



Innovative  
Research  
Universities

# IRU submission

Senate Inquiry into the Higher Education Support  
Amendment (Job-Ready Graduates and Supporting  
Regional and Remote Students) Bill 2020



## About the IRU

Innovative Research Universities (IRU) is a coalition of seven comprehensive universities committed to innovation and inclusive excellence in teaching, learning and research in Australia.

The members' impact is local and global with a focus on advancing communities through education, resources, opportunities, translational research and enterprise.

Through its members working collectively, the IRU seeks to be at the constructive centre of Australian university policymaking.

The membership is Charles Darwin University, Flinders University, Griffith University, James Cook University, La Trobe University, Murdoch University and Western Sydney University.

[iru.edu.au](http://iru.edu.au)



## Overview: Making the JRG package work ready

The Higher Education Support Amendment (*Job-Ready Graduates and Supporting Regional and Remote Students*) Bill 2020 (the Bill) should be amended so it works for Australia's future. Rejecting the Bill outright will not be a positive outcome for Australia's higher education sector.

The current university funding system cannot continue.

The Government's decision to cap university Commonwealth Grant Scheme funding at its 2017 level means that universities are steadily reducing the number of students enrolled to avoid allowing the investment per student to drop below the level needed for quality student learning.

Against this steady decrease in funding the sector expects to experience higher demand from population growth and the impact of Covid-19. The workforce need for highly capable people is clear – the nature of future work and the knowledges and skills needed are not so. We need to prepare people for the long-term future, not the pre-Covid-19 estimate of the 2024 labour market.

The IRU recognises the strengths of the Job-Ready Graduates (JRG) package:

- It seeks to put a long-term floor under Commonwealth Government support for universities, with regular inflation-linked increases to the main Commonwealth Grant;
- It gives greater flexibility to use funds as best suits student and university need across discipline and level of qualification;
- It provides extra university places to cover some, but not all, growth in demand from population growth and greater need for higher education; and
- Its regional elements seek to alter the long-standing low take-up of university education by people from regional areas and in universities based in those regions.

For these reasons, if amendments can be made to address the four key weaknesses, the Bill should be supported.

### Four areas for major change

The Bill has four major weaknesses:

1. The JRG reduces revenue per student for universities. The Government will save 15% of its funding, with students paying 7% more.

The level of revenue to be available targets expenditure at teaching yet does not allow adequately for the cost of facilities, labs, and equipment. If implemented, the Government would not be supporting base research capability and the engagement with industry and community that are required outcomes for a university.

Total revenue for most disciplines the Government wishes to grow such as engineering, nursing and agriculture will decrease, but revenue in other disciplines the Government considers less important such as law, business and humanities, will be increased.

- Total revenue per student in engineering and science will *decrease* by \$4,798.
- Total revenue per student in nursing will *decrease* by \$1,729.
- Total revenue per student in agriculture will *decrease* by \$3,444.

The IRU solution is to rework the funding and charges in the new JRG groups of disciplines to ensure that universities do not receive less funding on average per student than currently.



2. Student charges will increase from a two-fold difference (lowest to highest) to a historic fourfold difference.

It seeks to reward students for choosing certain careers, though previous attempts to predict long-term workforce needs have failed. The proposed new lower and higher rates are not necessary. They have the potential to punish people for pursuing their career interests.

The IRU has shown that the top rate in JRG is not necessary to raise the total amount of student contributions that the Government proposes, with disciplines grouped in the same way. Instead, the IRU solution is to maintain an approximate two-fold spread, that supports all students pursuing their considered preference, the best-known guide to setting the needed workforce skills for the future.

Against a post-Covid-19 world where little is certain, supporting each person pursue her or his natural strengths makes more sense.

This change can be done independently of any increase to total university revenue to address the first weakness.

3. JRG does not allocate enough growth places to meet the Covid-19 jump in demand. The planned growth for university education only just covers population growth in the younger cohort for the coming years but will fall well short by the end of the decade.

The IRU solution is that the Government provides an additional 10,000 National Priority places to meet the Covid-19 jump in demand for university education and the demand from the older student cohort needing to reskill for the future workforce.

4. The new accountability measures outlined in Schedule 4 of the Bill are micro regulation contrary to the Government's commitment to reduce red tape. There is no evidence that the Commonwealth requires the additional powers to ensure universities act responsibly.

The proposed provision for a would insert a hard rule onto the complex set of individual circumstances, rather than let universities and other higher education providers work with their students. The 50% required pass rate measure would have the harshest impact on groups of students who take some time adjusting to university life including Indigenous students, students from rural and regional areas and students with disabilities.

The only additional power required is for the Secretary of the Department of Education, Skills and Employment to be able to determine that a student is not genuine and hence not eligible for further Commonwealth support.



## IRU Recommendations

The IRU recommends that the Senate Education and Employment committee supports four sensible improvements to the Higher Education Support Amendment (*Job-Ready Graduates and Supporting Regional and Remote Students*) Bill 2020.

Together these address the four weaknesses with the JRG package and the Bill.

### Recommendation 1

The table for Commonwealth contribution amounts in Schedule 1 Item 14 should be replaced with the following table

1	Law, Accounting, Administration, Economics, Commerce, Communications, Society and Culture	\$2,400
2	Education, Clinical Psychology, English, Mathematics, Statistics, Allied Health, Other Health, Built Environment, Computing, Visual and Performing Arts, Professional Pathway Psychology, Professional Pathway Social Work	\$14,000
3	Nursing, Foreign Languages,	\$15,900
4	Engineering, Surveying, Environmental Studies, Science	\$20,000
5	Agriculture, Medicine, Dentistry, Veterinary Science, Pathology	\$27,000

### Recommendation 2

The figures in the table for student contributions in Schedule 2 Item 5 are removed and replaced with those in the IRU's table as shown below.

