

Investing in our economic future

Investing in education is the single most important thing we can do to maintain Australia's prosperity and secure the jobs of the future.

Labor has always been committed to opening access to higher education to more Australians and supporting universities as critical drivers of innovation across the economy.

A Shorten Labor Government will build on this record – not just because it is the fair thing to do, but because our future prosperity depends on it.

The economic case for reform

Australia is at an important economic juncture. The mining construction boom has passed and annual economic growth has consistently been below-trend under the Liberals. We face rising unemployment, falling business and consumer confidence, weak business investment, flat wages growth and declining living standards.

At the same time, we are facing a major economic transformation driven by trends as diverse as the rapid increase in the size of Asia's middle class, climate change, an ageing population, technological change and digital disruption and the rise of women through the institutions of power. These challenges and opportunities are reshaping our economy and our outlook.

Now, more than ever, our economy needs to step up to seize the opportunities arising from this economic transformation and improve our competitiveness through innovation, productivity and creativity.

Education is an essential source of economic growth. It is vital for lifting living standards, upskilling our workforce and creating new industries, opportunities and jobs here in Australia.

Australia recently completed its 24th year of continuous economic growth. This was driven by hard won micro-economic reforms and investments in our human and physical capital base. But we can never afford to stand still. We need to replicate the success of previous Labor Governments – lifting productivity, growing investment, creating jobs and building new sources of growth.

To achieve this, we must tap into our nation's best resource: the skills and creativity of our people. Investing in universities is an investment in our national productivity – and our international competitiveness.

Two in every three jobs created in the future will require some form of degree, and so we need to be building the workforce of the future today. The role of Government should be improving access to higher education, not putting walls around our universities through a massive debt burden.

In 2013, the Australian Workforce and Productivity Agency found that every extra dollar invested in tertiary education would on average grow the economy by \$26 within the

decade. The OECD estimates the real rate of return to the Australian government from investing tertiary education is more than 13 per cent.

When we invest in human capital, we are preparing Australians for a future they control – and embrace. Because, in the future, economic growth will be more organic, less structured, and driven by individuals.

The opportunities are immense, and we should be optimistic. But the opportunities need to be seized. Our universities are the core of our future economy, the driver of innovation, growth and the jobs of the future.

Australia needs the right plan to deliver a flexible, well-educated workforce that can continually adapt to change and exploit uncertainty to our advantage.

This is particularly the case in STEM skills, given that 44 per cent or 5.1 million current Australian jobs are at risk from automation or technological change.¹

In 2012, only 16 per cent of all courses in Australia completed in tertiary education were STEM-related. This is despite 75 per cent of the fastest growing occupations requiring STEM related skills and knowledge.²

Leading innovative OECD countries have three times more R&D personnel in industry than Australia.³

There are considerable opportunities in focussing on STEM related jobs – in digital technologies alone, 540,000 jobs could be created with the right policy settings and supporting investments.⁴

Labor's commitment

Labor will put our nation's future prosperity first. That means investing in our universities, not saddling students with \$100,000 degrees and decades of debt.

We will ensure that universities are productive, equitable and accessible – educating the next generation for the jobs of the future.

Improving access, better supporting our students and improving education quality is central to Labor's plan for the future.

Labor is the party of education, and expanding opportunity to higher education. Because of Labor's reforms, an additional 190,000 students are enrolled at university today.

Labor will continue the demand driven system and ensure that access to university remains a matter of hard work and good marks, not your bank balance.

¹ PwC, *A Smart move: Future-proofing Australia's Workforce*, 2015, also see Committee for the Economic Development of Australia, *Australia's Future Workforce*, 2015

² PwC, *Expanding Australia's Economy: How digital can drive the change*, 2014

³ PwC, *Expanding Australia's Economy: How digital can drive the change*, 2014

⁴ PwC, *A Smart move: Future-proofing Australia's Workforce*, 2015 and PwC, *Expanding Australia's Economy: How digital can drive the change*, 2014

But we will also do more to ensure that every student gets the opportunity to succeed, not just enrol.

That is why Labor is announcing **five point reform plan** for supporting Australia's universities to maintain our prosperity and ensure we deliver the jobs of the future.

1. Drive Quality and Completions

Enrolment at university isn't an end in itself.

The previous Labor Government opened access to university – 190,000 more students are at university today as a result of our reforms.

