

Business
Council of
Australia



Business Council of Australia

**Submission to the
Higher Education Base Funding Review**

15 April 2011

Table of Contents

A funding model that supports better outcomes	3
Improving productivity and participation	4
Challenges for the higher education sector	4
Desired outcomes for the sector	5
Improved participation	5
A well-functioning demand-driven system.....	5
Effective teaching and learning.....	7
Relevance and adaptability.....	8
Conclusion	9

A FUNDING MODEL THAT SUPPORTS BETTER OUTCOMES

The Business Council of Australian (BCA) welcomes the opportunity to make this submission to the Higher Education Base Funding Review.

The BCA is an association of the CEOs of 115 of Australia's leading corporations with a combined workforce of more than 1.2 million people. The BCA provides a forum for Australian business leaders to contribute directly to public policy debates. The BCA's goal is for Australia to be the best place in the world in which to live, learn, work and do business. Through research, communication and advocacy, BCA members pursue economic, social and environmental policy outcomes for the benefit of all Australians.

Effective, well-designed and well-implemented education and training policies will be a key driver of Australia's future economic prosperity. Maintaining a strong and productive economy depends on Australians acquiring the skills and knowledge they need to effectively participate in the workforce and the community. The higher education sector plays a critical role in providing Australians with the required knowledge, skills and capabilities through the provision of relevant teaching and learning.

The role of the higher education sector is becoming increasingly important in an environment where productivity is lagging and there is increased demand for people with higher education qualifications. In addition, many individual universities are facing increasing funding pressures which have implications for both excellence and equity. The Review of Higher Education Base Funding provides a timely opportunity to consider the role of the higher education sector in supporting productivity, and the funding requirements needed to support the effectiveness of the sector.

The following submission outlines the need for a funding model that promotes better higher education outcomes for students, business, industry and the community through supporting:

- Increased participation in higher education
- A well-functioning demand-driven system
- Effective teaching and learning
- Relevant course content that is adaptable to emerging needs

IMPROVING PRODUCTIVITY AND PARTICIPATION

An increase in the number of higher education graduates will make an important contribution to driving improved workforce participation, with evidence showing significantly higher rates of workforce participation for those with post-school educational attainment. In addition, a recent report by Skills Australia showed that the biggest areas of future demand will be for people with qualifications at the diploma and degree levels, reflecting increased demand for people with professional skills. Increased participation in higher education will play a key role in satisfying this demand.

Whilst increased participation in higher education is important, it is the quality of higher education training that will drive improvements in productivity. Individuals drive productivity within their workplaces through innovation and the generation of new or additional value. These skills are gained through the teaching and learning provided by our universities. Whilst employability of Australian graduates is relatively high, maintaining and improving this position will require a continued focus on quality teaching and learning outcomes.

CHALLENGES FOR THE HIGHER EDUCATION SECTOR

The Higher Education sector is currently facing three significant challenges: the implementation of key reforms from the Bradley Review, a fall in international student numbers and ensuring learning outcomes are relevant to the needs of employers.

The government's decision to link funding for higher education places to student demand was one of the most significant reforms to come out of the Bradley Review into higher education. The implementation of this reform is likely to bring about a rapid increase in domestic enrolments in our universities and could place considerable pressure on teaching. This has the potential to negatively impact on the quality of education outcomes and the level of student engagement.

The sector is also focused on addressing the sharp decline in international student numbers that has come about as a result of recent changes to student visa requirements. This has led to increased financial pressures for many universities and similarly has the potential to reduce the quality of education.

Lastly, there is a continued challenge of ensuring that learning outcomes are relevant to the requirements of workplaces that are increasingly operating as part of global networks.

DESIRED OUTCOMES FOR THE SECTOR

It is timely to consider how the funding system can promote outcomes in higher education that drive the productivity growth that we need. It is the BCA's view that this is best achieved through a funding system that is more closely linked to outcomes and supports the objectives outlined in the remainder of this submission.

IMPROVED PARTICIPATION

The BCA supports greater participation by the wider Australian community in higher education, including by those from low socio-economic status (SES) backgrounds and other under-represented groups. Australia should be providing all young people who have both the motivation and the potential to undertake study with a genuine opportunity to participate in higher education. A range of measures will be needed to address these issues, however in the context of higher education institutions it will be important that they have the capacity to support individuals who may require additional tuition to succeed.

Whilst acknowledging the variety of government programs aimed at improving access and support for these groups, it is our view that the best means of funding the additional costs associated with higher education provision for under-represented groups is through incorporating the costs into the level of base funding provided to institutions. This will provide greater financial certainty for institutions and enable them to provide the level of tuition required to support successful attainment by all students.

A WELL-FUNCTIONING DEMAND-DRIVEN SYSTEM

An effective demand-driven system should promote effective teaching and learning and ensure education outcomes are relevant and adaptable to emerging needs. It should be forward-looking and responsive to both student demand and employer demand. An appropriate base funding model will be important in supporting the achievement of these outcomes.

APPROPRIATE PRICE SETTING MECHANISMS

Under the new demand-driven system the federal government will no longer be responsible for setting the number of publicly funded places in each institution, with this instead determined by student demand. Having said this, higher education institutions will play a key role in determining the number of students they wish to enrol for different

subjects. Whilst this has benefits in terms of subject specialisation, it may also create incentives for institutions to improve their financial situation by shifting out of more costly courses, even if they are highly demanded.

