

BCA

Business Council of Australia

Australian Universities Accord discussion paper

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1. Overview

The Business Council of Australia (BCA) welcomes the opportunity to comment on the discussion paper for the Australian Universities Accord. Universities are a central pillar in Australia's economic and social development.

At an economic level, universities play a key part in training Australia's future workforce and driving new industries through innovative research, noting that research also has a key discovery purpose that goes beyond commercial application.

They also play an important role in our relationship with other countries, through their collaborations with overseas institutions and education of international students. Similarly, industry partnerships through Work Integrated Learning and research collaboration are important.

The BCA acknowledges the value of learning and discovery. This is not always directly aligned with a commercial approach, but is an essential foundation for innovation. Universities have a key role in fostering the sense of discovery to find the new big ideas that will position Australia as a frontier economy and to encourage the quest for knowledge.

Universities also play a key role in creating a culture of learning. This enhances the value of learning throughout a person's life, breaking down the perception that the ongoing attainment of knowledge is only through school and directly post-secondary education. The jobs of the future will require ongoing adaptation and learning, and this will be best achieved by a university system which promotes this pattern of renewed learning.

The Universities Accord provides a welcome opportunity for a reset on our university system. It is important to grasp this opportunity for reform, focusing on improving skills of our workforce, increasing research collaboration, improving opportunity for more Australians and ensuring that the system is appropriately funded.

While the Accord discussion paper rightly references 10-, 20- and 30-year horizons, the Accord should also take this opportunity to set out a ten-year reform agenda and map out what must be done now and over the next decade.

But the Accord should not be viewed as a one-off process. As noted in the discussion paper, the Accord aims to drive lasting alignment and develop a shared, long-term commitment among stakeholders. Collaboration between businesses and universities is vital to provide the innovation necessary to make Australia a frontier economy.

To achieve that degree of collaboration will require expanding how we think about partnerships and creating multiple pathways towards forming the relationships necessary for successful collaboration. This means partnerships in skills development, research, consulting and brokering, alongside increased usage of Industry PHDs and embedding and co-locating academics and industry together.

It is also important to establish a mechanism to drive that commitment. To do so, the government should establish a permanent Forum for ongoing discussion between industry, higher education, and governments.

The Forum could meet biannually, with representatives from industry peak bodies, the higher education sector, and state and territory governments (including relevant government agencies such as Jobs and Skills Australia), to ensure that feedback from is shared in a timely manner and to evaluate the progress of reforms that flow from the Accord process.

Recommendations

- The Accord should reset the fundamental goals of universities, their role in the economy and key aspects of their business model.
- The federal government should establish a permanent Forum for ongoing discussion between industry peak bodies, representatives of the higher education sector, and state and territory governments (including government agencies such as Jobs and Skills Australia).

2. Key recommendations

- The Accord should reset the fundamental goals of universities, their role in the economy and key aspects of their business model.
- The federal government should establish a permanent Forum for ongoing discussion between industry peak bodies, representatives of the higher education sector, and state and territory governments (including government agencies such as Jobs and Skills Australia (JSA)).
- There needs to be greater recognition and support for lifelong learning, as skills development does not end when Australians complete their initial secondary or tertiary educations. The federal government, through JSA, should develop a comprehensive Lifelong Learning Strategy.
- As part of building a culture of lifelong learning, we must create a genuinely joined up and interoperable post-secondary system that will expand the learning and career options available to Australians and provide more choice and control in the skills and education pathways they take.
- Create a more level funding system between higher education and Vocational Education and Training (VET), removing distortions that might guide learners to one over the other, irrespective of the suitability of that pathway for the learner's career. One way to improve the system would be to expand VET student loans to all courses by approved providers at Certificate IV level and above.
- Ensure access to a portable skills sharing system that allows Australians to build and share a digital portfolio of education and skills that includes both formal qualifications alongside microcredentials and other training, including non-accredited training, as well as recognition of prior learning.
- Ensure there is a pathway for short courses and microcredentials to be properly recognised, recorded and rewarded. This would include the ability to 'stack' microcredentials within the Australian Qualifications Framework, including by recognising microcredentials in VET, higher education and workplace-based training.
- Develop a Lifetime Skills Account approach that offers financial support for Australians that would otherwise not participate in training to upskill and reskill. This could start with an initial pilot for disadvantaged or priority cohorts, to be designed by JSA.
- Encourage greater usage of Work-Integrated Learning in university courses by supporting the implementation of the National Work-Integrated Learning Strategy. Consideration should also be given to pursuing a target rate of participation in WIL across degrees.
- The government should investigate ways of incentivising the creation of organisations in higher education that can facilitate scale for linkages between universities and industry, particularly small businesses, for WIL, cadetships and internships.
- To ensure a focus on excellence in teaching, the incentives in place for university teachers, lecturers and Professors should be designed to reward quality teaching as well as quality research.
- Governments should recommit to implementing the Shergold Review of Senior Secondary Pathways, including:
 - Setting ambitious proficiency standards for the basics and providing extra help for students falling behind.
 - Improving career advice through best-practice digital resources for students, parents and teachers.
 - Ensuring all students have access to a Learner Profile that they can build on and curate over their career.

