

18 January 2018

Ms Jennifer A. Westacott
Chief Executive
Business Council of Australia
Level 42
120 Collins Street
MELBOURNE VIC 3000

Dear Ms Westacott

I write regarding the Business Council of Australia's recently announced consultation process on the paper *Future Proof: Protecting Australians through Education and Skills*, which was released in October last year.

Charles Sturt University welcomes the Council's interest in the tertiary education and training system and agrees that a world-leading system will be essential to secure Australia's prosperity in the 21st Century. To this end, we:

- Extend an invitation to collaborate on policy ideas and program designs to position Australian tertiary education and training for the future, particularly in regional cities, rural towns and remote communities;
- Agree that investing in education and research is the best way to support productivity and innovation, and to position Australia to face continuing economic change;
- Support high levels of participation in higher education which will help Australians to develop the advanced generic and specific skills that the economy increasingly needs, including open-ended inquiry and continuous learning – the most traditional academic values – instil the attitudes and capabilities to drive and respond to the digital economy;
- Believe that Australia can afford a high-quality university system that is open to all Australians with the ability to give it a go, as a country we cannot afford not to make this investment;
- Contend that there is no evidence of a decline in tertiary education and training quality, and believe that achievement is a remarkable win for Australia's university system at a time when participation has expanded significantly, especially among groups traditionally under-represented in universities; and
- Believe that current funding levels are sustainable, noting that enrolments are growing at around the same rate as population growth and that the demand-driven system was successful and sustainable.

We do note however, that despite this success story, universities have faced an uncertain policy and program funding environment for most of the last decade. The medium-term future for university policy and funding remains uncertain. Even some elements of the recent MYEFO announcements are unpredictable in their impact, indeed the recent short-term government focus on cutting tertiary education and training expenditure will soon damage the capability and capacity of education and training providers.

Charles Sturt University appreciates the opportunity to make a submission in response to the Council's paper, as well as the Council's continuing interest in education policy, and in tertiary education and training in particular. Together with Universities Australia, we are keen to work constructively with the Council to develop ideas for effective and sustained education and training policies and programs that ensure Australia's future international competitiveness. We welcome several elements of the paper, including:

- Commitment to sustainable policy settings that position Australia for the long term including rapid and unpredictable economic change.

- Recognition of the broad and varied purposes of education and training.
- The focus on building human capital and cultivating knowledge and enquiry.
- Recognition of the public and private benefits of education and training investment.
- Recognition of the importance of teaching and research, including the link between the two.
- Recognition of the different and complementary roles of higher education and Vocational Education and Training (VET) sector.
- Clear recognition of the positive impact of education and research on economic prosperity and growth, innovation and social cohesion.
- Recognition of the vital importance of tertiary education in today's world, and it's even greater importance in the economy and labour market of tomorrow.
- Ideas and policies to expand access to tertiary education to all Australians.
- Recognition of the importance of diverse pathways into (and out of) education.
- The strong commitment to life-long learning.

We are, however, disappointed by some aspects of the Council's paper, including a lack of consultation with the university sector in its development which has led to a number of apparent misconceptions about the higher education policy environment. We also are concerned about the lack of focus on what business itself can do to advance the paper's aims and we would encourage the Council to work with business to this end.

We feel that the following elements of the paper should be addressed and reworked:

