

**NTEU** National Office



**NTEU Submission**

**Senate Education and Employment Legislation Committee  
Inquiry into**

**Higher Education Support Amendment (Jobs-Ready  
Graduates and Supporting Regional and Remote  
Students) Bill 2020**

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## Contents

Introduction .....	1
The Bill.....	1
Overview .....	2
Fiscal Impact of Bill .....	3
COVID-19 Response Package.....	4
Additional Support for Regional Higher Education .....	6
Jobs-ready Graduate (JRG) Package .....	7
Proposed Changes to Funding of Commonwealth Supported Places .....	9
Proposed Changes to Student Fees.....	12
Changes to Government Contributions.....	16
Changes to Total Funding .....	18
Conflicting Funding Signals .....	18
Establishment of the TEQSA Integrity Unit.....	20
Funding and Costs of Education .....	21
Cutting Cost of Education .....	23
Splitting Teaching and Basic Research Capability Funding.....	23
Insecure Employment in the Higher Education Sector.....	26
Trends in Higher Education Employment: 2000 to 2019.....	26
The Risks and Impacts of Greater Casualisation in Higher Education .....	28
Reliance on International Fee Income.....	28
Student Protection Measures.....	29
Conclusions .....	33
Supplementary Information .....	35

## Introduction

The NTEU represent the professional and industrial interests of some 30,000 academic and general staff members predominantly working in higher education and tertiary education. Our members work at Australia's public universities, as well as within other higher education institutions, in research organisations and as technical, administrative and technical staff at Victoria's public TAFE institutes.

We welcome the opportunity to make a submission to this critically important inquiry. The Higher Education Support Amendment (Jobs-Ready Graduates and Supporting Regional and Remote Students) Bill 2020 is not in the public interest and will have profound negative consequences on university staff and students. The deep flaws and contradictions in the Bill would result in a worsening of our current system and therefore the legislation must not be passed.

## The Bill

The broad objectives of Higher Education Support Amendment (Jobs-Ready Graduates and Supporting Regional and Remote Students) Bill 2020 (the Bill) are to:

- increase the number of Commonwealth supported student places offered by our universities, and
- provide additional support for regional students and universities.

The Bill proposes to achieve these objectives in a budget neutral way.

The most significant part of the Bill is the proposed changes to the funding of Commonwealth-supported places (CSPs). In addition to these changes, the Bill also includes provisions that:

- provide the authority to establish the National Priorities and Industry Linkage Fund (NPILF), and the Indigenous, Regional and Low Socio-Economic Status Attainment Fund (IRLSAF),
- consolidate the funding of undergraduate, postgraduate and enabling students into a single funding envelope, but create a separate demand driven funding mechanism for the Indigenous students from rural remote Australia,
- integrate work experience in industry (WEI) as CSPs,
- reduce FEE-HELP administrative fees from 25% to 20%, and
- introduce a whole raft of new student protection measures on our public universities.

## Overview

Should this Bill be passed, the direct result will be the under-resourcing of commonwealth supported students by public universities already under substantial financial pressures due to the COVID-19 crisis, with sector losses currently projected to be around \$16b over the next 3 years and 21,000 full time equivalent (FTE) job losses.<sup>1</sup> Indeed, while the current financial crisis will almost certainly have an impact on the quality of both teaching and research produced by our universities for years to come; should the Job-ready graduate legislation be passed the detrimental effects of COVID-19 on the sector will be compounded and any hope of recovery further delayed.

There are some provisions of this Bill, such as the additional support for regional students and the reduction in FEE-HELP administration fees, that the NTEU might be inclined to support had they been introduced as stand-alone provisions with genuine new and additional funding. The reality, however, is that these initiatives are dependent and conditional on funding which will be freed up from the very substantial savings to be achieved by implementing the proposed funding changes. This goes also to the core provision of the Bill, which is to create additional Commonwealth Supported Places (CSPs). However, this would be achieved by stripping back existing funding per CSP overall, not by increasing funding to appropriately support these new places (noting that, overall, over \$10b worth of funding has been stripped from the sector since 2011).<sup>2</sup>

It is deeply concerning to the Union that the harmful impacts of this flawed Bill have been largely ignored, with the need for Budget neutrality taking precedence over all other policy or design considerations. This was made clear by the most recent changes which, under pressure from the National Party, saw the fees for undergraduate professional pathway courses in psychology and social work cut from \$14,500 to \$7,950 per year. To compensate for the offsetting increase in government subsidies, the fees for hundreds of thousands of other students studying nursing, teaching, English and STEM degrees would increase by \$250. The Explanatory Memorandum estimates these changes will save the Commonwealth an additional \$125m over the forward estimates.

The NTEU is strongly opposed to this Bill and strongly recommends that the Senate reject it.

In opposing this Bill, the NTEU is in no way suggesting the current funding arrangements in our higher education sector and public universities are sustainable. They are not. This Bill, however, is not the answer. While others in the sector might believe some of the most egregious aspects of the proposed funding arrangements might be ameliorated by amendment, the NTEU does not agree.

As discussed below, this Bill is so fundamentally flawed that it is beyond repair. In this regard we find ourselves in full agreement with higher education policy expert from the Australian National University (ANU), Andrew Norton, who was reported in the *Times Higher Education* as saying<sup>3</sup>:

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<sup>1</sup> HE COVID loss projections - UA

<sup>2</sup> See NTEU 2019-20 Budget Submission. (<https://www.nteu.org.au/library/view/id/9412>)

<sup>3</sup> John Ross (3 Sept 2020) Australian universities 'better off if legislation fails' *Time Higher Education* (THE)

*Overall, I think the ... package will cause many more problems than it will solve over the next few years*

and

*Muddling through with the current system, while encouraging the government to try again with a simpler, fairer and more coherent policy proposal, is the better option.*

## **Fiscal Impact of Bill**

While this Inquiry is examining the legislation that implements most (but not all) of the Government's announcements around the Jobs-ready Graduate (JRG) package, it is important to understand where it fits into the broader policy context around higher education, particularly in relation to the COVID-19 crisis. In that sense, the JRG measures are a continuation of the Government's broader policy agenda, which has a number of objectives, but does not incorporate any additional funding to support quality teaching, research, nor save of any of the tens of thousands of jobs which are currently being lost in the sector.

Instead, the centrepiece of this Bill is a major upheaval of the way in which our universities are funded to educate government-supported students or Commonwealth Supported Places (CSPs).

As discussed in more detail below, the Government's intention to 'fund' an additional 39,000 CSPs and provide additional support for regional students and universities requires a freeing up (all other things being equal) of about \$1b per annum. Unfortunately, the Government will make these changes by slashing the average level of public investment per student by 15%.

The extent of the savings from the Government's proposed Jobs-Ready Graduate (JRG) was revealed in the *July 2020 Economic and Fiscal Outlook*. The July Outlook identified three distinct sets of policy in relation to higher education that it has announced since the 2019-2020 Midyear Fiscal and Economic Outlook (MYEFO) and released in December 2019. These sets of policies are:

- COVID-19 Response Package (released 12 April 2020),
- Additional Support for Regional Higher Education (released 19 June 2020), and
- Job-Ready Graduate Package (released 19 June 2020).

The annual costings of each of these sets of policies, both in terms of payments and receipts, are outlined in Table 1 (below). As the data in Table 1 shows the total cost of the Government's commitment to higher education over the five-year period amounts to less than \$80m, which is comprised of the \$83.5m COVID-19 response package, \$40m in additional regional support and a cut of \$45m via the Jobs-ready Graduate (JRG) package.

Table 1

<b>Fiscal and Economic Outlook July 2020</b>						
<b>Changes in Government Payments and Receipts since December 2019 MYEFO</b>						
<b>COVID Response - April 2020</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>Total</b>
<b>Payments</b>						
DESE	10.9	7.1				18.0
<b>Receipts</b>						0.0
TEQSA	-3.1	-10.8	-2.3	-3.7		-19.9
ASQA	-4.6	-30.5				-35.1
DESE	-6.0	-4.6			0.1	-10.5
<b>Total-COVID</b>	<b>24.6</b>	<b>53.0</b>	<b>2.3</b>	<b>3.7</b>	<b>-0.1</b>	<b>83.5</b>
<b>Regional support - June 2020</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>Total</b>
<b>Payments</b>						
Services Australia	0.4	5.4	0.8	0.8	0.8	8.2
DESE		11.9	12.7	14.8	-7.5	31.9
Social Security		0.1	0.2	0.2	0.2	0.7
<b>Total-Regional</b>	<b>0.4</b>	<b>17.4</b>	<b>13.7</b>	<b>15.8</b>	<b>-6.5</b>	<b>40.8</b>
<b>Jobs-Ready Graduate (JRG) - June 2020</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>Total</b>
<b>Payments</b>						
DESE	-3.0	203.9	202.2	-116.6	-321.6	-35.1
TEQSA		3.4	2.8	2.8	2.8	11.8
ARC	-12.5	3.0	4.1	4.2	1.1	-0.1
<b>Receipts</b>						
DESE		-20.0	-22.3	14.4	49.6	21.7
<b>Total-JRG</b>	<b>-15.5</b>	<b>230.3</b>	<b>231.4</b>	<b>-124.0</b>	<b>-367.3</b>	<b>-45.1</b>
<b>TOTAL HE</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>TOTAL</b>
Total-COVID	24.6	53.0	2.3	3.7	-0.1	83.5
Total-Reg	0.4	17.4	13.7	15.8	-6.5	40.8
Total-JRG	-15.5	230.3	231.4	-124.0	-367.3	-45.1
<b>TOTAL HE</b>	<b>9.5</b>	<b>300.7</b>	<b>247.4</b>	<b>-104.5</b>	<b>-373.9</b>	<b>79.2</b>

## COVID-19 Response Package

The major components of this package include:

- \$7.1m for up to 1,000 short courses at non-university providers,
- \$48.9m in fee relief for university and private providers,
- \$28.6m in delayed levies and introduction of cost recovery fees for TEQSA and ASQA.

Universities were also guaranteed that all *Higher Education Loan Program* (HELP) payments (including student contribution amounts) at 2020 levels, regardless of any fall in student enrolments. However, given a very weak labour market, domestic enrolments over the whole of 2020 are expected to be maintained if not increased.

While universities account for something like 90% of all higher education students they will not benefit from that proportion of additional support. As Table 1 (above) shows the bulk of support in this package is delivered through fee relief or the delay of levies by the Tertiary Education and Skills Agency (TEQSA) and the Australian Skills and Quality Agency (ASQA). This relief will largely benefit the myriad of non-university providers who do not have the authority to self-accredit their own courses. Based on the assumption of what proportion of each program will apply to our public universities as shown in Table 2 (below), we estimate

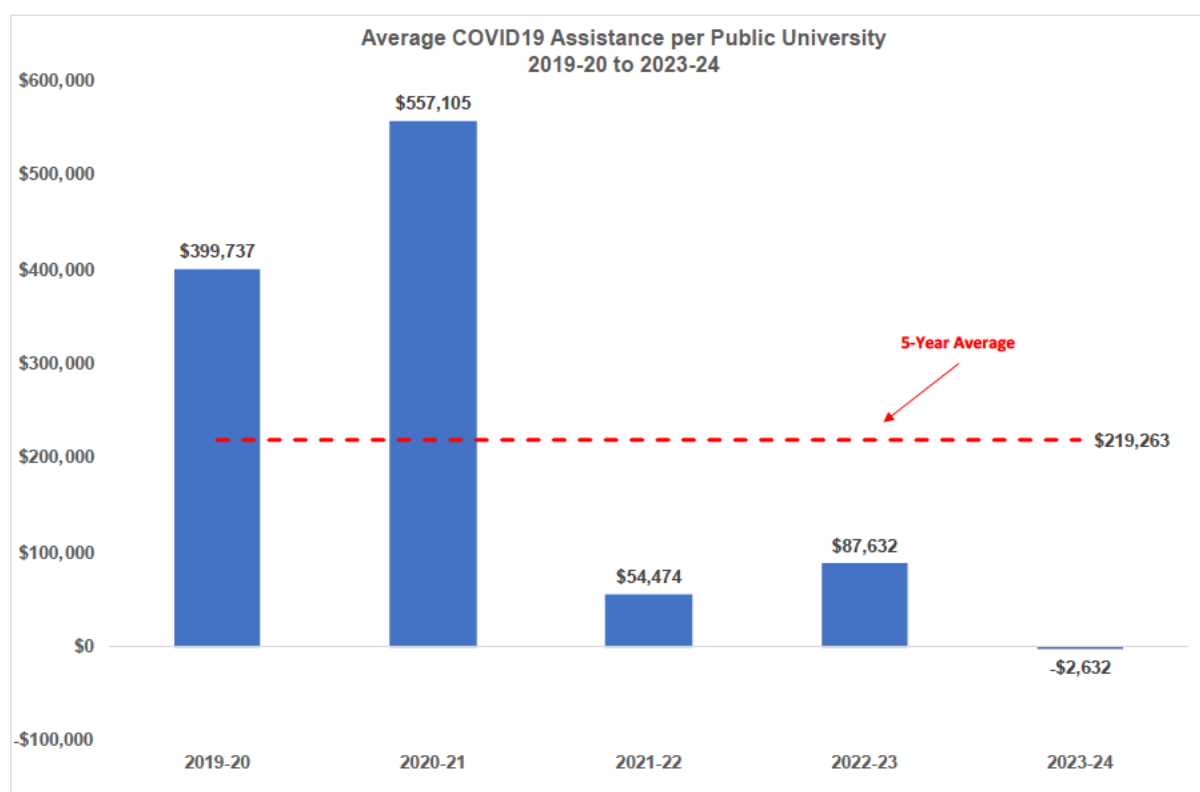
that only about half (\$41.7m) of the total funding (\$83.5m) will be available to universities. As Figure 1 (below) shows when this is spread out over 38 universities and averaged over five years, this amounts to an average of only \$220,000 per university per year over forward estimates.

It is in this context in which the regional support and JRG package need to be considered.

Table 2

COVID Universities only						
COVID Response (April 2020)	2019-20	2020-21	2021-22	2022-23	2023-24	Total
<b>Payments</b>						
DESE (uni 0%)	6.5	4.3				10.8
<b>Receipts</b>						
TEQSA (uni 90%)	-2.8	-9.7	-2.1	-3.3	0.0	-17.9
ASQA (uni 10%)	-0.5	-3.1	0.0	0.0	0.0	-3.5
DESE (uni 90%)	-5.4	-4.1			0.1	-9.4
<b>Total-COVID-UNIS</b>	<b>15.2</b>	<b>21.2</b>	<b>2.1</b>	<b>3.3</b>	<b>-0.1</b>	<b>41.7</b>

Figure 1



To put this in context, the average level of Commonwealth Government support per public university to specifically deal with COVID-19 over the next five years amounts to:

- Two hundred additional tutorials,
- Twenty \$10,000 student scholarships,
- Two full-time tutors or student support staff.