Disciplines	JRG	IRU
Management & Commerce, Arts, Humanities (excl. languages), Law, Economics & Communications	\$14,500	\$ 11,400
Teaching, Postgraduate Clinical Psychology, Maths & English	\$3,950	\$ 6,600
Nursing, Languages	\$3,950	\$ 6,600
Health, Architecture, Information Technology, Creative Arts	\$7,950	\$ 9,100
Engineering, Environmental Studies & Science	\$7,950	\$ 9,100
Agriculture	\$3,950	\$ 6,600
Medical, Dental & Veterinary Science	\$11,300	\$ 11,300

### Recommendation 3

The Government provides 10,000 additional National Priority places to meet the Covid-19 jump in demand for university education and the demand from the older student cohort needing to reskill for the future workforce.



## Recommendation 4

Schedule 4 of the Higher Education Support Act (*Job-Ready Graduates and Supporting Regional and Remote Students*) Bill 2020 (the Bill) should be stripped back:

- to delete all but items 11 and 26 only. This would give the Department Secretary powers to determine that a student is not genuine, with the Department responsible for proving that case; and
- include amendments to make clear throughout HESA which higher education providers a section applies to when it does not apply generally to all approved higher education providers.

## Outline of submission

The following sections of the IRU submission detail the issues raised in the overview and the basis for our recommended changes.

1. Australia needs a sustainable higher education system for the 21<sup>st</sup> century
2. Maintaining university revenue to support required university outcomes
3. How much should students pay?
4. Students and demand for places 2020-2030
5. Accountability that works: avoiding the needless burden of new university accountability measures
6. The funds and their legislative base
7. JRG support for regional education
8. Timing, implementation and the transparency of Job-Ready Graduates

## IRU JRG briefs

In support of the submission we attach five IRU JRG briefs, published on the IRU website at [iru.edu.au/JRG](http://iru.edu.au/JRG)

- IRU JRG Brief One [\*Improving the rates: Government funding and student charges\*](#)
- IRU JRG Brief Two [\*More paying more: the rise and rise of student charges\*](#)
- IRU JRG Brief Three [\*How JRG student charges impact different groups of students\*](#)
- IRU JRG Brief Four [\*Will the growth places be enough?\*](#)
- IRU JRG Brief Five [\*Growth places\*](#)



## 1. Australia needs a sustainable higher education system for the 21<sup>st</sup> century

This inquiry is an important opportunity to recognise the fundamental role of higher education in the nation's recovery from Covid-19 and its longer-term prosperity.

Australia needs a tertiary education system across vocational and higher education that supports everyone to complete a post-school qualification, just as 40 years ago completion of secondary education became the standard rather than a privilege. To achieve that goal, the system needs to be funded to the level needed for quality student learning.

Describing 2020 as a "devastating year" due to drought, bushfires and Covid-19, in his 23 July 2020 [economic and fiscal statement](#), the Treasurer, The Hon Josh Frydenberg MP, made clear there are serious economic challenges ahead for Australia. He estimated that the unemployment rate is expected to reach 9.25% in December 2020.

He acknowledged the fundamental role of universities in responding to the Covid-19 crisis.

*"The selfless bravery of the healthcare workers on the front line, our scientists are working tirelessly to develop a vaccine and all those quiet Australians who are diligently following the medical advice and playing their part in defeating this relentless and insidious enemy."  
Treasurer's speech to the National Press Club, 24 July 2020.*

Universities educate and train the frontline health care workers so essential to the Covid-19 response.

Universities educate and employ scientists to develop Covid-19 vaccines.

University researchers work on drought response and bushfire prevention strategies.

Consequently, and as always in times of economic downturn, universities will play a significant role in educating the large number of Australians who need to reskill and upskill due to Covid-19 related loss of job opportunities.

More than ever before, all Australians will need to aspire to gain more knowledge and skills for us to have a workforce able to take advantage of change, not be driven down by it.

The Job-Ready Graduates package was designed to respond to the looming boom in the number of young people across the 2020s. The impact of Covid-19 on universities severely constrains their capacity to educate international students and therefore the breadth of qualifications and subjects within them available to Australian students is reduced. The impact on research looks substantial through the loss of fee revenue and reduced industry investment.

For Government two things should be important looking ahead to 2021 and beyond:

- that Australia has well-functioning universities, not hampered by the transitional challenges from 2020 and with adequate capacity for the Covid-19 induced demand for education; and
- that universities be effective economic players in their regions as we move back to a fully functioning economy and society.

While universities are adjusting to these changes, it is very risky to try to squeeze revenue from the major government grant for university operations, the Commonwealth Grant Scheme.



## 2. Maintaining university revenue to support required university outcomes

The JRG proposal to wind back the revenue per student 7% has great significance both for the practical operations of the university in response and the capacity of universities to meet the legal expectations of them.

- The Commonwealth Grant Scheme is the main Commonwealth contribution to universities achieving the three key outcomes required to be a university of education, research and engagement with community and business.
- Setting funding to cover strictly direct teaching expenditure only avoids supporting the two other roles.
- The approach introduces short-term manipulation of university and student decision making that echoes the failed policies applied to vocational education and training funding over the past fifteen years.
- The reductions, discipline by discipline, target the majority of the disciplines the Government wishes more students to study.

### Meeting the three requirements to be a university

Late in 2019, the Government endorsed the idea that an Australian university must combine teaching, research, and civic leadership and community engagement. The decision raised the threshold of research required of a university and made the broader community impact of the university an explicit task.

The JRG changes make it harder for universities to achieve all three outcomes.

JRG seeks to align the revenue per student tightly to the estimate of the average expenditure on teaching for a discipline. This would continue the decade long trend to transform the major Commonwealth funding program from one that uses student numbers as the guide to estimate the proportion of available funding each university should receive to tying funding allocated directly to its use for student education.

The alignment of funding driven by student numbers to funding expended on students may look sensible. However, it ignores how universities are to achieve the three-part goal Government has set.

The research time for the majority of academics depends on the Commonwealth Grant Scheme and student payments.

Outside the Commonwealth Grant Scheme, there is no Commonwealth funding program that covers the base salary and related research costs of academics, with the facilities and resources required to do the research.

The funds from ARC and NHMRC assume that the researcher's salary and basic resources are provided (\$1.3 billion in 2018). Industry and others that contract research usually assume the same (\$2.4 billion in 2018). The Research Training Program (\$1.0 billion in 2020) supports research students. The Research Support Program (\$900 million in 2020) targets the additional costs of major research projects, to support external funded projects and to allow some targeted research development.