- **The presumption that universities oppose all government policy initiatives in higher education.** We and Universities Australia work constructively with governments at all levels, but we always advocate on behalf of our students, staff and communities as well as representing the needs of the higher education and research sectors in Australia.
- **The statements that returns on investment in tertiary education are unclear,** as there is a range of well-known data that clearly demonstrates the very significant public and private returns on investment.
- **That government and the university sector have not examined the cost of delivery of higher education,** as Universities Australia worked with Commonwealth on a major costing review in 2016 and we note that this work continues.
- **That no empirical work on the relative public and private benefits of higher education has been done in Australia** as the Commonwealth released a report on this subject in July 2017, which found (in line with several international figures) that public benefit outweighed private benefit.
- **The presumption that the demand-driven system imposes unpredictable, ongoing increases in the fiscal cost of higher education** as the demand-driven system was designed to increase participation and absorb unmet demand for higher education. After an initial period of growth to accomplish this, enrolment growth has stabilised.
- **The theme that employers are dissatisfied with the quality and capabilities of graduates** as the Government's inaugural survey of graduate employers shows very high levels of satisfaction with graduates' specific and generic skills and that employers are more satisfied with graduates' fit with the workplace than graduates are themselves. Figures collected by the Federal Department of Education and Training through the [2017 Employer Satisfaction Survey](#) indicate that 85.5 percent of employers were satisfied with the graduates of Charles Sturt University in their employ.
- **The proposal for a single tertiary education funding system** needs further work if it is to preserve the distinct characteristics of the higher education and VET sectors, see specific commentary provided below.

- It is not clear from the paper how **proposals for better funding in both the higher education and VET sectors** can be realised within current funding allocations.
- Finally, we believe that **requiring students to pay an upfront charge on enrolment** would be problematic and would set an unhelpful precedent.

While some ideas in the paper are at present under-developed and in our view need further work as detailed above, we have identified what we specifically see as both the good ideas and limitations of the Council's paper in its current form and provided suggestions below on where we see that the Council could strengthen the paper.

Our commentary below addresses some of what we see as misconceptions in the paper, as well as supporting some of the principles and proposals and where we can suggesting how these could be improved. We have also made suggestions on how business can contribute to a national tertiary education and training plan.

Chapters 1 and 2, Preparing for jobs of the future, Vision for the future

Charles Sturt University broadly supports the discussion assumptions and key points put forward by the Council in Chapters 1 and 2 of the paper.

Chapter 3 The history of education in Australia

With regards to the Council's discussion and key points regarding the history of education in Australia, we offer the following commentary and suggestions:

- There is a general theme through the paper that VET is suffering in terms of popularity and attention but we are not sure that this is supported by the data. For example, the note to Figure 4 on Page 26 of the paper acknowledges that the break at the year 2000 is because private providers are excluded from the graph. Although the graph shows a drop in VET participation from 2012 to 2014, which might be assumed to be correlated with the introduction of the Demand Driven System in Higher Education, it could equally be a shift between public and private VET provision given the market experiments and reduction in TAFE funding in many States. In fact, a more likely explanation is that there was a rise in VET enrolments from 2008 to 2012 due to the Victorian VET market experiments which then peaked and returned to trend. Currently it is not at all clear that VET is suffering in comparison to higher education. The NCVET publication on 2016 VET numbers, *Total VET students and courses 2016* states there was an overall increase in VET enrolments of 4.9% from 2015 to 2016 which is faster growth than Higher Education (1.9% for domestic students).
- Further discussion, clarity and evidence is required to support the assumptions made in the *But We Do Not Have A Consensus on the Purpose or Priorities of Universal Education* section of this chapter. This includes the assertion that there is currently no consensus about the function of education. Whilst it is true that this is debated, often unhelpfully, it is generally acknowledged by most serious commentators that employability is a key aim, but education for active citizenship and a fulfilling life are also important. In the next Chapter, the paper goes on to say: *"The Business Council proposes that the purpose of Australia's universal formal education system be multi-faceted and include the traditional roles as well as the role of preparing people for work."* This does not appear greatly different to our statement of the function in the preceding sentence.
- We suggest strengthening the statements around the need for bipartisanship, including recognition of the almost intractable challenges across the political divide here.
- Otherwise, Charles Sturt University supports the discussion assumptions and key points put forward by the Council in Chapter 3 of the paper.

Chapter 4 The purpose of universal education

With regards to the Council's discussion and key points regarding the purpose of universal education, we offer the following commentary and suggestions:

- The comment that we currently have *"robots that can learn how humans think"* is probably an overstatement of the current capabilities of AI. However, there are clear challenges emerging from the expansion in the adoption of AI tools and robotics in the workplace. We believe that the language and

assumptions around robotics needs to be further expanded and should be dealt with in a reasoned and evidential way, overstating the case is unlikely to be helpful to good debate.