- Establish a National Future Industries Council composed of experts from industry and the research community to provide advice to governments on the priorities for developing Australia as a frontier economy that will be able to respond and take advantage of the opportunities of the future.
- Implement Recommendation 2 of the Ferris, Finkel & Fraser Review of the Research & Development Tax Incentive, to introduce a collaboration premium of up to 20 per cent on non-refundable tax offsets to incentivise collaborations between industry and publicly-funded research organisations (PFRO) and universities.
- Implement the patent box tax regime which is designed to encourage investment in the innovation and technologies of the future.
- The government should consider and fund different approaches to increase the capacity and capability of universities to proactively undertake outreach and research collaboration with industry.
- National Cabinet should create a cross-jurisdictional taskforce to spearhead greater alignment across jurisdictional innovation and R&D, including through cultivation of internationally significant precincts.
- Government should increase resources for the Australian Research Council to ensure that there is increased funding for basic research. In the context of the Sheil Review into the ARC Act, the government should consider additional ways of prioritising basic research by the ARC.
- Grant funding should be should better reflect the true cost of research and follow a Full Economic Cost approach that considers both direct and indirect research costs.
- Government should increase funding for, and universities should prioritise, the provision of wraparound support services for students from disadvantaged backgrounds to ensure they have the best opportunity to succeed in their education.
- Government should increase the number of Commonwealth Supported Places to meet the demand for future skills. The places should be targeted at areas of skills need identified by JSA. Consideration should be given to ensuring the increase in places benefits disadvantaged cohorts.
- The Federal Government should expand eligibility for demand-driven university funding to all Indigenous Australians.
- International students that have stayed on in Australia, having been educated and earned a bachelor level or higher qualification from an Australian university or registered education provider, and are now working successfully on a Post-Study Work Stream Temporary Graduate visa should have a clear pathway to becoming a permanent resident.

3. Skills development

Australia's tertiary education system needs to be improved. We are falling short of where we need to match the needs of the future workforce, given that nine out of 10 new jobs will require a further qualification after school.

Much of the focus in our education system is on the skills and knowledge Australians develop in their first 20 to 30 years. However, in an economy that needs to adapt to change, develop new industries and respond to the transformation associated with digitalisation, it is critical that systems and incentives are also in place for people to develop new skills and knowledge throughout their careers. Australians must be able to refresh and update their skills over their lifetime, and they need a better set of options for acquiring new skills that match and track industry needs.

A key change here is to move past a narrow focus on qualifications that align with traditional occupations, and to think instead about the skills standards and competencies that cut across qualifications, occupations and industries.

There needs to be greater recognition and support for lifelong learning, recognising that skills development does not end when Australians complete their initial secondary or tertiary educations. The federal government, through Jobs and Skills Australia (JSA), should develop a comprehensive Lifelong Learning Strategy.

There needs to be an increased focus on rapid upskilling, given the need to ensure that our workforce is equipped for the jobs of the future.

Further, the education system is often not flexible enough to respond to emerging industries, with much of the system designed around delivering multi-year qualifications rather than short, stackable training options, including industry-delivered microcredentials.

A reformed system can best be achieved by having a system that is more interoperable. Interoperable between vocational education and training (VET) and higher education, and interoperable between institutional learning and workplace learning. Workplace learning needs to be part of the qualifications framework, part of the way we actually train and skill people. For this to occur, there will need to be proper standards developed for recognition and inclusion as part of a portable skills sharing system.

Ensuring interoperability between VET and higher education requires more than the ensuring portability of the skills earned in each system, it also requires a more level funding system between higher education and VET. One way to improve the system would be to expand VET student loans to all courses by approved providers at Certificate IV level and above (excluding courses with poor completion or labour market outcomes as necessary).

To remain up to date in the 21st century and drive forward lifelong learning, we need to increase delivery and integration of short, stackable training options, including industry-delivered microcredentials, consistent with the new National Microcredentials Framework. This kind of education and training is particularly suited to mid-career Australians and parents looking after young children who are more likely to have existing qualifications and working or caring responsibilities that make it difficult to engage in full-time or long-term study.

