30 March 2012

Speech to CEDA (Committee for Economic Development of Australia)

Innovation in higher education – delivering quality, choice and diversity

It is a pleasure to be here today and I thank Peter Fitzgerald for the invitation to address today’s forum and I thank CEDA for hosting this event.

Today I want to explore Innovation in higher education – and the need for quality, choice and diversity.

Specifically I want to discuss the need to pursue innovation within the higher education sector and how this pursuit will lead to benefits to the wider economy.

The Australian Council for Private Education and Training, known as ACPET, is the national industry association for independent providers of post-compulsory education and training. ACPET member institutions provide:

- Higher Education
- Vocational Education and Training
- English Language Courses
- Senior Secondary Studies
- Foundation Studies

ACPET represents approximately 1,100 members in every State and Territory and in all fields of education and training. Our members range from large multi-national organisations that trade on both the Australian and New York Stock exchanges to small and medium businesses.
Of ACPET’s 1,100 members over 100 are higher education providers. Our membership includes institutions that you will know such as the University College of London that delivers post graduate qualifications in Australia through the UCL School of Energy and Resources, Carnegie Mellon University and others that you may not know but are equally as prestigious, such as the Jazz Music Institute that delivers the highly specialised Bachelor of Music in Jazz.

What you may be interested to know is that across the board ACPET members deliver qualifications in the fields of theology, business, accounting, management, information technology, multimedia, natural therapies, hospitality, health, law, design, music, linguistics and energy and resources, among others.

**Australia’s higher education sector**

Australia’s higher education sector is made up of 187 institutions. 42 of these are self-accrediting institutions (largely universities), 2 are foreign universities and 127 are non-self accrediting institutions.

Out of these 127 institutions:

- More than half also deliver vocational education and training,
- 60% offer courses at post graduate level,
- Almost two-thirds re approved to deliver courses to overseas students
- 14% offer post-graduate research degrees; and
- 23 of these institutions operate across multiple jurisdictions.

Given that the majority of Australia’s higher education providers are ACPET members, we are well placed to provide significant input into higher education policy debates particularly the need for a higher education system that provides both new learners and the existing workforce with the education to secure a productive and prosperous future for Australia.
Innovation

So what is it we’re talking about when we talk about innovation in higher education?

From a teaching perspective ACPET believes it is about having an education system that provides the skills to fulfil the needs of the economy if it is to stay productive and dynamic. It’s about having a higher education system that itself is dynamic and productive, that’s equipped to prepare students to be ready for what business and industry require in the current economic environment and the challenges that lie ahead.

And, importantly, it’s about a higher education system that fully prepares our future leaders.

To respond to the changing needs of the Australian economy and learners we need a system that encourages and rewards, not discourages and penalises, students for their choice of higher education provider.

So the question I pose is: how does greater support for student choice of higher education provider allow new educational opportunities to emerge and flourish and to in turn deliver a more dynamic, skilled workforce?

It does so because it puts students at the centre of a demand driven system – helping them identify the courses they want for the careers they are interested in.

To achieve a truly demand driven system we need to remove barriers to student choice and adopt a policy framework that promotes competition and stimulates the pursuit of excellence; we need to promote quality, choice and diversity.
At present, and despite some major reforms which I want to discuss shortly, our existing framework is not really demand driven rather one that allows public universities to play a major role in determining the ‘supply’ of particular courses leading to particular careers. As you know currently universities receive funding from the Commonwealth government for undergraduate places with no limits on the number of places they offer in any particular course. In practice universities still limit the supply of places through the imposition of entry scores for courses. And while some may claim that entry scores reflect the academic requirements of the course – that’s hard to argue when the Australian Qualifications Framework identify the common characteristics including level and depth of learning in Bachelor degree courses, and different universities have different entry scores for the same courses.

Nonetheless, universities managing the supply of places and the Commonwealth committing to fund all students seeking to enrol in public university undergraduate degree courses, still represents a major step forward from the previous position where the government determined supply through the allocation of Commonwealth Supported Places.

The current arrangements are however still some way from a genuinely demand driven system. They also privilege study at public institutions over private providers – irrespective of student choice.

We’re selling out students, and their families, business enterprise and the economy if we insist on education policy that upholds sameness and rankings, while stifling efficiency and innovation.

