

Submission to the Australian University Accord's Discussion Paper

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This submission addresses the challenge of higher education attainment over the next decade, drawing on my experiences in or around universities since 1998. It does not attempt to cover my views of all the issues the review faces. This submission is my personal input to the Accord distinct from support I am providing the Higher Education Standards Panel Advisory Committee on Admission Transparency and to the NSW Vice-Chancellors' Committee in their respective input to the Accord.

The challenge

Current education policy targets the need for a well-educated and skilled populace, capable of responding to the unexpected challenges of the coming decade and beyond. It is predicated on nearly everyone completing school and achieving one or more post school qualifications.

This is driven by the economic and social advantages of most people being educated, not just the those most academically able. The air of urgency comes from the fear that achieving a broad tertiary educated populace is necessary to hold onto current living standards, let alone see it rise yet further.

This submission centres around what it means to ensure the large majority of Australians complete school and then achieve tertiary level qualifications whether in vocational education, higher education or both.

It discusses the structure of the Commonwealth Grant Scheme (CGS) and Other Grants schemes and student contributions within the *Higher Education Support Act 2003* with the intent to simplify and clarify arrangements. This is important to meeting the challenge well but applies to less ambitious resetting of higher education arrangements.

I acknowledge that this submission weaves back and forth between a tertiary level viewpoint and the reality that the Accord review is higher education focussed, as is my specific knowledge. The intent is to pursue the impact of a serious tertiary system for higher education.

Outline

The areas explored in the following sections are:

1. the attainment target for higher education as a subset of tertiary, post school, education;
2. the implications of general access to tertiary education for how higher education currently operates, with specific focus on:
 - a. school to tertiary transition,
 - b. the relationship of vocational and higher education, and
 - c. the differential presence of people from groups underrepresented in higher education;
3. the structure of the Commonwealth Grant Scheme, student charges and HELP;
4. proposals that emerge from the discussion.

1. The attainment target

The potential target group for higher education is all adult Australians. It provides an outer bound; it sets an ambition.

If Australia is to have the tertiary education outcomes required, it means tertiary education needs to follow the path of primary and secondary before it and accept that it has a responsibility to find a suitable option for each person. While many people will continue to succeed with little to no education post early high school they will be increasingly rare.

In arguing that all need to complete schooling (whether by 17 or later) and then gain further qualifications a plausible target for acquisition of tertiary qualifications is around the 90% mark. It was at the 80% mark by mid 2010s¹. That is, the outcome in terms of quantum is a plausible next step.

The VET to HE relationship is considered further below. At this point the question is whether it is sensible to set targets within 90% by type of tertiary education or leave it for individuals to assess what they each best need.

Since the worst outcome is to not gain post school qualifications, most likely for those who did not achieve a senior secondary certificate, the higher level target makes more sense. To estimate funding implications, demand estimates of the likely split will be needed. These should be set to model what is likely, not what should be.

2. The implications of full attainment

There is considerable tension between the aspiration for a comprehensive post school, or tertiary, education system and the lingering idea that university education is, and should be, selective.

It does not require that those most capable are not supported to do their best. Rather the system overall ought to support all to do their best, with no bias towards any subset. Primary and then secondary education have faced this hurdle. I would not argue they have necessarily overcome it, but they assume it is their challenge to do so. They do not exclude those who make the task of education harder.

It is fair to say that higher education is already well down the path of open access. The demand driven system explicitly supported this. However, this has been done by twisting a set of institutions which instinctively tend to selection based on previous academic achievement as a means to exclude rather than as a threshold necessary to the course. It is an instinct with much support among parents and others, albeit the same people demand that their child-relative-friend should find a place.

It is a tension that Peter Mandler's *Crisis of Meritocracy* (OUP, 2020) sets out for the UK, one reflected in Australia and elsewhere. By meritocracy he means the intended replacement of one form of limited access to university by another: from access limited by social status, money or very high intellect to access limited to those with suitably high intellect from any background. He shows how numerous government plans to expand universities in this precise way, and to target STEM and professional degrees, have continually faltered. This is due to the pressure from the broad mass of young people to have the option of access, with continued interest in generalist degrees.

This does not require uniformity of institutions but it should turn around the current assumptions that all higher education institutions should be selectors. Education institutions should be expected

¹ <https://iru.edu.au/news/the-take-up-of-tertiary-education/> November 2018 based on LSAY data for 2006 cohort at age 25 in 2016.

to cater for all those who needs their services. Exclusivity whose rationale is to create exclusivity should not remain part of the system.