To keep pace, the training system needs to strike a better balance between regulation and responsiveness to industry. For short courses and microcredentials to have their full impact, it is critical that they can be properly recognised, recorded and rewarded for the capabilities they signify. This would include the ability to 'stack' microcredentials within the Australian Qualifications Framework (AQF).

This would build on the recommendations of the 2019 Noonan Review of the AQF and should encourage greater recognition of prior learning within the framework. As it stands, skills and training undertaken outside formal qualifications often go unrecognised.

A welcome development has been the establishment of pilots for Institutes of Applied Technology (in Digital and Construction) in NSW, following the recommendations of the 2021 Gonski and Shergold Review.¹ These institutions bring universities, TAFEs and industry together to co-design and deliver microcredentials that can be recognised by the participating organisations. Such innovations should be supported at a national scale, notwithstanding the challenges of different regulatory environments across states and territories for vocational education.

A further innovation that could support increased uptake of microcredentials is the increased access to FEE-HELP support. Microcredentials developed under the current Microcredentials Pilot in Higher Education are currently available to access FEE-HELP, and should the pilot prove successful, consideration should be given to increasing access more broadly.

The BCA also supports ensuring Australians have access to a portable skills sharing system that allows Australians to build and share a digital portfolio of education and skills that includes both formal qualifications alongside microcredentials and other training, including non-accredited training, as well as recognition of prior learning.

A more portable system would help to facilitate a more flexible approach to qualifications, making it easier for learners to change degrees or institutions while still being able to receive recognition for what they have done. Ideally, such recognition could extend between higher education and VET as well, facilitating a more joined-up, interoperable system and creating a more seamless experience for learners transitioning between VET and higher education.

Such a system would need to recognise the skills and competencies developed not just through higher education and VET, but also through work-based training. This should also include recognising the role of Work-Integrated Learning (discussed more below). Importantly, this would ensure that there is a digital record focused not just on what qualifications someone has, but what skills and competencies they may have gained that would potentially be applicable to a variety of jobs across a range of industries.

Importantly, this record, which should be built upon the person's Digital Identity or Unique Student Identifier, should be available to be shared with employers, who would be able to see and verify what skills and competencies a potential employee has developed in a standardised format.

This kind of system would link together the various initiatives being developed by industry and state and federal governments (e.g. Education Wallets, Skills Passports, Learner Profiles). It can also better account for and reward non-formal work-related training, which had been on the decline leading into the pandemic, particularly for SMEs.

Recommendations

- There needs to be greater recognition and support for lifelong learning, as skills development does not end when Australians complete their initial secondary or tertiary educations. The federal government, through JSA, should develop a comprehensive Lifelong Learning Strategy.
- As part of building a culture of lifelong learning, we must create a genuinely joined up and interoperable post-secondary system that will expand the learning and career options available to Australians and provide more choice and control in the skills and education pathways they take.
- Create a more level funding system between higher education and VET, removing distortions that might guide learners to one over the other, irrespective of the suitability of that pathway for the learner's career. One way to improve the system would be to expand VET student loans to all courses by approved providers at Certificate IV level and above.

¹ David Gonski AC and Peter Shergold AC. 2021. *In the Same Sentence: Brining higher and vocational education together*.

- Ensure access to a portable skills sharing system that allows Australians to build and share a digital portfolio of education and skills that includes both formal qualifications alongside microcredentials and other training, including non-accredited training, as well as recognition of prior learning.
- Ensure there is a pathway for short courses and microcredentials to be properly recognised, recorded and rewarded. This would include the ability to ‘stack’ microcredentials within the Australian Qualifications Framework, including by recognising microcredentials in VET, higher education and workplace-based training.

With the right settings in place, Australia can strengthen its post-secondary education and training system so it is set up to facilitate lifelong learning and support Australia’s future economy. The goal should be to expand the learning and career options available to Australians and provide more choice and control in the skills and education pathways they take. The BCA has long called for the introduction of a Lifetime Skills Account approach (similar to the SkillsFuture Credit system used in Singapore).²

A Lifetime Skills Account (LSA) would empower Australians to update their skills and retrain for new and better jobs. This style of model would create an account for every Australian and be used to pay for an initial qualification and then microcredentials at approved VET or higher education providers over the person’s adult life. This style of model would put the learner in charge, following the principle that the funding follows the learner. It gives potential learners greater choice about what they study and where, and removes the funding distortions that push people into one sector over the other.