As Covid-19 struck, following a summer of bushfires, the expectations that universities would refocus research, teaching and support to respond was both strong and correct. Universities did respond. Universities have redirected research to the challenges of Covid-19. There is no Government program that supports that flexibility.



At heart, it is the flexibility to use Commonwealth Grant Scheme funding to the best university ends that allows universities to achieve all three outcomes, each year, every year.

## The assessment of teaching expenditure

The [Deloitte's Access Economics report](#) that underpins the assessment of expenditure on teaching reflects the best efforts of universities and Deloitte to split out the university costs that are directly attributable to teaching. This means that expenses for all other activities are excluded.

The assessment includes a proportion of depreciation and similar expenses to cover the contribution of facilities to teaching. It does not cover the use of annual surpluses to invest in the renewal of the university. Tying funding to meeting just the identified direct expenses reduces the potential to generate the annual surplus required to invest in the future needs of the university.

Table one sets out the impact of reduced revenue for each major discipline.

**Table one: Difference in funding by discipline, current system to JRG**

Field	Difference per EFTSL		
	CGS	Student	Total
Communications	-\$12,447	\$7,696	-\$4,751
Humanities	-\$5,126	\$7,696	\$2,570
Law & Economics	-\$1,137	\$3,145	\$2,008
Management & Commerce	-\$1,137	\$3,145	\$2,008
Society & Culture	-\$9,915	\$7,696	-\$2,219
Clinical Psychology	-\$297	-\$2,854	-\$3,151
Education	\$1,788	-\$2,854	-\$1,066
English	\$7,024	-\$2,854	\$4,170
Mathematics	\$2,235	-\$5,748	-\$3,513
Languages	\$2,703	-\$2,854	-\$151
Nursing	\$1,125	-\$2,854	-\$1,729
Allied health	-\$297	-\$1,748	-\$2,045
Architecture & building	\$2,235	-\$1,748	\$487
Creative Arts	-\$297	\$1,146	\$849
Health	\$2,235	-\$1,748	\$487
Information technology	\$2,235	-\$1,748	\$487
Engineering	-\$3,010	-\$1,748	-\$4,758
Environmental Studies	-\$8,196	-\$1,748	-\$9,944
Science	-\$3,010	-\$1,748	-\$4,758
Agriculture	\$2,554	-\$5,748	-\$3,194
Dental	\$2,554	-\$55	\$2,499
Medicine	\$2,554	-\$55	\$2,499
Vet Science	\$2,554	-\$55	\$2,499



There is a tension between wishing universities to be distinctive in their delivery, to use their revenue to best advantage and the expectation that precisely \$20,200 be spent on each nursing student each year. That universities do each spend roughly similar amounts on each discipline is a natural result of several decades of funding for disciplines being roughly similar to current funding levels.

The idea that the estimate is so precise sits uneasily with the grouping of disparate disciplines at the same level, for example, the natural alignment of nursing and languages. It is clear that the grouping and the level of Government and student contribution continue to be set to be broadly right, not precisely correct.

The proposed revenue for STEM, agriculture, and several of the health sciences are particularly concerning for universities which are being asked to enrol more of these students by the Government.

The past evidence is clear that growth in disciplines is tied to university revenue incentives for them. Why would universities enrol more students in engineering if they receive almost \$5,000 less per student to do so?

### **Avoid the VET outcome**

The challenges of higher education are clear. That the challenges of VET are worse is very clear. To introduce the failed nostrums of VET funding reform from early in the century to higher education looks an unlikely success story.

The VET sector shows the risks from long-term application of efficient pricing theory. Setting the price for a given qualification to that of the most efficient and sufficiently capable provider across all areas only served to gut the capacity of the major providers, the TAFEs, to respond to changes in need, and to address the more difficult cases whether that be regions, students and industries.

VET has more rationale for its changes of emphasis for which industry areas should be encouraged, yet there is little evidence that the various different state preferences produce a good long-term outcome.

In a context of uncertain work futures, the value of the degree that prepares for the longer-term is very clear. That requires continuity and responsiveness that allows students to drive which areas grow, and which shrink.

### **IRU solution**

The proposed JRG funding and charges cluster should ensure that the average funding per student remains at current levels as set out in the model in Table 2. The structure intentionally preserves the grouping of disciplines the Government has developed through JRG, with the relative amount of revenue from one group to the next similar to those the Government proposes.

**Table two: IRU model for mix of student and government contributions**

Disciplines	Government	Student	University
Management & Commerce, Arts, Humanities (excl. languages), Law, Economics & Communications	\$ 2,400	\$ 11,400	<b>\$ 13,800</b>
Teaching, Postgraduate Clinical Psychology, Maths & English	\$14,000	\$ 6,600	<b>\$ 20,600</b>
Nursing, Languages	\$ 15,900	\$ 6,600	<b>\$ 22,500</b>
Health, Architecture, Information Technology, Creative Arts	\$ 14,000	\$ 9,100	<b>\$ 23,100</b>
Engineering, Environmental Studies & Science	\$ 20,000	\$ 9,100	<b>\$ 29,100</b>
Agriculture	\$ 27,000	\$ 6,600	<b>\$ 33,600</b>
Medical, Dental & Veterinary Science	\$ 27,000	\$ 11,300	<b>\$ 38,300</b>

The model:

- maintains the total revenue per student (EFTSL) to universities by improving the Government rates to ensure a better alignment of incentives for students and university.
- moderates the range of student charges, keeping the current highest rate rounded up at \$11,400, and maintaining a reduction in charge for disciplines in the lower two groups.

The Government's proposed Commonwealth and student contribution rates are set out in Table three for ease of comparison.