Access will always matter to Labor – and we will continue to support the demand driven system. But our next wave of university reform will focus on completion and quality.

We want Australian students who start university to finish university with a degree.

Department of Education figures show that 28 per cent of people who started a degree in 2006 had not completed it after eight years – and more than 22 per cent had dropped out completely.⁵

There is evidence that attrition rates have been getting worse in recent years, meaning even more students are likely to leave university with a debt but no degree.⁶

With the Commonwealth investing \$14 billion of taxpayers' money in universities every year, Australians are right to expect outcomes that benefit the entire community; young Australians graduating as teachers, nurses, doctors, engineers and scientists enhancing our society and our economy.

A Shorten Labor Government will set an ambitious goal to increase the number of students completing their study by 20,000 graduates per year from 2020.

Labor will work with the university sector to ensure that incentives within the demand driven system are introduced to achieve this goal.

And because students need to graduate with skills, knowledge and resilience for their working life, not just mark their name off at class, a Shorten Labor Government will invest an additional \$31 million in **Tertiary Education Quality Standards Australia**.

⁵ Department of Education, *Completion rates of domestic bachelor students 2005-2013: A cohort analysis*, <http://docs.education.gov.au/documents/completion-rates-domestic-bachelor-students-2005-2013-cohort-analysis>, Table 4

⁶ <http://www.theaustralian.com.au/higher-education/drop-outs-soar-as-unis-ride-enrolment-boom/story-e6frgcjx-1227467093509?sv=41d8c05be3451174d84c0cca3b2e7611>

The boost to TEQSA will lift the quality of teaching and resources to ensure that students graduate with a high quality education that will win them the jobs of the future.

This additional investment will provide the assurance that our investment in higher education is achieving the right outcomes, for students as well as our economy: highly skilled, highly adaptable, technology literate graduates ready to compete in the world.

2. No \$100,000 degrees

Labor will continue to fight the Liberals' \$100,000 degrees and will not deregulate fees for undergraduate students.

Immediately on coming to office, a Shorten Labor Government will move to reverse any cuts to undergraduate student funding that the Liberals succeed in getting through the Senate.

Where Labor seeks to invest more in our students, the Liberal Government only want to cripple students with massive debts.

A Shorten Labor Government will introduce a new **Student Funding Guarantee** to provide certainty to universities and remove the need for higher fees.

Under a Shorten Labor Government, average funding per undergraduate student in 2018 will be more than \$11,800.

From the 2018 academic year, this will boost per student funding by more than 27 per cent or \$2,500 per student, per year, compared with the Liberals' plan.

By 2026, Labor's student funding guarantee will see universities more than 40 per cent or \$4,000 better off per student each year in government funding compared to the Liberal Government's policy.

On average, over the next decade, a Shorten Labor Government will invest an additional \$9,000 in each student's education for a standard 3-year degree.

This additional investment will ensure that students are encouraged rather than deterred from studying at university, improving the productive capacity of our economy.

To provide certainty and confidence to a sector that is vital to maintaining Australia's prosperity, Labor will legislate the Student Funding Guarantee, and index the funding to ensure the value of the contribution isn't eroded over time.

3. Increase Access and Diversity

More students are studying at university than ever before in Australia, but we need to do more to ensure that all Australians have access to a university education.

In government Labor set ambitious targets to boost access to a university, particularly among under-represented groups. And we backed these targets up with increased funding to universities to ensure that these students were supported during their studies.

Today, we are on target so that by 2025, 40 per cent of Australians under 35 will have a bachelor's degree.

Labor's also set a target that by 2020, 20 per cent of students from disadvantaged families would go to university. There has been significant progress towards meeting this target, but there is more work to do.

Our ambition is to remove all barriers to higher education. This means improving access for:

- Low income students
- Students from rural and regional areas
- Indigenous Australians and first generation migrants
- Students with disabilities and other students from disadvantaged backgrounds

To achieve this, an elected Labor Government will replace the existing Higher Education Participation Program and introduce a **Higher Education Access and Growth Strategy** to lift equity and improve student outcomes, including completion.

Students from low-income backgrounds and from rural and regional Australia are significantly less likely to complete university than their better off metropolitan counterparts.

The eight-year completion rate for low-SES students commencing in 2006 was less than 67 per cent. Although a small group were still enrolled in 2013, more than one in four students had dropped out. Almost half of all Indigenous students commencing in 2006 left university without a degree.