This is a poor response to the crisis that higher education is facing as Australia's 4<sup>th</sup> largest export industry<sup>4</sup> and a major employer of tens of thousands of skilled professionals, academics and researchers.

Even more concerning is that the Government's COVID-19 response does nothing to support the work being undertaken by universities in working towards our national recovery from what is the harshest economic recession since 1930<sup>5</sup>, despite the obvious fact that higher education is responsible for the bulk of workforce training and professional skills development, knowledge creation and innovation, and research and development.

### **Additional Support for Regional Higher Education**

The Government has made much of its support of regional education as a core component in its new policy platform. The NTEU has made many submissions and campaigned for improvements in government support for regional education and students over decades, and we had hoped that, following the most recent reviews on regional education, there would be a meaningful response from The Government. However, the regional education initiatives announced by the Government so far are being primarily supported through the appropriation of funds that would otherwise support higher education elsewhere. In short, there is no real new money to support regions, instead there is reallocation of funds within the existing funding envelope.

While the total cost of these initiatives (as shown below) being over \$250m over five years, the bulk (some \$200m) is funded from within existing resources of the Department of Education, Skills, and Employment (DESE), through efficiencies from Higher Education Participation and Partnership Program (HEPPP) and from related payment distributed as part of Jobs-ready Graduates package (discussed below).

The major elements of the Additional Support for Regional Higher Education include:

- providing a Tertiary Access Scholarship of \$5,000 to eligible school-leavers from outer regional or remote areas to assist with their costs of moving closer to their tertiary education institution [\$158m over 5 years - \$43.9m per year ongoing],
- providing Indigenous students from regional and remote communities who meet admissions standards access a Commonwealth supported place (\$17.1m over four years),
- eight additional regional education centres and establish a central support network and (\$21.0m over four years from 2020-21),
- expanding coverage of *Higher Education Participation and Partnerships Program* (HEPPP) to include Indigenous students and students from regional and remote areas (\$7.1m over five years),

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<sup>4</sup> Department of Foreign Affairs and Trading (DFAT) *Trade Investment at a Glance 2020*  
<https://www.dfat.gov.au/sites/default/files/trade-investment-glance-2020.pdf> (pg 19)

<sup>5</sup> <https://www.smh.com.au/politics/federal/australia-in-recession-biggest-economic-contraction-since-great-depression-abs-confirms-20200902-p55rk4.html>



- establishing new partnerships between regional universities and other higher education providers or local industry to undertake innovative research projects (\$48.8m over four years from 2020-21),
- appointing a dedicated Regional Education Commissioner \$6.0m over four years from 2020-21.

The NTEU would have been prepared to support these measures had these been stand-alone provisions and their funding was not dependent on savings from elsewhere.

The NTEU urges The Government to fund regional education in a sustainable way, one that allocates new money so there is not a reduction in funding to other important areas of higher education (such as CSPs).

### **Jobs-ready Graduate (JRG) Package**

Table 1 (above) shows the JRG measures are estimated to achieve savings of approximately \$45m over five years. Following the most recent changes announced by the Minister (reduction in fees for undergraduate psychology and social workplaces), the total savings over the forward estimates would now add to \$45m plus \$125m or \$170m.

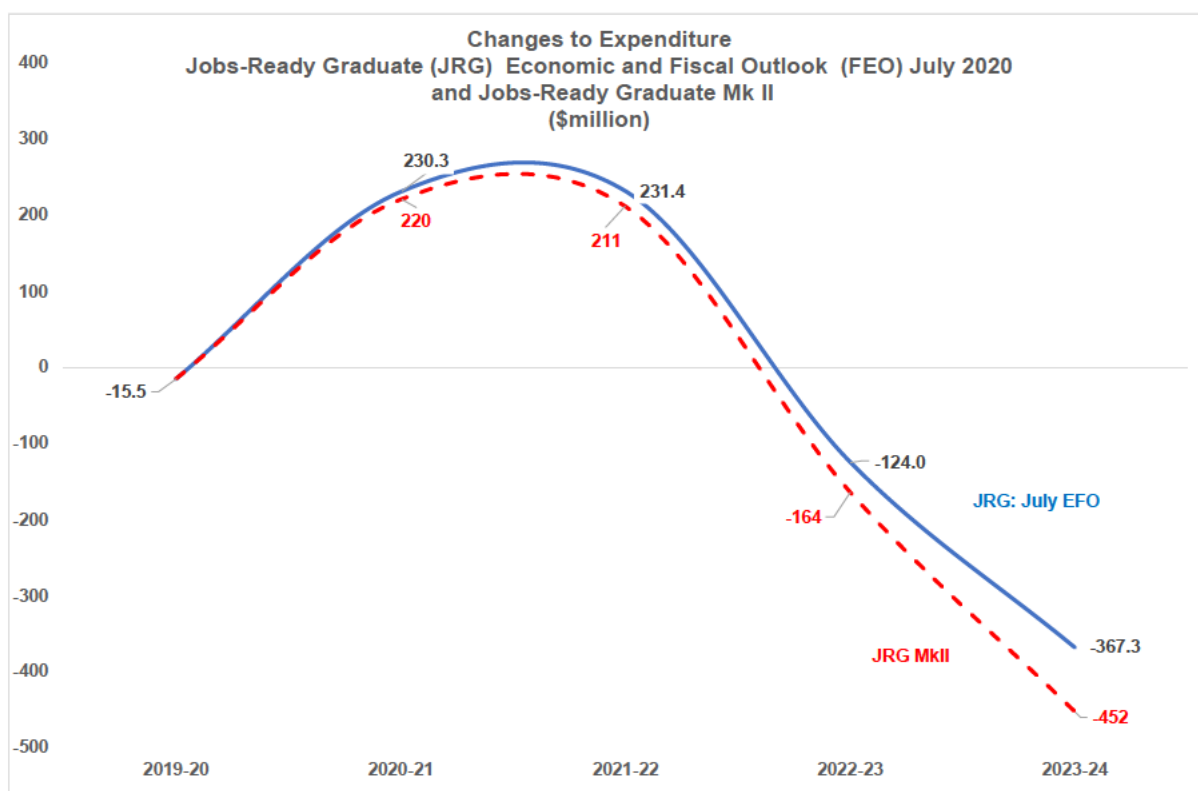
Putting this into perspective, it is only through a major upheaval of CSPs funding (see below) that the Government will be able to save \$170m and ‘fund’ the following initiatives:

- expand the number of Commonwealth supported places (CSPs) by 39,000 places provided by 2023 and an additional 100,000 places provided by 2030, (see Table 2 for estimate of growth places by university based on 2018 enrolments),
- establish (at a cost of \$800 million over four years) a National Priorities and Industry Linkage Fund (NPILF),
- establish the Indigenous, Regional and Low SES Attainment Fund (IRLSAF) (largely funded from consolidating existing HEPPP),
- reduce the FEE-HELP loan fee for students from 25 per cent to 20 per cent, and
- re-introduce indexation for the Commonwealth Grant Scheme to Consumer Price Index (CPI).and save \$170m.

Figure 2 (below) shows the savings from the JRG as originally presented as well as our estimate of the additional \$125m in savings announced since the release of the July Economic and Fiscal Outlook. Indeed Figure 2 shows that the ongoing savings from the JRG are likely to be far more considerable, because in the short term, the cost associated with grandparenting of existing students and transition funding actually increase the level of expenditure in 2021-22 and 2022-23 but achieve annual savings of some \$450m per annum by 2023-24.

This is a ‘pea and thimble’ approach to higher education funding, is totally unsustainable and will have profound impacts on both students and staff. It also redesigns the funding framework for what is short term political gain, while at the same time exposing the sector to greater uncertainty and financial risks in the future.

Figure 2



That the JRG package effectively reduces the Government’s support per CSP is not in dispute and is further outlined in a comprehensive analysis<sup>6</sup> by Mark Warburton, from Centre for Higher Education Studies (CHSE). Warburton notes that for

*over half a decade, government policy has sought to increase the share of higher education funding contributed by students and to reduce its share. Major policy packages with this goal were released in the 2014 and 2017 Budgets but were rejected by the Parliament.*

The paper further notes that under JRG:

*The legislation lowers government contributions to courses and increases student contributions.*

and

*University revenue for teaching would be reduced by nearly one billion dollars in 2021 and every year thereafter for the same domestic student load as in 2018.*

Warburton questions whether the package will deliver the promised additional 39,000 places given that universities have enrolled an additional (unfunded) 23,000 places since the imposition of the funding freeze in 2018. Taking current CSPs as the base, the actual increase in funded CSPs would therefore in effect be only 16,000.

<sup>6</sup> Mark Warburton (2020) *Unravelling the Tehan vision for higher education* CSHE University of Melbourne

Warburton is also questioning another important structural change to the way in which CSPs are funded. Under current arrangements CSP funding includes 'regional' and 'enabling' loadings. Under the JRG these loadings will no longer be distributed via CSPs but be included as part of the new Indigenous, Rural and low SES Attainment Fund (IRLSAF) fund. But, as he notes, the way these funds are to be distributed does not form part of the legislation, but instead will be covered by Grants Guidelines (regulation). He concludes that this makes the IRLSAF "*a large discretionary grant pool at the disposal of the Minister.*" Such an important structural change increases the level of uncertainty over the level of support any individual university might expect to educate government-supported students. It is also a major shift in government policy, whereby a core area of higher education funding that is currently legislatively protected would have that protection removed.

## **Proposed Changes to Funding of Commonwealth Supported Places**

The funding of Commonwealth Supported Places (CSPs) is comprised on two components, namely:

- Student contribution (fees), and
- Commonwealth or government contribution.

Students are not required to pay their contribution of tuition fees upfront but can borrow the money through the Government guaranteed income contingent loans scheme, commonly known as the Higher Education Contribution Scheme (HECS) but since 2005 formally renamed as the Higher Education Loans Program (HELP).

Table 3 (below) and Figure 3 (below) shows current student and government contributions as they would currently apply in 2021, as well the new rates should the Bill be implemented on 1 January next year. Figure 3 shows that the proposed changes constitute a major upheaval of current funding arrangements, recalibrating both student and government contributions as well as the total level of funding that a university receives to educate those students. The changes involve many moving parts and trying to keep track of the changes and possible implications is also, as with other aspects of the Government's policy agenda, another 'pea and thimble' exercise.

Table 3

Funding of Commonwealth Supported Places 2021 - Current and JRG Proposals					PROPOSED - JRG				
Discipline	CURRENT				Student %	PROPOSED - JRG			
	Student	Govt	Total	Student %		Student	Govt	Total	Student %
Humanities	\$6,804	\$6,226	\$13,030	52%	\$14,500	\$1,100	\$15,600	93%	
English	\$6,804	\$6,226	\$13,030	52%	\$3,950	\$13,250	\$17,200	23%	
Law/Ec/Mngt	\$11,355	\$2,237	\$13,592	84%	\$14,500	\$1,100	\$15,600	93%	
Soc + Cult	\$6,804	\$11,015	\$17,819	38%	\$14,500	\$1,100	\$15,600	93%	
Prof Pysch/Sc Wk	\$6,804	\$11,015	\$17,819	38%	\$7,950	\$13,250	\$21,200	38%	
Education	\$6,804	\$11,462	\$18,266	37%	\$3,950	\$13,250	\$17,200	23%	
Languages	\$6,804	\$13,457	\$20,261	34%	\$3,950	\$16,250	\$20,200	20%	
Communications	\$6,804	\$13,547	\$20,351	33%	\$14,500	\$1,100	\$15,600	93%	
Clin Pysch (PG)	\$6,804	\$13,547	\$20,351	33%	\$3,950	\$13,250	\$17,200	23%	
Creat Arts	\$6,804	\$13,547	\$20,351	33%	\$7,950	\$13,250	\$21,200	38%	
Maths/Stats	\$9,698	\$11,015	\$20,713	47%	\$3,950	\$13,250	\$17,200	23%	
Other Hlth	\$9,698	\$11,015	\$20,713	47%	\$7,950	\$13,250	\$21,200	38%	
Arch & Bldg	\$9,698	\$11,015	\$20,713	47%	\$7,950	\$13,250	\$21,200	38%	
Computing	\$9,698	\$11,015	\$20,713	47%	\$7,950	\$13,250	\$21,200	38%	
Nursing	\$6,804	\$15,125	\$21,929	31%	\$3,950	\$16,250	\$20,200	20%	
Allied Hlth	\$9,698	\$13,547	\$23,245	42%	\$7,950	\$13,250	\$21,200	38%	
Engineering	\$9,698	\$19,260	\$28,958	33%	\$7,950	\$16,250	\$24,200	33%	
Science	\$9,698	\$19,260	\$28,958	33%	\$7,950	\$16,250	\$24,200	33%	
Pathology	\$9,698	\$24,446	\$34,144	28%	\$7,950	\$27,000	\$34,950	23%	
Enviro Science	\$9,698	\$24,446	\$34,144	28%	\$7,950	\$16,250	\$24,200	33%	
Agriculture	\$9,698	\$24,446	\$34,144	28%	\$3,950	\$27,000	\$30,950	13%	
Med/Vet/Dent	\$11,355	\$24,446	\$35,801	32%	\$11,300	\$27,000	\$38,300	30%	

Movements in student fees, government contributions and total funding for different disciplines is examined in more detail below. The extent of the upheaval of funding rates to HELP arrangements however is better appreciated by looking at it in an historical context as is shown in Figure 4 (below). Since the introduction of HECS/HELP there have only been two major adjustments to student contribution rates, although students in some disciplines such as business and economics were moved to different (in this case a higher) fee categories. As Figure 4 shows the first major changes were Vanstone changes of 1996. The introduction of the three-tiered HECS, which effectively doubled student contribution from 20% to 40% was introduced to facilitate a cut to public investment. The 2005 Nelson changes which allowed universities to increase fees by up to 25% were also introduced to address issues around insufficient public investment.

In the tradition of Coalition governments, the Tehan proposals are also being used to accommodate funding cuts and shift the burden of paying for a university education away from the Government and on to the shoulders of students and their families.

The Tehan changes will mean that students, on average, would pay about half of cost of their education up from the current level of about 43%.