**Table three: JRG proposed levels of student and government contributions**

Disciplines	Government	Student	University
Management & Commerce, Arts, Humanities (excl. languages), Law, Economics & Communications	\$ 1,100	\$14,500	<b>\$15,600</b>
Teaching, Postgraduate Clinical Psychology, Maths & English	\$13,250	\$3,950	<b>\$17,200</b>
Nursing, Languages	\$ 16,250	\$3,950	<b>\$20,200</b>
Health, Architecture, Information Technology, Creative Arts	\$ 13,250	\$7,950	<b>\$21,200</b>
Engineering, Environmental Studies & Science	\$ 16,250	\$7,950	<b>\$24,200</b>
Agriculture	\$ 27,000	\$3,950	<b>\$30,950</b>
Medical, Dental & Veterinary Science	\$ 27,000	\$11,300	<b>\$38,300</b>

A full explanation of the IRU Funding and Charges Matrix is published in IRU JRG Brief One [Improving the rates: Government funding and student charges](#)



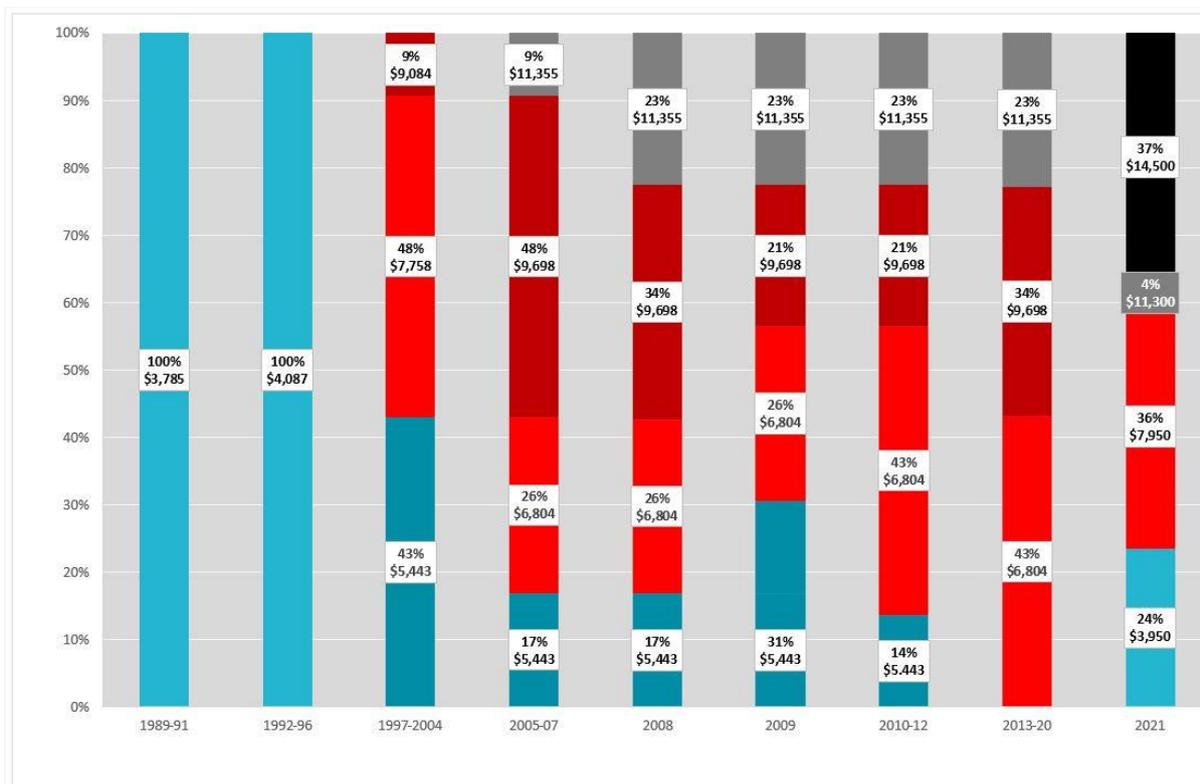
### 3. How much should students pay?

The changes to student charges in this Bill would take the current twofold difference between the lowest and highest and make it almost fourfold.

Currently, the lowest rate of student charge is \$6,804, and the highest is \$11,355 (around two times more). The JRG would lower the bottom rate to \$3,950 and raise the top level to \$14,500 (almost a fourfold difference).

The IRU has analysed the increase in HELP student charges since 1989 when the Higher Education Contribution Scheme was introduced in IRU JRG Brief Two [More paying more: the rise and rise of student charges](#). The analysis shows thirty years of governments consistently lifting student charges and placing more subjects into the highest band, mixed with targeted reductions for priority disciplines.

**Figure one: Proportion of students in each charging band and the amount, 1989 to 2021 (\$2021)**



The IRU has shown that the top rate in JRG is not necessary to raise the total amount of student contributions that the Government proposes, with disciplines grouped in the same way. Rather we can maintain an approximate two-fold spread, that supports all students pursuing their considered preference, the best-known guide to setting the needed workforce skills for the future.

This can be done with or without the improvement to overall revenue as argued in Section Two.

The attempt to direct students to certain areas with extreme variations in charge introduces an approach to higher education that failed in vocational education and training. It explicitly attempts to undermine the intent of HELP which aims to remove price impact and puts at risk HELP's financial balance through encouraging more students with higher HELP balances to repay. The graduate



employment data is very clear that most do well in employment, with differences between disciplines reducing over time.

### **The impact of price on student choice**

Changes to [university incentives do work](#). It is how STEM and health professions grew rapidly in the five years from 2009 and maintained that growth since.

From 2009 to 2012, the charge for maths and science units was reduced. At the same time demand-driven funding saw universities expand to enrol all suitable applicants. More students enrolled in these disciplines. The relative impact of the two can be argued. That most areas grew to some extent, and that health grew almost as fast initially and then more so afterwards suggests that the supply of places was the more important. When the charge for science and maths went back to previous levels, there was no drop in student numbers but continued growth.

Other efforts to alter student choices through charges essentially failed and were abandoned. Nursing and education have been at or near the lowest charge since different rates were introduced in 1997. For four years the charge was held lower than all other subjects. It has all led to no noticeable impact on the outcomes for either profession.

Against a post-Covid-19 world where little is certain, supporting each person to pursue her or his natural strengths makes the most sense.

Charging students greatly different amounts for the benefit of their degree either punishes them for pursuing their interests or encourages them to choose something that interests them less. If the result is that students change their natural choice, it will reduce longer-term productivity; a loss not just to them but to all of us.

Attempts to predict long-term workforce needs precisely have been notoriously bad. Covid-19 strengthens the rapid change in employment already underway, with uncertainty about its endpoint.