The LSA would deliver:

- Access to a government subsidy for accredited learning in VET or higher education (lifetime cap of a set number of years of full-time equivalent accredited learning).
- Access to an income-contingent loan for accredited learning at AQF Levels 5–9 (a lifetime cap to be determined).
- Potential learners having the choice of what to study and where to study.
- All accredited providers can seek approval to offer a subsidy, a loan, or both.

Importantly, a LSA would require ‘skin in the game’ such that all learners should make a small upfront contribution, subject to their capacity to pay. Jobs and Skills Australia would be charged with determining how the cost of education is shared between the government and the learner, and the costs will differ according to the course.

This should ultimately be available for all Australians, but a first step to test the implementation would be to pilot the model and get the settings right before scaling it up. This could potentially be targeted specifically at microcredentials to allow certain cohorts to retrain or upskill in certain skills and competencies that are needed (such as in Aged Care), while making it easier to avoid duplicating public funding that is already available.

Recommendation

- Develop a Lifetime Skills Account approach that offers financial support for Australians that would otherwise not participate in training to upskill and reskill. This could start with an initial pilot for disadvantaged or priority cohorts, to be designed by JSA.

One of the problems highlighted by our recent spate of workforce shortages is the lack of a single body within government that has properly planned for such challenges. We need to get better at coordinating planning and policies to meet skills and workforce needs (e.g. education and training priorities and migration/visa settings) and use this coordinated approach to inform and bolster the level of Australia’s human capital.

² Business Council of Australia. 2018. *Future-Proof: Australia’s Future Post-Secondary Education and Skills System*.

The BCA believes that such a coordinated approach to developing human capital, for which JSA is best placed, is needed to map out Australia's current and future workforce needs, as well as ensuring our skills, education and migration systems are well-placed to meet the challenge of developing a more dynamic and productive economy.

This will require better alignment across and between governments, close industry engagement, and sophisticated use of data. As noted above, an ongoing Accord Forum, with representatives from government, universities and industry, should include JSA to inform them of the most up-to-date developments in higher education.

One of the key functions of higher education is its part in training Australia's future workforce. There is an ongoing debate around whether the aim of university training should be focussed on delivering key competencies and skills for learners rather than ensuring that a graduate is 'job ready'.

Some BCA members have noted that some graduates are not entering the workforce with the ability to apply technical skills in real world work situations, while also lacking some general business skills that have to be taught by the employer as well.

One way to remedy this would be to encourage greater participation in Work-Integrated Learning (WIL). This will require greater commitments from both universities, in designing courses to include a WIL component, and industry, in committing resources to mentor and welcome students into participating programs. Universities and industry should work together to increase the usage of WIL, while a target level of participation in WIL in appropriate fields could act to incentivise increased use.

An updated National Work-Integrated Learning Strategy, designed and sponsored by the university sector and industry, will provide best practice procedures for successful WIL. The National Priorities and Industry Linkage Fund (NPILF) Pilot fund's inclusion of funding to build the capabilities of universities to undertake WIL was a welcome initial attempt to encourage collaboration, although the program will require further reforms to succeed at the scale necessary.

Even when not considering WIL through university courses, other forms of internship and cadetships provide valuable experience for students which will round out their technical skills, while allowing industry to build connections with the future skilled workforce. The challenge for programs such as these is often scale. While large businesses often have the capabilities and resources to build and sustain these programs, it can be more of a challenge for small businesses.

In the VET sector, group training organisations play an important role in delivering scale for the ability to train apprentices and trainees and link them with businesses. The government should investigate whether are ways of incentivising the usage of similar organisation in higher education, which can facilitate scale for linkages between universities and industry, particularly small businesses, for WIL, cadetships and internships.

More broadly, while developing additional generic skills is of value for those with technical skills, a well-rounded approach also benefits those who graduate through other courses like humanities. There is as much value in ensuring a humanities graduate has some degree of technical, especially digital, skills to assist them as there is in ensuring that those with technical skills have, for example, the ability to read and write business reports.

In any event, all students will benefit from access to the best quality teachers, and that requires teachers to be focussed on delivering the best quality education. As such, there should be a focus on ensuring that the incentives in place for university teachers, lecturers and Professors are designed to reward (both financially as well as non-financially – promotion or other advancement opportunities etc.) quality teaching as well as quality research.

Recommendation

- Encourage greater usage of Work-Integrated Learning in university courses by supporting the implementation of the National Work-Integrated Learning Strategy. Consideration should also be given to pursuing a target rate of participation in WIL across degrees.
- The government should investigate ways of incentivising the use of organisations in higher education that can facilitate scale for linkages between universities and industry, particularly small businesses, for WIL, cadetships and internships.
- To ensure a focus on excellence in teaching, the incentives in place for university teachers, lecturers and Professors should be designed to reward quality teaching as well as quality research.