Figure 3

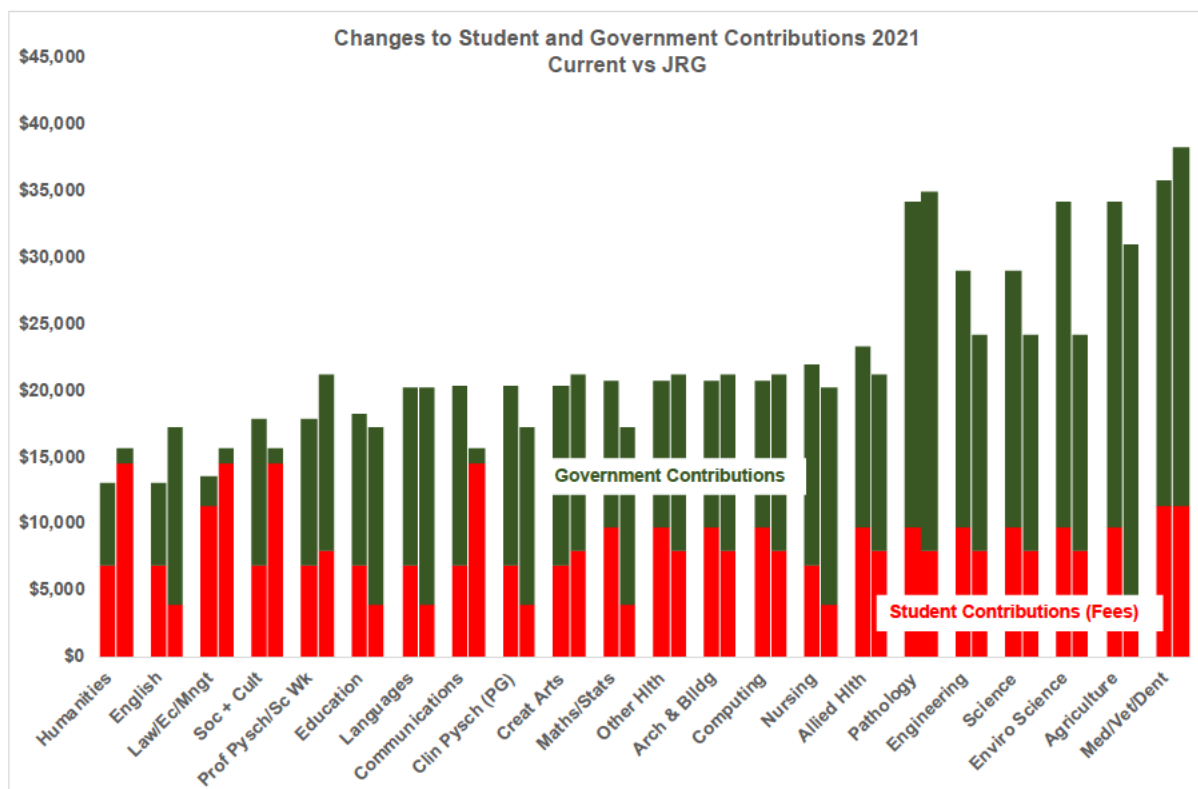
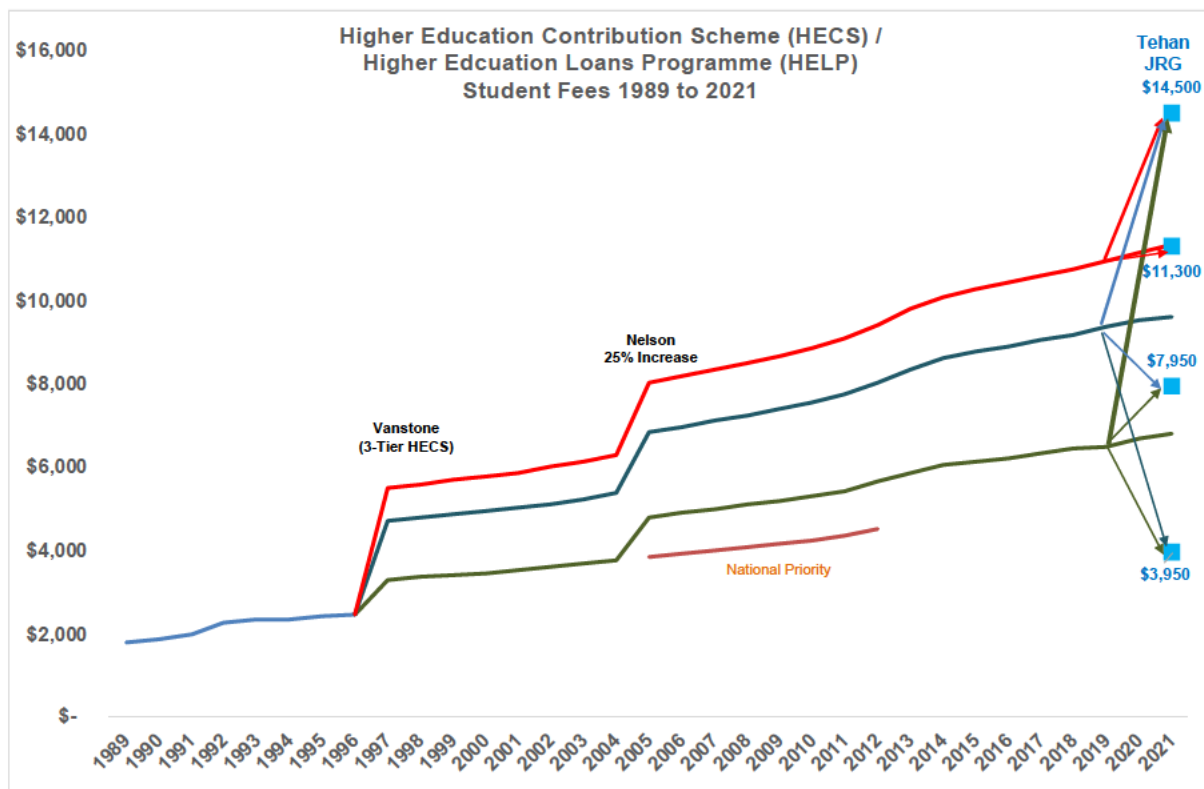


Figure 4 (below) also shows that when HECS was first introduced all students paid the same fees. The fee was seen very much as all students making a contribution (set at 20% of average cost) to facilitate a significant increase in enrolments. The Vanstone changes moved a system where the fees students paid were an amalgam on expected private returns (income) and the cost of education. Figure 4 also shows that if the Tehan proposals are introduced, the difference between the highest fees (\$14,500) and the lowest fees (\$3,950) is almost four-fold, compared to current arrangements where the difference is less than double (\$6,804 compared to \$11,355).

Figure 4



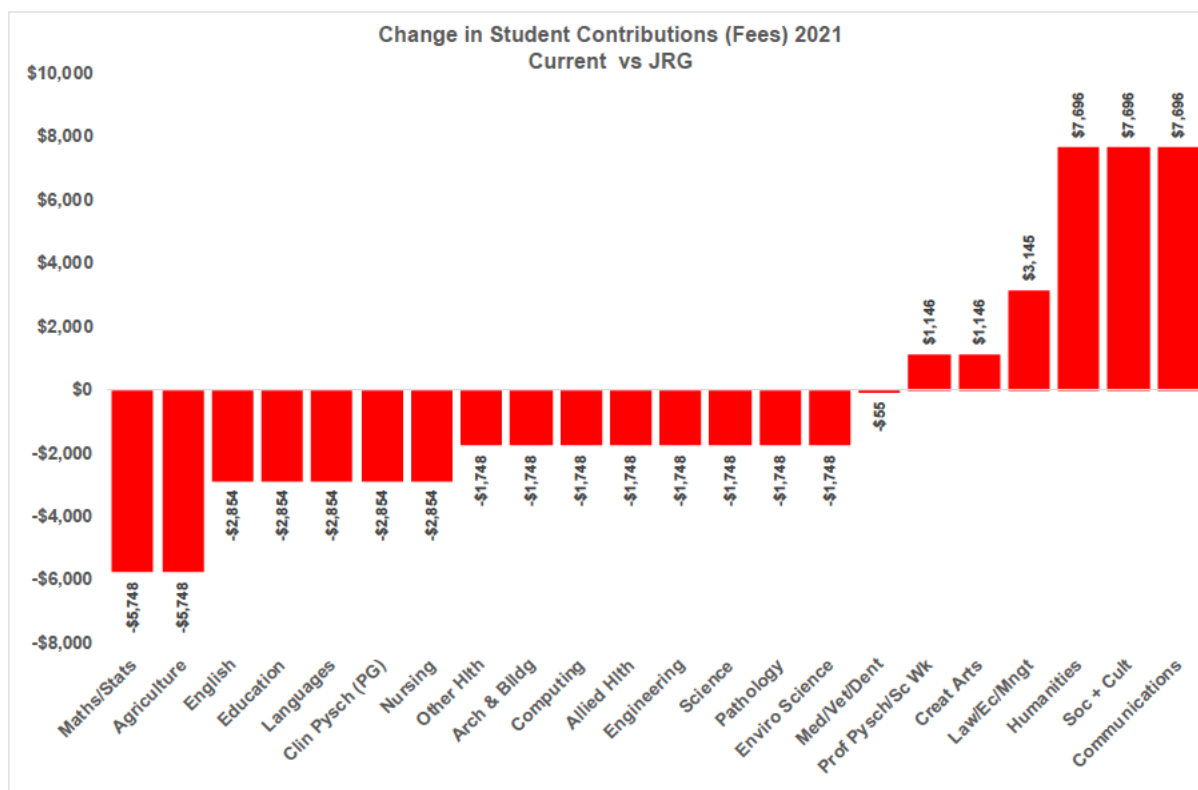
### Proposed Changes to Student Fees

Figure 5 (below) shows the proposed changes in student fees by funding cluster. It shows that in some disciplines, including many of humanities and society and culture (excluding selected programs in foreign languages, English, and newly created professional pathway courses psychology or social work) as well as in communications, fees will increase by almost \$7,700 per annum to \$14,500, more than doubling (113%) the current fees of \$6,804. Under the current proposed changes, the proportion of total funding covered by student fees will rise to 93% from between 34% to 52%, depending on the discipline. Even though law, economics, commerce and management students already pay the highest fees and contribute 83% of total funding, their fees will also increase by over \$3,000 to \$14,500 with their contribution to total funding also increasing to 93%. In contrast dentistry, veterinary science and medical students are the only one where fees will remain largely unchanged (falling from \$11,355 to \$11,300).

On the other hand, a number of government targeted disciplines (those considered to be in short demand or identified as national priorities) will see student fees cut. These include science, technology, engineering and maths (STEM) disciplines as well as nursing, allied and other health, teaching, English and foreign languages. It is worth noting that while the Government has agreed to cut the proposed increase in fees (from \$14,500 to \$7,950) for professional pathway programs in psychology and social work, this is still higher than current fees (\$6,804).

Despite the high level of publicity given to fee reductions, based on 2018 enrolments patterns the new funding arrangements would see student fees increase on average by about 10%.

Figure 5



The NTEU has a number of serious concerns about the proposed fee changes, including that they are:

- ill-conceived,
- unbalanced and unfair, and
- unnecessarily complex and confusing.

The Government is justifying its proposed fee changes as a way of using price signals to influence student choices over which courses or disciplines to pursue. There a number of important economic and more pragmatic reasons to suggest that changing student fees is unlikely to influence student choice. To begin with, undertaking university studies is a long-term investment in a person’s career, earning and lifestyle. It is not the same as making a decision about which brand of soft drink to buy based on today’s price. This is accentuated by the fact, as the Government itself often argues, that the existence of the income-contingent HELP loans sees students avoid the need to pay for their studies upfront and helps dampen any short-term price effects. Finally, student choice about which studies to pursue are often based on their own interest and relative strengths, have been influenced by their choice of school subjects over a number of years and, ultimately, the kind of degree they are prepared to pursue.

While the NTEU does not believe that changes to relative prices will influence the majority of student choice of subjects, we are concerned that the ever increasing cost of university

study and therefore increasing levels of debt, which will increase the time required to pay-off a degree, might have some chilling effect on the overall number of people prepared undertake university studies. This is of relevance in regard to student cohorts of which the Government have indicated a desire to increase numbers, including Aboriginal and Torres Strait Islander students, students with disabilities, mature age women with carer obligations, those from low socio-economic status backgrounds, students who are first in family and regional or rural students.<sup>7</sup>

The proposed fee changes are also highly unbalanced and unfair. Figure 6 (below) compares fees by different student cohorts and gender, showing the proportion of students paying high, middle and low fees under current fee arrangements and then contrasting this with the proportions that would exist be under proposed JRG package<sup>8</sup>.

As the data shows, the proportion of all student paying the highest fees under the JRG will increase to 41%, compared to 22% under current arrangements. The proportion paying the lowest fees would decline, from 44% to 23%. In other words, the balance of high to low fees is turned on its head, with the largest proportion moving from low to high fee disciplines. This accounts for an overall increase of about 10% in average student fees.

Figure 6 also shows the fundamentally unfair nature of the proposed changes, with the disproportionately negative consequences it would have for Aboriginal and Torres Islander (A&TSI), female and regional students. Under current arrangements, almost six-in-ten (57%) A&TSI students are enrolled in low fee disciplines, with a majority of enrolments in humanities, social sciences, culture and communications. However, under the JRG package arrangements, the proportion who would be in the low fee disciplines halves to about three-in-ten (28%), and the portion paying highest fees more than doubles from 18% to 44%. Consequently, A&TSI students, on average, will experience a higher than average increase in fees.

Likewise, the proportion of women students paying lowest fees falls from 54% under current arrangements to 29%, and for regional students the proportion falls from 49% to 29%. In both cases the proportion paying the highest fees doubles, increasing from 19% to

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<sup>7</sup> ABC News online *University fee changes announced by Dan Tehan prompt some students to abandon study plans altogether* Saturday 20 June 2020 at 3:22pm, updated Sunday 21 June 2020 at 9:05am  
<https://www.abc.net.au/news/2020-06-20/university-fees-changes-federal-government-education-humanities/12376580>

Devlin, M., McKay, J., (2017) *Facilitating Success for Students from Low Socioeconomic Status Backgrounds at Regional Universities*, Federation University. Australia. [https://www.ncsehe.edu.au/wp-content/uploads/2018/05/55\\_Federation\\_MarciaDevlin\\_Accessible\\_PDF.pdf](https://www.ncsehe.edu.au/wp-content/uploads/2018/05/55_Federation_MarciaDevlin_Accessible_PDF.pdf)

James, R., Bexley, E., Anderson, A., Devlin, M., Garnett, R., Marginson, S., & Maxwell, L. (2008). *Participation and equity: A review of the participation in higher education of people from low socioeconomic backgrounds and Indigenous people* University of Melbourne: Centre for the Study of Higher Education.

