Clawback hurts poorer students

Deborah Tranter, president of Equity Practitioners in Higher Education Australasia, said just days after the mid-year economic review the innovation department had used a little known clause in the Higher Education Support Act to claw back “unspent funds” from the 2011 allocation of the flagship Higher Education Participation and Partnerships Program.

Universities received a letter in the last week last month giving them just two months to sort out their budgets after many had already spent the rolled over funds.

Dr Tranter estimated about 25 universities or more would need to cut back on numerous programs designed to increase aspirations to go to university among school-aged children.

Dr Tranter’s concerns were shared by Jan Thomas, vice-chancellor of the University of Southern Queensland, which has been stripped of about $1m. This is in addition to a cut to the HEPPP in the May budget, but universities have not yet been told how much that will affect their 2012 grant.

“It goes against the whole philosophy of trying to expand low socio-economic student numbers if we can’t rely on things such as program funding,” Professor Thomas said.

“It’s all about raising aspiration and that can take a very long time. We are trying to create aspirations in western Queensland where the take up rate for university is very low.”

A spokesman for the innovation department said enrolments by low socio-economic students had increased by 18,900 students, or 21 percent, since 2007. Last year alone, numbers increased by 5800 to 107,800.

Trevor Gale, chair in education policy and social justice at Deakin University, described the tactic to claw back funding as “dishonest and disingenuous”.

He called into question the government’s commitment to equity, which was the centrepiece of its 2009 reforms to the higher education sector. “The most decisive thing the government has done is cut critical funding streams,” Professor Gale said.

“Equity has become a cold topic rather than a hot topic.”

Professor Gale said the government had been chipping away at HEPPP since before the program took effect.

Last year’s mid-year review saw $240m over four years stripped out.

A further $68m was cut in the May budget.

In 2009, then education minister Julia Gillard made a commitment to increase the participation of low socio-economic students to 20 per cent of the student cohort by 2020.

Universities were given the task of creating partnerships with disadvantaged schools with poor track records of students transitioning into university. It came with a $433m funding package.

In a letter to the innovation department on November 5, Dr Tranter asked whether project partners such as schools could expect to have unspent funds recouped. She also asked for a guarantee of no further cuts.
Resource training backed by taskforce

JOHN ROSS

A DISUSED TAFE campus could become the home of a new “training delivery and brokerage operation” in which the Queensland Resources Council had a commercial interest, according to a taskforce chaired by QRC chief Michael Roche and asked to give the state government independent advice.

The government “might contribute all or part of a surplus TAFE campus” to the new entity, according to the report from the Skills and Training Taskforce, released yesterday.

There will be plenty of surplus sites to choose from if the government accepts the taskforce’s recommendations, which include closing 38 of Queensland’s 82 TAFE campuses.

The QRC also could have a permanent seat on the body that allocates state training funding, with the resources sector’s peak body or one of its employers guaranteed a place on a new skills commission board.

The skills commission would “perform the state’s VET funding functions”, which could include contracting out training to colleges, presumably including the new provider proposed by the QRC.

Mr Roche rejected any suggestion of a conflict of interest, saying the QRC had already been discussing the proposal with the state government before the report was compiled.

He said the QRC proposal had been included as a case study rather than a recommendation, and that the government had specifically asked him to include it in the report.

“We’ve got no guarantees from government, it’s just something that has been proposed and they’re interested in,” he said.

He said the case study had been cleared by all the taskforce members, which included representatives of manufacturing, retail, tourism, agriculture, construction, private colleges and the state government.

The taskforce has no TAFE representatives, an omission that sparked the prompt retirement of former Queensland TAFE chief Deb Daly in June.

At the time Training Minister John-Paul Langbroek said the terms of reference included TAFE reform, so including TAFE representatives would have created a conflict of interest.

The terms of reference also included advising on appropriate training for a Queensland economy based on the Newman government’s four “pillars”: resources, construction, agriculture and tourism.

The report recommends prioritising publicly funded training to these areas. “Training that is not aligned to economic and skills priorities of the state may require a higher level of private contribution, commensurate with the benefits to the individual versus the state as a whole,” it says.