A more sensible approach is to encourage all Australians to seek the knowledge and skills they need to be best prepared for the post-Covid-19 economy.

### **Impact on different student groups**

The IRU JRG Brief Three [How JRG student charges impact different groups of students](#) provides more detail about the how the proposed changes to charges affect women, men, Indigenous Australians and students from regional and remote areas.

The proposed top rate of \$14,500 targets generalist degrees that are the entry pathway for many, including 40% of the units Indigenous students undertake. No longer would select high graduate income professions pay the most.

Average Indigenous student contributions will increase by 15% to \$9,550. Currently, 18% of Indigenous students pay the top level of student contribution of \$11,355. Under the JRG that figure jumps to 40% of paying the top charge of \$14,500.

Considering that every \$4,000 of HELP repayment is equivalent to one year in a mid-career \$80,000 full-time job, the JRG will have a particularly negative impact on those who take time out of the workforce to be primary carers to children. In 2020 it is still the case that this responsibility largely falls on women.



Throughout the developed world, the percentage of women in a nation's workforce is a vital indicator of the success of the economy, but this Bill will see average female student contributions increase by 10%.

Women will be just as likely to pay the top charge of \$14,500 as men. This comes at a time when [federal government data](#) show that female graduates earn 4.3% less than male graduates in the first year of employment and 9.4% less than men after three years in the workforce.

### Impact on the HELP system's financial stability

The Parliamentary Budget Office [analysed the HELP system](#) in 2016. It highlighted the financial challenge to government if significant amounts of HELP balances are slow to be repaid or never repaid. Each rise in the balance graduates emerge with makes it less likely that the full amount will be paid off.

The JRG proposal would take 18% of students from a \$21,000 balance for a three-year degree to a \$43,000 balance. Every extra \$4,000 in the HELP balance requires a further year of work in a mid-career \$80,000 a year full-time job. Inevitably, fewer people will repay if they have larger balances on graduation.

Future governments will face a notable increase in unpaid HELP as a consequence.

### IRU solution

The Government can alter the grouping of disciplines in the way it proposes and increase the total student contribution to the extent it proposes while keeping the top charge at the current level rounded off at \$11,400 combined with still lowering the charge for all subjects in its proposed two lower clusters.

The IRU has modelled that the following charges by band will achieve this outcome. This can be done independently of the improvements to the total revenue for universities proposed in section two.

**Table four: IRU preferred model for student contributions compared to JRG**

Disciplines	JRG Student contribution	IRU Student contribution
Management & Commerce, Arts, Humanities (excl. languages), Law, Economics & Communications	\$14,500	\$ 11,400
Teaching, Postgraduate Clinical Psychology, Maths & English	\$3,950	\$ 6,600
Nursing, Languages	\$3,950	\$ 6,600
Health, Architecture, Information Technology, Creative Arts	\$7,950	\$ 9,100
Engineering, Environmental Studies & Science	\$7,950	\$ 9,100
Agriculture	\$3,950	\$ 6,600
Medical, Dental & Veterinary Science	\$11,300	\$ 11,300



#### 4. Students and demand for places from 2020 to 2030

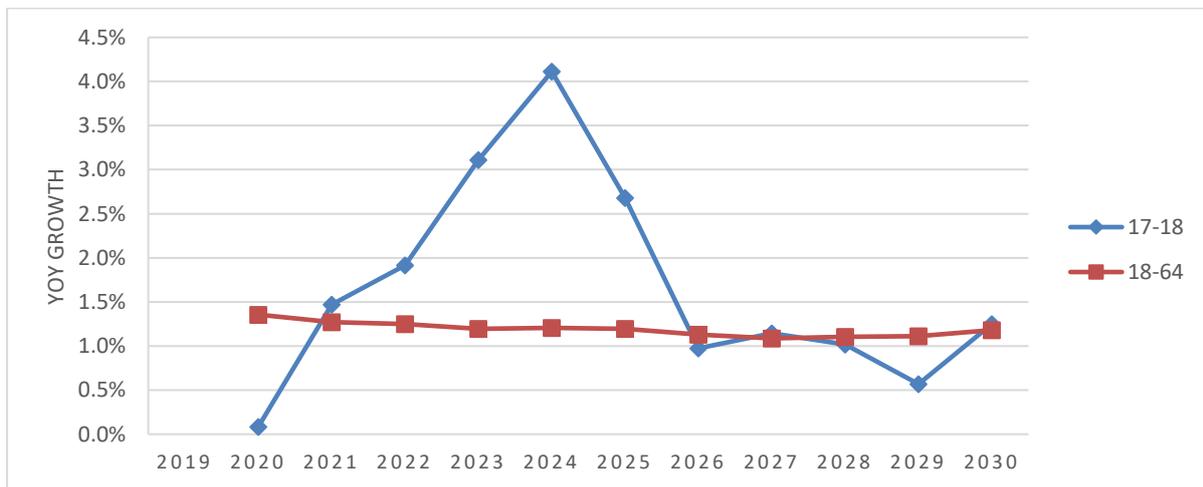
In 2019 the IRU recommended in its budget submission that the Government should index each university’s cap each year and increase it by population growth for the 17-18-year-old school leaver cohort.

The JRG Bill goes part of the way to delivering. It recognises that places need to be allocated based on population growth and that the annual funding grant needs to be linked to the rate of inflation.

##### Meeting the demand for places

Over the next decade, the school leaver cohort is set to grow notably faster than general population growth, with a peak of 4.1% growth in 2024. Current supply levels, which are set to fall in higher education, will not be sufficient.

**Figure 2 – Projected annual Australian population growth by age group(s)**



ABS 3222.0 - Population Projections, n.d

The IRU analysed the capacity for the growth places in the JRG to cover future demand in IRU JRG Brief Four [Will the growth places be enough?](#)

The increase in 39,000 CSPs by 2023 will just be sufficient to meet the immediate demands for higher education from people in the 15-29-year-old cohort.

Over the longer term to 2030, the additional 100,000 CSPs in the JRG will be useful towards meeting likely demand but will almost certainly fall short of what is needed.

The Covid-19 economic impact exacerbates the sluggish economic conditions since 2008, with unemployment expected to peak at 9.25% in December 2020.