Lange, C., & Byrd, M. (1998). *The relationship between perceptions of financial distress and feelings of psychological well-being in New Zealand university students*. International Journal of Adolescence and Youth, 7(3), 193-209.

<sup>8</sup> The data is based on 2018 enrolments. The highest fee students under the JRG component of Figure 6 include those paying both \$11,300 (previously paying the highest fees of \$11,355) as well as those paying \$14,500.

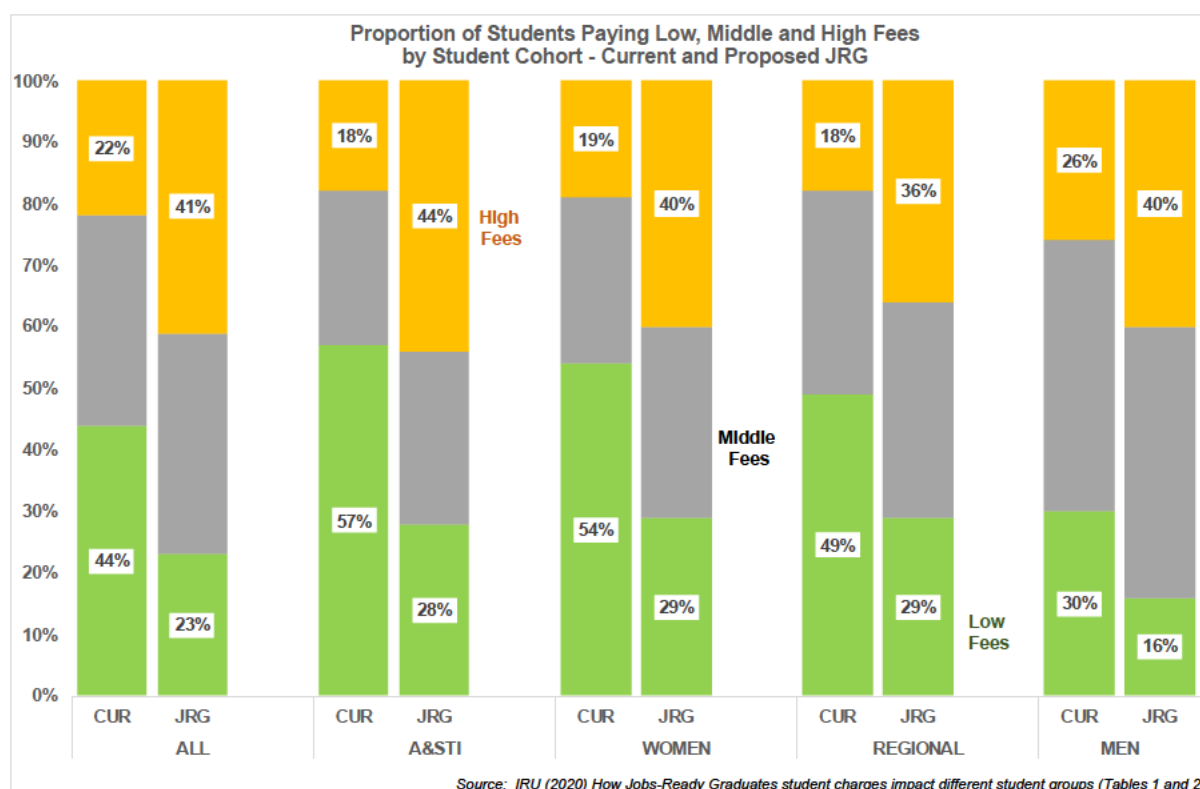


40% and 18% to 36% respectively. These changes are therefore unequivocally unfair and should be rejected on that basis alone.

The inequities are not only limited to different cohorts of students but also to different discipline clusters. It is worth asking:

- Does it make sense for someone doing an English major as part of their three-year BA to pay \$11,850, while someone doing a similar BA but majoring in history or politics to pay \$43,500? and
- Is it fair that someone undertaking justice studies or journalism be expected to contribute 93% of the total funding for their course, while someone studying agriculture will only pay 13%?

Figure 6

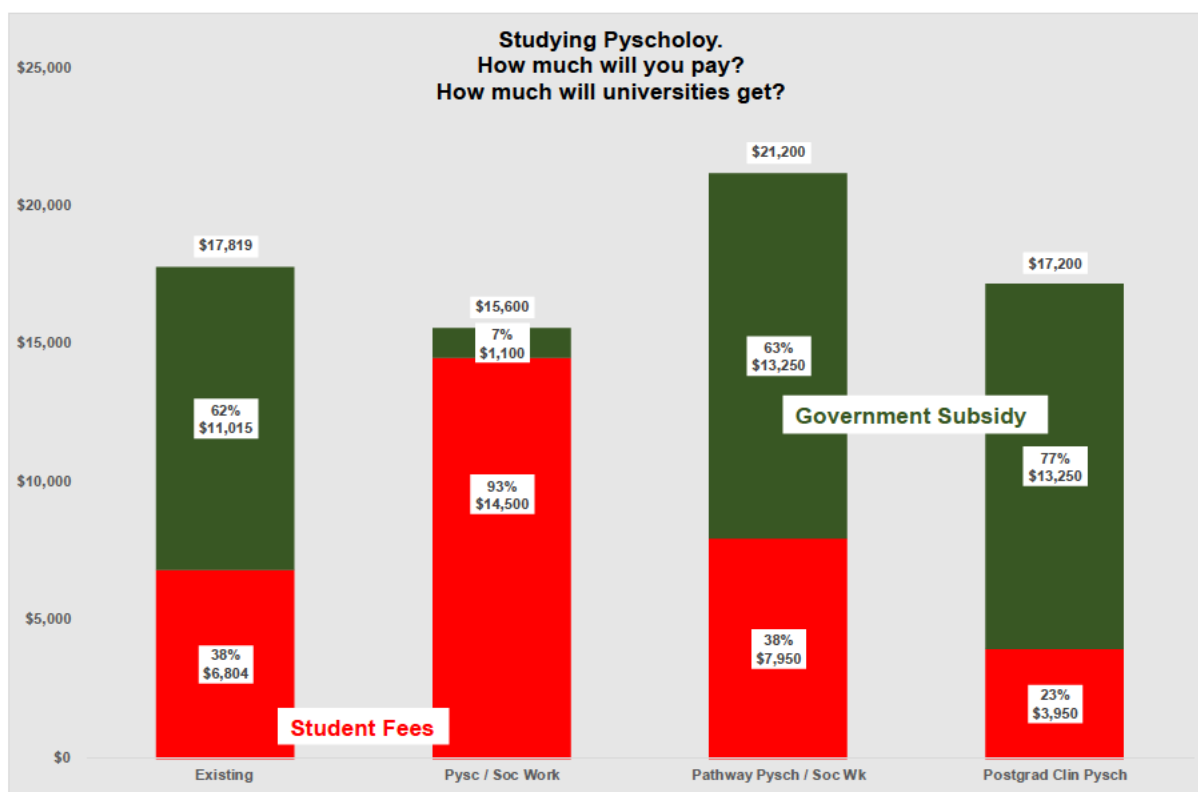


The irrationality and inequity of the proposed funding changes can also be demonstrated by the proposed changes to funding arrangements for psychology and social work students. When the JRG was initially announced, it was highlighted that fees for studying postgraduate clinical psychology would fall to \$3,700 – down from \$6,804. However, it was soon discovered that undergraduate psychology and social work, necessary forerunners to postgraduate studies, were to be amongst that group of humanities and society and culture disciplines students where fees would more than double from \$6,804 to \$14,500 per annum. Given the importance of mental health workers and social workers in regional and rural areas, the National Party objected to these changes and the Government agreed to carve out within the JRG framework two new undergraduate discipline areas, known as ‘professional pathway courses’, for psychology and social work. It remains unclear as to exactly what will be captured in these new clusters except to say it is not intended to cover

all undergraduate psychology and social work courses, because if they did, there would be no need for the new clusters.

What is clear, however, is that the various political ‘fixes’ in psychology and social work, including the ‘professional pathway’ courses, highlight how confusing and contradictory the JRG package is. Looking at the discipline of psychology in more detail, Figure 7 (below) shows there will be at least four groups of students studying psychology, each of which will pay different fees and for which universities will receive different levels of total resourcing. However, even this is an underrepresentation of the complexity of the situation, as Figure 7 does not include instances where existing undergraduate students move on to new undergraduate (professional pathway or other) psychology subjects and have their fees ‘grandparented’ at \$6,804, or anyone studying postgraduate clinical psychology who moves to the lower fees of \$3,950. It will not only be students questioning what fees they will be expected to pay and this unnecessarily complicated situation will also increase compliance costs for universities. As outlined in more detail below, the only rationale for introducing such a complex and complicated changes to funding levels from the original JRG proposals seems solely based on the needs to maintain Budget neutrality.

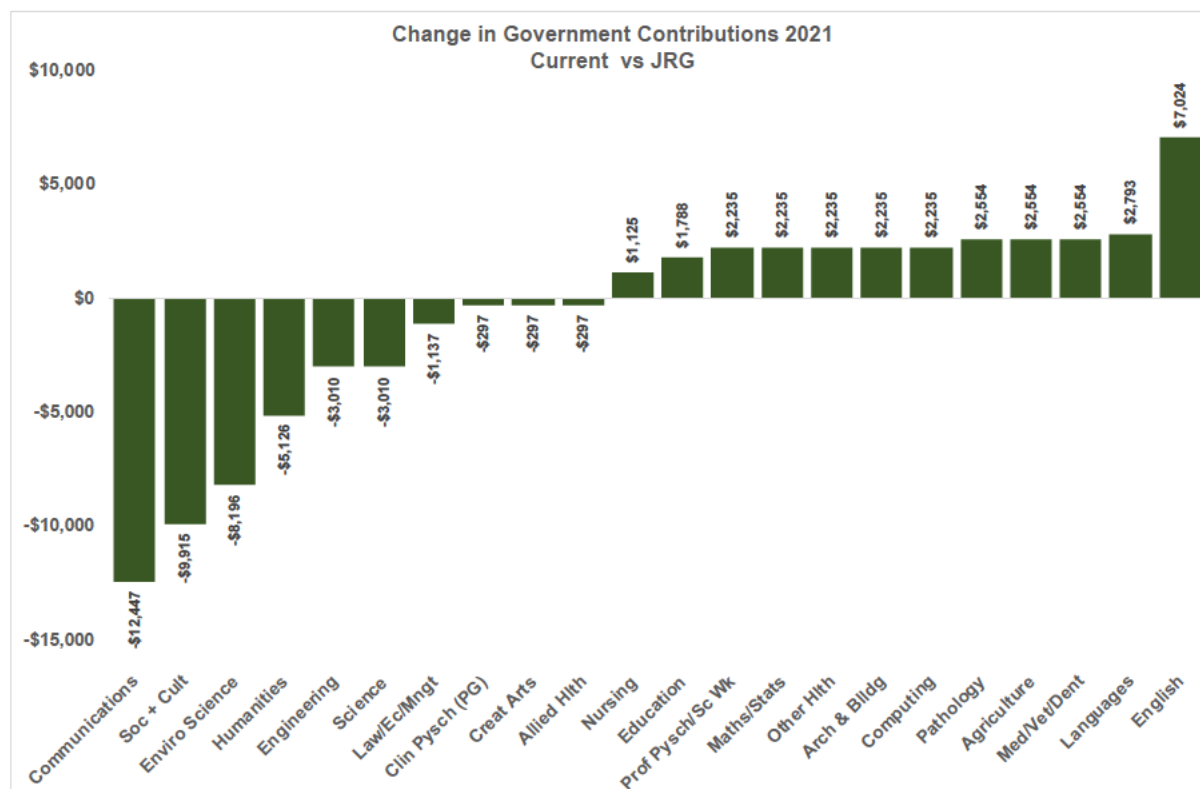
Figure 7



### Changes to Government Contributions

Figure 8 (below) shows proposed changes to government contribution amounts. As was the case with student fees there is a considerable variation in the value of student contributions ranging from an increase of over \$7,000 per English student and cut of over \$12,000 for communications students. Interestingly, there also cuts to public funding for some targeted disciplines, including engineering and science.

Figure 8



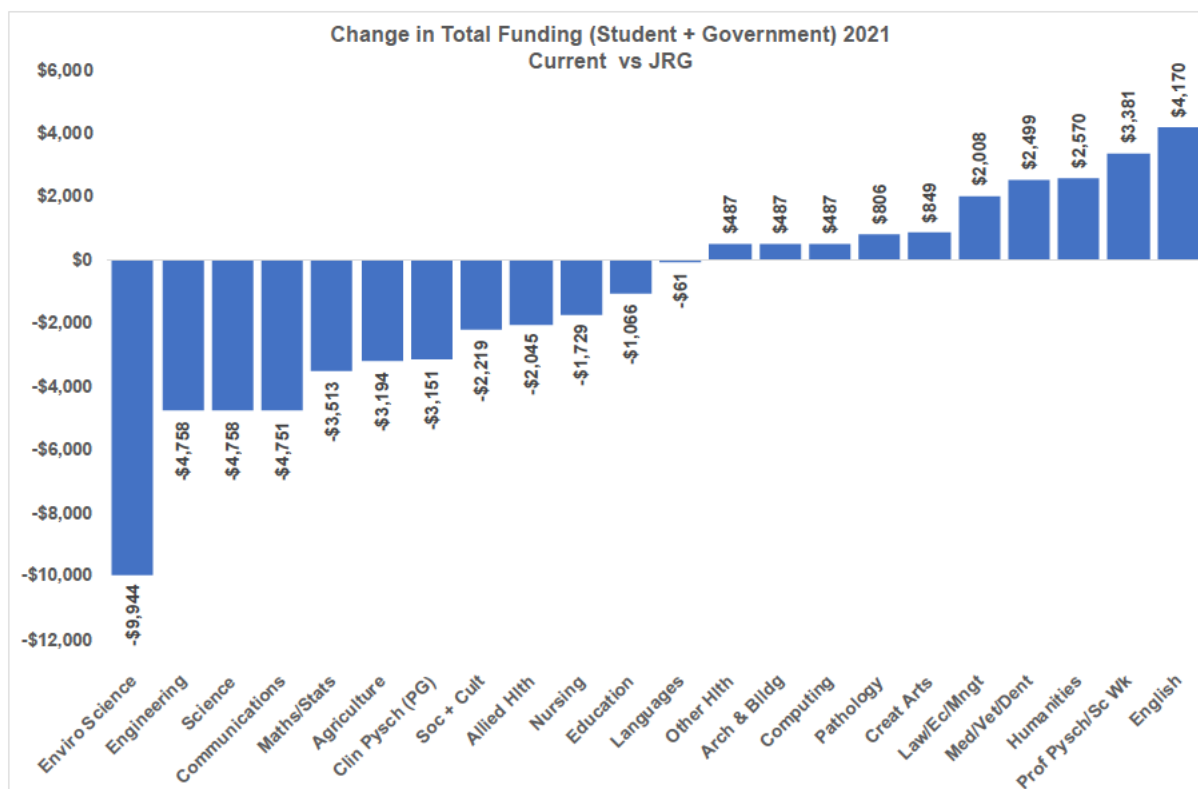
As noted earlier, the changes in the JRG package are intended to find savings within the existing funding envelope, which would then allow the Government to reprioritise public expenditure. This will then be used to increase the number of CSPs and fund other initiatives to support regional students and universities. Our estimates, based on 2018 enrolment data (given there is still a lack of clarity over the number of students who will be covered by the new pathway courses) predict that, on average, the government will achieve savings in the order of 15% per student.