As important as it is to ensure that those who pursue university receive the best education to develop their skills, it is just as important to ensure that prospective learners are pointed towards the right place. Appropriate pathways, especially for secondary students entering the workforce, are of vital importance for helping learners access the right training and developing the skills and competencies required for a successful career.

It is important to build up flexible pathways within and beyond secondary school that accommodate the full set of opportunities for young Australians once they graduate. It is clear that students that complete secondary school education are more likely to enter the workforce or move on to further study with a greater collection of competencies and skills. But these students need to be afforded the best chance to take advantage of the opportunities afforded them.

For school leavers, the Shergold *Review of Senior Secondary Pathways into Work, Further Education and Training* outlines a comprehensive and plausible set of recommendations for improving secondary school students' ability to transition into work or further education or training effectively. This includes high-quality careers advice, with equal consideration of further education options in VET and higher education, and up-to-date information on the jobs, industries and skills needed now and into the future. Informed by this advice, students should be able to exit school with a Learner Profile that looks beyond an ATAR to their broader skills, experience and competencies.

Appropriate careers advice is particularly critical. Jobs and Skills Australia should feed into or incorporate the National Careers Institute, ensuring that its insights on future skills and workforce needs are translated into high quality careers advice that reaches school students, teachers and parents.

Recommendations

- Governments should recommit to implementing the Shergold Review of Senior Secondary Pathways, including:
 - Setting ambitious proficiency standards for the basics and providing extra help for students falling behind.
 - Improving career advice through best-practice digital resources for students, parents and teachers.
 - Ensuring all students have access to a Learner Profile that they can build on and curate over their career.

4. Research and development

Research and development (R&D) must play a leading role in driving Australia's economic dynamism. For Australia to prosper in the years ahead, we will need to increase our productivity – achieving more from our efforts through innovation, research, and development of new technologies.

While we must continue to play to our strengths in areas where Australia traditionally has a competitive advantage, like mining and agriculture, we need to develop an economy that is creating new industries with new jobs, as some traditional industries are repositioning themselves to secure their future.

Diversifying the economy requires lifting our low rates of spending on R&D by global standards. This will require both increased incentives for participation, as well as an increased degree of coordination between industry, universities and government.

This coordination is particularly important because effectively broadening our economy will require identifying and catalysing the type of industries Australia is well positioned to take advantage of as we move to the frontier. If we fail to do this, Australia will continue to fall behind our competitors.

Increasingly, Australia's global peers and competitors are focusing their innovation, science and research efforts around national priorities and challenges, and backing these in with investment at scale. For example, Japan's Moonshots and Canada's Strategic Innovation Fund choose problems to solve or missions to achieve that align with each country's strengths and opportunities. Governments then commit to these priorities with funding matched to ambition, and programs that attract co-investment and foster collaboration between researchers, government agencies and industry.

This is the right approach for translating and commercialising Australia's world class university research. We can achieve more by aligning efforts behind our comparative advantages, and areas where we can become a world leader.

Appropriate government support, including for research, has been hampered by a fragmented and uncoordinated approach (across successive governments). In contrast, this was one aspect that was welcome from the approach behind the former government's Trailblazer Universities program, which helped catalyse investment into research in strategic priority areas. The program was appropriately based on co-investment – all parties need to have 'skin in the game'. But for businesses of all sizes to engage, the risky nature of the investment needs to be offset by low costs of entry and ongoing involvement, particularly at early stages. Such approaches should be expanded.

An effective policy approach needs to be about shaping a different future and leaning into the changes we know are coming. Done right, it is an economic enabler. It helps us prepare and adapt to an economy increasingly driven by technology and the shift to a net zero economy.

We need to ask ourselves:

- What are we already good at?
- What can we be good at?
- What must we be good at?

What is needed are systemic public policies to achieve specific and articulated goals, coordinating long-term investments as well as the wider tools of government – like infrastructure and planning, skills, and regulation.

Getting from where we are today to where we want to be will require a coordinated effort across portfolios at every level of government. Federal, state and territory, and local governments must drive towards the same priorities, with complementary – not competing – programs and supports. These programs need not necessarily involve direct government intervention. Indeed, in many cases the primary role for government should be to

provide the settings and environment to encourage and facilitate the scaling up of enterprises by private business.