In essence, the shift to a demand-driven model has increased the relevance of the funding differentials between courses. If the per-student funding amount is not sufficient to cover the costs of course delivery, this will seriously impact upon an institution's decision regarding the number of places it will offer in that course.

It is therefore recommended that funding levels across disciplines be developed in a way that minimises any potential disincentives and distortions. Reform of the base funding system will need to occur quickly to ensure that funding accurately reflects the costs of course delivery, particularly for disciplines that are currently underfunded. This will enable decisions to be based on demand and ensure that higher education outcomes remain relevant.

SUPPORTING DIVERSIFICATION

The shift to a demand-driven model and the consequent increase in competition has the potential to lead to increased diversity across the higher education sector. This diversity could take a variety of forms, including a greater range of course offerings and approaches to course delivery. Diversification is beneficial to the sector and contributes to greater outcomes through ensuring institutions can adapt to an increasingly diverse cohort of students, promoting and supporting innovation, allowing specialisation, promoting staff development and increasing the ability to attract high quality staff.

Specialisation and the creation of world-class centres of excellence, as one aspect of diversification, should be supported as a key means of encouraging new ideas and collaboration and improving the ability for institutions to attract talented academics. Such centres can also support effective engagement with business and industry organisations that have expertise in the area of specialisation.

It will therefore be important that the funding model does not work against the move towards greater diversification and specialisation within the higher education sector, but instead supports this as a means of improving the outcomes of the sector.

In addition to diversity of higher education provision, outcomes could be further enhanced through providing an environment that supports the entry of new providers. This would promote increased competition within the sector and greater realisation of the benefits of a demand-driven system. The BCA therefore recommends that consideration be given to the possibility of broadening the demand-driven funding model beyond public higher education providers. For example, allowing private providers to offer publicly subsidised places in their institutions.

FURTHER PARTIAL FEE DEREGULATION

Whilst the removal of caps on student places will result in institutions being more responsive to the market, there is the potential to promote greater excellence and equity within the sector through increased fee flexibility for institutions. The combination of student-linked funding and the partial deregulation of fees would result in greater incentives for higher education institutions to provide high-quality learning environments and more demand-focused services, as a result of strong market forces.

We acknowledge that such a change has equity implications and would be likely to increase the levels of student Higher Education Loan Program (HELP) debts. These issues would require further consideration in the context of any changes to fee structures.

The BCA recommends that further analysis be undertaken in regards to the potential benefits and impacts of further partial fee deregulation in the higher education sector. This analysis should also consider the advantages and disadvantages of other fee deregulation options, including full fee deregulation across the sector or fee deregulation in certain courses or disciplines.

EFFECTIVE TEACHING AND LEARNING

Effective teaching and learning will be critical to achieving improved productivity growth in Australia. The BCA's recently released paper on lifting the quality of teaching and learning in higher education identifies four priorities to ensure Australia's higher education sector is making the strongest possible contribution to lifting national productivity. These are: rewarding effective teaching and learning outcomes, improving the value and relevance of what is being taught, a comprehensive strategy for international education, and a demand-driven system that is responsive to students, business, industry, and the community. The paper is attached at Appendix A.

A number of the recommendations are relevant with regard to the base funding review, particularly those relating to rewarding effective teaching and learning outcomes. The report states that innovative approaches taken by higher education institutions to maintain and improve the quality of teaching and learning should be encouraged and rewarded, to help ensure that quality continues to improve and is not compromised by increased participation.

In addition, teachers within the higher education system should be encouraged to share and engage with others regarding different teaching ideas and methods, in order to improve their teaching performance.

In order to achieve quality teaching and learning, the BCA recommends that consideration be given to ways in which performance-based funding arrangements can be further developed to provide greater incentives for institutions to improve teaching performance during a time of considerable change within the sector.

The BCA also recommends an examination of the feasibility of benchmarking the teaching and learning performance of higher education institutions. This benchmarking would have the benefit of introducing an assessment measure which could provide a basis for financial incentives to recognise effective teaching outcomes.

RELEVANCE AND ADAPTABILITY

The BCA's higher education paper also outlined the need for further improvements to the value and relevance of what is being taught in universities and recommended increased engagement with business, policies that enable institutions to specialise and create centres of excellence and greater internationalisation of the curriculum.

In order for university graduates to contribute effectively in the workplace, the knowledge they gain during their education needs to be up-to-date and complemented by good technical and generic skills. These generic skills, such as negotiating skills, team work and cross-cultural experience, are becoming increasingly important for businesses, particularly in a fast-changing and increasingly competitive global environment.

This also goes to the point of adaptability. The higher education sector needs to be able to produce students who have the capacity to effectively respond to the changing demands of business, industry and the community. These outcomes should be foremost in mind when considering the principles that underpin any funding model and the form it takes.

CONCLUSION

Given the important role that higher education plays in driving productivity growth, it is important to give consideration to the ways in which the higher education funding model can support better outcomes within the sector. It is our view that any funding model should aim to achieve the objectives outlined in this submission: improved participation, a well-functioning demand-driven system, effective teaching and learning and relevant and adaptable course content.