



Council of Australian Postgraduate Associations Incorporated

## **Council of Australian Postgraduate Associations (CAPA)**

### **Business Council of Australia's 'Future-Proof' Discussion Paper – Response**

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Council of Australian Postgraduate Associations Incorporated

Compiled with the assistance of the staff and office bearers  
of the Council of Australian Postgraduate Associations (CAPA)  
and its affiliated member organisations.

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## Foreword

The Council of Australian Postgraduate Associations (CAPA) is the peak body representing the interests of the over 400,000 postgraduate students in Australia. We represent coursework and research, as well as domestic and international, postgraduates. We are comprised of 27 university and campus based postgraduate associations, as well as the National Aboriginal and Torres Strait Islander Postgraduate Association (NATSIPA).

CAPA carries out its mission through policy, research, and activism, communicating the interests and issues of postgraduate students to higher education stakeholders as well as the Federal Government, Opposition, and minor parties. We thank the Business Council of Australia (BCA) for this opportunity to comment on their Discussion Paper proposing an integrated tertiary education system. In the model's next iteration, we hope they will further consider the needs and future capabilities of current and prospective postgraduate students.

The Federal Government's investment in tertiary education provides major benefits to Australian businesses. Postgraduate students, engaging in research, coursework, or a combination of both, sit at the forefront of Australia's innovation economy. Postgraduate degrees, in particular, teach students critical thinking, analysis, communication, and problem solving. It is widely acknowledged that such skills, and the graduates who possess them, will not only be highly *desired* but *necessary* at all levels of Australia's future workforce. It is therefore crucial that such degrees be properly funded and accessible to all.

In our response below, we identify some points of agreement with the BCA. However, we find that their proposed model requires further consideration and reworking in three key areas. Failure to reconsider these flaws, and the assumptions underpinning them, will negatively impact Australia's universities, their current and prospective postgraduates, and, ultimately, the businesses represented by the BCA. We identify the following proposed changes to Australia's tertiary education system as problematic:

1. Subsidising degrees and qualifications based on private and public benefit
2. Encouraging more private universities to enter the market
3. The implementation of a 'Lifelong Skills Account'

## Points of Agreement

CAPA acknowledges the need for improved support for public VET providers. At present, Australia's tertiary education system has one of the lowest ratios of public funding to GDP in the OECD.<sup>1</sup> Our education system has entrenched inequalities, and participation and completion rates among low SES students and other equity groups remains low, although there

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<sup>1</sup> OECD 2017. Spending on tertiary education (indicator). <https://data.oecd.org/eduresource/spending-on-tertiary-education.htm>.

have been some recent improvements.<sup>2</sup> These inequalities need to be dealt with in order to realise the BCA's vision of a tertiary education system that is accessible to *all* Australians.

CAPA is in full support of the BCA's suggestion that there be greater provision of information relating to courses' employment outcomes (pp. 74–75). Trustworthy and easily comparable data on costs (including if students of the course are eligible for income support), time commitment, and indicative outcomes could assist prospective students in making more informed choices about their courses of study.

However, CAPA cautions that employment conditions can change drastically between students' enrolment and graduation dates, especially for longer degree courses. As the Discussion Paper rightly points out, nobody can predict the future of different industries and jobs. A public higher education system with diverse and affordable degree options is therefore crucial to Australia's future success, in business and beyond.

### **Issue 1: Subsidies dependent on 'benefit'**

We do not oppose a sector-neutral funding model, provided it does not result in a lower level of government funding for public universities and their students. However, we have deep concerns about the BCA's proposal that funding levels be determined by 'benefit'.

CAPA supports in-principle a free tertiary education system. Given the political climate and current shape of Australia's education system, we acknowledge that this is unlikely at present. The below discussion starts from the premise that tertiary education will be funded in part by the Federal Government and in part by the individual student, with students' studies being facilitated through the provision of HECS-HELP loans, scholarships, and other schemes.

The BCA's proposed reforms raise the question of how much should be provided by the Federal Government and how much through students' private contributions. CAPA disagrees with the BCA's claim that government contributions to a course should be moderated in terms of private and public 'benefit' (p. 61). There is no reliable way of quantifying courses according to their societal benefit, even if this is (incorrectly) assumed to mean short-term economic benefit. Any metric developed would be inherently limited, susceptible to manipulation, and would likely only reflect short-term industry and public sector goals.