Businesses will respond well to a national agenda, provided it is informed by industry needs and opportunities. Priorities for any new scheme should be enduring, rather than adding new priorities into the mix and creating further complexity. This would help to set a single source of national direction for research commercialisation aligned with industrial capability, while still allowing for contributions from multiple research disciplines.

To ensure governments have a trusted source of expert advice on these matters, a National Future Industries Council should be established, reporting to a body like National Cabinet. Akin to the National Science and Technology Council, this should be composed of experts from industry and the research community on commercialisation, industry development, and the long-term issues facing Australia's capacity to develop the industries needed for future prosperity. It should draw in the expertise of the Commonwealth and States and Territories, with the intention of delivering a coordinated set of actions from all levels of government.

Australia has a proud history of creating new innovations: from photovoltaic solar panels to the Cochlear implant. But we need to get better at commercialising and scaling up. There are opportunities for Australia to seize the chance to build on our research successes, particularly in important fields like quantum computing, hydrogen, semiconductors, MRNA, advanced manufacturing, wind, and battery technologies. Similarly, the AUKUS agreement, particularly Pillar 2, will provide many opportunities for greater collaboration and commercialisation.

The solution isn't just about the government putting more taxpayers' money up, though ensuring that the National Reconstruction Fund is appropriately involved in supporting research in priority industries is vital. It must, however, also be about enabling and encouraging businesses working with the research community to drive collaborative research. Backing this in must be an attitudinal shift inside government.

To address this, an early task of the proposed National Future Industries Council should be to review whether existing incentives – such as the Research and Development Tax Incentive (R&DTI) – could be better set up to deliver the non-taxpayer funding sources needed to drive collaborative research, and what additional measures are needed across governments to deliver this.

With respect to the R&DTI, regardless of whether the proposed National Future Industries Council reviews current arrangements, one priority change to the system that would deliver increased collaboration between businesses and the higher education sector would be to implement Recommendation 2 of the Ferris, Finkel & Fraser Review of the R&DTI – to introduce a collaboration premium of up to 20 per cent on non-refundable tax offsets to incentivise collaborations between industry and publicly-funded research organisations (PFRO) and universities. This would assist with the 'additionality' argument of such indirect support measures, provide a direct incentive for greater industry-PFRO collaboration and focus the incentive scheme more directly on new knowledge, products and services.

Likewise, the government should implement the patent box tax regime which is designed to encourage investment in the innovation and technologies of the future and enable Australia to compete for that research and subsequent commercialisation. It aligns with the types of policies that can generate the economic dynamism currently lacking. It also acknowledges that Australia has a strong research foundation but needs to shift the dial on research translation and commercialisation.

Recommendations

- Establish a National Future Industries Council composed of experts from industry and the research community to provide advice to governments on the priorities for developing Australia as a frontier economy that will be able to respond and take advantage of the opportunities of the future.
- Implement Recommendation 2 of the previous the Ferris, Finkel & Fraser Review of the R&DTI, to introduce a collaboration premium of up to 20 per cent on non-refundable tax offsets to incentivise collaborations between industry and publicly-funded research organisations (PFRO) and universities.

- Implement the patent box tax regime which is designed to encourage investment in the innovation and technologies of the future.

Notwithstanding our call to introduce a degree of coordination in our approach to research, it is important to continue researcher-led funding streams such as government grant funding for university research through the Australian Research Council (ARC) which, while categorised under the nine National Science and Research Priorities, remains largely undirected by these.

Designing the right incentives to foster a culture of research collaboration between industry and universities requires more than the financial incentives for the research. It also requires a stronger and more proactive engagement culture and infrastructure. The government should consider establishing or piloting a program specifically targeted at developing greater outreach and relationships between universities and businesses. This could be along the lines of a program such as the National Priorities and Industry Linkage Fund (NPILF), but more specifically targeted at helping universities increase their capacity to undertake outreach for research. At the same time, industry needs to be more proactive in partnering with Australian universities, so establishing a program that can act as a first point of contact for industry would assist in this process.

Alternatively, consideration could be given to revamping Industry Growth Centres to be more along the lines of the United Kingdom's Catapult Network, which were established and funded by the UK Government as centres of technology and innovation to drive industry and research collaboration in key sectors. Such an approach would benefit by being tied to the development of internationally significant precincts that focus the work of businesses, government, and the education system to bring together common activities into a single region. This can vary from large projects such as the Western Sydney Aerotropolis through to smaller regional projects that embed large and small businesses on regional university campuses to deliver skills, scale up and adopt new technologies.

