

HIGHER EDUCATION REFORM PRIORITIES

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CONTEXT

In its report, *Australia's future workforce?*, the Committee for Economic Development of Australia (CEDA) highlighted the significant changes likely to affect the Australian workforce over coming decades as a result of technological change. This report indicates that some 40% of the workforce may be replaced by technology in the next 10 to 15 years. It highlights the shift to high skilled jobs and the need for workforce innovation¹.

The future prospects for the Australian economy and business and industry depend, more than ever, on having a highly skilled workforce that is able to respond flexibly to an increasing global market, the growing pace of technological change and the need for ongoing innovation.

To meet these future skills needs, Australia needs to continue to develop its world-class tertiary education sector with reforms that are focused on the needs of industry and students - that offer the flexibility and choices necessary to respond to these diverse needs.

It is important that access is available to all Australians seeking a tertiary education regardless of their financial situation. Funding that is fair for students and sustainable for taxpayers is pivotal. Funding must support flexibility, diversity and choice across Australia's tertiary education sector.

To meet these future skills needs, Australia needs to continue to develop its world-class tertiary education sector with reforms that are focused on the needs of industry and students - that offer the flexibility and choices necessary to respond to these diverse needs.

¹ CEDA, [Australia's workforce future?](#), June 2015

The need for reform

Australia has a vibrant, quality higher education sector that comprises 129 providers, in addition to its 43 universities, that can play an important role in supporting these priorities. Current policies, however, add heavy student loan fees to those students who choose private providers and access the Higher Education Loan Program (HELP) to finance their undergraduate studies. No such fees apply to similar public university students. They also largely restrict Commonwealth funding support to students enrolled with public universities.

These policies simply discriminate against and financially disadvantage students who choose a private provider. They also limit the opportunities to ensure higher education sector funding is efficient and targeted to the real needs of students, industry and the economy.

In the 2014-15 Budget the federal government sought to address these shortcomings as part of a broader higher education reform package. Significant concerns with the proposed 'deregulation' of student fees meant the reform package was largely not supported by the Parliament.

In May 2016 the federal government released the *Driving Innovation, Fairness and Excellence in Australian Higher Education* consultation paper². That paper outlined the case for funding arrangements that support the best higher education choices for students, industry and the national interest.

² Department of Education and Training (a), [Driving Innovation, Fairness and Excellence in Australian Higher Education](#), May 2016, Australian Government.

That paper also articulated that there should be no perverse incentives for students to choose a VET course over a higher education course or vice-versa. But that's exactly the current situation with VET participation and enrolments in decline. The National Centre for Vocational Education Research (NCVER) reported Government-funded VET enrolments declined 10.7% from 2014 to 2015³. VET and higher education should be funded so that students and industry can choose the most appropriate study and skills development pathway - not one determined by available funding.

As the Government looks to progress its higher education reforms, it is important that these policy and funding inconsistencies are addressed. It is also recognised that necessary reforms must ensure sustainable and affordable funding for students and taxpayers.

³NCVER, [Government-funded students and courses 2015](#).

Australia's non-university higher education institutions

As noted above, the higher education sector comprises 129 non-university higher education providers (NUHEPs) in addition to the 43 universities⁴. All are required to comply with the Higher Education Standards (Threshold Standards) 2015 and are regulated nationally by the Tertiary Education Quality and Standards Agency (TEQSA).

The latest financial data from TEQSA indicates the NUHEPs had total higher education revenues of \$1.4 billion in 2015⁵.

Public university enrolments have grown rapidly over the last quarter century and especially with demand driven growth in Commonwealth Supported Places. The Government's May 2016 higher education consultation paper highlighted domestic enrolment growth from 420,000 in 1989 to just over 1,000,000 in 2014⁶.

The restriction of government funding largely to domestic students enrolled in eligible bachelor degrees with public universities and the discriminatory student loan administration fees are reflected in their dominance of enrolments. The private universities and NUHEPs accounted for only 75,000 (7.1%) of the 1.046 million domestic higher education enrolments in 2015⁷.

Notwithstanding this lack of funding support, private university and NUHEP domestic enrolments grew by 5.3% over 2015 compared to 1.8% for public universities⁸.

The NUHEPs are small institutions relative to their university counterparts. Whereas all but four universities reported more than 5,000 equivalent full-time students, no NUHEP had this many students in 2014. Ninety-nine (99) NUHEPs had less than 1,000 students with half of those (47) having less than 100 students⁹.

With their smaller size, together with smaller classes and high levels of support, NUHEPs provide real alternatives and choices for students seeking to access higher education. Many focus on limited fields of education with courses targeting the special needs of their students and industry. This includes fields such as theology, applied psychology, creative industries, health and public safety.

The latest national Quality Indicators for Learning and Teaching (QILT) data indicates that NUHEP's overall student experience satisfaction is on par with the universities (78% vs 80%)¹⁰. Graduate outcomes surveys also indicate the strong performance of NUHEPs in meeting the expectations of their graduates.