Some researchers have suggested the resources sector should do more to train its own staff. A 2010 National Centre for Vocational Education Research report found the sector trained just 3.6 per cent of Australia’s apprentices despite employing 5.6 per cent of the nation’s tradespeople.

The NCVER found that the cashed-up sector essentially solved its skills problems by poaching from other industries. It trained its full complement of workers only in occupations it couldn’t find elsewhere, such as building and engineering technicians and horticulturists.

“It’s a pretty profitable sector,” said Phil Toner, a senior research fellow with the University of Sydney. “One could make an argument this is classic business welfare. Why should the taxpayer be paying for BHP’s training?”

Dr Toner said it was debatable whether the conditions of “extensive market failure requiring state intervention” applied in the resources sector.

He said there was a stronger argument for public support of training in construction and manufacturing, which were dominated by small companies.

“Generally speaking, smaller firms have a much lower propensity to train than larger firms.”

University of Melbourne tertiary training researcher Leesa Wheelahan said the taskforce’s proposals risked creating new market failures.

Concentrating funding in a few sectors could see other important industries missing out, she said.

“Betting on a few key areas runs the risk of creating an over-supply in those areas if there is a turn in the economy, and an undersupply of key skills in new areas of demand,” she said.

Dr Toner said Queensland’s biggest growth industry, according to the report, was healthcare and social assistance.

“It raises the issue why it isn’t one of the core industries.”

While Mr Langbroek said the government wouldn’t respond to the report until late November, he was upbeat about its recommendations.

“(It) provides us with a real opportunity to shape the future of the vocational education and training sector and ensure the Queensland economy is more productive,” he said.

“I want to ensure there’s a clear line of sight for industry to be able to engage with the government to boost confidence and encourage partnerships.”
Surpluses slide on falling enrolments

With some exceptions, last year’s financial statements show universities are in good shape.

Gavin Moodie

The long-overdue 2011 financial statements reveal that universities, as a whole, were in a healthy financial position last year, generating a net recurrent surplus of 6 per cent.

However, after a revenue increase of more than 8 per cent a year from 2006, it slowed to a more modest 6.8 per cent last year. This was partly because the influx of domestic undergraduates slowed. And despite the hype about falling international student numbers, revenue from them increased by 6.2 per cent to remain at 17.4 per cent of total revenue. It sounds good, but is in fact less than half the annual increases in revenue each year since 2008.

Relatively strong surpluses for last year of about twice the sector average were reported by Ballarat, Murdoch, Griffith, Notre Dame Australia, James Cook and Curtin universities.

Central Queensland University reported a deficit of $3.8 million while Victoria University came in with a surplus of $8.7m, but with $14m of revenue from the Education Investment Fund and one-off capital grants, the recurrent result was a deficit of $5.3m.

CQU took a $9.3m hit from falling international student revenue on top of $3.9m drop in revenue from other fees and charges, mostly made up of royalties and contractual payments from partners who teach CQU’s degrees at interstate campuses.

VU took a $2.7m hit in both international student revenues and other payments, in this case a victim of state government policies around vocational education.

In a worrying portend of VU’s performance in the demand-driven system, its revenue from HECS fell by $23,000. A modest proportion of total revenue, sure. But it signals the pressure VU is under as domestic enrolments are poached by other universities.

At the same time, it has a relatively high expenditure on staff benefits and on costs, suggesting more staff may need to be made redundant to balance the budget.

Average academic staff benefits of 31 per cent from continuing operations increased by 8.2 per cent between 2010-11. General staff benefits were 27 per cent, up by 7.8 per cent. Academic staff benefits tend to be more changeable than those for general staff, increasing and decreasing in response to changes in student numbers, often with a lag of a year or two.

Even though it is only 1 per cent of total expenditure, academics dislike spending on advertising, marketing and promotion because they believe it is unproductive and promotes the harmful marketisation of education.

Most of the universities that reported above average spending on promotion are recruiting rather than selecting universities and so are responding rationally to increased competition for students.

The financial reports highlight the inconsistency of universities’ financial and governance accountability. State and territory governments contribute only 2.2 per cent of universities’ revenue yet determine the composition of universities’ governing bodies and nominate the plurality if not the majority of their members. Arguably they should nominate 2.2 per cent of the members of university boards.