There are multiple systems in both levels of schooling with schools that take everyone from the surrounding district and others that select based on willingness to pay, academic capability, or adherence to religious or other belief systems.

The best response is to remove the need to ration. This need not mean no selective courses. The objective should be that courses will take all interested applicants that can demonstrate the necessary precursor knowledge and capability.

The school to tertiary transition

The Accord terms of reference address the VET and HE interface but ignore the education system's clunkiest interface. We manage easily enough to get everyone into a primary school. Almost all then go onto a high school and the large majority complete year 12. The move from school to something tertiary is much more random.

Improving the secondary to tertiary interface requires action from all parties.

To provide the next stage in education tertiary institutions need confidence about the previous learning of students. The presentation of year 12 outcomes is highly variable across jurisdictions. NSW appears to be the main one that publishes criterion referenced outcomes of each student, providing those ratings by subject. Victoria, by contrast, forces each study subject into a standard distribution. With NAPLAN covering years 3,5,7, and 9 there is no comparable means to assess the long-term trend in year 12 outcomes.

The value from students coming to higher education with the best preparation provides context to the growing fuss about offering places prior to completion of year 12. To encourage smooth movement onto the next stage of education having an offer prior to completion of the earlier education stage makes a lot of sense.

The At-school offers point to where we should be heading: a system that starts the process to link individuals to the next point of study during the final year of school and expects to do so for every person. Student still needs to complete their school education and senior secondary qualification, and should understand that doing so well will improve future study, with final decisions not locked in until schooling is complete.

Vocational and higher education

There is no simple bifurcation with vocational education. Rather there is considerable overlap that has intensified as higher education has expanded. Considered against the academic skill set, as shown by ATAR, the expansion of higher education has seen many, particularly young women, with mid ranked and lower ATARs go to university. The male female split is similar at the higher ATAR deciles but diverges further down. At that point young men are more likely both to pursue the trade elements of vocational education or simply to avoid further education or training to rely on physical strength to secure employment.

The salaries data shows the extent of overlap across those with VET and HE qualifications. The growing set of higher education graduates means they are present across the middle and lower middle income bands while remaining dominant across the higher. Some people with vocational qualifications will continue to be among the top earners. It is those with no post school qualifications who struggle most.

There are regularly expressed concerns that not enough young people are choosing VET qualifications at the late school and early post school point. The flip side, sometimes stated, sometime implied, is that too many people enrol in universities.

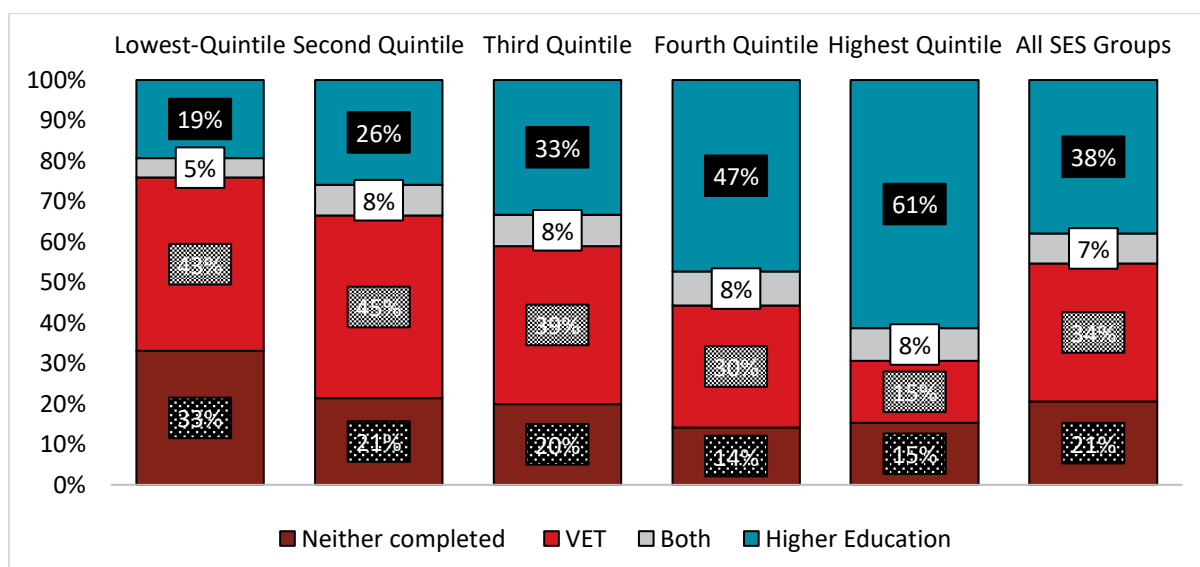
The challenge is to focus at the gaining one or other type of qualification, if not both, over time, rather than a push back against the tide of higher levels of education for greater proportions of the population.

