Griffith University submission

The Senate Education and Employment Legislation Committee

Inquiry into the Higher Education Support Legislation Amendment (A More Sustainable, Responsive and Transparent Higher Education System) Bill 2017

This submission addresses overarching concerns about the Government's Higher Education Package from a Griffith University perspective whilst lending support to the broader positions put forward by Universities Australia and the Innovative Research Universities group.

Griffith University – enabling long-term economic and social development in Brisbane, Logan, and the Gold Coast

Griffith University is regarded as one of Australia's most successful multi-campus institutions, educating more than 48,000 students drawn from a diverse catchment spanning from Brisbane city to the NSW border. Producing more than 10,000 graduates annually and undertaking world-class research, Griffith University is a comprehensive research-led institution ranked in the global top 300. The University makes a substantial contribution to the social and economic development of the regions it serves, including areas such as Logan City and the Gold Coast with traditionally low university participation rates.

The University has responded positively to Government policy agendas and budgetary cycles since the Dawkins' reforms of the late 1980s, commencing with four amalgamations in the early 1990s, absorbing the effects of fiscal contractions in the latter half of the 1990s, weathering the global financial crisis in 2007-2008, through to meeting the targets of the demand driven system. At all stages the University has acted responsibly and in a prudent financial manner – balancing the needs of successive governments, managing industry and community expectations, while responding to student demand and needs.

Griffith has adopted the same constructive approach in its response to this Inquiry. We acknowledge the need for budget repair however urge caution in dealing with legislation that contains untested proposals potentially leading to unintended consequences and closing off future options. Most institutions, including Griffith, lack the capacity to absorb the proposed funding cuts without risking the quality of teaching and graduate outcomes. This is illustrated by preliminary internal modelling which indicates the University's operating surplus achieved in 2016 would have been at risk in its entirety had the proposed changes been in effect in that year.

If passed the legislation introduces uncertainty and vulnerability within a sector that educates more than 1.3 million students and directly employs 120,000 full-time equivalent staff throughout Australia. Financial and policy stability is long overdue for a sector still absorbing the effects of policy shifts under seven Ministers over the past decade.

We seek clear and positive signals from the legislation; not ongoing uncertainty, risk and contradiction. The legislation undermines expectations for universities to be key contributors to the innovation and knowledge economy – reshaping regions and communities in an era of technological disruption and social change. For example:

1. Governments over the past decade have extolled the virtues of a differentiated higher education sector attuned to the specific needs of the regions they serve. Operating surpluses, largely generated from diverse income sources, enable universities to pursue these differentiated missions through investment in strategic initiatives. Contraction in government funding, especially when combined with one-size-fits-all budget and accountability measures, will deprive universities of strategic options and inevitably drive homogeneity within the sector.
2. Discussions are centred on the Commonwealth Grants Scheme, student contributions and related policy measures. The package is silent on research, capital investment, engagement and impact – therefore failing to account for the full range of contributions that universities make to their communities in driving innovation, economic development and social benefit.
3. The suggestion that cutting Government expenditure and raising student contributions can accompany an improvement in teaching quality and graduate outcomes is deeply flawed and misinterprets the true nature of university finances. The legislation, even with suitable amendments, is likely to result in policy failure in the pursuit of these objectives.
4. The proposal to introduce a voucher system for postgraduate scholarship allocation system takes Australia into unchartered territory. While reducing the overall allocation by 3,000 places, the Government is then placing blind faith in a centralised and over-engineered scholarship allocation system while seemingly relying on market forces to determine the distribution amongst universities and regions. University experience suggests that the majority of postgraduate coursework students are constrained by where they live. There is no defined scholarship allocation body, inadequate time for universities to prepare, and no market testing of this proposal.

Are we engaging in the right discussion?

The Higher Education Reform Package is primarily a budget repair package with a component of higher education policy reform. The package focusses almost exclusively on teaching, with little said about research, innovation and engagement. The question of who pays is reflected in the ongoing policy debate around balancing public (national) versus the private (individual) benefit, and determining the right mix of private and public contributions toward university education. This includes the total quantum of payment, with an explicit assumption that the total quantum is now too much.