The JRG does not cater for higher education demand due to Covid-19 or the general rising need for tertiary qualifications. Nor is there provision for growth in demand from the small but important older student cohorts.



## **Allocating additional places to universities**

The Government plans to allocate growth places based on-campus locations across three sets of locations:

- regional, at 3.5%. This covers all of Australia outside the five mainland state capitals and the ACT, Geelong, Wollongong, Newcastle, Gold Coast and Sunshine Coast. This is about 14% of 2018 load;
- metro high at 2.5%. This covers various statistical regions, reflecting the above-average population growth areas for 20-29-year-olds. This is about 35% of 2018 load; and
- metro low at 1%, the other set of regions. This is about 52% of 2018 load.

Overall that represents about 1.9% national growth and 1.6% growth in the metropolitan areas.

The IRU JRG Brief Five [Growth places](#) sets out the percentage growth allocation for each university as estimated by the IRU.

The allocation for regional areas is based on stimulating growth in areas with low proportions of people with higher education degrees through pushing places to universities with campuses in those regions. The allocation for metropolitan campuses is driven by population, with no consideration for different levels of attainment within the metropolitan boundaries.

The problem is that there are significant areas with low levels of planned allocations, including all of South Australia. Without reducing allocations to some universities, the better way to resolve the need for more places in some universities is to increase the National Priorities Pool.

## **IRU solution**

To respond to the Covid-19 upsurge, the Government should increase the number of National Priority places by 10,000 in addition to the current intention for 39,000 additional places by 2024.

The additional places would be used to target universities with demand ahead of the funding caps, associated with regions with low current attainment of higher education qualifications. It is already doing this for regional campuses across Australia. It needs to do so in crucial city areas as well.



## 5. Accountability that works: avoiding the needless burden of new university accountability measures

The original *Higher Education Support Act 2003* (HESA) was an example of a Coalition Government's commitment to balance in regulation and red tape. It carefully calibrated the necessary requirements to protect the Commonwealth and students with universities' capacity to undertake education and research to the best outcomes possible.

Division 19, the quality and accountability requirements, was 13 pages in 2003. It is now 27 pages long.

In 2011 the Tertiary Education Quality and Standards Agency (TEQSA) was created to enforce a comprehensive suite of higher education standards which cover all the issues the Minister has emphasised.

Schedule 4 of the Bill, the 'student protection' measures, is not related to the Job-Ready Graduates Package. Its focus on the quality and accountability arrangements would fit better with the Higher Education Legislation Amendment (*Provider Category Standards and Other Measures*) Bill 2020 also before the Federal Parliament.

It is an extension to universities of micro-regulation for private providers which is contrary to the Government's commitment to reduce red tape. It is contrary to the commitments of the Howard Government in 2003 in creating HESA and this Government in 2017 when it imposed a large number of requirements on all private providers that would now be extended to universities.

Schedule 4 extends to the university sector a large set of detailed requirements designed to prevent negative marketing behaviours in some VET and private higher education providers.

There are several ways to ensure a level playing field across higher education. The best is to ensure that regulations apply only where likely to be needed. The provisions in dispute ought not to apply to most higher education providers, including universities.

The two specific issues which the Minister has highlighted do not require the heavy-handed approach proposed to resolve them.

### **Students who fail more than 50% of units**

Universities have student progress rules targeting the individual needs of students. They are subject to regular publication of performance information that includes the proportion of units that are passed, whether students return in future years and student completion rates.

The proposed provision would insert a hard rule onto the complex set of individual circumstances, rather than let universities and other higher education providers work with their students.

Failing of several units before getting on top of study is uncommon, but it is more likely among students less confident of their places in higher education. Hence, of the 1-3% of students currently enrolled who fail more than half of their units, there is a higher proportion of students from poorer areas and who are Indigenous.

Universities working with their students leads to better decisions about whether and when to continue study. The proposed rule would create more conflict but only reduce incurring HELP debts for a small number of students.



### Students who enrol in multiple degrees with multiple providers

There are already limits on any person incurring more than the set cap of HELP over their lifetime. Where the Department identifies students enrolling in multiple degrees, it should test their veracity and, where suitable, use the Genuine Student test to block the student from further Commonwealth support.

Universities and other providers cannot identify such students, hence a requirement not to enrol them only puts them at risk of being in breach of the Act for something they cannot determine. All that the extra provision will achieve is for universities to ask yet another question of students and insert additional complications in their student systems.

### Clarity in the Act

Where Division 19 and other requirements differ in which sets of higher education providers they apply to, this should be explicit in HESA. The current Bill highlights that the application of many provisions depends on the *Education Legislation Amendment (Provider Integrity and Other Measures) Act 2017*, a thoroughly non-transparent location for such crucial information.

### The needless burden on universities: Details of Schedule 4 of the Bill

The Bill would extend the provisions set out in the table to Table A, B, C providers.

Section of HESA	What it covers	Context and position
19-10, 19-12	Long-standing financial statements requirement amended to allow Guidelines to define detail.	The requirements in the Guidelines are not relevant to universities which the State and Commonwealth Auditors audit. <b>Not necessary for universities</b>
19-36	Not to indicate that HELP is a not a loan or need not be repaid	No sign universities have ever done this. <b>Not necessary for universities</b>
19-36E	Not complete a request for Commonwealth support	The additional provisions tie this insertion to CSP eligibility. Universities would only assist an applicant to the extent necessary to ensure they can make the request. 19-36A to E not included – specific marketing rules <b>There is no need for it.</b>
19-42	Assess a student is suitable before enrolling in a unit	Universities adhere to the general requirement to select students who are capable of the course. With TEQSA monitoring the relevant standards. <b>No need to apply to universities</b>