Australian businesses increasingly compete in global markets and aim to increase our level of participation in regional and global supply chains. The ongoing political and media focus that we have on the resources sector is a case in point. Make no mistake: South America, Russia and Africa have the abundant commodities and resources that India and China want.
Australia still has the edge over these regions with the sophisticated engineering, surveying, logistics and management expertise within our workforce to deliver these resources. Australians already know we cannot rest on our laurels, but we need to overcome inertia to the change that is already with us, and act now to deliver graduates from the higher education system with the capacity needed by businesses, as demand for their products and services grow and change.

If we are going to maintain our competitive position within the global supply chain, we must embrace an education system that is dynamic, flexible, open, responsive and resilient. A system that has strong links with business and industry.

Future productivity levels will determine our economic growth and living standards over the next decade and beyond. And education will make an essential contribution to modernizing business and delivering wider economic advances.

Efficient, effective, and equitable investment in higher education can, if directed to improving knowledge, skills and opportunities, boost both productivity and participation levels. Achieving these outcomes through education has a direct effect on the level of productivity in the economy because it increases individuals’ productive capability.

The thesis that I put forward today is that we need innovation within the higher education sector to deliver an innovative, productive economy.

**Funding and policy to drive a demand driven system**

Turning our attention back to higher education: what needs to be done? And what is being done to deliver more innovation and a better match with the skills and knowledge needed by Australian businesses?
Denise Bradley in her review of Higher Education correctly noted that:

Higher education will continue to be a cornerstone of our legal, economic, social and cultural institutions and it lies at the heart of Australia’s research and innovative system.

And in the words of the Productivity Commission:

High quality human capital is an essential foundation for Australia’s innovation system. A highly skilled workforce is essential not only for the generation and application of new knowledge, but also to use and adapt the knowledge produced elsewhere.

And just the other week, one of our Gen Y parliamentarians, Wyatt Roy from Longman in Queensland, takes it one step further when he states that:

As policy makers in this place, the responsibility rests upon our shoulders to prepare Australia for the significant national challenges that our country will face in the coming years. We are well aware that part of this will include education and innovation in our industries. To achieve this, higher education will be a priority. Ensuring that enough of our young people are educated and contributing to research will be integral. How do we achieve this? We achieve this by encouraging, not hindering.

Looking back over the Rudd/Gillard years of Government there has been a significant change in Australia’s higher education landscape. The Government is to be congratulated for grasping this change and driving it onwards with far-reaching reform. However, this is
not the time to rest on our laurels. There is still much to be achieved and the momentum for reform must be maintained.

The Bradley Review clearly set out the principles of quality, choice and diversity in education. ACPET strongly supports the Government vision articulated arising from the Bradley Review, which is encapsulated in these strong ideas:

- Student choice should drive funding systems
- There should be a diversity of programs and strong institutions to provide them
- There should be greater access and opportunity in education
- Quality should be the foundation of delivery

ACPET believes that education policy that is clear and coherent, with regulation applied evenly across the sector will deliver to, and support, real student choice. In turn, this will drive and maintain responsiveness in the education market, with flow-on effects back to industry and the wider economy.

So what have the achievements been?

1. National regulation for the higher education sector through the establishment of the *Tertiary Education Quality and Standards Agency*
2. Uncapped Commonwealth Supported Places in the public university sector providing much greater access to undergraduate education
3. Additional funding for public universities including for capital and research, and to support greater participation by students from low SES backgrounds; and
4. A review of base funding for the sector

Despite the important achievements of Bradley, in carrying the national dialogue about education beyond old parameters, there are still shortcomings where reform has been
incomplete, or where rusted-on prejudices and vested interests have manipulated the reform agenda. And there is still confusion and inconsistency in the Government’s message on higher education. There is a need for further reform if the full capacity of the sector is to be utilised and rather than being stifled.

There is still much work to be done. When we talk about innovation in higher education, we must also talk about innovation within the policy environment. We need policy that will invigorate Australia’s higher education system and allow it to evolve; and we need policy that removes the market distortions within the system and allows Australia’s higher education sector to deliver real benefits to individuals, enterprises, to industry and to the wider community.

This is yet to be fully achieved.

Where is reform needed?
There are three key areas where reforms should be made:

1. A shift in rhetoric and policy from a university sector to a higher education sector
2. A shift from public vs private debates, replaced by a focus on quality and excellence, and
3. Funding reform to support genuine student choice

A higher education sector
It’s disturbing to see the 127 independent institutions that deliver higher education – institutions that are innovative and responsive to the changing needs of our economy, and can survive only because of these traits – still get treated by government as second class citizens.
In thinking about the size of the ‘non-university’ sector it’s worth reflecting that collectively these institutions are now delivering close to 10% of Australia’s higher education, and set to grow.