In presumably another attempt to balance its budget, the federal government has found further savings by deducting from some grants in the current year any funds carried forward from the previous year. This change is presently affecting the higher education participation and partnerships program.

It had a slow start and was affected by the uncertainty of the 2010 federal election because of the Coalition’s promise to cut the program.

Now Labor has effectively cut its central higher education equity program further undermining its commitment to social justice and compromises a program that more than others depends on long-term commitment.

Gavin Moodie is a tertiary education policy analyst at RMIT.
MID-YEAR budget cuts to apprenticeship incentive schemes have passed largely unnoticed despite matching the contentious half-billion dollar cutbacks to research funding.

However, the reductions could focus attention on the schemes – considered essential by some, corporate welfare by others – as the government fine-tunes its annual $1 billion-plus spend on personal benefits for apprentices and trainees, and financial inducements for people who employ them.

The changes reduce or delay payments for older and part-time apprentices, those working in non-skill shortage areas and those studying for diplomas, saving the government $496 million over four years.

A spokesman for Skills Minister Chris Evans said the cuts would “target our training investment to the high-skill jobs our economy needs”.

The changes reflect last year’s Apprenticeships for the 21st Century report, which questioned whether direct payments to employers – accounting for roughly two-thirds of incentives funding – provided “any tangible benefit to the broader economy”. The expert panel said some incentives functioned more as a wage subsidy than a training program. “The overwhelming evidence suggests they have little impact on apprenticeship numbers.”

However, the Australian Chamber of Commerce and Industry said the cuts would exacerbate what’s already a two-year decline in the take-up of apprenticeships. “It’ll have a very detrimental impact on commencements,” said training director Jenny Lambert.

She said cash incentives were essential to maintain apprentice and trainee numbers.

National Centre for Vocational Education Research head Tom Karmel said a good model of training “should be able to survive by itself”.

Dr Karmel said wage subsidies and payroll tax exemptions were the key drivers of some traineeships, while the incentives weren’t enough to encourage longer term apprenticeships. “(For) a three- or four-year apprenticeship, quite frankly, a $4000 payment at the end is not going to swing the deal. There are very considerable supervision costs, particularly in the early years.”

The expert panel said some incentives functioned more as a wage subsidy than a training program.

Ms Lambert said the key benefit of incentives was not that they encouraged training, because retail giants such as McDonald’s would train their staff anyway, but that they convinced employers to participate in the nationally recognised training system.

“That has fantastic benefits to individuals because they have portable qualifications, and it provides consistency and structure around training.”

Dr Karmel questioned whether this was money well spent. He said it wasn’t clear that someone with a hospitality certificate from a fast-food firm was any more employable than someone with a few years’ experience at the same place, but incentives played a valuable role if they helped lift people out of unemployment and disengagement. “You have to be very clear what your objectives are, and tailor the system to meet those objectives.”

Payments an Australian phenomenon

www.theaustralian.com.au
The budget cuts, which will save $500m, reduce or delay payments for apprentices
Death by administration

Managers and their meetings are choking the life out of academe

TOBY MILLER

I’VE had difficulty adjusting to life in British academia after two decades in New York and Los Angeles. I’m unused to a seminar with 80 masters students for three hours.

I’m unused to taking a roll, whereby I engage in surveillance to ensure attendance.

I’m unused to a vast array of meetings.

Agendas and dates are set by central administration, attendance is mandatory and an immense earnestness accompanies the use of verbs as nouns and a series of impenetrable acronyms. Entire sentences have no recognisable words apart from definite and indefinite articles and conjunctions.

All that said, my faculty colleagues are welcoming, friendly and able. They translate a local argot that is assumed to be universal into language I can faintly follow.

The overall way of life in London is of course more agreeable than Los Angeles because there are lots of socialists and atheists, fewer homeless people, adequate healthcare and grown-up transportation. Not to mention the weather.

So why the shock?

My new university is caught between conflicting desires. Its underpinning political economy has been professional training in business and the like.

Now it seeks transformation into a more conventional research school.

Rather like Australia’s experience with the transformation of colleges of advanced education and institutes of technology into universities, Britain unified tertiary education by renaming polytechnics.

City University became such a long time before those reforms, but it doesn’t have the trappings of a major research school, such as big medicine and big science.