Short-sighted and ill-informed understandings of particular courses as having more public or private 'benefit' than others go against the objective of universities to educate and to foster a robust, educated, and liberal society. Building the funding around notions of public and private benefit would have implications for the scientific research output of universities. We caution that such a system would particularly disadvantage current and potential students of HASS disciplines, as these disciplines are often presumed to not deliver public economic benefits.

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<sup>2</sup> Gale, T & Parker, S 2013. Widening participation in Australia in higher education. <http://dro.deakin.edu.au/eserv/DU:30064915/gale-wideningparticipation-2013.pdf>.

Critical analysis and problem-solving, which the BCA point to as some of the skills likely to be of key importance in future workplaces (p. 7), are skills learned through HASS degrees.

In addition, a benefit metric would be incapable of predicting or accounting for changes to the future working world. Both public and private benefit shift depending on social, economic, and environmental conditions. These shifts can be unpredictable. Furthermore, determining student contributions according to industry-wide private ‘benefit’ fails to account for differences in earnings between different populations (for instance, it fails to account for the 22.4% wage gap between women and men).<sup>3</sup>

Providing larger government subsidies to areas of public benefit would not necessarily encourage more students into these areas. This was observed when a variation on this system was implemented by the Howard Government in 1997, when commencing students’ HECS contributions were set at three different levels to reflect the ‘private benefits’ (in terms of lifetime earnings) graduates would supposedly receive from different courses.<sup>4</sup> This continues in some courses today. This arrangement has been continually critiqued, however. For instance, the 2008 Bradley Review argued:

The current range of Commonwealth subsidies across fields of study appears to bear little relationship to the actual cost of teaching or to any notional public benefits. Similarly, the range of maximum student contributions has no strong policy or empirical basis.<sup>5</sup>

The Review concluded that ‘these differences are not clearly justified and may be having unintended consequences’, for instance, encouraging universities to recruit high proportions of full-fee paying international students for poorly subsidised courses supposedly characterised by high levels of private benefit (e.g., economics and commerce), ‘at the expense of Commonwealth supported students’. By advocating the extension of benefits-based funding, the BCA risks making worse an already problematic system of funding allocations.

## **Issue 2: Private providers**

CAPA disagrees with the BCA’s claim that private providers offer value to the tertiary system, and that there is a need for private providers (p. 77). Furthermore, we disagree that private providers should receive government subsidies.

Disadvantaged students seeking upward mobility can be easily seduced by the promises of private providers. Students undertaking poor-quality qualifications on the basis of these providers’ marketing strategies was one of the unintended consequences of the Victorian VET

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<sup>3</sup> WGEA. 2017. Australia’s latest gender equality scorecard released. <https://www.wgea.gov.au/media-releases/australia%E2%80%99s-latest-gender-equality-scorecard-released-1>.

<sup>4</sup> Noonan, P 2016. Explainer: how student fees are set for different university courses. <http://theconversation.com/explainer-how-student-fees-are-set-for-different-university-courses-63505>. p. 161.

<sup>5</sup> Bradley, D et al. 2008, Review of Australian higher education: final report [Bradley review]. <http://hdl.voced.edu.au/10707/44384>.

sector reforms. We are concerned that this would occur with even greater intensity within universities, due to the historical prestige of a university education.

Likewise, in the U.S. and the U.K., private for-profit higher education providers have notoriously abused generous government subsidies while supplying very poor educational and graduate employment outcomes, wasting taxpayer money, and providing no benefits to business in the form of improved worker training.<sup>6</sup> In the U.K., this has led to the closure of a number of such providers. In 2015, the U.S. government, in order to counter for-profit providers' predatory sales tactics, implemented a scheme through which students could claim two years of free community college. Given the many disastrous examples of government-funded private higher education providers, we urge the BCA to reconsider their push for funding of private providers.

Increasing the number and student intake of private providers would also have quality implications for public universities, who would be required to reduce their costs of delivery in order to compete with low-quality private providers.

CAPA is concerned with the possible impact of the BCA's suggestion that funding benchmarks should be based on the 'efficiency' of comparable courses across different institutions (p. 63). This would incentivise the creation of low cost, bare bones courses that would churn out a high volume of qualifications of questionable academic merit, similar to what has occurred in the Victorian VET system.