The ferocity with which the Government wants to maintain this level of ‘savings’ was clearly demonstrated by the most recent changes which saw the creation of the new pathway courses. Had the Government not been obsessed with achieving a set savings target, it would simply have reduced the fees for these students and made a compensating increase in the government contribution. Instead, this change led to a whole series of changes which would see the originally proposed \$3,700 and \$7,700 fees increase to \$3,950 and \$7,950 respectively, and the \$13,500 and \$16,500 government contributions fall to \$13,250 and \$16,250. The Explanatory Memorandum says these changes will save an additional \$125m over four years. The Government is hoping that what it considers to be relatively small changes to fees, to be paid by over one hundred of thousand students, including scientists, teachers and nurses, wouldn’t be noticed. This is a case of the many being asked to pay for the Government’s ‘political fix’.

## Changes to Total Funding

The level of total funding a university receives to educate a CSP is made up of student fees and government contributions. Figure 9 (below) shows how the changes outlined above impact on the total level of funding per student. Like the previous analysis of fees and government contributions, there is an upheaval of the total level of resourcing universities will receive to educate students in different disciplines. For example, while an English student will attract more than \$4,000 in additional funding, an environmental science student will lose over \$9,000 (per student).

Figure 9



The justification for these changes in total resources are based on an attempt to better align funding levels with actual cost of education. However, the rates are fundamentally flawed on a number of grounds, including that:

- they create conflicting funding signals for many of the government’s in demand and national priority disciplines for which fees are being cuts,
- they are based on inappropriate and incomplete costing data,
- they remove the notional research quantum for basic research capability from CSP funding.

## Conflicting Funding Signals

As discussed above, the Government is claiming that it is using lower fees in selected high demand or national priority disciplines as a way of trying to encourage more students to enrol in STEM, education, health and selected humanities subjects, such as English and languages. In a rudimentary economics sense, the government wants to use a reduction in

price to increase demand. As noted above, while the NTEU believes there are strong theoretical and practical reasons to believe this will not be case, if we take the government’s argument at face value, it is important to look at the supply side of the equation as well as the demand side. The number of places a university is expected to supply or offer will, to some extent, be influenced by the value funding it receives to educate a student (fee plus government contribution). An increase in total funding would provide an incentive for university to offer more places and a reduction in funding would do the opposite.

Table 4 (below) provides a summary by discipline of the impact that the proposed funding changes will have on:

- potential demand (D), which is an increase in fees resulting in a reduction in demand (and vice versa), and
- supply (S), which is an increase in total funding leading to increase in supply (and vice versa).

*Table 1*

Discipline	FEES	FUNDING
Enviro Science	↑D↑	↓S↓
Engineering	↑D↑	↓S↓
Science	↑D↑	↓S↓
Communications	↓D↓	↓S↓
Maths/Stats	↑D↑	↓S↓
Agriculture	↑D↑	↓S↓
Clin Pysch (PG)	↑D↑	↓S↓
Soc + Cult	↓D↓	↓S↓
Allied Hlth	↑D↑	↓S↓
Nursing	↑D↑	↓S↓
Education	↑D↑	↓S↓
Languages	↑D↑	↓S↓
Other Hlth	↑D↑	↑S↑
Arch & Bldg	↑D↑	↑S↑
Computing	↑D↑	↑S↑
Pathology	↑D↑	↑S↑
Creat Arts	↓D↓	↑S↑
Law/Ec/Mngt	↓D↓	↑S↑
Med/Vet/Dent		
Humanities	↓D↓	↑S↑
Languauges	↓D↓	↑S↑
English	↑D↑	↑S↑

The extraordinary thing to note about the data in Table 4 is the extent to which the proposed funding changes send conflicting demand and supply signals, especially in respect to prioritised disciplines. While the Government is trying to encourage more students to enrol in maths, nursing, education, engineering and science to name just a few, it is providing universities with less funding overall to educate them.

By contrast, in a number of the Government’s low priority areas such as business, economics and law where student fees are to increases, the total level of funding

universities receive will also increase, providing them with a financial incentive to increase enrolments. Under current funding arrangements, the total level of funding universities will receive for each economics / law/ management and commerce / business student in 2021 is \$13,59 (made up of \$11,355 in student fees plus \$2,237 in government funding) but under the new arrangements this will increase to \$15,600. The proposed new fee of \$14,500 is more than total level of funding universities receive to educate these students. This provides a very strong incentive for universities not only to increase enrolments in these disciplines but to effectively significantly enrol well above their current funded number. While not stated, this would effectively mean many students in these disciplines would in effect be paying 100% of the funding for their courses because they would not notionally be attracting the government contribution.

From the NTEU's perspective not only are the proposed funding changes unbalanced and unfair, they also lack a sensible rationale and will fail in trying to achieve the shift in the pattern of student enrolments that the government desires.

## Establishment of the TEQSA Integrity Unit

Just to emphasise how muddled and jumbled the proposed funding arrangements are, the Minister has announced his intention to establish an Integrity Unit within the Tertiary Education Quality and Standards Agency (TEQSA) to police universities over student enrolments in the various low and high fee disciplines.<sup>9</sup>

The Minister's announcement of the Unit was in response to questions over how the Government would ensure students would not be exploited and encouraged to enrol in high fee, low delivery cost areas (such as humanities, law and business) in order to subsidise the low fee, high delivery cost disciplines (such as science and engineering). Indeed, the JRG package incentivises universities to 'game' the new funding system, noting that for many 'national priority areas' or areas of 'short demand' such as teaching, nursing and in STEM, universities will receive even less funding than they do now, while simultaneously expected to teach more students in degrees that require high levels of resourcing and support (such as clinical placements, lab facilities etc).

In replying to questions about the role of the integrity unit, Mr English from the Department of Education, Science and Employment said that:

*As part of its mandate the unit will investigate substantial shifts in enrolment patterns at universities and consider the implications for educational quality and provider governance. (Senate COVID-19 Select Committee - 28 July 2020).*

We find this statement to be both curious and perplexing, as it would appear to contradict one of the stated objectives of the JRG package, which is to encourage shifts in enrolments patterns. Apparently, there are some cases where this is acceptable, and others where it is not.

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<sup>9</sup> Media Release (24 June 2020) *Ensuring integrity in higher education* The Hon Dan Tehan MP Minister for Education <https://ministers.dese.gov.au/tehan/ensuring-integrity-higher-education>

## Funding and Costs of Education

While the logic in terms of how funding changes are meant to influence enrolment patterns is highly questionable, the reasoning that underpins the total level of funding that a university will receive to educate each CSP in different disciplines is meant to reflect the actual cost of educating each student in that discipline group. The costing data is derived from the 2019 Transparency in Higher Education Expenditure, the fourth in the series of reports produced by Deloitte Access Economics<sup>10</sup>. The report says that the analysis of data it has collected from 32 universities on labour and non-labour cost of teaching and scholarship for the top 22 narrow fields of education, aims to:

*accurately measure the costs of teaching and scholarship by field and level of education.*

The report claims that, on average the cost of teaching and scholarship associated with the delivery of education represents 89% of the total resourcing universities currently receive through Commonwealth and Student contributions. As summarised in Chart 2.1 of the report, estimates are that, on average across the institutions included, some disciplines are over resourced while others are under resourced. The government has recalibrated total resourcing levels by discipline to roughly align with the report's findings.

However, the Government's reliance on this costing exercise to recalibrate resourcing levels for different discipline clusters is highly questionable. The report's own authors present the findings of the report as tentative, and specifically warn against using the findings for basing Commonwealth Grants Scheme (CGS) funding on them. The warning could not have been clearer when the authors say:

*caution should be taken in drawing inferences regarding the sufficiency of CGS funding from these results (p 34)*

The author's sensible caution is based on a number of important caveats around methodological issues involved with the collection and interpretation of the costing data provided by universities. These caveats include limitations in universities ability to report accurate cost data, issues around matching data from the top 22 fields of education provided by universities to all discipline funding cluster groupings as well as other statistical issues.

From the NTEU's perspective, as the report itself notes

*the precision of measuring staff time has arguably the most material influence on the measurement of the economic cost of teaching and scholarship (p58).*

Of particular note is the following extract from the report:

*The majority of universities (23 of 32) used workload allocation models [to calculate teaching costs], which varied in their sophistication in splitting teaching*

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<sup>10</sup> Department of Education (2019) *Transparency in Higher Education Expenditure report*, Deloitte Access Economics <https://docs.education.gov.au/documents/2019-transparency-higher-education-expenditure-publication-0>

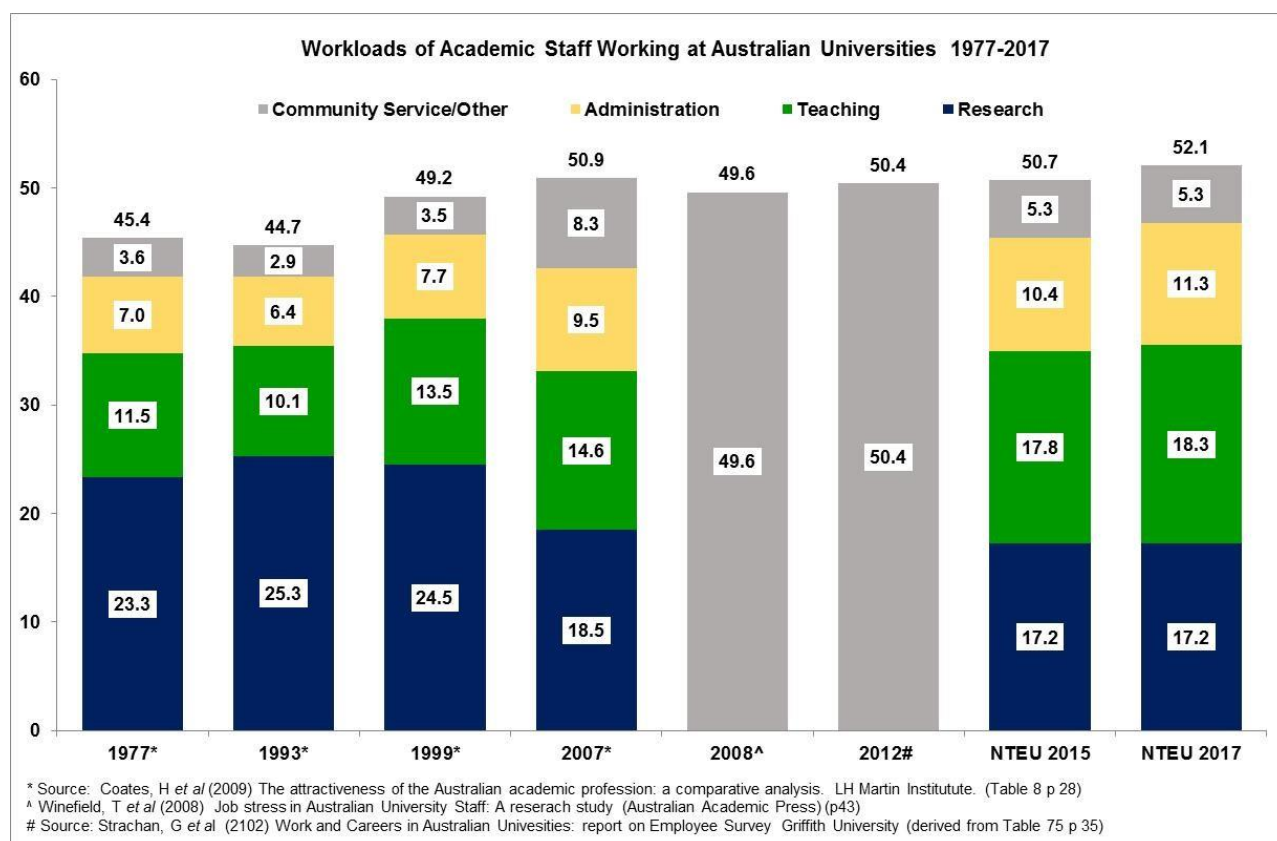
*and scholarship time from research and other activities. In very few cases universities used staff survey data that provided a relatively detailed understanding of staff time. (p58)*

Further serious limitations for some universities included:

- an inability to differentiate undergraduate from postgraduate costs
- an inability to differentiate between costs within schools or faculties and this used averaged costs across a broad range of subjects.

The NTEU knows from experience and our State of the Uni surveys<sup>11</sup> and other research that while workload models may have a role in allocating work between individuals, they have been ineffective at capping work hours. As Figure 10 (below) shows, NTEU State of the Uni surveys and other research shows the numbers of hours worked by academics working at Australian universities far exceeds standard 35 to 40-hour work week. The data shows that Australian academics on average work more than 50 hours. While the workload data from the 2019 State of the Uni Survey is still being fully analysed, an initial analysis of the data shows that 89 per cent of teaching and research academics worked more than 40 hours per week, and 30 percent worked more than 56 hours. Therefore, we are confident it will be consistent with the trends shown in Figure 10.