The university is caught between its reputation and monetary base and its desire to transcend those origins. This new desire is especially important in the light of the government’s Research Excellence Framework, which rewards schools based on faculty publications and economic impact.

I’m one of the people supposed to boost the score City will receive through this framework because I publish a lot.

But my work isn’t designed to enable capital accumulation. Its contribution to that method of evaluation will presumably amount to nothing.

Despite the differences, many elements are familiar.

Each has seen incursions into the ideals of academic freedom and autonomy, shunted aside in favour of managerial control.

The bureaucratisation of everyday work and hierarchical forms of decision-making are part of a mimetic managerial fallacy that sees governments and university administrators construct corporate life as their desired order.

As you all know, universities are increasingly prone to superstitions about excellence, quality control and flatter structures.

US universities have added so many managers — a 240 per cent increase from 1976 to 2001 — that academic staff amount to just one-third of campus workers.

And whereas senior faculty members are frequently replaced by assistant professors or adjuncts, senior managers tend to be replaced by those of equivalent rank. Apparatchiks are just a coquetish glance away.

The fantasy about being a business reaches quite extraordinary levels in the construction of competitive markets instead of collaborative collegiality.

For example, departments in London can pay hundreds of thousands of pounds a year in tithes to central administration as rent for teaching space.

In other words, one part of a public university, which is productive, pays another part of the university, which is not, for something that is collectively owned by the institution. Brilliant.

I have suggested that faculty strike back in similar fashion by charging central administration a tithe for time spent addressing the 20-odd agenda items required by it at meetings that are about obedience, not productivity.

I doubt this will happen.

But after a weekend discussing my brilliant innovation with a vice-chancellor, a quality assurance expert and a dean from three separate universities, I have a second set of proposals that might be more popular:

• One. no meeting is ever convened other than to take decisions.
• Two. nobody is required to go to a meeting unless its decisions affect them.
• Three. university managers must begin meetings with discussion of a recent scholarly article or book on any topic — apart from management.

The last one should really reduce meeting time.

Toby Miller is professor of cultural industries at City University London.

My new university is caught between conflicting desires
Education market ready for players to bulk up

MARTIN PRETTY

Education is one of Australia’s largest industries, ranking in the top 10 for “gross value added” in the national accounts, and appears to be one in which we have a competitive advantage. Global demand for education is continuing to grow as the developing world chases the developed world. And demand is likely to remain strong even when economic conditions waiver; as reduced employment prospects or more competitive labour markets can drive interest in reskilling or upskilling.

Yet this is an industry that is significantly under-represented on the domestic sharemarket.

Navitas has acted as the industry beacon, rising from humble beginnings in Western Australia to operating on the global stage with a market capitalisation of $1.5 billion. That valuation positions it among the top 10 companies globally that are primarily in the education services sector; although there are also larger listed companies such as The Washington Post, which has acquired a number of businesses in Australia that include education among a broader portfolio.

A second listed entity, RedHill Education, tried to bolt together a number of educational businesses in the hope it could replicate the success of Navitas, but it languishes with a market capitalisation of $8.9 million, not far from the $3.2 million it held at June 30, after a disastrous listing in which it fell short of its prospectus revenue forecast for fiscal 2011 by a third and reported operating losses that have only just been stemmed in the September quarter.

RedHill appointed Glenn Elith as CEO in May, with a brief to salvage the business. Elith is a chartered accountant experienced in business turnarounds, including stints with Lion Nathan and George Weston Foods. He was CFO at organic retailer Macro Wholefoods Markets, which was sold to Woolworths in 2009. RedHill recently announced that under Elith it had achieved an EBITDA-positive and cash-flow result in the September quarter.

RedHill operates three Sydney-based colleges: the Academy of Information Technology, Greenwich College and the International School of Colour and Design. It also owns an independent student agency, Go Study Australia. But with the business historically generating about $14 million revenue (the original prospectus forecast $21.4 million in fiscal 2011), the second step for Elith is going to be to find a way to drive shareholder value through consolidation.

While universities dominate the higher education category (and even then there are 135 businesses competing), the broader educational industry is highly fragmented. There are 4910 registered training organisations (RTOs), according to training.gov.au. In addition, analyst IBIS World estimates there are more than 11,600 businesses offering language and other educational services (from business colleges to driving schools).

