



The Group of Eight (Go8) welcomes the opportunity to provide input into the Government's *Driving Innovation, Fairness and Excellence in Australian Higher Education* options paper released in May 2016.

Go8 members are Australia's leading research intensive universities. In research we account for two-thirds of all research funding to universities and each year spend some \$6 billion on research. Collectively we educate 26 percent of all students and we deliver Australia over 90,000 quality graduates each year.

This submission reinforces the five priority policy areas identified by the Go8 in its *Priority Directions* document released in June (see below) and also provides commentary on some specific options outlined in the Government's paper.

Please note that the comments made in this document represent the broad views of the Go8; member universities may also make their own, more detailed submissions.

Priority Directions

The case for fundamental reform to a sector which generates \$12 billion in export revenue and produced an estimated \$140 billion spend in Australia in 2014 (latest available figures) has never been stronger.

The past five years especially have been years of policy drift, uncertainty and ad hoc funding cuts, so that the key challenges facing the sector have reached a level where they now pose a looming risk to the nation and a major export industry.

In this context, the Go8 welcomes the "big picture" scope of the current options paper as the start of a necessary dialogue with the Higher Education sector on how to fund and deliver world leading higher education deep into the 21st Century.

Long term, a fundamentally new, more coherent, balanced and transparent approach to higher education *and* research policy is needed, one that is underpinned by certainty and stability and no reduction in current funding levels.

It is this complex entanglement between higher education and research policy and funding that the Go8 *Priority Directions* document, released in June, tackles head on.

As outlined in *Priority Directions* a more sustainable system will recognise the economic and social impact of higher education, limit unreasonable fiscal exposure, better recognise the balance of public and private benefits and safeguard access and equity.

To achieve this, the Go8 has identified the following five priorities for reform:

- 1) Addressing the current distorted funding model by increasing investment in research;
- 2) Moderating the demand driven system;
- 3) Targeted and effective support for low SES and Indigenous students to attend university;

- 4) Addressing the current lack of transparency regarding the resourcing of teaching in our universities and other higher education providers; and
- 5) Establishing an independent expert advisory body on higher education for government.

While the Go8 has identified these five specific priorities for reform they address the same themes as the *Driving Innovation* options paper: opportunity and choice; fairness and equity; excellence and quality; and affordability.

These specific connections will be articulated in the sections below.

Further detail on these points is available in the attached Paper released by the Go8 in June.

The Go8 is committed to the delivery of a high quality higher education sector. Our *Priority Directions* document reflects this commitment as do our considered views set out in this submission.

Opportunity and Choice

As outlined in the Go8's *Priority Directions* document, the current Demand Driven System (DDS) has been highly successful in growing participation, having already almost reached our national target of 40% of 25–34 year olds with an undergraduate degree. However, it is rapidly becoming financially unsustainable and has proven to be less efficient in delivering on one of its key original policy priorities around equity.

Against the target of 20% of university enrolments to be students from a low SES background by 2020 the DDS has delivered just a 1.5% increase, while the majority of the growth has come from medium and high SES students. The DDS has also had only limited success in increasing participation from other equity groups such as indigenous students and those from regional and remote areas.

It is also the case that while under the DDS undergraduate degree participation has grown substantially, important sub-degree programs in vocational education and higher education have not had the capacity to grow in line with the needs of the economy.

Driving Innovation, Fairness and Excellence in Australian Higher Education acknowledges this and notes that reforms to uncap places in sub bachelor courses at public universities are still provided for in the budget.

The Go8 believes there is now the opportunity to enhance the DDS by moving to a new model with a fresh purpose - one that better drives opportunity, student choice and diversity across all tertiary education; ensuring access and equity for all who are eligible to the program most suited for them but not at the expense of quality.

Critical to this is a re-framing and broadening of the aims of the system – to broaden attention from degrees alone to the full range of knowledge and skills demanded for our economic future, and the programs spanning from certificate through bachelors to post-graduate studies that support them.

While under the DDS undergraduate degree participation has grown substantially, important sub-degree programs in vocational education and higher education have languished. In 2014 there were 111,000 more persons aged 15-24 years in higher education than if 2008 participation levels had been maintained, while 33,500 fewer people of the same age group participated in VET.¹

As recommended in *Priority Directions* the Go8 believes the Government must take immediate steps to:

- ***Broaden Australia's commitment to educational opportunity - spanning certificate to post graduate qualifications***
- ***Moderate growth in degree level participation, while opening up a wider range of opportunities, including at the sub-degree level in both vocational and higher education***

Excellence and Quality

Flexibility to Innovate

Driving Innovation, Fairness and Excellence in Australian Higher Education acknowledges the government's commitment to providing universities with additional flexibility, and importantly to providing students with greater choice and higher quality offerings. The Go8 supports and welcomes this commitment. With fully flexible course fees off the table, the Paper suggests the introduction of 'Flagship Courses' as a mechanism to providing flexibility and choice.