- The paper says, “Australia should take the wisdom of philosophers, educationalists, intellectuals and public commentators who have pondered the role of education, but we should also bring a modern context that focuses on the world of work and the fundamental role education now has in preparing people for work.” This implies either that there are no current philosophers, educationalist, intellectuals or public commentators currently researching education systems, or that if they are they have no modern ideas. This is not the case and we think it introduces an unhelpful anti-intellectual flavour to the paper.
- Otherwise, Charles Sturt University supports the discussion assumptions and key points put forward by the Council in Chapter 4 of the paper.

With regards to the Council’s proposals regarding the purpose of universal education, we would endorse the general thrust of the five objectives for our education system. As noted above, we would expect most sensible commentators would agree with them. We would suggest it would be helpful to add ‘resilience’ to the list of community-wide values, and that it would be worth considering whether the term ‘labour market’ is a little old-fashioned and neglects entrepreneurialism and those who build their own businesses.

Chapter 5 Desired outcomes for each education sector and the culture change required

With regards to the Council’s discussion and key points regarding the desired outcomes for each education sector and the culture change required, we offer the following commentary and suggestions:

- In the *Cultural Changes Required in Schooling* section, while we agree with many of the issues raised, we are concerned that the Council is providing very specific pedagogical and funding recommendations to a sector that has already seen an enormous amount of review and scrutiny.
- The broader discussions in the chapter around the theories that support schools policy and programs should be presented and discussed in the context of the Gonski reforms as well as the various policy settings of the State and Territory Governments (as States and Territories are responsible for the schooling system), suggest that other than Years 11 and 12, that the Council consider a separate paper and advocacy effort with regards to schooling, it is important not to conflate schooling with the role of the tertiary education and training system.
- While we recognise the value of PISA and NAPLAN, we do generally agree with the premise that an over-focus on such statistical comparative tools can lead to narrow discussions with regards to education policy (driven largely by local, competing political interests).
- We do not agree with the statement “for some young people, their tertiary qualification will become out-of-date a couple of years after they complete it” as in the trades and professions CPD is required to maintain registration to practice and non-trade and non-profession qualifications are designed to provide underlying and fundamental skills and knowledge (refer to the descriptive sections of the AQF).
- We would agree that the school system can be over-focussed on ATAR and entry to universities. It is less clear that school leavers themselves fully embrace this. Many high-achieving students go on to VET education rather than to University. We would also note that for many students, with the best will in the world they can only get limited exposure to work and to further study. They often need to experiment with both work and study before they find their passion and identify what they are good at.
- The section on early intervention with regards to career and study choice requires referencing and evidence; we do question the assumptions in this section of the chapter. We would not want to return to the 1940s and 50s where students were pigeonholed from a very early age.
- In the *Cultural Changes Required in Tertiary Education* section, it is essential that employers, business and industry be added to the list of cultural change elements, we trust that this omission was an oversight on behalf of the Council, refer to discussion in second paragraph, third column on Page 52 which supports our position (and conflicts with the dot point list at the end of column one on Page 48).
- Germany is often used as a contrast to the Australian context in relation to the way that technical education is valued. We would point out that Germany (and indeed France) have very different cultural and linguistic traditions from Anglophone countries. These are long-standing over centuries and it is therefore unlikely that the funding system alone is responsible for any perceived stigma in relation to VET, nor that changing the funding system would make a substantial difference in the short term to the perception of VET.

- Further analysis is required in the paper with regards to student choice to support the assumptions put forward.
- Finally, we strongly contest and do not agree with the statement *“while some workers move in and out of the tertiary education system during their working lives, our system is orientated towards formal learning before work”*, More than half of all tertiary qualifications granted in Australia fall across the AQF, with most qualifications awarded to non-school leavers and only about half of commencing students at undergraduate level or below are 19 years or younger.