Figure 10



The problem with relying on workload model allocations (40 percent teaching, 40 percent research, and 20 percent administration and professional service) based on a 40-hour

<sup>11</sup> NTEU State of the Uni survey 2019 <https://www.nteu.org.au/stateoftheuni>



standard work week is that this would assume full-time teaching and research academics would spend an average of 15 hours a week on teaching related duties. In reality the data suggests they are probably spending more like 17 to 18 hours a week on teaching and therefore, thus any estimate of the cost of teaching based on 15 hours will underestimate the real labour cost teaching by about 20%. While this might not have any direct financial implications for institutions (because staff are effectively donating the extra time as unpaid overtime) the results will systematically under-estimate the real costs of teaching, which the NTEU contends is unsustainable.

This is supported by a recent analysis by Vin Massaro and reported in [Campus Morning Mail](#) which highlighted another very important limitation of the research relied upon by the government, and that is even given all of the other issues, it doesn't actually report the actual cost of educating students but rather what universities spend on educating students in different disciplines. As Massaro observes, the importance is significant because when looking at expenditures the report should try to

*measure the quality of teaching and seek to discover whether the difference in the lowest and highest expenditures leads to concomitant differences in the quality of the student outcome.*<sup>12</sup>

## Cutting Cost of Education

The Deloitte report indicates that universities have strategies they could adopt to reduce the level of expenditure on educating students. Firstly, the report reveals that the staff: student ratio is the most important driver of teaching expenditures and secondly, that courses using more casual staff are less expensive to teach. Therefore, by systematically underestimating the real costs of educating government-supported students, the new JRG funding arrangements will undoubtedly provide an incentive for universities to reduce expenditure by:

- 1) increasing average class sizes, and/or
- 2) becoming even more reliant on casual staff to deliver courses.

Such strategies have a very real danger of undermining quality of the educational experience universities are able to offer their students. The findings of a recent OECD report that explicitly warns against greater the use of temporary or short-term contract employment as cost saving measures because this has “*negative consequences for the quality of teaching and learning*” were recently highlighted in [Times Higher Education \(THE\)](#).

## Splitting Teaching and Basic Research Capability Funding

Another highly problematic aspect of the proposed funding structure for Commonwealth-supported students is that it is only intended to cover the cost of teaching and scholarship. The new structure excludes any component of that funding that has traditionally, if not

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<sup>12</sup> Massaro V., *Funding model inadequate on teaching quality and standards* July 15, 2020. Feature Story, Campus Morning Mail <https://campusmorningmail.com.au/news/funding-model-inadequate-on-teaching-quality-and-standards/>

explicitly, been understood to help cover the costs of developing and maintaining basic research capability, an issue that was directly addressed by the 2011 Base Funding Review chaired by Jane Lomax-Smith, which concluded and recommended that<sup>13</sup>:

*In providing base funding to universities, the Government should provide sufficient funds for universities to deliver high-quality teaching programs that are informed by scholarship and to maintain base capability in research and appropriately resourced facilities.*

The report notes that this implicit understanding is not based on some anachronistic belief in the teaching research-teaching nexus but it is derived from the development of the current funding arrangements out of the Relative Funding Model which explicitly included a so-called research quantum. More importantly, the report notes that such funding is important because it:

*contributes through general revenue to maintaining the capability that is needed for grant-supported research as well as supporting other research such as that of staff at an early stage of their career which is solely funded from general university funds.*

The Base Funding Review makes the point that the research supported via government supported student funding does not amount to the totality of research undertaken by our universities, which is also supported by other sources including international student fee income, competitive research grants, Commonwealth research block grants that help cover the indirect costs of research and research education and other grants, consultancies and donations from government agencies and private sources. In other words, not all university teaching and research academics require (or are able to obtain, especially given the very low success rates for competitive research grant applications) explicit financial support.

The rationale for limiting the use of financial support for government-supported students to the education of those students only, is that in doing so, universities will be made more accountable for how they use this funding. The unstated message to universities is that it would be considered inappropriate by this Government that this funding be used for anything but teaching and scholarship.

The NTEU is concerned that by removing the notional research quantum from CSP funding, universities may determine that academics who are not in receipt of external research funding will be considered to be research inactive. What these teaching and research academics often need to undertake their research is time, and university funding needs to support this as an essential component of maintaining essential research capability within our universities.

Figure 11 (below) shows Australian Bureau of Statistics (ABS) data on Higher Education Research and Development (HERD) expenditure by source of that income. It shows that in 2018 universities spent in the order of \$12billion on research, of which only 15% was

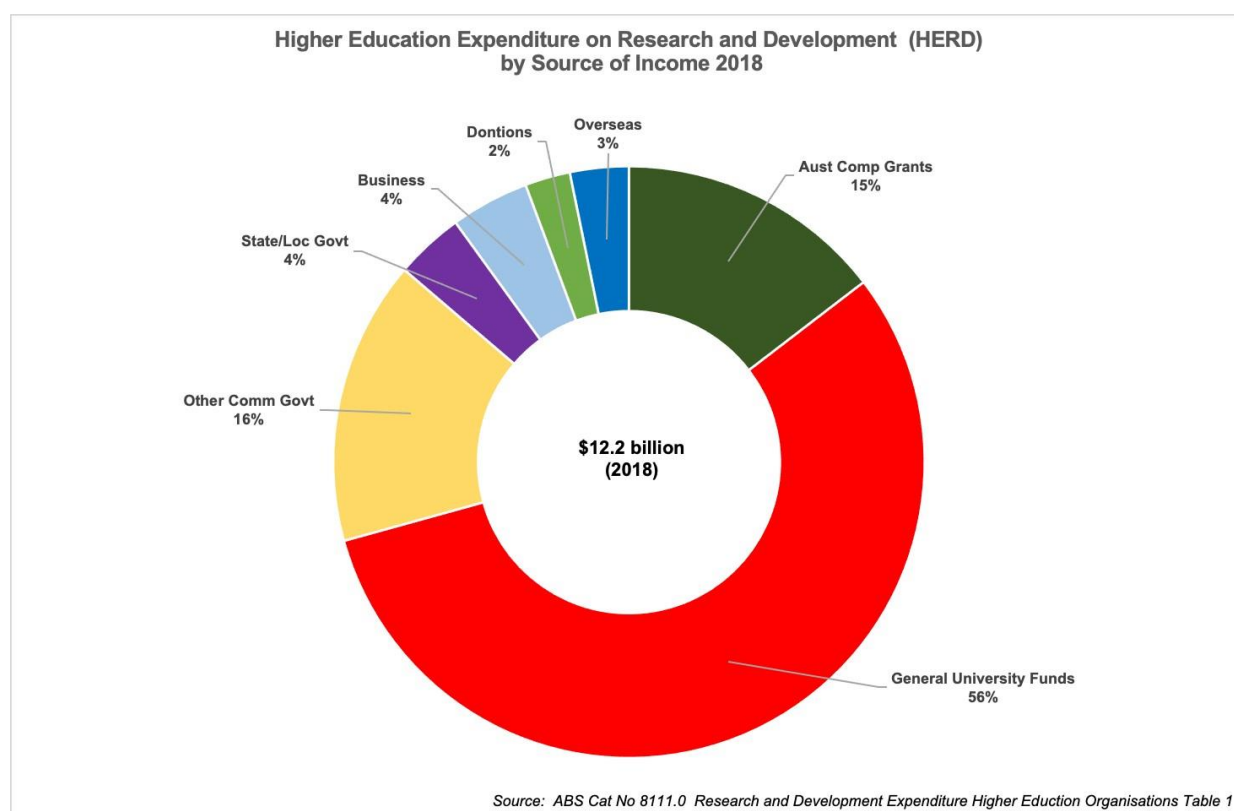
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<sup>13</sup> Australia Department of Education, Employment and Workplace Relations 2011, *Higher education base funding review: final report [Lomax-Smith Review]*, DEEWR, Canberra.

sourced from competitive research grants while well over half (56%) was sourced from general university funds, which includes income from both domestic and international students. This not only emphasises the importance of non-grant income to fund the research functions of universities, it underlines the synthesis of teaching, research and community service as part of our universities core functions. They are called universities, rather than institutes of tertiary education and research for that very reason. As the recent [Coaldrake Review Higher Education Category Standards](#) reasserted in its recommendations:

*Along with teaching, the undertaking of research is, and should remain, a defining feature of what it means to be a university in Australia (Recommendation 5).*

Figure 11



The NTEU strongly believes that limiting funding for CSPs to teaching and scholarship only will not just undermine the educational experience of students but also make it more difficult for universities to attract the best staff, especially those interesting in pursuing a teaching and research career.

The NTEU is not only concerned about the direct impacts of the proposed Bill as outlined above, but also on the potential impacts it will have on:

- an even greater reliance on insecure employment our universities, and
- an even greater reliance on overseas student fee income.

## **Insecure Employment in the Higher Education Sector**

Australia's public universities, even prior to this new Bill, are already heavily reliant on fixed term contract and casual employment – and these forms of employment are growing. However, the impact of the Bill, which would see universities required to teach more students with less funding per student, will inevitably result in universities looking for savings, noting that this would be on top of the financial pressures brought about by the COVID crisis. Indeed, the financial stress being felt in the sector has seen thousands of both permanent and contract jobs lost, in all areas, including teaching and research. The NTEU has so far tracked over 10,000 jobs lost this year alone (and the number is growing). However, we know this is an underestimation of the true numbers as universities have not quantified the number of casual appointments that have not been renewed; indeed, we estimate that this number will also be in the thousands.

The combination of COVID-19 related job losses, along with the requirement of the JRG package to teach more for less, creates a 'perfect storm' for the even greater expansion of insecure employment in higher education, noting that this was already growing at an alarming rate.

The number of casual and fixed term staff in the sector has increased by 89% since 2000, while the number of continuing staff has increased by only 49% over the same period. As Figure 12 (below) shows, together casual and fixed term staff now account for 66% of all persons working in higher education.

This overreliance on transitory forms of employment in the cutting edge of Australia's knowledge economy poses systemic risks to the sector and impacts on the lives and careers of the 145,000 staff currently engaged in insecure work in Australian Universities.

### **Trends in Higher Education Employment: 2000 to 2019**

Figure 12 shows the changes in total employment by staff headcount among the three main categories of employment. It shows that around 145,000 of the total 221,000 staff in the sector were insecurely employed in 2019, versus 76,000 out of 127,000 in 2000.

Figure 12

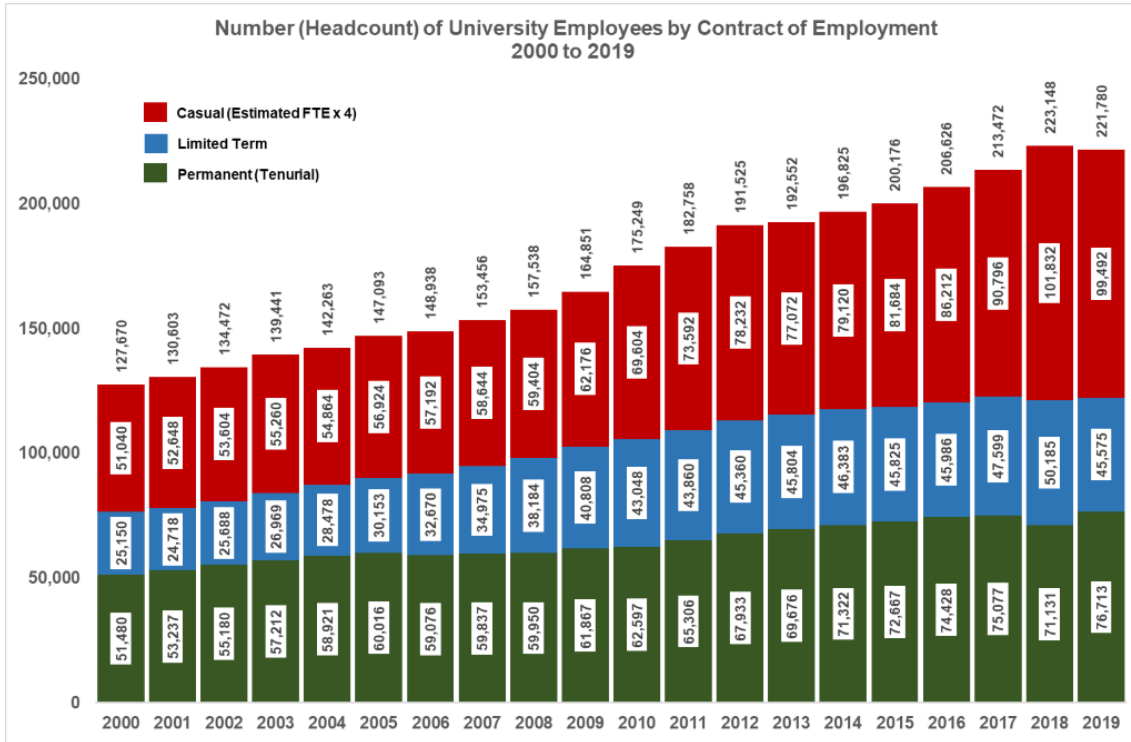
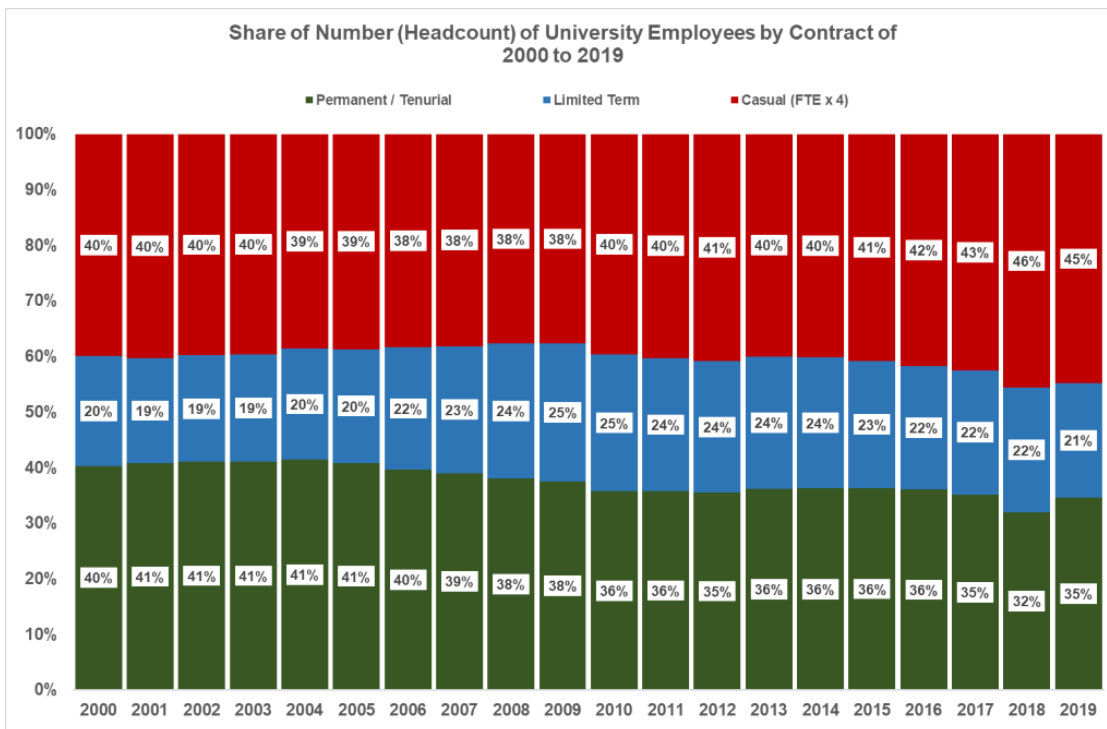


Figure 13 (below) shows this trend by expressing each employment category as a total percentage of employed persons. It shows that an estimated 66 percent of persons working in higher education in 2019 were engaged in precarious, fixed term modes of employment, versus 60 percent in 2000.