Co-location is critical enabler of successful research partnerships. Physical proximity helps make connections and build trust, which is hard to do remotely. Partly for this reason, research collaborations worldwide are increasingly embedded through innovation and investment precincts that facilitate knowledge sharing. These precincts provide agglomeration benefits: bringing people and businesses with new ideas together with others that have technical expertise, business acumen, and experience in producing goods and services for market.

It is important to acknowledge that our R&D system is already packed with programs, priorities, agencies and incentives. Any consideration of new approaches would need to ensure that it is complementing our existing research architecture and synching with broader efforts across governments and industry. Ensuring stability and having faith in some existing programs

Smaller scale collaborative research programs (e.g. Cooperative Research Centres) and partnership-based competitive grant funding (e.g. Industry Linkages grants) should be maintained to provide a diversity of research efforts. Importantly, additional support for translational research should not come at the expense of basic research funding. Collaboration between federal and state governments on research and innovation would help ensure we are all pulling in the same direction.

Recommendations

- The government should consider and fund different approaches to increase the capacity and capability of universities to proactively undertake outreach and research collaboration with industry.
- National Cabinet should create a cross-jurisdictional taskforce to spearhead greater alignment across jurisdictional innovation and R&D, including through cultivation of internationally significant precincts.

While many note the importance of research commercialisation, it is equally, if not more, important to ensure effective research translation. Part of ensuring the success of translation efforts will be ensuring that a highly skilled workforce is available to take advantage of new technologies.

Notwithstanding our belief in the importance of a strong emphasis on and support for applied research done in partnership with and translated to the community and industry, it is reliant on a stable pipeline of investment in fundamental, discovery research – in the pursuit of better commercialisation performance in Australia, the basic research base must be preserved at all costs.

ABS data show a disappointing decline in funding for pure basic research in recent years.³ It should be a priority for the government to arrest this. Government has an outsized role to play here, given the incentives for industry collaboration remain strongest in applied research.

In addition to the increased incentives for engaging in research collaboration mentioned above, to ensure that there is a sufficient pipeline of basic research the government should increase funding in basic research through providing increased resources for the ARC. Increased support would decrease the reliance on international education revenue, which has cross-subsidised much research and, in recent years, has proven volatile.

Whether government support is provided for basic or applied research, it would be an improvement for the funding to be distributed following the adoption of a Full Economic Cost (FEC) approach to grant funding. Under FEC, all direct and indirect research costs would be determined and included in research applications. This is critical in ensuring research efforts are not reliant on uncertain funding sources such as the cross subsidy from international students. It would also ensure the best research could be supported regardless of the size or financial resources of the host university.

Finally, given that one of the barriers that prevents research partnerships forming between industry and universities is the lack of alignment for the timeframes that universities and businesses consider when contemplating research projects, consideration should be given to ensuring there is greater flexibility in the length of projects supported, including through providing greater certainty for long-term projects.

Recommendations

- Government should increase resources for the Australian Research Council to ensure that there is increased funding for basic research. In the context of the Sheil Review into the ARC Act, the government should consider additional ways of prioritising basic research by the ARC.
- Grant funding should be should better reflect the true cost of research and follow a Full Economic Cost approach that considers both direct and indirect research costs.

³ Australian Bureau of Statistics. Research and Experimental Development, Higher Education Organisations, Australia, 2020.

5. Increasing access and other issues

The BCA welcomes the Accord's focus on increasing access and opportunity. Given the central role universities play in Australian society, it is important to ensure that access to universities is available to all corners of Australian society. Improving access to higher education for disadvantaged groups such as Indigenous Australians, Australians with a disability, those who live in rural and remote regions or those from lower socio-economic backgrounds, is vital.

This is because an Australia where all parts of society have increased skills and education is a more productive and dynamic one. We cannot have the degree of knowledge and participation we need to compete in the future economy if large segments of the population are not participating. Increasingly diverse participation in higher education is not something that "should be done", it is an imperative because it is a key source of strength for our future. As discussed below, consideration should be given to increasing the number of Commonwealth Supported Places available to those from a disadvantaged background.

However, it is also critical though that the focus on equity is not limited to access to higher education. There must be a focus on success and excellence for these cohorts as well, ensuring that once reaching university they are able to achieve the same high grades as other cohorts, and then find appropriate employment upon graduation.

We need to ensure a system that will lead to increased completion and achievement, not just attendance, including through a successful transition to the workforce.

BCA members have noted that provided students from disadvantaged and underrepresented backgrounds are provided the support they need, there is little difference in performance compared to wider student population.

As such, government should provide adequate funding to universities to be able to provide support, such as wraparound services, that will enhance the performance of disadvantage students.

Recommendation

- Government should increase funding for, and universities should prioritise, the provision of wraparound support services for students from disadvantaged backgrounds to ensure they have the best opportunity to succeed in their education.