The IRU tertiary statements in 2018 ([paper](#), support [analysis of tertiary take up](#)) highlighted the variable take up by socio economic quintile. A significant group, around 20%, continue to gain no post school qualification, one third among the lowest socio-economic quintile. See Figure One.

If there is under enrolment in VET and over enrolment in university it comes from school leavers from the richer two socio-economic quintiles. A policy effort to steer choice that ignores that reality (and what drives it) is unlikely to succeed. Any hard limit to higher education ought to target those regions with the higher transition to HE of 50% or 60% and above.

I believe IRU has updated this analysis for the 2009 LSAY Cohort. Unfortunately, there was no 2012 cohort. analysis of data for the 2015 cohort would allow comparison with early cohorts at the comparable stage of the data.

Figure One: Completion of Higher education and vocational education by socioeconomic status (2006 LSAY yr 9 cohort as at 2016)



Source: IRU analysis of Longitudinal Survey of Australian Youth (LSAY) data

Students from underrepresented groups

Universities have long had a formal commitment to improving access for students from underrepresented groups, with the current structure and set of target groups essentially that established in the early 1990s (Martin report). Since that time there has been steady and recently fast growth in the number and proportion of Aboriginal and Torres Strait Islander students; rapid growth in students with disabilities and understanding that the recent migrant groups are tricky to capture in generic definitions of cultural or linguistic backgrounds.

The proportion of students from low SES backgrounds has improved only slightly and when it has done so it is clearly aligned to periods of general expansion in places. Students from rural and remote areas remain underrepresented.

The Bradley report argued that it is unclear what impact the various equity schemes have had. It argued for a much greater financial incentive and full integration with the main CGS funding streams. This did not happen. HEPPP was announced in the 2009 budget papers as a loading but was introduced as an Other Grant, hamstringing it from the beginning. It now joins the list of ineffective equity programs.

3. HESA: the structure of the Commonwealth Grant Scheme, student charges and HELP

This section is intended to provide the funding backbone for an open-ended higher education system wanting to cater for all who wish to attend. The points made however apply to any less ambitious model.

Structure of HESA

The Higher Education Support Act 2003 funds through the Commonwealth Grant Scheme, comprising a very large basic grant with some additional targeted lines for medical places and Indigenous students from regional and remote locations, and a set of Other Grants. The Other Grants cover a heterogeneous set of programs:

- grants about student education, notably the various supports for equity and other underrepresented groups;
- grants for research, the 'block grants'; and
- grants to other parties.

The strange outcome of this structure is that the formal accountability is much higher for the Other Grant programs - with the exception of those for research. The CGS in total distributes several billion dollars, based on students being enrolled and reporting evidence that they appear to be being educated. The related Other Grants are subject to detailed expenditure checks, plans, project reports, all of which have the counter effect of reducing their impact due to the separation of the bulk of the funds provided for a student (CGS based on discipline) from the additional amounts intended to offset educational disadvantage.

The Gonski school funding model as exemplar

A different model for the CGS is that from the Gonski report on school funding. It builds up funding to take account of all the factors deemed relevant to allow the school to use those funds to the best outcome of its students.

I wrote an analysis of the Gonski model applied to university funding in 2013, which I append to this submission. It largely remains to the point.

Applied to higher education the approach would create a series of loadings with the CGS, built on the base calculation of load by discipline. Currently there is a medical student loading and previously the regional payment was a loading. There may be other elements deemed useful to add to the basic grant, which should be covered in this way such as provision for location, or an element for the university's engagement role.

Purpose(s) of the CGS

The basic grant's original intent was to support the universities, using the number of students as a reasonable guide to how much of the available funds each university should receive. Funding has only got more complex since.

