Business needs for an effective higher education sector

Australian Council for Private Education and Training

18 October 2011
Introduction

The higher education sector plays a vital role in providing business with the required talent, knowledge and capabilities to support Australia’s future productivity and economic prosperity. Businesses rely on the higher education sector to ensure graduates are equipped with the relevant workforce skills to support business growth and competitive advantage.

The higher education sector has recently gone through a period of significant change with a shift to demand-driven funding for universities and broader reforms to improve participation in higher education. The resultant policy settings have a strong focus on increased participation, however the extent that the policy setting supports business needs requires further consideration.

Analysis of the higher education system and business requirements suggests that:

1. higher education is essential to provide businesses with the skills, knowledge and capacity to operate effectively
2. opportunities exist to better align higher education outcomes with business needs
3. a higher education sector with the diversity to match the varied needs of business is required
4. a mature private higher education sector is well positioned to increase diversity and support enhanced educational outcomes.

These points are discussed in more detail below.

Higher education is essential to provide businesses with the skills, knowledge and capacity to operate effectively

Business relies on the higher education sector to provide a steady supply of graduates to meet the growing demand for individuals with diploma and degree level qualifications to work as professionals and semi-professionals (Skills Australia, 2010). In an increasingly globalised world, human capital is a key differentiating factor for business to drive productivity (Jones and Romer, 2010). Therefore, beyond meeting the required numbers, business needs high quality graduates with strong technical skills, knowledge and adaptability.

The effectiveness of the higher education sector from a business perspective is captured in the relative global ‘employability’ of higher education graduates (World Economic Forum, 2011). To produce graduates with high quality technical skills and relevant knowledge, businesses need higher education institutions to:

- provide top quality teaching and learning to equip students with knowledge and capabilities relevant to the workplace
- be responsive to external environment and market demands by involving business in curriculum design to ensure education outcomes are value adding (Business Council of Australia, 2011)
- be rigorous in the revision of curriculum to remain up-to-date with the latest developments and innovations
- produce graduates who will enter the workforce with fresh ideas and new knowledge of technologies and practices, to increase the potential for innovation in the form of new products and services.
Due to the increased mobility of talented professionals and the uncertainties of the rapidly changing future, businesses recognise the benefit of employing higher education graduates with a strong set of generic skills (Service Skills Australia, 2011). As well as being highly technically skilled, businesses seek graduates who are able to think deeply and expansively, critically analyse problems and issues and readily adapt to different contexts and challenges. This includes the ability to work well in a team, communicate and negotiate effectively and possess sound technology and organisational skills. These skills increase graduates’ ability to employ discipline-specific knowledge and technical capabilities effectively as well as contribute positively to collaborative projects and relationship building (BCA, 2011).

Graduates who are able to contribute on a world scale are equally sought after by businesses as they increasingly identify international opportunities. The ability to work in international teams, cross-cultural knowledge and a global perspective is therefore valued highly by business (BCA, 2011).

A higher education that is attuned to the needs of business and the economy also offers many benefits to individuals. A higher education qualification is more than a ticket to a job. Skills acquired by an individual transcend a single employer. Life skills such as learning and higher level arithmetic, reading and writing will not only enable individuals to contribute to the economy, they will support more effective participation in society. Business insight ensures curriculum remains relevant to the workplace and the broader public.

**Opportunities exist to better align higher education outcomes with business needs**

The current policy settings for higher education have a strong focus on increased participation in order to meet the forecast future business demand for graduates, specifically through uncapping enrolments in Commonwealth supported places for universities and boosting participation by low SES students (Australian Government, 2009).

These policies represent a first step towards a demand-driven funding model in support of a greater ‘client focus’ or ‘citizen centric’ approach to service delivery. Such a model is intended to reward providers that have a compelling course offering, enabling them to grow their student cohort in line with capacity rather than artificial constraints. For students and businesses it is intended to promote greater choice and responsiveness in the education market, enabling learning to be tailored to their diverse needs.

For businesses, such a move is favourable as it increases the available pool of graduates to address future demand. The risk however, is that the narrow application of this model (universities only) will mean that growth in numbers will come at the expense of quality and diversity in the higher education sector and at an increased cost to Government and tax payers, including business. The implementation of the policy (through fee capping, the abolition of full fee places and quarantine of subsidised places to universities) provides a strong incentive for universities to adopt a volume margin business where they maximise enrolments due to an inability to realise a fee premium for quality. The incentive to run courses at maximum capacity also has the potential to compromise quality as overcrowding dilutes the level of teaching and learning. Ultimately this has implications for business, through lower quality graduates or reduced supply, as struggling students drop out due to an inability to get the required level of support.

The current policy settings also have the potential to drive homogeneity within the higher education system in course offerings and outcomes. Historically universities were obligated by the funding agreement to maintain unprofitable courses through cross-subsidisation. The current policy settings have changed this. The current model encourages and enables some universities to exit niche courses.
where delivery costs are high in favour of more generic qualifications. Business needs however are heterogeneous with their needs likely to vary significantly from business to business.

An unintended benefit of this approach is the increased value to universities of international students as they seek alternative sources of revenue. The presence of international students is a valuable approach to enhance the global awareness and capabilities of graduates. International student mobility programs such as the DEEWR funded international student exchange program and study overseas short-term mobility program, which subsidises costs of participating in overseas mobility experiences, further support this process.