With regards to the Council’s proposals regarding the desired outcomes for each education sector and the culture change required, we offer the following commentary and suggestions:

- Proposal 5
 - We note that whilst most Universities at least aspire to develop critical thinking and citizenship through their Bachelor qualifications, it would be a very significant change to require every VET level qualification to include this content and would be likely to have significant cost and resourcing implications; and
 - We would argue that our current tertiary system already meets the remainder of the proposed outcomes.
- Proposal 6
 - We would agree with the spirit of these recommendations. There is in fact significant interchange between VET and HE, particularly in universities such as Charles Sturt University where around one third of commencing students have a VET background. Across Australia, many University graduates go on to take VET courses to acquire add-on skills and training. As noted above, we contest the view that there are any magic bullets to changing the perception of VET in Anglophone countries.

Chapter 6 VET and Higher Education – Lessons from a decade of reform

With regards to the Council’s highlighted assumptions regarding the desired outcomes from higher education and VET lessons from a decade of reform, we offer the following commentary and suggestions:

- Design Principle 1: while this may be desirable, it would likely require a recalibration of the current Federal taxation arrangements and we foresee that this will be highly challenging to achieve.
 - Page 62, Column 1, *“However, it has become clear that the growth in participation cannot be funded solely by taxpayers unless governments are willing to increase taxes”*, we believe that such an assertion is very narrowly focused and does not take into account the return to the public good from government investment in the education and training system. Also, as noted above, we are now seeing growth only in line with that of the population in higher education. The current cuts to higher education seem to be motivated by the Government’s desire to cut taxes, rather than any need to increase them. Furthermore, individuals currently contribute significant funds to study, through enrolment fees and charges but also in paid work foregone and the general costs of study.
 - Page 62, Column 2, *“Potential students should know both the cost of delivering education as well as the private benefit that it will deliver, so they know what that private benefit is relative to the cost they will pay, and can therefore make informed decisions”*. While this might be desirable in principle, to achieve this in practice given the diversity of students, study modes, courses and providers would be highly complex. We question whether this is economically achievable in practice.
 - Page 62, Column 4, *“Some courses require high-cost equipment and have limited class sizes, whereas others simply require a classroom and one teacher for 300 students. Regional or remote locations may cost more than metropolitan ones, and there are thin markets where courses would not be run if they were required to be cost-efficient. It is also complicated by the cross-subsidisation that happens with public providers in both VET and higher education”*, we believe that the vast distance and dramatic community difference across the continent must be considered in relation to this, and again this reinforces the previous points about the difficulty of providing meaningful cost-benefit information at a fine level.

- Design Principle 2: while this may be desirable, the work that has previously been completed in relation to costing higher education shows there are very different contexts for delivery and trying to enforce an efficient price given Australia's varied geography may be more trouble than it is worth. It seems to us to be heading towards an approach more reminiscent of soviet-era centralised planning.
- Design Principle 3: as with the previous Principle, we are concerned about the ability of Governments to 'pick winners'. We also note the introduction of funding caps for Universities from 2018 has radically changed the policy setting assumption in the paper.
 - Page 69, Column 4, "*The reforms have shown us that while in theory fee deregulation can deliver improved efficiency and outcomes for both learners and government, the tertiary education system is not currently designed to support deregulation across all groups*". We believe that the impact of thin markets across a very large country with a small population and the subsequent impact on students must be examined and supported with evidence-based research. There are significant problems with the application of naïve fee deregulation to higher education which on available international evidence tends to operate more as a Veblen good where price is a proxy for quality.
- Design Principles 4, 5 and 6: we are concerned about the assumption that providing additional market information would be a substantial solution to problems around fee deregulation and learner choice. One of the features of education is that to a large extent, because students are radically changed by the experience, as consumers they are unable to fully appreciate the product until they have completed it. Therefore, improved market information will not necessarily lead to better choices. There are also potentially significant costs involved (as noted above) in improving the provision of market information and it is important to have a clear focus on cost-benefit in pursuing this.
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- Design Principle 7: we agree that we need a mix of public and private provision and note that in higher education, private provision is growing far more quickly than public provision requires greater streamlining of Commonwealth, State and Territory tertiary education and training funding, by way of a new National Agreement, to be undertaken according to Proposal 3.3 above.
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- Design Principle 8: as noted above and discussed below, we have concerns about the practicality of the funding and governance arrangements that are being suggested.