As noted above, nine out of 10 new jobs will require a further qualification after school. To meet the challenges of the future workforce will require increased investment in education. The federal government should increase the number of Commonwealth Supported Places (CSPs) to meet this demand. We welcome last year's announcement of an additional 20,000 places targeted at areas of skills need, but this needs to be sustained.

It is critical to ensure that these additional resources are prioritised toward fields in high demand that will drive Australia's future industries and innovation and lead to high-skill, high-wage careers. Jobs and Skills Australia (JSA) should have a clear role in providing robust advice on these priorities, informed by workforce plans developed in collaboration with industry.

While it is important to target resources at areas of skills need, it is also worth considering to what extent the increased places should be targeted at disadvantaged cohorts. The task is particularly important for Australians facing educational barriers and disadvantage, including those in outer regional areas. For example, Indigenous Australians are 30 percentage points less likely to have completed a Certificate III or higher than non-Indigenous Australians.⁴

With higher-level skills increasingly the key to securing well-paid jobs, we can't allow educational gaps to persist and turn into an unbridgeable divide between haves and have-nots.

⁴ Productivity Commission. 2021. *Closing the Gap Information Repository*. Note: data is from the 2016 Census and is for 25-34-year-olds.

Improving educational attainment for Indigenous Australians is critical. Through the National Plan on Closing the Gap, the nation has set a target of increasing the share of young Aboriginal and Torres Strait Islander people with a tertiary qualification to 70 per cent by 2031. This is an ambitious objective, requiring a 30-percentage point increase compared to 2016.

As an immediate step, the Federal Government should expand eligibility for demand-driven university funding to all Indigenous Australians. This would mean all Indigenous Australians are guaranteed a Commonwealth-supported place at university with access to a HELP loan. This measure is likely to appeal to Aboriginal and Torres Strait Islander women in particular, who are already twice as likely to be enrolled in higher education compared to Indigenous male students, who engage more in the VET system.⁵ Universities and businesses should respond by providing outreach, mentoring and educational support programs to ensure that Indigenous students are set-up to succeed in tertiary study and future employment.

Recommendation

- Government should increase the number of Commonwealth Supported Places to meet the demand for future skills. The places should be targeted at areas of skills need identified by JSA. Consideration should be given to ensuring the increase in places benefits disadvantaged cohorts.
- The Federal Government should expand eligibility for demand-driven university funding to all Indigenous Australians.

International education is a core part of the business of Australian universities. International education is Australia's fourth largest export and brings income to support both universities and the wider economy. Importantly, they also help cross-subsidise the provision of research and other functions within the system.

But it would be wrong to view international students solely, or even primarily, through that lens. International education is a vital part of Australia's soft power, building connections and increasing Australia's influence, particularly in our Asian-Pacific region. Exposure to Australia's universities increases the chance of students wanting to make Australia their home, bringing increased skills and knowledge to our country and our workforce. Furthermore, the connections made help to attract researchers and partnerships that can facilitate innovation and knowledge transfer to increase our productivity.

Nonetheless, there are potentially benefits in decreasing universities reliance on international education, given it has proven to be in recent years a volatile funding source. This can be done through adopting some of the recommendations outlined earlier – increasing government funding for research, outreach and student support services, as well as increasing the number of CSPs and better reflecting the true cost of research.

Universities should also give consideration to ensuring that their international student base is sufficiently diverse and not concentrated in individual countries. The COVID-19 pandemic experience, along with other recent events, have shown the benefits of not relying too much on one source.

Notwithstanding the above, government should also take steps to increase the attractiveness of Australia as a destination of choice for international students, given the considerable competition we face on the global education market. In particular, it should remove some of the barriers that are in place to students arriving through the migration system.

We welcome the recent announcements from the federal government extending post-study work rights for international students that have graduated from an Australian higher education provider, but more needs to be done including stronger pathways to citizenship in Australia for international students.

Students that have stayed on in Australia, having been educated and earned a bachelor level or higher qualification from an Australian university or registered education provider, and are now working successfully on

⁵ AIHW & National Indigenous Australians Agency. 2020. *Aboriginal and Torres Strait Islander Health Performance Framework*.

a Post-Study Work Stream Temporary Graduate visa should have a clear pathway to becoming a permanent resident.

Recommendation

- International students that have stayed on in Australia, having been educated and earned a bachelor level or higher qualification from an Australian university or registered education provider, and are now working successfully on a Post-Study Work Stream Temporary Graduate visa should have a clear pathway to becoming a permanent resident.

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