Figure 13



## **The Risks and Impacts of Greater Casualisation in Higher Education**

As outlined, the JRG funding changes will drive even higher reliance of casual teaching staff. Notwithstanding the impacts on the lives of these staff, widespread systemic use of fixed-term and insecure employment in the higher education sector poses risks for its future development as a whole. These risks include a failure to retain a new generation of knowledge workers, deterioration in the quality of human capital, decline in the quality of teaching, and erosion of the international reputation of Australian higher education qualifications.

Highly skilled workers (usually PhD holders in the case of sessional academics) are already exiting higher education due to the unfavourable nature of fixed-term and casual employment. Drawn out, intermittent employment is the standard practice in the sector and represents wasted human potential and a lost opportunity for the sector to retain expertise that has been developed through both public and private investment in PhD graduates.

In addition to this brain drain problem, there is an intimately related problem of teaching quality. Continuing academic staff are paid to perform a broad role in academia including teaching, research and community and academy engagement. They therefore build their profile and maintain their engagement with the cutting edge of their specialist fields. Casual academics, in contrast, are employed for specific hour blocks of teaching, and specific hour blocks of assessment marking. Whether they maintain their level of expertise by doing this unpaid work cannot be known. As continuing employment becomes more and more elusive, voluntary self-education among sessional academics will further decline. Importantly, it is these sessional academics that now perform the majority of face to face teaching in Australian universities and who are usually the first point of contact for students. This model therefore also impacts the reputation of Australian qualifications overseas.

Instead of addressing these issues in the sector, the total reductions in resourcing per student place implemented by this Bill will push universities to further move towards the reliance on intermittent casual employment as their main means of teaching.

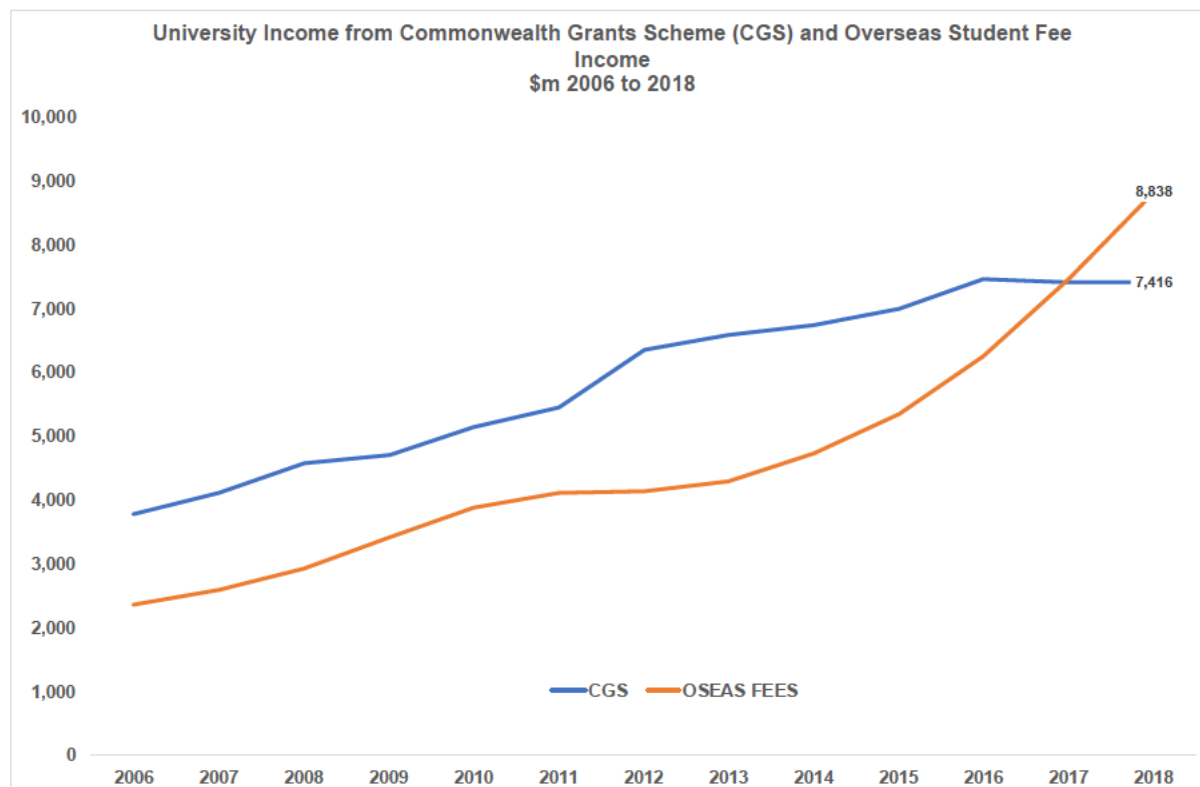
## **Reliance on International Fee Income**

COVID-19 has exposed the risk that a heavy reliance on international student fee income presents to our universities. It is estimated that our universities could lose as much as \$16 billion over the next three years as a direct consequence of border closures and domestic shutdowns resulting from COVID-19.

Figure 14 (below) shows the value of income universities received from the Commonwealth to support CSPs (distributed together with loadings through the Commonwealth Grants Scheme – CGS) and from overseas student fee income. Note this does not include the student contributions of tuition fees. As the data shows, in 2018 our universities received almost \$1 billion more in overseas student fee income than they did in the form of direct public subsidies to educate domestic government-supported students. Overseas fees income represented 26% of total income while CGS grants accounted for only 22%. COVID-19 has revealed the risks of such a high reliance on overseas student fee income in full living

colour. It is not our intention to interrogate the factors underlying this position. However, what we would say is that the cut to public investment per government-supported student being proposed in this Bill will exacerbate the reliance on international student fee income to support research and the education of domestic students. If implemented, this Bill would make our universities even more, not less, reliant on non-government sources of income, the major source of which is overseas student fee income.

Figure 14



## Student Protection Measures

According to the Explanatory Memorandum, Schedule 4 of the Bill amends the Education Legislation Amendment (Provider Integrity and Other Measures) Act 2017, that currently applies to private providers, to cover all higher education providers including public universities. These amendments will include provisions that:

- prohibit all providers from engaging in unscrupulous marketing practices,
- require providers to assess a person’s academic suitability to undertake a unit of study prior to that person receiving Commonwealth assistance for that unit,
- allow the Minister to audit all higher education providers for matters of compliance with HESA,
- enhance financial reporting requirements for, and improve assessment of the financial viability of providers,
- require all higher education providers to co-operate with HESA and Tertiary Education Quality and Standards Agency (TEQSA) investigators, and

- require all higher education providers to keep records of a kind, in the manner and for the period required by the Higher Education Provider Guidelines and publish information as required by those guidelines.

The NTEU questions the justification and necessity of these provisions for our public universities, especially in what is supposed to be risk proportionate regulatory framework. While we support greater student protection, we are concerned that the additional red tape and compliance costs associated with measures will divert scarce resources away from core teaching, research and support responsibilities. The best way to protect student interest more broadly would be through the establishment of a student ombudsman's office.

The NTEU is concerned that the motivation for extending these provisions as proposed has little to do strengthening government supported student protections but has more to do with opening up the provision of CSPs to private for-profit providers. Indeed, we note that the representative organisation for private provider employers, Independent Higher Education Australia (IHEA), has welcomed the JRG package, stating that the package 'levels the playing field' in higher education. We believe however, that the JRG package, together with other COVID-19 policy responses, tips the balance in favour of private providers and encourages further expansion. A recent media Times Higher Education report, titled: Opportunity Looms for Australia's Independent Sector<sup>14</sup> makes this observation and quotes IHEA CE, Mr Simon Finn:

*Recent rule changes have somewhat alleviated the independent sector's competitive disadvantage, with students at four private universities no longer required to pay the loan fee. More significantly, perhaps, independent providers – unlike public universities – have attracted the JobKeeper emergency wage subsidy introduced during the pandemic. Mr Finn estimated that JobKeeper was supporting some 5,000 jobs among IHEA's 70-plus members.*

*Independent colleges – unlike universities – were also given some extra funding to subsidise short online courses developed during the pandemic. They shared A\$7 million (£3.8 million) to support 1,015 places, Mr Finn said, with applications for the places "oversubscribed".*

*The Job-ready Graduates legislation has been referred for review by a Senate committee. If it passes parliament, demand on independent colleges could increase further – particularly in disciplines facing large fee hikes.*

The NTEU strongly opposes this move, given the disastrous outcomes that such a policy experiment had in vocational education and training. It is worth noting that a large part of the failure of the Victorian VET sector experiment was because private providers were given public subsidies, but 'cherry picked' the low cost/high profit courses, undercutting the public TAFEs that were required to provide comprehensive suite of course offerings, which included high cost/no or low profit courses. When the inevitable blow out of public funding occurred, it was funding for the TAFEs that was cut, further undermining their ability to

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<sup>14</sup> Ross, J. *Opportunity looms for Australia's independent sector* Times Higher Education, September 9 2020. <https://www.timeshighereducation.com/news/opportunity-looms-australias-independent-sector>



provide quality vocational education. This failed experience has shown clearly that provision of CSPs must be limited to public universities.

Two of the proposed measures under this part of the JRG package that are worth particular mention prohibit universities from enrolling a student in a Commonwealth supported place and accessing a Commonwealth supported student loan (HECs-HELP) if:

- in a bachelor degree or higher qualification, the student has undertaken eight or more units and not successfully completed at least 50 per cent of them,
- in any other case, the student has undertaken four or more units and not successfully completed at least 50 per cent of them.

The intention of these provisions is to prevent students from remaining enrolled if they have more than a 50% failure rate and are needlessly incurring HELP debts and failures on their academic record. While the Government has indicated that this measure is about 'managing risk' for the Commonwealth in terms of public investment, the actual numbers of students who would fall into this category are quite low. The other reason given is that there are concerns that students not engaged in their studies may be doing themselves a disservice and incurring significant debt by remaining enrolled. The NTEU would have more sympathy with the second reason than the first.

However, the Higher Education Standards Framework (Threshold Standards) 2015 already requires universities to have processes that identify students at risk of unsatisfactory progress and provide support to these students. As a result, all universities have policies concerning academic progression aimed at ensuring students who unable to complete a course do not continue to enrol (usually through a 'show cause' process). As noted by Andrew Norton:<sup>15</sup>

*Students who fail more than half their subjects are already at risk of exclusion. As part of the Grattan Dropping Out report research, in 2018 a colleague collated a sample of university unsatisfactory progress policies. In almost every one of them, failing more than half of subjects taken in a semester will lead to a formal intervention or warning. The others had low average marks indicators that imply subject fails. If poor performance persists, the student will have to 'show cause' why the university should not exclude them.*

However, unlike the JRG legislation which has a very limited list of exemptions, the university processes take into account the circumstances of the student and refer students who want to continue to programs and support mechanisms that will assist in their progression through their course, irrespective of their educational background, entry pathway or place of study. Norton notes:

*The government's policy links those considerations back to sections 36-20 and 36-21 of HESA 2003, with the detail in legal guidelines (draft bill page 37, section 36-*

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<sup>15</sup> Norton, A., *Should students lose Commonwealth support for failing too many subjects?* August 14, 2020. <https://andrewnorton.net.au/2020/08/14/should-students-lose-commonwealth-support-for-failing-too-many-subjects/>

*13(2)(b)). These provisions currently determine when to refund HELP debt for certain students who did not complete subjects.*

*The relevant circumstances have to be beyond the student's control and not occur, or have their full impact, until after the subject's census date. The examples given in the guidelines include: medical conditions that prevent the student completing the subject, the medical condition or death of a family member, an uncontrollable change in employment arrangements, or where the provider has changed the subject in ways that make completion difficult....*

*...These rules won't cover more general issues, such as trouble adapting to university life, or lower-level medical issues that make study more difficult but don't meet the level required for a section 36-20 HELP remission. Universities are, however, free to take these considerations into account as part of the unsatisfactory progress process.*

*I haven't seen any research that assesses outcomes for students given a second chance. But a university's judgment on the student's specific circumstances is likely to be fairer than an inflexible bureaucratic rule.*

The university experience is not always straight forward or smooth running; life events can easily derail the most dedicated of students. As a given, students who continue to meet a university's academic progression requirements should remain eligible for Commonwealth support and HELP loans.<sup>16</sup> However, the JRG legislation would effectively deny many of these students from completing their studies, especially where there is no full fee-paying option available.

The Grattan Dropping Out<sup>17</sup> report confirms that prior academic performance is predictive of completion rates and that students who have previously failed half or more of their subjects have an elevated risk of non-completion. But, importantly, research has found that more than half of the students who start a new course, despite a previous high failure rate, are eventually successful in obtaining a degree. While the provision around the 50% failure rate (as they apply to bachelor/postgraduate studies) refers to '*units of study at that provider as part of that course of study*', meaning that the student could enrol at another university or in other course, it is also these students who may be dissuaded from attempting further studies by this blanket rule.

This is not the only concern with the student 'protections' in the proposed legislation though. The universities have expressed concern that the additional measures will require further administrative costs at a time where the sector is already under severe financial stress. Were these measures required or appropriate, their inclusion could be justified. However, many are not, and some are even unenforceable.

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<sup>16</sup> It is also worth noting that Youth Allowance rules limit the amount of time students can continue to receive these benefits, thus limiting scope for failing and repeating numerous subjects.