19-45	Adds 'civil penalty: 60 points' to existing student grievance procedures if procedures not followed	<b>Not necessary for universities</b>
19-70	Long-standing requirement to provide information. Adds civil penalty	<b>Not necessary for universities</b>
19-71 to 19-73	To cooperate with TEQSA, To keep records as specified To publish information as specified	<b>No need but not objectionable</b>
19-75, 19-77, 19-78, 19-80, 19-82, 19-95	Adds Civil penalties to raft of requirements to notify of events and comply with orders	<b>Not necessary for universities</b>
104-1	Links the general FEE-HELP requirements to the new 104-1A that introduced the 50% pass test for access to FEE-HELP. Adds other requirements in the weeds of provider misbehaviour	<b>Tied to student pass rate proposal. Other elements not necessary for universities.</b>
104-43, 104-44	Requirements to recredit a student's FEE-HELP balance where the student has used FEE-HELP but is not genuine or the provider helped with the application for support.	Ties to need for 'genuine student test' and 19-36E. <b>The substantive questions are the issue not the recrediting rules.</b>
169-17	Allows Guidelines to limit provider rules on students who withdraw, such as a fee for withdrawal and conditions on re-enrolment	Any evidence of issue with universities, which cannot levy a fee on CSP students? <b>Not necessary for universities</b>
169-25, 174-5	Further civil penalties for <ul style="list-style-type: none"> <li>• not setting census dates and EFTSL levels</li> <li>• correct use of electronic communications</li> </ul>	No evidence of university problems <b>Not necessary for universities</b>

The Schedule then sets out further substantive additions to requirements of universities:

- Extends the compliance assurance requirement 19-80 to Table A providers so that the Minister can require an audit of a provider against the various quality and accountability provisions of the Act. Reverses original exclusion of Table A providers in the 2003 Act (Item 9);
- Definition of CSP includes that the Secretary can determine that a student is not a genuine student. The decision to be taken with regard to the Provider Guidelines, no further elucidation (items 11, 26);
- The provider must assess the student as academically suitable (item 13);
- An enrolment cannot lead to being enrolled in the equivalent of more than two EFTSL and receive any Commonwealth support for the student (item 14 for CSP and HECS-HELP; Items 27-28 for FEE-HELP);
- The provider is not to have completed any part of the request for Commonwealth assistance (item 15);



- A student cannot be a Commonwealth supported student or access FEE-HELP if the student has not passed at least 50% of units in the course – of eight or more units for a bachelor degree and four or more of any other (Items 40 to 42).

This is a major extension of regulation over universities, with a limited evidence base for the need.

### **IRU solution**

Schedule 4 of the Higher Education Support Act (*Job-Ready Graduates and Supporting Regional and Remote Students*) Bill 2020 should be stripped back:

1. to give the Department Secretary powers to determine that a student is not genuine, with the Department responsible for proving that case. This is Items 11 and 26; and
2. to insert clear statements of application for each provision where they do not apply generally to all approved higher education providers.



## 6. The funds and their legislative base

### **The Maximum Basic Grant Amount for higher education courses**

The Maximum Basic Grant Amount (MGBA) provisions were included in the Act when demand-driven funding for non-designated places was introduced from 2012. It was a fail-safe device to allow action should any university increase places faster than it was able to sustain with suitable quality provision for its students.

The Government used the provision from 2018 to limit funding for all Table A providers, in effect freezing the major grant element to universities.

The IRU supports the Government's desire to reinstate a functioning funding allocation to universities that, once the base has been reset, will be subject to reasonable indexation for cost increases and be increased to allow for additional student places. In addition, the Government wishes to integrate the current designated and most non-designated places into one funding envelope, providing greater flexibility to universities to meet demand.

These are important functional elements of the JRG package. The Bill sets out three groups of funded courses with comprehensible titles to replace the currently obscure 'designated' and 'non-designated' places terminology. The three are:

1. 'higher education courses', which is the broad set of courses across all levels that makes up the funding envelope;
2. 'designated higher education courses' remain but apply to medicine courses only at this point; and
3. 'demand-driven higher education courses' to encourage universities to enrol all Indigenous students from regional and remote areas who meet the requirements for enrolment in a course.

The final Bill responded to concerns that there was no minimum required for the MBGA for Higher Education Courses.

Item 9 of Schedule 1 inserts a rewritten section 30-27. 30-27 (1)(a) requires the Minister to set an MBGA for higher education courses and 30-27 (1)(b) permits the Minister to do so for designated higher education courses and for demand-driven higher education courses.

The Bill sets out that the MBGA for Higher Education Courses for the years 2021 to 2024 cannot be less than an amount to be specified in the subordinate instrument. From 2025 onwards it cannot be less than the amount in the previous year.

The Government's planned reduction in its funding drives the need to reset the current MGBAs to a lower amount, which it proposes to phase in across 2021 to 2024. If the existing provisions for the MGBA remained, universities would have funding at least equal to their current MGBAs which would allow them to enrol more students, against the lower JRG rates before reaching the cap on funding.

As set out in the Bill there remain concerns about the MBGA approach for higher education courses:

- The Minister would be required to make an MBGA rather than it being an option. This means a future Minister would be constrained from simply allowing universities to be funded for all enrolled students;
- The Government has not published the amounts it plans to set the MGBAs at, by university, for each of the coming years. The Department is in discussion with universities about the amounts. To have an indicative list would give the Senate more surety about the intention;



- There is no indication in the Bill that the Minister will consider factors such as indexation and the need for additional places in setting the MBGA.

The Bill at Schedule 1 items 8 and 11 transforms the previous transitional loading into the proposed transition fund loading, with the details to be determined through guidelines. This is a positive combination of certainty through the Act for the transition fund and the necessary discretion for the amount to be determined once all the relevant factors are known.

### **The placement of loadings for regional students and enabling load**

The Government proposes to create an Indigenous, Regional and Low SES Attainment Fund pulling together several existing funding streams. It states that initially, each of the current elements would continue to operate as now with shifts in the approach targeted for 2024 and beyond.

**Schedule 3** amends the Other Grants section of HESA to allow for IRLSAF allocations to universities (and other bodies).

Two of the relevant programs are the regional loading and the enabling loading. These are currently part of the Commonwealth Grant Scheme (Section 33-1 and subsection 30-25(3)). Loadings must be paid while the provisions exist. Other Grants can be paid up to an amount as the Minister determines.

As universities have seen with the Higher Education Participation and Partnerships Program, commitments of funding in years to come can be made but not delivered. There is a risk from the proposed switch of funding authority that could be reversed by making the IRLSAF a new replacement loading within the Commonwealth Grant Scheme. Funds would need to be tied to student places, but otherwise, the basis on which they were allocated would be subject to government policy.