ACPET

Established in 1992, the ACPET is the national industry association for private providers of tertiary education and training in Australia. It celebrates 25 years of supporting the sector in 2017.

ACPET has around 1,300 members nationally who deliver a range of vocational education and training (VET), higher education, and English language programs across all states and territories, and internationally.

⁴ TEQSA, [National Register for higher education providers](#), Accessed January 2017.

⁵ TEQSA, [Key financial metrics on Australia's higher education sector](#), December 2016, p12.

⁶ Department of Education and Training (a), *op cit*, p6.

⁷ Department of Education and Training (b), [Selected Higher Education Statistics - 2015, Student data](#).

⁸ *Ibid*.

⁹ TEQSA, [Statistics Report on TEQSA Registered Higher Education Providers](#), 2016, p6.

¹⁰ QILT, [2015 Student Experience Survey National Report](#), February 2016, p18.

SUMMARY OF PRIORITIES

Consistent and affordable HELP arrangements

- Consistent HELP loan administration fees should apply for all students regardless of their higher education provider.
- The income threshold for repayment of HELP loans should be reduced to around \$42,000.

Equitable access to Commonwealth Supported Places

- Commonwealth Supported Places assistance should be extended to students enrolled in eligible courses at all registered higher education providers.
- This assistance should be extended to sub-bachelor degree higher education courses.
- This assistance should be demand driven.

An integrated tertiary education funding model

- An integrated tertiary education policy and funding framework is required.

KEY POLICY PRIORITIES

Consistent and affordable HELP arrangements

As highlighted above, students enrolled with NUHEPs are not eligible for any government tuition subsidies. This means they need to finance the full cost of their course. Where their provider is approved, they are eligible to access a HELP income-contingent loan (FEE-HELP) to help fund their student fees. If undertaking an undergraduate course they incur a 25% administration fee on these loans. These fees alone can add \$14,000 to the cost of a performing arts degree, for example. These fees are not paid by public university undergraduate students accessing HELP loans (HECS-HELP). This discriminatory loan fee is clearly not defensible.

In 2016 these undergraduate FEE-HELP loan fees were in the order of \$135 million¹¹. They financially penalise these students for their choice of provider.

The Grattan Institute has recently articulated a proposal for a universal 15% HELP loan administration fee for all students (including public university students) to support the program's long-term financial sustainability and address the inequity in current arrangements¹².

Other reports by the Grattan Institute¹³ and the Parliamentary Budget Office¹⁴, in particular, have highlighted the need for

reform of the current HELP arrangements that reflect labour market and higher education policy settings of three decades ago. The structural changes to the workforce, together with moderating graduate career outcomes and incomes, means that lower HELP repayments are likely to add significantly to the Government's cost of servicing an increased loan portfolio over the next decade.

These structural changes also mean, for an increasing proportion of students, the price 'signals' that influence decisions to undertake higher education versus other study and career options have also been weakened.

Noting the income repayment threshold of the United Kingdom and New Zealand, minimum wage rates and the income thresholds for persons receiving social security benefits, the Grattan Institute proposal to reduce the income threshold to around \$42,000 per annum, along with a lower initial contribution rate, has merit¹⁵.

- Consistent HELP loan fee should apply for all students regardless of their higher education provider.
- The income threshold for repayment of HELP loans should be reduced to around \$42,000.

¹¹ Norton, A and Cherastidtham, I, [Shared interest: a universal loan fee for HELP](#), December 2016, Grattan Institute, p42.

¹² Ibid, p38.

¹³ Norton, A, [HELP for the future - fairer repayment of student debt](#), March 2016, Grattan Institute.

¹⁴ Parliamentary Budget Office, [Higher Education Loan Programme - Impact on the Budget](#), Report no 02/2016, Commonwealth of Australia.

¹⁵ Norton, A, op cit, p28

Equitable access to Commonwealth Supported Places

As highlighted in the Government's 2016 consultation paper, the current higher education funding system largely restricts demand driven funding to domestic students enrolled in eligible bachelor degrees at public universities¹⁶. Students at other providers essentially are required to meet the full costs of their study. This means, for example, a student completing a performing arts degree with a private provider can face tuition fees \$38,000 more than their university counterpart. As with the loan administration fee, this simply penalises students whose study and career aspirations are best addressed by enrolling with a private higher education provider. They either must forego their preferred course or incur the full costs of their study and significantly greater debt. Once again this is simply inequitable and cannot be defended.

The disparity in funding arrangements also mean bachelor degrees are preferred over other sub-bachelor degree options (diplomas, advanced diplomas and associate degrees) that, once again, may be more suited to the academic needs of students and their career aspirations and the needs of the labour market and economy. These study options also generally cost less.

One of the many benefits of an expanding higher education sector is the potential to provide access to students from more diverse backgrounds and economic circumstances. Unfortunately, the disparity in persons from disadvantaged backgrounds accessing higher education has not been adequately addressed by the strong growth in enrolments at universities¹⁷. Participation by all

disadvantaged and under-represented groups at public universities lag significantly relative to their proportion in the general community.