In the absence of further detail, the Go8 is cautious about this option for the following reasons:

- It is unclear how such a proposal would address the structural funding problem identified by the Go8. As currently framed the Flagship concept adds a significant layer of complexity to a system that is in need of recalibration. A resource benchmarking exercise is the first step in setting a baseline from which universities can innovate and differentiate their course delivery and in which a premium Flagship program would be more effective.
- There is a risk that such a proposal could distort incentives for universities and entrench a two tiered system of university education between Flagship courses and others – both between and within universities.
- The introduction and implementation of Flagship courses could lead to increased administrative and regulatory issues.
- It is unclear how the introduction of Flagship courses would increase participation rates for students from low SES, ATSI, and rural and regional backgrounds;

¹ Mitchell Institute paper: *Participation in Tertiary Education in Australia* (May 2016)

More information for Students

Driving Innovation, Fairness and Excellence in Australian Higher Education refers to the need for a system which provides genuine choice of opportunity for students which is underpinned by reliable and transparent information as it relates to *'cost, quality, and potential employment outcomes of different study options'*. The Go8 is aware of separate work being undertaken by the Higher Education Standards Panel which is examining transparency in higher education admissions practices.

We believe it is important, as part of this consultation process, to reinforce the value of the ATAR as an admission tool.

- The Go8 believes that transparent, easily understood and readily available information for prospective students, families and schools on admission to higher education is a core responsibility for all higher education providers.
- The use of the ATAR for university admissions recognises academic achievement in schooling and thus is an important element in maintaining a high standard education system for Australia. Various analyses have shown that the ATAR is correlated with retention and success in higher education.

The Go8 presently has over 23 per cent of Australia's domestic undergraduate students. The Go8:

- admits more undergraduate students on the principal basis of the ATAR (taking into account equity considerations) than any other university group (approaching 70 per cent) and more than twice the national proportion (31 per cent);
- typically admits first year undergraduate students with an average ATAR requirement that is higher than that of other Australian universities; and
- has a relatively low first year domestic undergraduate attrition rate of 7.1 per cent, less than half the national rate (14.8 per cent). *(Note that this is the adjusted attrition rate which represents the institutional attrition by students leaving Higher Education completely and does not include students who transfer to another institutions and hence are retained in the system)*

Prospective students deserve no less than full information of the basis upon which their application for admission will be assessed; what they are required to demonstrate; and some insights into the likelihood of their admission.

In addition to supporting the retention of ATARS as an admission tool, the Go8 has endorsed key principles for enhancing transparency in admissions across the eight institutions including an agreement to maintain and publish the following information for admissions made under this pathway:

- number of students and proportion of the total admitted cohort entering via each designated pathway;
- additional admission criteria, instruments and indicators used for each designated pathway;
- any rules or principles used to make admission decisions for each designated pathway (i.e. details of

- bonus point schemes); and
- minimum ATAR and quartiles of the ATAR distribution for students admitted for each pathway.

Affordability

The Government has in *Driving Innovation, Fairness and Excellence in Australian Higher Education* that it seeks to work with the university sector to investigate the relative cost of delivery of higher education. This is strongly supported the Go8, however it is critical that this process start by considering the findings and lessons learned from past efforts to inform decisions about future funding rates based on historical cost relativities.

The resourcing within our universities is currently based on a funding model developed nearly three decades ago. The DDS will be most effective if accompanied by a deeper understanding of the reasonable costs of quality provision. We must meet the challenge of ensuring an appropriate balance between public and private contribution. A baseline must be established which addresses the following:

- Current Government subsidies bear little relation to relative costs. Funding rates vary arbitrarily by field of study but are common to all providers.
- Using historical cost relativities to determine future funding levels must be supplemented by benchmark data from courses and providers where funding levels are not capped by regulation.
- Funding arrangements are overly complex and administratively burdensome.
- Universities are subject to over regulation and the excessive data collection and reporting burdens take resources away from the core business of teaching and research.
- The full cost relativities of practicums/clinical placement undertaken by students in different disciplines, noting that in the health sector for example, the Independent Housing Pricing Authority is currently determining an Activity Based Costing framework to be applied to Commonwealth funding for teaching, training and research undertaken in the public hospital system.
- The funding approach assumes that all universities are (or should be) the same, along with a belief that regulation will drive performance improvement.

To move toward a long-term sustainable system, the Go8 recommends Government:

- Establish a resourcing framework, negotiated and agreed between government and the tertiary education sector, incorporating a mix of public subsidies and student payments that enables institutions to develop a mix of offerings reflecting their distinctive strengths.
- Introduce an integrated package of complementary reforms to support the tertiary education commitment, including to cluster funding, student fees, HELP loans, and VET funding.
- Establish an agreed, data-informed and transparent evidence base for reform, including an independent tertiary education cost and price review.



- Establish the governance base for the reform process, ensuring independent advice to government and intergovernmental and cross-sectoral collaboration.

The Go8 looks forward to working with all relevant parties - Government, industry, business and the broader Higher Education sector - to ensure the long term sustainability of our university system.