**A higher education sector with the diversity to match the varied needs of business and individuals is required**

The key challenge for further reform is to establish a higher education sector with the diversity to match the varied needs of business and individuals. Such a sector is essential to Australia’s future economic prosperity.

Opening higher education to greater competition between providers on course quality and fees is one possible solution as it will enable the higher education sector to be more responsive to student and business needs. Specifically it will enable the higher education sector to:

1. reduce drop-out rates to increase the supply of graduates through more targeted responses to higher need learners
2. diversify learning outcomes to ensure graduates possess the right skills for their potential employer
3. better respond to swings in demand for different courses and minimise risk to supply.

While participation is important from a business perspective it is about supply of potential employees with the right skills at the right time.

It is important to recognise that these outcomes will be difficult for universities to achieve alone. Future policies would benefit from greater consideration of the role of both private higher education providers and other higher education providers more generally. The adoption of a broad definition for higher education and its funding would significantly increase diversity in the type and offerings of providers and consequently the type of graduate they produce.

Many non-university providers are geared towards and have a strong track record in the achievement of relatively high completion rates for higher need learners due to smaller classes and more focussed support for students. Such programs will be essential as business demand for graduates continues to increase and access expands.

The inclusion of extra providers would also bring with it additional teaching capacity which would enable other providers to scale back their enrolments or exit particular courses in pursuit of the higher quality or more diverse learning outcomes demanded by some businesses.

As providers focus their strategy around particular courses and market segments, opportunities to build partnerships with business for the design and delivery of higher education curriculum should also increase. Such partnerships over time could lead to increased sharing of knowledge between businesses and providers along with greater incorporation of practical work experience and real world scenarios into programs. Ultimately this will result in greater responsiveness to business needs while also providing students with a greater degree of business acumen and experience before they join the workforce.
While this is one policy option, the benefits to business in terms of a more responsive, diverse and high quality higher education sector are evident and require further consideration.

A mature private higher education sector is well positioned to increase diversity and support enhanced educational outcomes

The private education sector is well positioned to reduce the burden on the public system while at the same time drive achievement of growth, equity and diversity goals within higher education. It is a mature sector that delivers a high quality service underpinned by close industry ties and a focus on employment outcomes for graduates. Its continued strength will be essential to the establishment of a higher education sector with the diversity to match the varied needs of business and individuals.

Private and other higher education providers currently provide approximately 6.8 per cent of Australia’s higher education market covering 81,305 students of whom 51,397 are Australian Citizens and 29,908 international (DEEWR, 2010)\(^1\). This share is expected to continue to increase, underpinned by strong growth in new commencements (43,676 or approximately 9% of new higher education commencements in 2010) (DEEWR, 2010). This growth is not new. Private and other higher education providers have been a significant driver of increased participation in higher education, accounting for over 40% of growth in student numbers since 2004\(^2\).

The emergence of private providers has brought with it a diverse range of courses and offerings, pioneering successful innovations such as pathways programs to increase opportunities for students to undertake tertiary education. At the same time private providers have maintained a completion rate superior to public providers, of 90% as opposed to public at 72% (ACER, 2010).

Private providers have also played an important role in the provision of education to students from low socioeconomic status (SES) groups, with 12.5% of students at private institutions from low SES backgrounds compared to 15.1% of students at public institutions in 2008 (Norton, 2010). This is a remarkably high rate given the level of assistance received by universities to cater for low SES groups. Growth in this segment will be particularly important while demand for higher education graduates remains strong.

It is important to note this has all been achieved within an environment that in general has steered prospective students towards the University sector. The restricted access to the Higher Education Contribution Scheme (HECS) is the most significant factor, however the raft of government grants available to the university sector and the general prestige associated with the title of ‘University’ should not be discounted.

The introduction of competition through real choice for students and business, the creation of a fair and even playing field for all providers and the recognition of the quality and performance of professional staff could only serve to enhance the quality of this sector as it continues to play an important role in the delivery of higher education throughout Australia.

---

1. It should be noted that these figures are likely to be an underestimate as all data is not collected.
Reference List


Australian Council for Educational Research (ACER), Delivering Quality Higher Education: Understanding the standards processes and practices used by private providers, 2010

Australian Council for Educational Research (ACER), Doing more for learning: Enhancing engagement and outcomes, 2010


Business Council of Australia, Submission to the Higher Education Base Funding Review, 15 April 2011

Business Council of Australia, Lifting the Quality of Teaching and Learning in Higher Education, March 2011


A Norton, “Fair Choices: A higher education funding system based on consistent principles”, ACPET, 2010

Skills Australia, Australian Workforce Futures: A National Workforce Development Strategy, Commonwealth of Australia, 2010

Service Skills Australia, Communique: Industry Leadership and Skills Symposium – Putting the Service Industries First, Held as the Westin Hotel Sydney, Thursday 14 July 2011

Terry Moran Secretary, Department of the Prime Minister and Cabinet, Australian Financial Review Higher Education Conference Keynote address, Sofitel Wentworth Hotel, Sydney 28 June 2011

World Economic Forum in collaboration with Boston Consulting Group, Global Talent Risk – Seven Responses, World Economic Forum, 2011