We are particularly concerned that rewards for efficiency would be abused by private providers. A more efficient course is rarely a better course. Having large class sizes is one way for a course to be efficient, but this reduces the quality of the education that students receive. An efficiency payoff would exacerbate existing problems of poor quality courses in the higher education sector.

### **Issue 3: Lifelong Skills Account**

CAPA is alarmed by the BCA's suggestion to replace current student support with a 'Lifelong Skills Account', which would provide a set government subsidy for each student—in addition to that student's own contribution—that could be applied in variable amounts to different courses, as determined by the Government. It is unclear how this Lifelong Skills Account would help to achieve the principles and purposes of tertiary education as set out by the BCA.

The Lifelong Skills Account fails to solve any problems within the current system. Judging by the examples provided in the proposal (pp. 85–6), it would impose a more complicated funding scheme, creating confusion as well as opportunities for private providers to capitalise on this confusion.

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<sup>6</sup> Shore, C and Wright, S 2017. Privatizing the public university: Key trends, countertrends and alternatives, In *Death of the public university? Uncertain futures for higher education in the knowledge economy*, edited by S Wright and C Shore, New York: Berghahn, pp. 1 – 27.

The Lifelong Skills Account would have a dire effect on postgraduates, and particularly on Higher Degree by Research students whose projects may take many years to complete.<sup>7</sup> Under the proposed system, postgraduate students would face steep fees once their subsidies ran out.

This would further limit mobility for disadvantaged students, who may use up their subsidies and additional loading on pathway and enabling courses, and would then be locked out of postgraduate courses. This problem would be exacerbated in cases where students attended private enabling courses drawing on high levels of government funding. These courses could effectively drain students' lifetime entitlements, which would be used up on substandard courses (as compared to those in the public system).

CAPA is particularly concerned with the proposal for a government fund that businesses can 'directly access' in order to 'develop their workforce' (p. 87). We presume the BCA intends that this funding be spent on training and qualifications for existing employees of businesses, or on qualifications for potential future employees. CAPA believes that the cost of the former should be borne by the employer if they are requiring an employee to complete that course or qualification.

Regarding the latter possibility, we do not believe it is the role of government to fund qualifications at the whims of industry. If a business laments the lack of graduates from a certain in-demand course, they may wish to fund scholarship/cadetship programs to redress this need (as is common internationally). Additionally, the mainstreaming of cadetship programs would enable businesses to control who they send to undertake qualifications, while or before employing them.

Expecting government to subsidise currently in-demand courses, and for students to choose these courses as a result, simply shifts all risk onto students and government. In such cases, industry would be free to alter their hiring preferences by the time students completed their courses, leaving the student and the government holding the debt for a qualification that is less useful than they were led to believe.

Finally, as discussed in relation to Issue 1, such an approach could have unanticipated effects. For instance, it may encourage universities to focus on attracting full-fee paying international students into poorly subsidised courses seen as having high levels of 'private benefit'. Due to Visa restrictions and family commitments, these students are less likely to remain in Australia after completing their degrees, and therefore Australian businesses see fewer benefits (although there are benefits in the form of international engagement). Furthermore, these students are open to exploitation and often subject to dishonest marketing, even from public providers.

## **Summary and recommendations**

CAPA opposes fee deregulation, which the BCA's proposal specifically aims to work toward (p. 69). We believe that a highly regulated public tertiary education system is necessary to

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<sup>7</sup> Given the current Federal Government's plan to move to a system of charging annual fees for Higher Degrees by Research.

protect the most vulnerable current and prospective students and workers. In our response above, we have highlighted some ways in which students, and particularly postgraduate students, will be disadvantaged by the BCA's suggested reforms. On the basis of our analysis and on previous research, we make three recommendations:

- ❖ **Recommendation 1:** Reduce the proposed emphasis on differential funding according to public and private 'benefit', and consider the unanticipated effects of such a model.
- ❖ **Recommendation 2:** Exclude private providers from eligibility to receive the proposed government subsidies.
- ❖ **Recommendation 3:** Scrap the proposed 'Lifelong Skills Account' in favour of a model oriented toward improving public VET funding and accessibility, and maintaining public university funding.