Chapter 7 A tertiary education system for the future

With regards to the Council's discussion and key points regarding a tertiary education system for the future, we offer the following commentary and suggestions:

- We do not support the establishment of a new government body, either for regulatory or funding purposes. We have a question over what a commitment to maintain funding by Governments would mean – does it mean at a gross level, indexed according to CPI, or funding per student?
- Furthermore, we are also strongly of the view that the remit of ASQA and TEQSA should be quality assurance and risk management regulation alone; government (through existing line agencies, ideally continuing with the various education departments across government) should remain the purchaser of tertiary education and training. However, it is essential that, subject to unforeseen externalities, funding terms be extended to decadal horizons as mentioned in other parts of the paper and that government employees be equipped with the project management, commercial and contract administration skills to adequately align policy settings and program delivery. This would help to avoid system deficiencies that lead to suboptimal policy outcomes and program outputs, for example the catastrophic management of the VET-FEE-HELP scheme by the public service.
- We do not support all learners being required to pay a minimum charge up-front, particularly with regards low-SES, regional, rural, remote, indigenous and other disadvantaged cohorts.
- We stress that should a Lifelong Skills Account be implemented as contemplated in Proposal 8, that the design of the Account be as simple as possible to ensure ease of understanding on behalf of the student borrower and for administration by the public service.

- Discussions around market information must be put forward in the context of market design, that is, government education and training policy settings. We would suggest the development of an additional chapter on market considerations, which should include discussion of the impact of market design.
- We note the mention of the Commonwealth's Industry Skilling Fund and suggest that in the context of the policy settings and program designs put forward in the paper that the Fund and similar schemes established by government should be discontinued with funding rolled into the existing formal education and training system.
- The commentary at Page 91, Column 4, second last dot point, is incorrect, research training and research funding do in fact sit within the tertiary education and training system (e.g. as captured by State Acts establishing universities).

With regards to the Council's proposals regarding a tertiary education system for the future, we offer the following commentary and suggestions:

- Proposal 8
 - Generally, we agree with the concept and approach proposed regarding Life-Long Skills Accounts and note that their introduction would represent a minor reform of the current HELP scheme, however AQF level should be lowered to AQF3 to include all trade related certifications required for practice (aligns with valuing VET and Higher Education equally) and include AQF2 qualifications where they provide a direct and continuous study pathway to AQF3 and above.
 - We also note that the suggested design of the proposed Life-Long Skills Accounts captures the existing student-choice design elements of the HELP scheme, be it for VET or higher education.
 - We disagree with public funding being provided to business for workforce development, other than where such funding is allocated towards AQF qualification attainment (we understand that Universities Australia has addressed this concern at length in their submission to the Council on the paper).
- Proposal 9
 - Refer to Design Principle 6 in the previous chapter above; we believe the focus should be on equipping future learners with the skills to determine what they want to study, where and when, rather than building single market information platforms.
 - We believe the suggested approach is likely to be cumbersome, result in sub-optimal outcomes and is highly unlikely to enhance the ability of future students to determine career returns. Furthermore it is an industrial approach to a digital challenge. Market information by its very nature is fragmented in the 21st Century, as are the consumers seeking such information for decision-making.
- Proposal 10
 - Generally, we agree with the principle, however the employers of today may not be the employers of tomorrow, so we do need to be careful to allow growth and evolution.
 - Furthermore, the current VET product development model was designed for the centralised and controlled, industrial age and not the more diffuse digital age.
 - We believe that this area requires extensive foundational reform to ensure Australia's future competitiveness.
- Proposal 11
 - Refer to the commentary on Design Principles 1 to 7 on the lessons learned from a decade of reform chapter above.
 - We believe that extensive further work and learnings from the past decade of reform are essential before assumptions can be drawn and reforms can be designed.
 - Furthermore, we highlight that it is worth remembering that it is ten years since the Bradley and Cutler Reviews were undertaken and a further 15 years since COAG's third wave of reform agenda in health and education, which lead to the current policy settings in Australia. A