There is a third listed player that has kept a low profile and progressively acted on the consolidation theme, including the purchase of a 10 per cent stake in RedHill. Academies Australasia Group is a tertiary education business that evolved out of a listed entity with more than 100 years of history. It operates nine colleges in Australia and one in Singapore, offering vocational, English and higher education. Its market capitalisation is $8.9 million and it is tightly held.

Last month it bought 40 per cent of the College of Sports and Fitness for $300,000 cash and shares, as well as 100 per cent of Melbourne-based language college Discover English for $190,000. It bought 51 per cent of Benchmark College for $5.5 million and paid $1.1 million for 75 per cent of Melbourne-based Academies Australasia Polytechnic, which offers tourism and hospitality qualifications, English courses and delivery of University of Ballarat programs, including MBAs.

Market conditions look ripe for continued consolidation, with weaker competitors placed under considerable pressure. The international market is still recovering from a post-2009 plunge that followed negative publicity regarding student safety in Australia, changes to Australia’s migration policies and shifts in exchange rates.

Industry feedback regarding domestic students is that tight purse strings in government are resulting in a shakeout within the sector. And a move among some states to contestability between private operators and TAFEs offers new opportunities for those operators with scale and efficiency.

Martin Pretty is head of research at Investorfirst Securities.
TAFE campuses in firing line

Joanna Mather

Queensland spends less on training than any other state yet a report recommends shutting about half of the state's 80-plus TAFE campuses, opening the way for Campbell Newman to become the third conservative premier to cut skills funding.

The final report of the Queensland Skills and Training Taskforce, released yesterday, says costly overheads, a maintenance backlog and the poor use of space mean campuses should be rationalised statewide.

Echoing the findings of an interim report in August, the final document recommends closing 11 TAFE campuses in far north Queensland, five on the Fraser and Sunshine coasts, 10 in Brisbane and three on the Gold Coast.

The Queensland government will respond to the report by the end of the month. Victorian TAFEs were stripped of $300 million in the Baillieu government's May state budget, while course fees will rise 10 per cent, and hundreds of TAFE jobs will go after the NSW O'Farrell government announced it was cutting $1.7 billion from the state's school and TAFE systems over the next four years.

Federal Tertiary Education Minister Chris Evans warned the Queensland government against adopting the recommendations and said he was worried about how campus closures would affect students and employers in regional areas. “This is a real body blow and I'm very concerned if the Queensland government is to adopt the direction of this report,” Senator Evans told journalists in Brisbane.

In June, Queensland's newly elected Liberal National government asked the taskforce, headed by Queensland Resources Council chief executive Michael Roche, to provide advice and recommendations on revamping the vocational education and training (VET) sector to better meet the needs of the state's economy.

The report says changes in governance, industrial relations and infrastructure in state-owned TAFE Queensland are needed to allow it to win students as the system is opened up to more competition between public and private providers. It also suggests creating an independent skills commission to direct taxpayer-funded training to areas of labour market shortage, such as mining, tourism and agriculture.

The taskforce highlights declining government investment in VET.

“While the overall government revenue for tertiary education, skills and training increased in total over the period 2008-09 to 2012-13 . . . Queensland has the second-lowest rate of state government investment and the equal second-lowest non-government investment in skills and training [based on limited data available] when compared with other jurisdictions across Australia,” the report says.

The federal government is offering $1.75 billion in additional money to states that introduce student demand-driven funding and higher quality courses. Queensland has signed on in principle. Minister John-Paul Langbroek said the government would need to balance the report's 91 recommendations with community needs.
TAFE numbers to be slashed

Report proposes major shake-up

Rob Kidd
HIGHER EDUCATION REPORTER

Almost half of Queensland’s TAFE campuses would close if the State Government implements changes from an independent report.

The Queensland Skills and Training Taskforce’s final report on the future of the State’s vocational education and training (VET) sector, delivered yesterday, proposed a shake-up including a “rationalised structure”, which would reduce TAFE campuses from 82 to 44.

Funding would be cut to “non-priority training” under another recommendation, with a demand-driven funding model allocating more money to “skill priority areas” including the State Government’s four industry pillars of construction, mining, tourism and agriculture.