There is a need to increase the availability of courses that respond to student needs and maximise the chances of successful higher education participation. Similarly, these courses need to be delivered by providers that have the capacity to respond to student needs. As noted earlier, NUHEPs are generally much smaller than universities making them well placed to offer this tailored support. Equitable access to government funding, through Commonwealth Supported Places (CSPs), should be available to all higher education students regardless of their provider. This will help ensure students are able to make the best decisions in terms of meeting their academic and career aspirations and needs of the labour market.

Extension of CSPs to less costly sub-degree courses would also have financial benefits for students and taxpayers.

- Commonwealth Supported Places assistance should be extended to students enrolled in eligible courses at all registered higher education providers.
- This assistance should be extended to sub-bachelor degree higher education courses.
- This assistance should be demand driven.

¹⁶ Department of Education and Training (a), p11.

¹⁷ Ibid, p13.

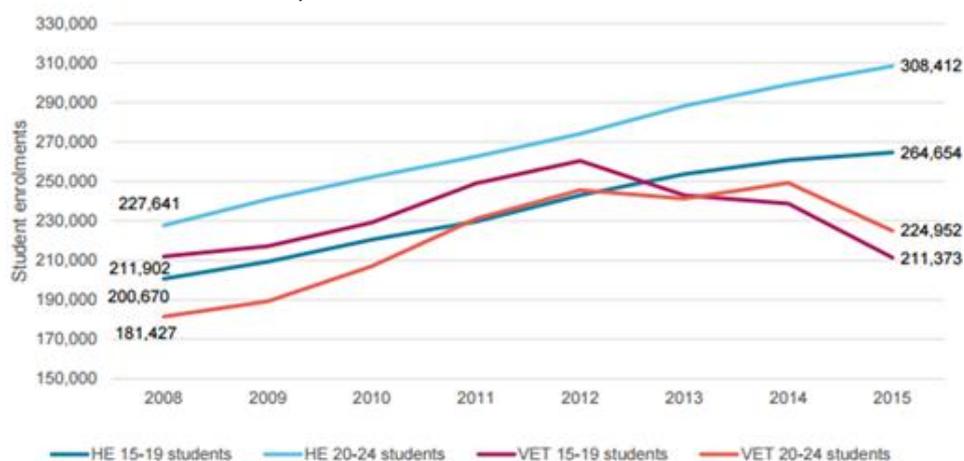
An integrated tertiary education funding model

The federal government's 2016 consultation paper identified the need for all Australians with the ability and motivation to succeed in tertiary education to be supported - there should be no perverse incentives for students to choose a VET course over a higher education course or vice-versa.

Unfortunately, the funding and governance arrangements for Australia's tertiary education system features some very strong perverse incentives that are evident in the relative performance of the VET and higher education sectors.

Largely as a result of state and territory funding restrictions, current arrangements drive a preference for higher education courses over VET. This is not in the best interests of students, industry or taxpayers. Funding availability should not be the deciding factor in addressing workforce skill needs.

The Mitchell Institute has starkly outlined in the graph below the impact of current VET funding arrangements that has seen enrolments decline in recent years, at the



same time higher education sector enrolments have grown significantly¹⁸. The Productivity Commission has highlighted a 31 per cent decline in VET real recurrent funding over a decade¹⁹.

Clearly, this widely acknowledged failure in VET sector governance and funding needs to be addressed in order to have a tertiary education sector that best meets the needs of students, industry and the Australian economy. Indeed, the future arrangements for higher education should not be considered in isolation of the VET sector. As the Mitchell Institute argues, there is a need for a coherent overarching tertiary education policy and funding framework supported by an independent tertiary education financing authority²⁰. The continuation of the silo approach to VET and higher education funding must be addressed.

- An integrated tertiary education policy and funding framework should be developed.

¹⁸ Noonan, P, [A new system for financing Australian tertiary education](#), September 2016, Mitchell Institute, p6.

¹⁹ Productivity Commission, [Report on Government Services 2016](#), Vol B, p5.32.

²⁰ Noonan, P, op cit, p10.

THE 'BOTTOM LINE' IMPACT

Current government policies largely deny any government tuition support for students enrolled with private higher education providers and then charge their undergraduate students a 25% administration fee if they access FEE-HELP to meet the cost of their studies.

Public university students not only have their tuition fees subsidised by the Government

(through Commonwealth Supported Places) but do not pay any administration fee on their loans to meet their (reduced) tuition fees.

The following table highlights the real financial impact of this inequity for students who choose to study with a private higher education provider.

Field	Course	HELP debt for public university student (\$) *	HELP debt for private provider student (\$) **
Business and Management	Bachelor Degree - 3 years	31,788	47,568
Education	Bachelor Degree - 4 years	25,396	85,220
Religious Studies	Bachelor Degree - 3 years	19,047	45,593
Performing Arts	Bachelor Degree - 3 years	19,047	71,213

*Assumes all units from the field and maximum contribution amounts. Source: [DET 2017 Allocation of units of study to funding clusters](#)

**For comparability assumes same student tuition fees