There’s no doubt that reputation, size, and longevity of institutions speak for themselves, and it is reasonable that funding models will continue to make allowances for these characteristics. But they should not be the sole drivers of funding models.

As I mentioned earlier, the non-university sector is educating close to 10% of Australia’s higher education students. This is equivalent to two medium sized public universities. Can you imagine the outrage, from both a social and economic perspective, if Government policy locked students from two universities out of:

- Access to Commonwealth Supported Places
- HECS HELP loans
- OS HELP loans

The MyUniversity website will, despite its name, actually help shift thinking from a university sector to a higher education sector as it will include data on non-university providers as well as universities. For the first time in many instances, students wanting to understand their options for higher education will be able to explore all of their options – university and non-university. By contrast it’s taken many years of lobbying to get organisations like the Universities Admissions Centre in NSW to agree to include information on private providers to prospective students. Clear, transparent information for students about the full range of tertiary study options available to them will lead to more informed choice and lower dropout rates.

More than this though it’s clear that old ways of thinking and talking about higher education in the wider public haven’t kept pace with the changes that have occurred in the sector. So
part of the challenge, for ACPET, government and the rest of the sector, is to get out into the public a coherent message that describes - what the higher education sector is, what policy changes are being made across the sector and why, and what we intend to achieve by them.

**Shifting the public vs private debate**

Contrary to the very university focussed nature of much of his report, the recommendations of the recent Knight Review of international education represent a major shift away from the public-private debate. Instead Knight’s recommendations recommend extending access to streamlined student visa arrangements to all high quality institutions regardless of sector or ownership – with the arrangements to commence in the university sector first but not to be limited to them.

The nature of the looming COAG agreement (or debate depending on your view) on skills reform in the vocational education and training sector also moves rhetoric beyond public versus private, and instead offers students an entitlement to a vocational education place with the provider of their choice.

Clearly in the higher education sector, policy should not centre on ownership structure. Instead, it should centre on what’s being delivered, on the outcomes of education. It should focus on the quality of the education offering, which in turn should be about the benefits to students.

And while we now have a single national regulatory model under TEQSA – which is a vital step in the right direction – we still have a dual funding model and other discrepancies based largely on ownership and history. I would argue this limits the capacity of the sector to innovate and to respond to the emerging needs of the economy. What’s needed is a shift away from the traditional emphasis on institutions dictating what, where and how
education should take place and being potentially sluggish in their response to economic demand.

There is no doubt that the most dynamic part of the higher education sector is the private sector, which has grown, thrived and contributed to our economic productivity largely independent of taxpayer assistance. Indeed if private providers can’t deliver the learning opportunities that students want and that meet the needs of employers and industry – their businesses do not succeed. The consequence is that the market is distorted by the artificial barriers erected by government. Innovation is stifled and the entire market is less competitive.

**Funding for higher education**

As I touched on earlier, ACPET acknowledges the difficulty in developing a coherent higher education policy in what is a challenging and complex policy environment. We believe that to start addressing that challenge, we need to refine current funding models.

Policy needs to clearly place students and the quality of the education they receive – *not* the institution they study at – firmly at the centre of the system.

The government’s uncapping of Commonwealth Supported Places in universities has exacerbated a major distortion in higher education funding.

The uncapping of undergraduate places in universities means that if a student meets the entry requirements set by a university for a course then they will have a guaranteed place.

However, if the student would prefer to study at a *non*-university higher education institution, then they are locked out of accessing a Commonwealth Supported Place.
This means that students that want to study with more than 120 independent institutions face distorted choices – take a cheaper Commonwealth Supported Place at a public university or pay their own way at a provider that might better meet their needs. Students are effectively being penalised, because their preferred choice of course or institution, happens to be a non-university higher education institution.

While the Commonwealth government is to be commended for introducing FEE-HELP income contingent loans to assist students defray the upfront costs of studying at a private higher education institution; unbelievably, if a student takes out a FEE HELP loan at a non-university higher education provider, the government charges them a 25% administration fee but if a student chooses to take out a FEE HELP loan to undertake a Master’s degree at a public university no administration fee is charged.

Of course the inequity extends further when we start looking at HECS HELP loans that are on offer to university students. The students who are entitled to these loans have access to a subsidised course so therefore accumulate an even smaller loan than those that attend a non-university higher education provider.