Legal advice tying HESA to the student benefits power of the Australian Constitution has emphasised the CGS's purpose as being education (CGS being the term HESA created for the basic grant and related funds). See Section 30-1(1).

That the funds support the salary of many staff, most of whom research, and the hard to explicate but definite role in responding to community and government expectations for informed advice on issues of the day has become less and less prominent. It may be that the ambiguity has to remain as the only way through the competing pressures of what is expected from universities and the legal

concerns of the Commonwealth's lawyers. A better outcome would be confidence in the broader use.

Eligible providers

I have intentionally used 'university' since the CGS is essentially for universities while questions about broader roles beyond education are only relevant to such institutions.

In the paper I attached in December, written for the Department of Education in 2021, I worked through the debate about a broader set of providers and potential types of universities.

The important consideration in exploring options for more kinds of providers, and potentially greater use of the non-profit and for profit providers is that the argument for a level playing field is, or should be, about the students, not the providers. How can each potential student be supported to find the education outcome they require.

Additional providers entering the funded stream should do so with explicit acceptance that the purpose is to extend options for the students.

The student contribution

Student payments

There is no objective, rational, answer to how much, if anything, should be charged for education. It comes back to values, assumptions about how society should be structured, and government fiscal ambitions.

The first question is whether students continue to pay at all if everyone is expected to acquire tertiary qualifications. The original rationale for HECS was that it allowed anyone to consider higher education free of financial burden but which assumed that only a minority would do so. The argument was that a contribution back to the costs was fair and reasonable for those being supported to achieve the still rare outcome of a bachelor degree.

The major expansion in access since has both shown the success of the scheme but equally undermined the rationale. As more and more people have degrees there is less distinction between graduates and others paying tax.

However, it is very hard now to reverse the process. On the assumption that a student charge remains the question returns to how large should it be.

The standard paradigm of the split between public private benefit is rarely defined in any lucid way. Those who advance it are forced to make assertions about large sets of people as if they are all the same: there are arts graduates who make millions; there are doctors living under bridges. I have yet to see any actual proposed application that is not the outcome the writer desires dressed up as the logical answer based on the relevant inputs. In sum, it is a theory that appears beyond application.

Aligning charges to cost is another option. It begs the question of what the cost should be. In education I get the impression the cost essentially equals the available funds from permitted sources. Price drives cost as much as cost drives price.

Instead, the simpler approach is one much more consistent with the aim of all Australians pursuing the education they need. It is to restore a single rate. This would let all students pursue their own interests, on the basis that society needs both a mix of graduates across all disciplines and for each person to be as productive as possible. In this model, the amount of funding is determined, with the Government payment being the difference between the student amount and the full revenue.

Rebooting HELP

The initial student contribution scheme had a single purpose and mechanism. The extension to full fee courses allowed a name change that turned a contribution scheme into a loan program. From

that first extension additional payments by students have had a HELP option created as a means to provide some support without directly funding the activity. We now have OS-HELP, SA-HELP, a proposed SA-HELP and suggestions for a Micro-HELP, each with its particular set of eligibility and rules.

It would be better to re-establish HELP as a single scheme, with a defined set of permitted expenses that can be paid through it. These would all sit within a single lifetime limit. The limit works:

- to restrain those few people willing to incur large amounts with limited regard to ever paying those amounts; and
- to force individuals decide a preferred balance of use within the same overall limit.

4. The proposals that emerge from the previous sections

Several proposals emerge from the submission that would support higher education be a leading part of a tertiary education system that aims to support each adult Australian achieve tertiary qualifications.

1. Focus Year 12 results at the learning achieved against an objective scale:
 - to give tertiary providers the best information to support the learning transition from secondary education; and
 - as a fair means to assess school leaver's suitability for courses that need more than the successful completion of a senior secondary certificate as the basis for entry.
2. Develop At-school offers as a standard part of the decision process leading to selection of the tertiary course to be pursued.
3. Reshape the Commonwealth Grant Scheme as a grant for universities (and others) combining amounts driven by:
 - a. number of students, expressed as load;
 - b. the discipline of the unit of study;
 - c. the number of students with particular characteristics that align with additional costs or likelihood of underrepresentation;with potentially elements for:
 - d. university location; and
 - e. university public engagement.
4. Target the Other Grants at funding that is not available to all Table A providers placing research grants under an explicit research heading.
5. Consider explicit recognition of the CGS to cover more than student driven expenses alone.
6. A single student contribution rate for all higher education courses.
7. Simplify HELP to be:
 - one scheme, with lifetime limit to use; and
 - a set of possible charges or costs that it can be used to cover.