<sup>17</sup> Norton, A., Cherastidtham, I., and Mackey, W. (2018). *Dropping out: the benefits and costs of trying university*. Grattan Institute.

One notable example is a requirement that universities assess the academic suitability of a student to undertake a unit of study before enrolling them. While universities currently assess a student's capacity for admission to course, this is not done at unit level outside of set pre-requisites where these apply (usually when specific knowledge is required). Instead, the current approach of academic progression and support where needed is a preferable way of ensuring students continue to be academically suited to their studies. However, the JRG ignores this, and instead opts for an impractical framework that cannot be effectively monitored or enforced by regulators.

Many of the provisions under the mitigation of student risk are in fact a direct intrusion of institutional autonomy, given that all universities have well established policies and procedures to identify and assistance falling to make satisfactory progress. It is also inappropriate given the differing nature of student cohorts at different universities. The NTEU is concerned that the use of such a blunt rule not only potentially disadvantages some students, but that it might also be used a lever to put pressure on staff to improve pass rates.

The NTEU believes a far better option for assisting students who have concerns or difficulties and to protect them from risk would be the establishment of a nationally based higher education student ombudsman, which could work alongside state bodies and regulators such as TEQSA. Such an entity could have broader responsibilities, and act to advocate for students in all matters of their studies.

Indeed, if the premise of the aspect of the JRG package is to further lay the ground for the expansion of private providers in higher education (as it almost certainly appears to be the case), the failed experiment in the VET sector reinforces our call for a nationally based student ombudsman and advocate in higher education.

## Conclusions

The analysis of the Government's Higher Education Support Amendment (Jobs-Ready Graduates and Supporting Regional and Remote Students) Bill 2020 (the Bill) presented in this submission exposes a highly flawed policy which should be rejected.

In opposing this Bill, the NTEU is not suggesting that the current funding arrangements are sustainable. The issue is that policy has been so poorly conceived that elements are fundamentally flawed and will worsen rather than improve the situation in our public universities. This Bill is bad for both staff and students and the NTEU is urging the Senate to give the Government the clear message that this is just not good enough.

In essence, the Bill is designed to help the Government solve two tricky policy dilemmas, namely increasing the number of government-supported places and providing additional support for regional universities, both highly laudable objectives.

However, the problem with this Bill is that it is trying to achieve these outcomes in a Budget neutral way, without spending one additional cent. Indeed, the need to maintain Budget neutrality seems to have taken precedence over all other policy and design considerations and, as a result, it has at its centrepiece proposed changes to funding that are not only

unsustainable, but ill-conceived, unbalanced, unfair, unnecessarily complex and highly confusing.

The Bill is unsustainable because it effectively cuts public investment per student by 15% and overall resourcing by about 5%. These cuts will almost certainly drive universities to increase class sizes, reduce student support services and to become even more heavily reliant on insecurely employed staff to educate government supported students. This is a real threat to the quality of student's educational experience and our capacity to undertake ground-breaking, world class research.

The cut to public funding is also likely to increase our universities' reliance on overseas student fee income, putting them at greater risk to unforeseen events such as we've seen with the advent of COVID-19.

The Bill is unbalanced and unfair because it:

- results in an overall increase in student fees of about 10%,
- results in the proportion of students paying highest fees almost doubling from 22% to 41%,
- disproportionately affects Aboriginal and Torres Strait Islander students, women and regional students,
- imposes very different fees on students studying similar degrees – a three-year BA majoring in history would be \$43,500, while a three-year BA majoring in English would only be \$11,850, and
- cuts fees for highly paid graduates like engineers but more than doubles fees for historians, politics and journalism students.

The Bill is unnecessarily complicated and confusing. For example, there are now at least four different funding rates applying to student studying psychology. The Bill also imposes new costly 'student' protection obligations on our universities.

The Bill is ill-conceived and irrational. Even considering the highly questionable rationale that changes to student fees (price) will influence student choices about what to study, the changed funding arrangements give universities conflicting signals about how many students to enrol. While the government more student to undertake, STEM, teaching and nursing degrees and has therefore cut fees, the new government contribution rates means universities will receive less to educate them. While the Government wants more students to undertake STEM, teaching and nursing degrees and has therefore cut fees, the new government contribution rates means universities will receive less to educate them.

Finally the Bill is incomplete because while it provides the legislative authority for the creation of two new 'support funds' – the National Priorities and Industry Linkage Fund (NPILF), and the Indigenous, Regional and Low Socio-Economic Status Attainment Fund (IRLAF) – it contains no detail as to how these funds will be distributed. This will be covered by regulation through Grants guidelines and not legislation.

The Bill is fundamentally flawed. It must be rejected.

## Supplementary Information

The OECD’s Education at a Glance 2020 was released on 9 September 2020.

(<https://www.oecd.org/education/education-at-a-glance/>)

The following charts sourced from this report show that:

- Australia’s **total** level of investment in tertiary education (2.0% of GDP) is above the OECD average (1.4% of GDP) [Chart A],
- Australia’s **public investment** in tertiary education (0.7% of GDP) is well below the OECD average (1.0% of GDP) and is **one of the lowest amongst all OECD countries** [Chart B],
- Australia’s **private share** of share of total investment in tertiary education is **amongst highest in the OECD** [Chart C],
- Australian students continue to **pay amongst the highest fees** to attend a public tertiary institution or university in the OECD [Chart D].

Chart A

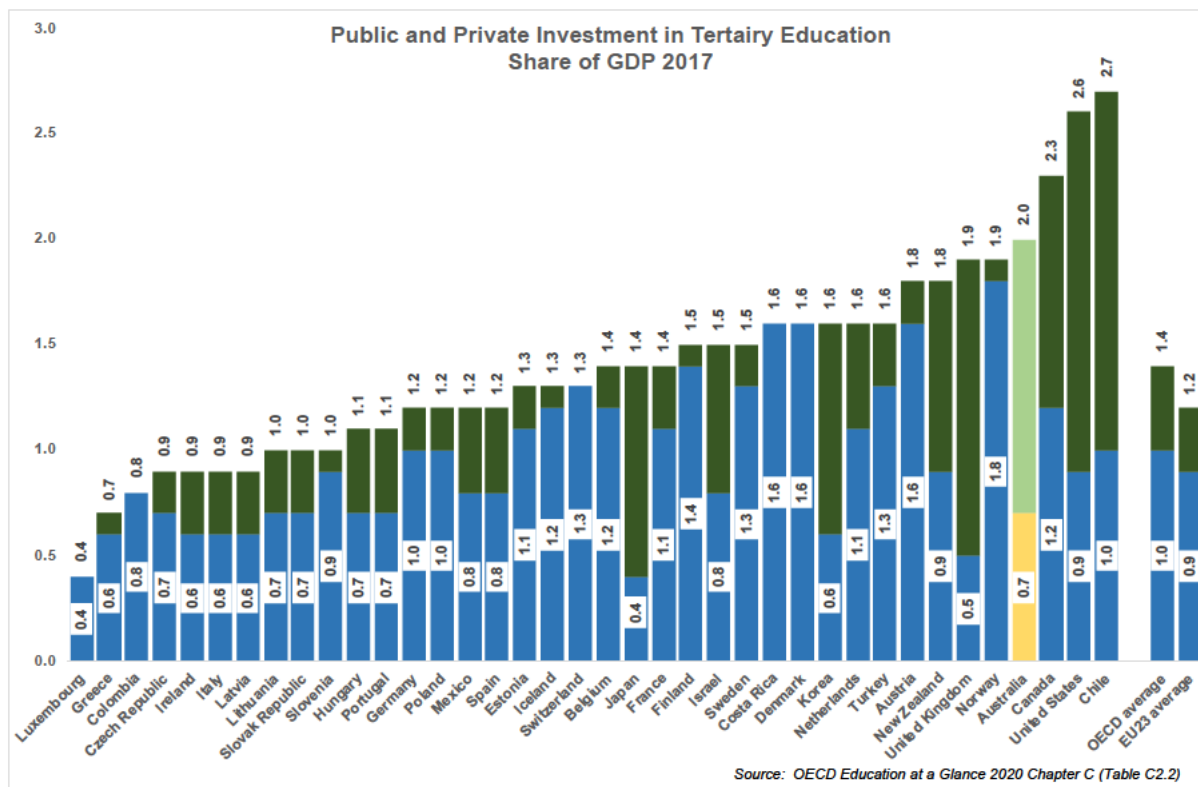


Chart B

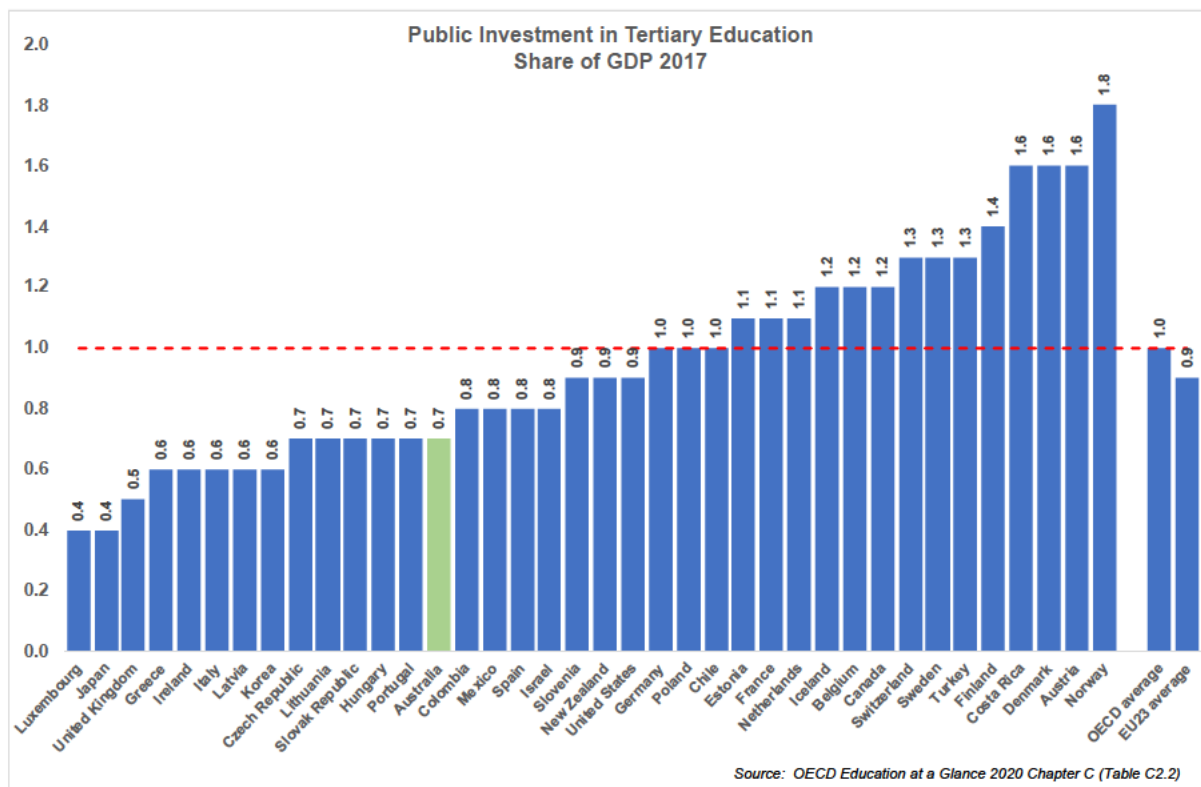


Chart C

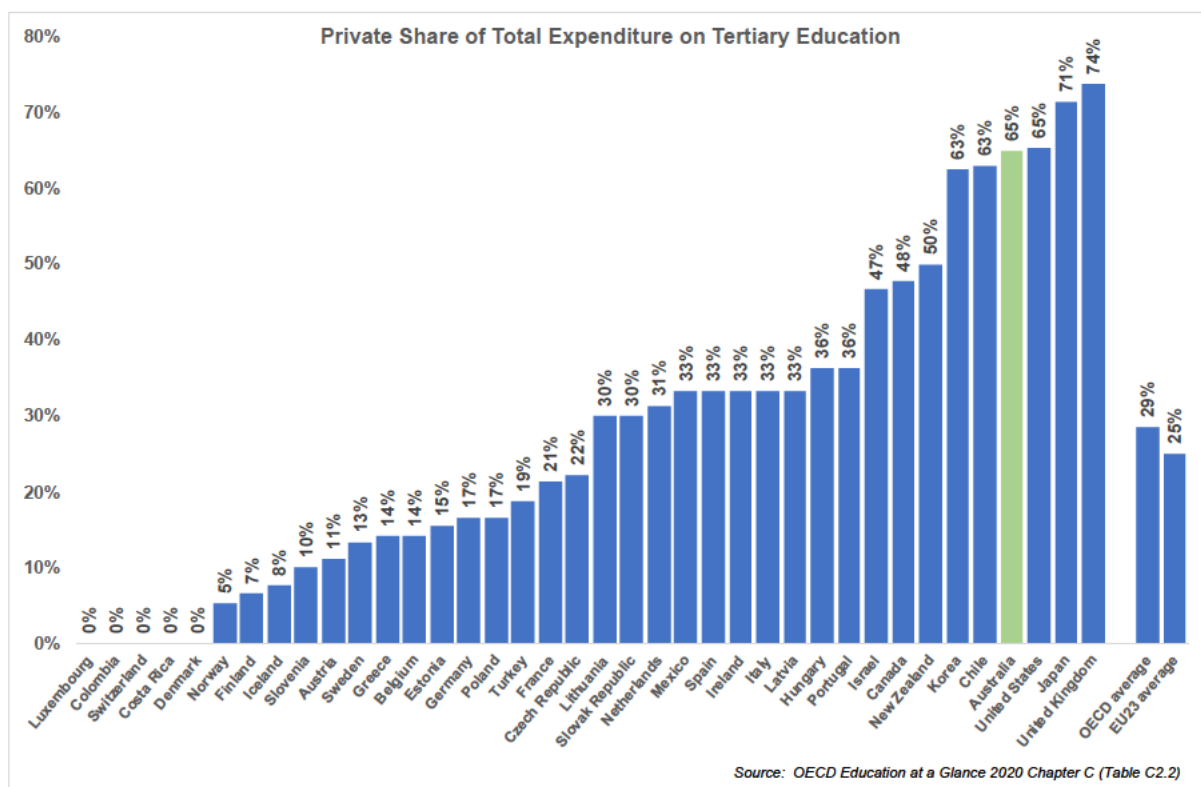


Chart D