The real focus of higher education policy conversations should be:

- How do we grow and support the future development of this nation-building sector?
- What is the role and shape of universities in the coming decade?

The Senate needs to assess the legislation in this light, understanding that the package is unlikely to lead to a more sustainable or responsive higher education sector.

Griffith UNIVERSITY

The role of surpluses in the achievement of university missions

Universities like Griffith have done precisely what has been asked by successive Governments in terms of income diversification by conducting more industry-sponsored research, attracting international research funding and scholarships as well as philanthropic donations and other end user contributions, most notably, international student fee income. As reported by Deloitte Access Economics the net operating position of Australian universities stood at $1.7 billion in 2015 which is around 6% of total revenue ($28.1 billion) – down from 9% of total revenue in 2010.

The sector has already contributed $3.9 billion toward budget repair since 2011-2012 including abolishment of the Capital Development Pool, removal of performance funding, and cuts to the Sustainable Research Excellence scheme. This does not include the re-purposing of the $3.7 billion Education Investment Fund.

Surpluses are required to maintain university capital assets, fund growth and insulate the sector from external impacts – they are not profits. As an example, Griffith's Gold Coast campus provides ample evidence of the transformational benefits of carefully investing surpluses over more than a decade. Griffith University has also invested significantly into enhancing the student experience and graduate outcomes as reflected in its Employer Satisfaction Survey 2016 where 94.1% of supervisors considered that a Griffith qualification prepared its graduates for employment. On the research side, the University has invested more than $60 million since 2010 into 12 areas of strategic investment aimed at enhancing research quality and shaping its distinctive contribution to the regional and national economies in areas such as tourism, education, criminology and crime prevention, water science, clean energy, health and chronic diseases.

The University is also a major sponsor of the 2018 Commonwealth Games and in doing so lends its expertise to the creation of legacy benefits and opportunities for the City of Gold Coast following the Games. This partnership also includes staff secondments and student internships to contribute directly to the Games' success, research opportunities from exercise science, economic development, tourism, and creative arts contributions throughout the GC2018 program including the opening and closing ceremonies.

Removal of the capacity to maintain surpluses will deprive universities of the means to fund programs of teaching and research excellence that give Australia one of the best higher education systems in the world.

Impact of the efficiency dividends

While it is correct that universities are achieving budgeted surpluses, this is insufficient justification for efficiency dividends. The implicit message to the sector is that the more successful universities are in achieving income diversification the more likely that Governments will reduce their contribution. Internal modelling based on a 2.5% efficiency dividend in each of 2018 and 2019, results in a reduction to Griffith's funding of an estimated $6.7 million in 2018 and $13.2 million in 2019 – affecting the base for future years. This is roughly equivalent to the total amount Griffith has raised from philanthropic donations over the past two years – potentially acting as a disincentive for donors to engage with the sector and counter to policy measures endorsed by the Coalition Government in 2007 under the Higher Education Endowment Fund.

The opportunity cost to Griffith of this ongoing reduction in the CGS is substantial, curtailing investment into student facilities and resources and potentially undermining the quality of teaching and student outcomes. The logical reaction by the sector would be to seek alternative sources of revenue such as international student fee income. While this would not be at the expense of domestic places it potentially undermines on-going university initiatives to raise the quality of international admissions – something essential to maintaining the reputation of Australia's $21.8 billion education export industry.

Subsidisation of student learning from alternative income sources also curtails institutional ability to invest in regional economic development such as the Gold Coast Health and Knowledge Precinct planned from 2018. Also under threat is Griffith's $10 million annual investment into doctoral scholarships, an initiative aimed at producing graduates capable of creating new industries and employment opportunities in locations such as Logan and Gold Coast.

New arrangements for HELP repayment thresholds and student contributions

Griffith University accepts the need to relieve pressure on the HELP scheme but is concerned with the proposed $42,000 lower threshold. Even if this measure is implemented in its entirety as proposed in the package, the additional repayments by 183,000 debtors will do little to shift the $47.8 billion owing as at 2016. This measure is to some extent symbolic and yet runs a very real risk of sending unanticipated market signals.