Funding for school-based arts and entertainment apprentice courses soared 876 per cent over the past two years, according to the report, while courses in construction fell 25 per cent. Education Minister John-Paul Langbroek said the future of TAFE would be ensured by “dragging it out of the past”.

He said TAFEs needed to be more “flexible” in course offerings and “nimble” enough to address future workforce challenges in emerging industries.

“We want to make sure TAFE courses align with Government priorities and meet demands in the marketplace, to produce real career outcomes for VET students.”

Federal minister for tertiary education Senator Chris Evans warned the report would be a “real body blow” and reduce opportunities for regional students if its recommendations were implemented.

“You’ve got to ask yourself what other sector grows and creates more opportunity by halving its footprint, particularly in a state like Queensland, which has a very strong regional population.”

Australian Education Union’s Pat Forward criticised the report’s “extraordinarily narrow concept of training” saying it had “no understanding of the way TAFE supports local communities in developing industries”.

Mr Langbroek said the Government was committed to supporting regional Queenslanders but “about 13” TAFE campuses were currently empty. “We have significant under-utilisation of our assets, the infrastructure is tired in a lot of places,” he said.

The report showed Queensland has the second-lowest rate of State Government investment in the country.
MORE STREAMLINED: Education Minister John-Paul Langbroek said TAFE needed to be adaptable to meet current and future workforce challenges.
Asian century a beautiful dream

The Australia in the Asian Century white paper recently released by the federal government is wholly unrealistic and a lot of wishful thinking.

The white paper lists 25 national objectives to “navigate the Asian century”. Emphasis was given to “building capabilities” through mass educational reforms. But do we have the manpower and resources to meet these expectations?

The white paper calls for Australia’s schooling systems to be among the top five of the world. Do we have enough sufficiently skilled teachers to make this possible?

They say every student will have the opportunity to study Asia and its languages. Highly improbable, given that an increasing number of schools and universities are dropping foreign language programs altogether because of lack of funding or lack of interest on the part of students.

The white paper also calls for improvements in Australia’s tertiary education system and an increase in the number of graduates passing out each year. In this regard, we are extremely late to the party.

Many universities in Asia, such as the Indian Institute of Technology and the University of Tokyo, are already considered highly by international rankings.

There are about 15,000 colleges in India, some 400-odd universities, 1500 research institutes and the second-largest pool of engineers and doctors in the world, with nearly 3.5 million graduates and about 850,000 postgraduates passing out each year.

An OECD report indicates that by the year 2020, four out of every 10 graduates worldwide will come out of India and China.

Taizoon Dalal
Highton VIC
State lags on cheap travel for students

By HENRIETTA COOK

VICTORIA has become the only Australian state that does not offer public transport discounts for international students, raising concerns that New South Wales will secure a greater share of the multibillion-dollar education industry.

The Victorian government has ruled out introducing travel discounts for international students, despite NSW announcing last week that foreign students will get up to 35 per cent off fares.

Tertiary education groups said the state government’s inaction over travel discounts for international students will give NSW a competitive advantage.

Australian Council for Private Education and Training chief executive Claire Field said discounted transport fares influenced where international students chose to study.

“It’s time international students in Victoria were treated as equitably as local students. The other states will move further ahead in terms of international student numbers unless Victoria is prepared to act.”

In 2011, international students contributed $4.6 billion to the Victorian economy and about $5.6 billion to NSW.

Council of International Students of Australia president Aleem Nizari said the situation created a division between local and international students in Victoria.

“International students come here and do the same things domestic students do. We pay health cover, we pay our taxes, but when it comes to recognition it’s like saying you’re foreign, you’re not welcome.”

But a state government spokeswoman said Victoria’s public transport prices for international students were “significantly more competitive” than NSW fares. This was despite the introduction of travel discounts for foreign students in NSW. She said an annual zone 1 myki pass remained $330 cheaper than a NSW zone 1 annual ticket.

“Victoria is one of the world’s leaders in providing exceptional education,” she said, citing a global study of international student cities that ranked Melbourne fourth in the world.

Australian Federation of International Students executive officer Catherine Nguyen said international students often risked their safety by walking home at night because they could not afford public transport.