11 April 2023

Attachment: A comparison of university funding with the Gonski model for school funding

Published in The Conversation <https://theconversation.com/should-we-copy-gonski-in-higher-education-funding-15080> 12 June 2013

School funding, university funding

The *Australian Education Bill 2012* sets out in considerable detail the Australian Government's Gonski school funding regime. It is interesting to compare it with the funding arrangements for higher education.

The two have much in common but school funding integrates loadings for various characteristics of disadvantage, whereas higher education funding keeps them largely distinct. The Government should apply the logic of the school reforms to each of the equity schemes so that universities too can focus on an integrated approach to meeting the needs of the students they enrol.

The funding

School funding begins with a base amount set at \$9,271 for each student for a primary school student and \$12,193 for a secondary school student. University base funding is driven by the discipline mix of students' units, ranging from just over \$11,000 to nearly \$31,000. The secondary school funding rate is higher than university revenue for humanities, law and business, which covers just under one quarter of university students' units, and lower than for the other disciplines.

The school Bill also includes a negative adjustment for students' capacity to pay which applies to non-Government schools. I have assumed that a school's students do pay at least the amount reduced, just as the higher education analysis includes the student contribution. The comparison is revenue to revenue.

There are five school funding loadings, which increase the funding for each student whom a loading covers.

The first is for students with a disability. The Bill is silent as the size of the loading which is to be set by regulation. For Higher Education, the Disability Support Program funding is about 1% of average base revenue per student.

The second is a loading for each Aboriginal and Torres Strait Islander student. For schools this ranges from just over 20% for a school with very few such students up to 120% where all students are Aboriginal and Torres Strait Islanders. In contrast the Higher Education Indigenous Support Program funding for each Aboriginal and Torres Strait Islander student equals about 19% of average base revenue per student.

The third school loading is for students from the lowest or second lowest socio economic quartiles. For students in the lowest quartile, the loading ranges from just over 15% for a school with very few such students up to 50% where 75% or more students are from that lowest SES quartile. For students in the second lowest quartile, the loading ranges from just over 7.5% for a school with very few such students up to 37.5% where 75% or more students are from that second lowest SES quartile.

The higher education focus is on the lowest socio-economic quartile only, despite the considerable under representation in the second lowest. The HE low SES loading is set at \$1400, or a bit under 10% of average base revenue per student. Universities do not have, nor are likely to have, the large concentration of low-SES that primary and secondary schools in low SES areas will have, hence a sliding scale makes less sense. However, lack of recognition of the second lower quartile risks neglect of students from such areas.

The fourth loading is for students with low English proficiency set at 10% of base funding for each such student. There is no direct HE comparison.

Fifth is a location loading, a complex calculation that combines a factor for relative remoteness with a factor for relative size. A small remote school gains more than a larger remote school. Regional loading for higher education is also a complex calculation based on a sliding scale for individual campuses based on their student cohort size and location, and a 50% loading for distance students, and excluding very small campuses.

In combination the loadings make the funding intended for each school potentially much larger than the starting base amount, particularly where many children in the school generate one or more of the loadings. This makes clear that school funding is on a par with university funding for many disciplines outside of the particular high cost health and agricultural units.

Use of the funding

The school bill combines the base and loadings to determine the funding a school ought to receive. The accountability applies to the whole funding so provided. It does not seek to track use of each loading, rightly assuming that the factors targeted are integral to providing the whole school education using all funds available.

There are Australia wide measures about outcomes which puts the focus at the right point: with the funds distributed to give each student a reasonable prospect of a good education, does that flow through into better, and more evenly spread, education outcomes?

The contrast with higher education funding is clear. While the regional loading is integrated with the base funding element, the schemes for students with a disability, for those from low socio economic background and for Aboriginal and Torres Strait Islanders are separately allocated and accounted for, including requirements for evidence of expenditure distinct from use of base funding.

In response to pressure on over-regulation the Government has recently endorsed excluding university research block grants from the acquittal process. It should extend this to apply the logic of the school reforms to each of the equity schemes so that universities too can focus on an integrated approach to meeting the needs of the students they enrol.