comprehensive review of the tertiary education and training sector is required in Australia. Such an approach would provide a sound footing for training and education providers, employers and industry and governments to participate in shared and owned reform rather than the current confrontational piece-meal approach focused on short term funding cuts.

- We suggest that the Council, together with Universities Australia, provide submissions to the Australian Parliament's Joint Select Committee on the Future of Work and Workers Inquiry, see Terms of Reference at:

https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Future_of_Work_and_Workers/FutureofWork/Terms_of_Reference

which provides a timely and ideal opportunity to drive reforms to Australia's education and skills policy settings and program investments to ensure on-going prosperity.

- Even if Federal and State Governments commit to maintain funding, we are already seeing cost shifting in terms of, for example, placement costs in health areas so this risk would need to be managed.

- Proposal 12

- Refer to the commentary provided in Proposal 11 above. However, we object strongly to creation of yet another government body and the "picking-winners" approach suggested through Ministerial Council to approve of qualifications, subjects and units lists. We are concerned that the statement "*Governments will determine for each student cohort the level of fee deregulation, including whether providers will be permitted to charge above cost-reflective price and margin*" would be highly complex and expensive to manage in practice and undermine a market-driven system and student user choice. It would raise the potential for State Governments to make different choices and to drive unnecessary flight across State boundaries to access cheaper education options.
- With regard to the statement "*quarantine each jurisdiction's contribution to ensure appropriate expenditure*" it is not clear what the Council is suggesting here, we would suggest that all jurisdictions be bound to complementary policy settings, program design and equitable funding arrangements, by way of a new National Skills Agreement (noting, that the previous Agreement has expired and that governments, tertiary education and training providers, business, industry and employers and prospective students are currently operating in a market vacuum).
- Page 96: We object to the assertions that our education and training systems are not orientated to life-long learning. We would refer to the statistics on the age profile of students earlier and we believe such assumptions need to be corrected in the paper.
- The comment on Page 96, Column 1, that a qualification held by an individual signals to an employer their interest in the field holds true for trades and professionals requiring accreditation, but does not hold true for general education and training based qualifications, such as Bachelors of Arts, Science and Commerce.
- We completely disagree with the assertion on Page 96, Column 2, that it is difficult for future students to find potential education and training providers, www.training.gov.au provides extensive information on VET providers, the www.qilt.edu.au website hosts extensive information on universities and individual universities and other higher education providers have extensive, targeted websites and digital media reach.

- Proposal 13

- Again, refer to commentary provided in Proposal 11 above, and as per Proposal 12 above we do not support creation of another government body in the tertiary education and training space.
- Also refer to previous comments regarding market design, market information and market asymmetries.

- Proposal 14

- Discussion around self-constructed qualifications requires substantial reworking and extrapolation, as there is already a high degree of customisation and tailoring in the VET space

through compulsory and elective units of competence that may be brought together for a student to be eligible for a VET award at the completion of studies. The university system offers single subject study and is moving also to micro-credentialing, which in effect is a modification of the packaging rules of VET in the higher education domain.

With Universities Australia, Charles Sturt University would be delighted to work with and provide further information to the Business Council of Australia's on the paper *Future Proof: Protecting Australians through Education and Skills* and would be available to provide evidence at any proposed consultations that the Council may undertake in relation to considering the merits of education policy and skill program reforms.

I look forward to discussing this with you further.

Yours sincerely

Professor Andrew Vann
Vice-Chancellor