The system is neither efficient nor equitable.

Another example of inconsistency in the current higher education funding regime comes from locking non-university higher education providers out of access to Overseas (OS) HELP loans. This loan scheme is designed to promote overseas study to deepen and broaden students’ skills and thinking, usually for a period of a semester.

The OS HELP loan scheme is available to undergraduate students enrolled in a Commonwealth supported place who want to undertake some of their study overseas.
Because Commonwealth supported places are largely only available to public university students, undergraduate students at non university higher education providers are prevented from accessing this funding support.

ACPET believes that as we consider Australia’s role in the Asian Century all higher education students should be able to access funding that will help them get a more fully rounded, globalised education.

Aside from addressing the inequities in student funding in the higher education sector, reform is also needed to include access for non university higher education institutions to funding for scholarly activity. These institutions currently receive no funding whatsoever for this important activity; and while their smaller size and student-focussed approach is their strength, nevertheless teaching, scholarly activity and research are complementary activities. Scholarly activity supports quality teaching, as well as staff development and the image and reputation of institutions – both at home and abroad.

How to address the funding inequities?

To start with, funding should be broken up into teaching, research and community service components. This would mean that all higher education institutions would be paid for what they deliver, and any expansion of higher education access would be done in a more efficient and importantly more transparent manner. It would also drive excellence in achievement while staying true to equity principles around funding access.

Make no mistake: I am not calling for a reduction in university funding. I am simply saying: let’s fund higher education in a logical, transparent matter so that we drive efficiency and equity.
We need a funding framework that promotes efficiency and innovation for today’s needs and for the long term.

This should include funding for teaching that follows the student, so that their educational and institutional preferences are not stymied by funding models that channel them into institutions that may not best suit their needs and/or do not prepare them adequately for the changing world of work in an increasingly global economy.

The funding system should be based on clearly indentified underpinning principles, including community and industry engagement, research excellence, and access by learners from lower socio-economic backgrounds. It should include income-contingent loans and tuition subsidy systems applied equally across both the public and private higher education sector and not distorted by outdated principles.

Such a funding system would allow for a greater diversity of study programs and institutions, which in turn would signify and allow for more creative and timely responses to the ever-changing needs of the Australian and global economy.

The momentum for reform must be maintained, with a small number of key reforms needed to realise the full promise of the Government’s vision. Without reform there is a risk that the potentially valuable contribution of the non-university higher education sector will be undermined and lost, leading to a system devoid of diversity and focused on bulk education.

Let me be clear: This is not a question of restricting widespread access to education. This a question of best-fit access to education, instead of shoehorning students en mass into courses or institutions that may not be appropriate to their needs or to the productivity requirements of our economy. If our higher education sector as a whole can’t be supported
and harnessed to meet education demand, the Government risks compromising the quality and diversity of higher education in Australia where it already exists and where it has the potential to deepen.

Funding should match the true cost of delivery and students should be able to access the institutions that best meets their needs.

The link between education and prosperity is not a new concept. The dilemma or maybe an even better word to use is conundrum remains ever constant - who pays for the system?

Australians continually expect more from their governments. And political parties are being forced to promise more even as the economy changes and responds to a global economic downturn. This is our reality for the immediate future and is putting ever growing pressure on government budgets, both at the state and federal level. At the same time big ticket budget items such as Health and Defence continue to demand an ever-increasing slice of the pie.

So how do we grow Australia’s knowledge base within the quantum of fiscal discipline and restraint?

ACPET believes that the only way to achieve this is to tap into the efficiencies of the private sector. Research by Allens Consulting for ACPET estimated that public funding of a student at a private institutions would be roughly three-quarters of the financial outlay of funding student places at public institutions – or even less when the public university Government funding split is accounted for. This is largely because the Government does not fund infrastructure or subsidise tuition fees at private institutions. In addition the private sector delivers smaller class sizes, and typically demonstrates stronger links to industry and emerging areas of jobs growth.
Removing the inequities in government funding across the public and private sector would allow students to make better choices in their undergraduate study. It would allow them to make choices based on finding the right course and institution for them and the career they aspire to – not just by the cost of their course. In turn this would lower the level of attrition in the university sector and provide for real equity, efficiency and innovation in a strong higher education sector.

**Conclusion**

Let me leave you with this final thought – by embedding the principles of quality choice and diversity in Australia’s higher education sector and by actively pursuing greater equity and efficiency in higher education, we will be well down that path of securing Australia’s long-term prosperity.