other businesses worldwide - to assess and train their talent, on-site, online, or at our campuses. We also provide hiring solutions for companies seeking a diverse pipeline of candidates who are job-ready, armed with in-demand skills." Tuition options for their other students include a range of scholarships and low fee-courses."[47]

Founded in 2009, Simplilearn has educated millions of learners worldwide through a variety of industry-certified bootcamps and professional certificates, and more recently Masters and postgraduate programs offered online in six months with a number of university partners. Simplilearn's industry and business partners include Accenture, AWS, Google, IBM, Harvard Business School, Purdue University and the Centre for Technology and Management Education at Caltech. Simplilearn offers 1,500 live classes per month and claims that 85 per cent of its graduates cite employment benefits after having finished a Simplilearn course.[48]

There are a growing number of other EdTech providers offering alternate microcredentials (as well as in many instances also partnering with universities and VET providers). They include 42, Academy Xi, ATI Academy, Barbri, Becker, Bloom Institute of Technology, Coursera, Degreed, FullStack, FutureLearn, GO1, IBM, LinkedIn, Pluralsight, Skillshare, Skillsoft, Treehouse, Udacity and Udemy.

Consulting firms

Global consulting firms EY, KPMG and PWC also have a growing offer of alternate microcredentials. In the UK, KPMG's Learning Academy offers more than 90 "high impact learning programs" in 'digital and technology', 'forensic risk, governance and compliance', 'leadership, management and people', 'finance' and 'performance, process, service and quality'.[49] In 2020 the UK government gave contracts collectively worth £288 million over four years to EY and KPMG to help professional develop, upskill and reskill the UK civil service.[50]

And PWC's Australian Training Academy offers short courses in Auditor Training, Accounting and Finance Training, Data Analytics and Business Continuity. To date it has enrolled more than 5,000 learners, with more than 130 employers using PWC's Training Academy to upskill their staff.[51]

Professional associations

Professional associations are also developing and delivering their own microcredentials in response to their assessment of the professional development and upskilling needs of their members. For example, in the US, the CFA Institute has been delivering its own microcredentials, such as the *Certificate in ESG Investing*, for a number of years.[52] More recently Engineers Australia launched a suite of microcredentials delivered through its education arm, Engineering Education Australia.[53]

In a recent market update, global market intelligence firm, HolonIQ observed that:

"Over the last few years, Massive Open Online Courses (MOOC's) and other short online learning models, with consumer-focused online courses and credentials, have been building a strong alternative model to cater to the rising demand dynamics of the labor market. However, these courses are getting shorter, and a key piece of the model has been the growing acceptance of micro-credentials, and nano-learning which has seen a rapid rise in demand. For their part, MOOCs are now partnering (and integrating with their proprietary technology) with the likes of IBM, Microsoft and Google as well as universities to provide entry-level certifications suited to meet the skills of the future. Key advantages of these programs is accessibility and are offered at steeply discounted prices compared to traditional degrees or on-site programs. Alternative credentials are beginning to become more accepted by employers and are offering learners a pathway to enter sectors whose skills are in high demand. As a result, there has been a swift increase in enrollments for short, stackable courses, a mutation of the original idea of a MOOC. However, Coursera, arguably the last independent MOOC standing, reported that enrollments increased by 2.5 times over the span of 3 years from 44 million to 113 million users in September 2022."[54]

Recommendation

The Panel will need to determine the financial incentives required to stimulate increased development and delivery of microcredentials in higher education against the backdrop of the significant growth in alternative credentials (and the size and scale of some of the organisations offering them) and the Productivity Commission and OECD's research indicating that most of the emphasis in lifelong learning should be focussed on lower skilled and/or lower-paid workers.

HOW DO WE STRENGTHEN VET PATHWAYS?

> **Q20 How can pathways between VET and higher education be improved, and how can students be helped to navigate these pathways?**
>
> **Q21 How can current examples of successful linkages between VET and higher education be integrated across the tertiary education system?**
>
> **Q22 What role do tertiary entrance and admissions systems play in matching learners to pathways and supporting a sustained increase in participation and tertiary success?**

For many years educators and officials have argued the need for simpler pathways between VET and higher education. The 2019 *Review of the Australian Qualifications Framework* recommended changes to the AQF designed to encourage stronger pathways between the two sectors.[55]

What is usually missing from discussions about VET-higher education pathways is a focus on funding, and any analysis of the number of pathways between the two sectors which are available to international students.

It is commonly claimed that the competency-based approach to VET which Australia has adopted makes it difficult for higher education institutions to readily recognise and give credit for VET studies. Clearly there is room for improvement in the VET system and the proposed changes to VET qualifications are likely to assist in improving pathways between the two sectors.[56]

However it would be naïve to assume that it is the structure of VET qualifications and VET's competency-based approach which are the key problems impacting pathways, and that implementing the AQF Review recommendations is the best or only way forward.

In fact there are a very large number of pathways agreements between VET and higher education in the international education sector. That is because VET providers find it much easier to attract international students if they are able to assure the students that, if they successfully complete their VET qualification (typically a Diploma), they will be able to move directly into the second year of an undergraduate degree at a university or other institute of higher education. International VET providers are therefore highly motivated to find higher education partners.

It is clearly not just international VET providers which benefit from these pathways - in fact the reason why there are so many of these agreements is because they are a win-win for all parties: the VET provider finds it easier to recruit international students if they can offer a pathway to subsequent higher education study, the student benefits from a cheaper course with a smaller class size in their first year while they settle into life in Australia before going to higher education, and the university or other higher education provider benefits because they earn two years of international student fees at no cost to them.

For domestic students the incentives for each of the parties are not the same. For students there is much greater prestige in going directly to university (often on a lower ATAR) than to VET first – and depending on the course they want to study they may well face lower fees at university than with a VET provider (albeit this calculation changes for some students now if they are able to access a Fee-Free TAFE/VET place).

For the university there is no incentive to enrol a domestic student into second year undergraduate study as they will receive less funding for the student (2 years rather than 3 for the typical undergraduate degree) and to make the offer of entry into second year requires additional administrative work including needing to know exactly what the student learnt in their VET studies (this is due to VET qualifications constantly changing – including not just the content of the course but the mix of core and elective units or subjects). It is administratively easier and financially

more advantageous for universities to enrol a domestic student directly into the first year of a degree rather than to accept them into the second year of the degree on the basis of a VET qualification.

For international students it is a different equation – international VET providers take all of the risks and bear all of the costs in recruiting the students – they are highly motivated to secure partnerships with universities because it is more attractive to their prospective students, and for the universities it delivers them two years of international student revenues which have cost them nothing in terms of student recruitment costs and only a small amount of extra administrative work.

Recommendation
If the Panel wishes to make changes which encourage more domestic students to move from VET to higher education then it will need to consider the financial incentives for universities, and potentially other higher education providers, of taking on students who will earn them considerably lower revenues than if they enrolled them directly into the first year of their programs.

Claire Field
11 April 2023

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