While various studies suggest little market sensitivity to changes in the threshold, higher education participation rates vary sharply across Australia. In the 2011 census, the bachelor degree attainment rate for the Gold Coast for 25-34 year olds stood at 24% in stark contrast to Brisbane with 44%. The demand driven system has not only opened up access to university for Gold Coast residents but has allowed Griffith to provide a comprehensive range of courses necessary to support a city of 570,000 residents. Although improved participation rates are expected in the 2016 census results, development of the Gold Coast campus and a culture of higher learning within the Gold Coast community remains a work in progress.

Griffith opposes any lowering of the HELP repayment threshold to negate the potential for negative signals in markets with low participation rates including rural and disadvantaged regions. In addition the argument in favour of additional student contributions ignores the fact that university graduates will on average pay an additional $400,000 in taxes from gross income over their lifetime. According to Grattan Institute analysis of the 2011 Australian census, the median male bachelor-degree holder has lifetime additional earnings of $1.4 million, compared to the median male who did no further education after Year 12 – reducing to around $900,000 once education expenses and taxes are removed. For women the estimated lifetime earnings premium is just under $1 million, compared to the median female who undertook no further education after Year 12 – reducing to around $700,000 once education expenses and taxes are removed.

Can transparency and accountability be achieved in the absence of a 7.5% performance-based element to the CGS?

The University sector clearly supports increased transparency and accountability however questions the need for this to be tied to base funding. This measure suggests a failure to appreciate that universities have a historically strong commitment to their communities to social inclusion, transparency in admissions, teaching quality, and graduate outcomes. Stakeholders already demand more of the sector and it is unlikely that performance-based funding embedded within the base funding will achieve much more than additional budget uncertainty. The very logic of paying universities less and charging students more in the hope that quality will improve is deeply flawed.

This measure introduces additional red tape and compliance costs with no net budget impact. The major impact on individual universities will be dealing with the possibility of a 7.5% base funding reduction in budget modelling – approximately $20 million per annum for Griffith.

A solution without a problem – Scholarships for Postgraduate Coursework Places

This is the most complicated and challenging measure within the package. The Government is correct that the allocation of postgraduate coursework places has happened in a piecemeal fashion yet it could equally be argued that universities have sought allocations on the basis of previous Government signals for a more differentiated sector (e.g. Melbourne Model).

As highlighted earlier, the proposal to introduce a voucher system for postgraduate scholarship allocation system takes Australia into unchartered territory, opening up the potential for return to some form of Commonwealth scholarship system for undergraduate places. While reducing the overall allocation by 3,000 places, the Government is then placing blind faith in a centralised and over-engineered scholarship allocation system while relying on market forces to determine the distribution amongst universities and regions.

In the absence of detail about how scholarships might be allocated to address national priorities, which body would administer the scheme, and how students would be selected, Griffith considers the proposal to be unnecessary and over-engineered for little benefit to the students or institutions in their planning.

The university sector is however willing to engage in discussions to address the Government's concerns around inequities in the allocation of these places in the national interest.

Permanent residents and New Zealand citizens

Griffith University currently educates greater than 1,100 permanent residents and New Zealand citizens and is highly exposed to any unintended consequences of the proposed measure. The University has been advocating for fairer access to higher education for Australian resident New Zealand citizens, for a number of years particularly in relation to students from low socio-economic (low-SES) backgrounds. Griffith's widening participation outreach work in the Logan and Gold Coast regions involves working with schools where up to 20% of students are Maori and Pacific Islanders who have migrated to Australia as New Zealand citizens. In Griffith's catchment areas, many of these students are low-SES and are therefore averse to incurring substantial debts in deferred fees, running counter to ambitions to increase participation in tertiary education among people from low-SES backgrounds.

The great majority of these students are more akin to domestic students than international. They are likely to be long-term Australian residents along with their families, work and pay taxes in Australia, and make other valuable contributions to Australian life. The proposed changes are neither good long-term social policy nor do they make financial sense when we consider that on average these graduates will pay an additional $400,000 in taxes from gross income over their lifetime.

In announcing the proposed changes, the Government also estimated enrolments from New Zealand citizens and Australian Permanent Residents would increase by up to 60,000 equivalent full time students. However, this scenario appears to be highly unlikely given the reaction to the proposed changes from affected New Zealand citizens and permanent residents.

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