### **The National Priorities and Industry Linkage Fund (NPILF)**

The National Priorities and Industry Linkage Fund (NPILF) will have a strong focus on STEM jobs and, the Government says, increase the number and quality of work-integrated learning opportunities for students.

Over the past decade, universities have greatly strengthened work-driven learning and activities across all courses. This has extended work-based learning from the traditional professions that have previously included placements through to the full suite of degrees. Doing so has transformed the large generalist degrees.

IRU JRG Brief Five [\*Promoting university to industry partnerships through an Industry Linkage Fund\*](#) sets out how the IRU members have incorporated work-based learning for all our students.

Analysis of WIL participation data shows that over a given year 37% of all university students have undertaken WIL activities as part of their study, which supports the fact that most students will do so during their degree.

Universities have done this to ensure degrees prepare students better for their careers. The Government has encouraged universities to do by supporting industry partnership initiatives and measuring graduate employment outcomes.



It will provide a block of funds to each university totalling \$222 million in 2021 and indexed each subsequent year at CPI.<sup>1</sup> The funds are allocated to each university based on the number of Commonwealth Supported Places (CSPs) they enrolled in 2018.

The funds are derived from the reduction in Commonwealth Grant Scheme payments considered earlier in this submission. They comprise perhaps 20% of the saving that the reduced per-student rates will achieve for the Government once fully in place from 2024.

The question for the Government remains: how will the separate fund further strengthen university-industry engagement concerning student learning in ways that existing incentives do not? The risk is that a distinct fund will create siloing of activity driven by the need to demonstrate activity for the fund rather than continuing to develop well-integrated work-based outcomes into degree programs.

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<sup>1</sup> Job-Ready Graduates Technical Note 2020



## 7. JRG support for regional education

The IRU supports the significant new focus on Rural, Regional and Remote (RRR) students through the JRG package and associated measures.

IRU campuses are predominantly based in outer metropolitan and regional areas of Australia, with one in five higher education enrolments in regional Australia studying at an IRU institution.

Some of the initiatives are integrated with the main JRG package. Earlier sections have considered the demand leading allocation of growth places to regional campuses and the value from funding all CSP places for Indigenous students from regional area outside of the main MBGA.

### **Tertiary Access Payment**

The Tertiary Access Payment (TAP) was originally intended to be provided directly to outer regional and remote students who relocate to access full-time tertiary study. However, the Government has accepted representations from the IRU and others that direct payments could provide an unintended incentive for RRR students to move away from their communities and head to metropolitan universities simply to ensure access to the Payment rather than to follow their preferred study path.

The TAP will now be paid directly to universities based on their past record of enrolling regional students to be used to offer scholarships to RRR students.

The IRU supports this change.

### **New Regional University Centres (RUCs)**

Up to eight additional Regional University centres (RUCs) will be created as part of the JRG measures.

The IRU supports this measure. However, the IRU believes the Government should assess the usage and outcomes of existing RUCs to determine the level of use and cost per student, to ensure effective implementation of the new centres.

### **Regional research partnerships**

The JRG package seeks to enhance the research capacity of regional universities by encouraging them to establish partnerships with larger, research-focused institutions in Australia or overseas, or with industry.

The IRU has long argued the need to stimulate research capability outside of the major metropolitan areas, to build up further the capacity there with the consequent benefits for surrounding communities. This initiative is one part of an effective strategy to do so.

### **Establish a Regional Education Commissioner**

The Government has committed to establishing a new Regional Education Commissioner to oversee its regional education strategy, to be appointed as a non-statutory position by the Minister for Education, commencing from 2021.

The IRU supports this initiative, which should help drive the suite of regional measures and raise the profile of regional education within government. The IRU believes this role should be based outside Canberra and in a regional area.



### **The higher cost of delivering regional education**

The JRG package does not address the issue of the higher cost of regionally delivered education. The [Deloitte Access Economics report](#) that has been used as the basis for the reworking of the contributions in the JRG package concludes that the regional cost of delivery is 17% higher.

The Government could help alleviate some of this additional cost burden by providing more investment in regional campuses and surrounding infrastructure, to improve facilities and support regional campuses with the additional financial load.



## 8. Timing, implementation and the transparency of JRG

### Timing for JRG

The Committee needs to question the rush to implement this complex piece of legislation from 2021.

There is a great deal of confusion in the sector at the moment as a result of the JRG proposed start date of January 2021 and a related danger that the changes will not be as well implemented as they should be.

There are requirements for advice to students about the student charges they face which become harder to meet the closer to 2021 for the final approval or not of JRG. IRU member universities start to advise prospective students about the student contributions for their subject choices as early as 1 November 2020.

Given the major interruptions that Year 12 students have faced due to Covid-19 and for some students in regional areas the impact of bushfires, even with the proposed amendments, a delay in the start date to January 2022 would be a welcome relief for students and universities.

An added bonus of a one year delay to allow better implementation is that the Minister could set the MGBA for 2021 to allow for growth in response to Covid-19 demand.

Taking all these factors into account, it is sensible to consider the value from pushing back implementation to January 2022.

### Transparency of JRG

The IRU has published numerous briefs on the JRG to assist the sector, public and the Parliament understand its implications.

Many aspects of JRG remain intentionally obscure to universities, the public and likely to most parliamentarians.

Most obvious is the Government's claim that all funds previously allocated to higher education remain within the HE programs, with the use altered to fit the JRG changes.

There was no financial information released in June 2020 with the package's announcement. The July 2020 financial statement provided little further light. It grouped the initiatives up into one large line to cover all but the regional initiatives and a secondary line for those regional initiatives. It presents the information by financial year.

A government committed to transparency would have released a line by line guide by major program showing the current estimates for Commonwealth Grant Scheme, Other Grants, Scholarships, and the like and the proposed new amounts for these, published in the calendar years by which HESA operates.

A government committed to transparency would have published the growth rates for universities, not provided a hard-to-read map and a link to an ABS data set.

The Committee should consider the impact of the Government's lack of information to universities, the Parliament and the public about the package in assessing its suitability.

10 September 2020