The gap in completions between metropolitan students and those from regional Australia is nearly six percentage points, increasing to almost 15 per cent for remote students.⁷

⁷ Department of Education, *Completion rates of domestic bachelor students 2005-2013: A cohort analysis*, <http://docs.education.gov.au/documents/completion-rates-domestic-bachelor-students-2005-2013-cohort-analysis>, Table 4

A Shorten Labor Government will seek to close this gap.

Student grouping	Per cent dropped out
National Total (domestic bachelor students)	22.4
Indigenous	45.8
Low SES	27.3
Metro	21.2
Regional	26.3
Remote	35.0

Source: Department of Education, *Completion Rates of Domestic Bachelor Students - A Cohort Analysis, 2005-2013, February 2015*

The **Higher Education Access and Growth Strategy** will put in place incentives, in addition to base funding, to improve diversity and improve outcomes for disadvantaged students.

4. Improve readiness for the labour market

Studying at university should open the door to a well-paying career. For that to occur, universities must be responsive to labour market pressures and educate students for growth areas in the economy.

Labor will continue to support the demand driven system, but universities should be better attuned to the future labour market, and the needs of employers. Access to big data and more advanced analytics capabilities will assist in developing better labour market profiles and forecasting skills needs.

A Shorten Labor Government will work with our universities, industry and science agencies to get the incentives right to meet the needs of the future economy.

From skill shortages in key occupations to productivity-driving opportunities in new industries, universities will be encouraged within the existing funding system to be more responsive to drivers of growth.

- This builds on Labor’s announcement to prioritise study in Science, Technology, Engineering and Mathematics (STEM). We know that STEM educated students are vital to our future economy, so we need to structure the incentives accordingly.

- Labor will also offer to write off the HECS debts of 100,000 students who complete a STEM degree at university.

But this is just a start.

In consultation with universities, Labor will establish an independent *Higher Education Productivity and Performance Commission* to drive these labour market outcomes.

Similar Commissions are common in other developed economies – in the United Kingdom, New Zealand and Hong Kong, for example – and these provide good examples of best practice for Australia to consider.

The current arrangements between the Commonwealth and universities have not always worked as well as they could, or in the way they were intended.

The Commonwealth invests around \$14 billion a year in higher education. We need to ensure that the investment delivers the highest standards of teaching and learning for the benefit of individual students as well as our society and our economy.

Labor recognises this, and that is why a Shorten Labor Government will work with the sector to uphold a focus on accountability and performance, and to lift productivity in our universities.

5. Better Informed students and parents

The success of our students starts with choosing the right course, at the right university.

There is an obligation on government to assist students in making informed choices upon entering university.

From the final years of high school, to applying for courses at university, we must do more to ensure that students and parents have the information they need to make good decisions. With the demand driven system similar to a marketplace for students and course offerings, government should ensure that students are well-informed consumers.

Before enrolling for a degree, students should have access to information like the average salary, and career opportunities upon graduation.

There are many opportunities to leverage digital technology and a Shorten Labor Government will engage Australia's burgeoning start-up industry in this process.

The Government has recently launched the Quality Indicators for Learning and Teaching website (www.qilt.edu.au). Labor welcomes this initiative, but we believe that there is more that can be done to improve the depth of information, and user experience.

More informed students and parents will mean better decisions and ultimately improved outcomes.

A similar approach has recently been announced in the United States by President Obama in the form of a College Scorecard.⁸

Labor is committed to ensuring that students have the best information available when deciding to enrol into a specific course and will work with students, parents, universities, professional career counselling bodies and business to embrace new technology and forms of transparency.

Approach to reform

Our economic future relies on our higher education system being properly resourced and producing quality graduates.

It will take consultation to ensure that we get it right.

That is why Labor will undertake a detailed consultative process with students, universities and their staff, business and others in the community to undertake these reforms.

We will start this process from Opposition so that we are able to hit the ground running in government. On coming to government, Labor will initiate a targeted Green Paper-White Paper process to finalise the implementation of our reform objectives.

Who will benefit

Investing in Higher Education is good for the economy

Investing in our universities is one of the most important things we can do to maintain Australia's prosperity and ensure we deliver the jobs of the future.

This package is a win for all Australians and will boost our economic prospects.

The OECD has found that Australia already has the second best return on investment in higher education of all the OECD nations.

For every extra dollar Australia spends on a university student's education, the average return is twenty six dollars.

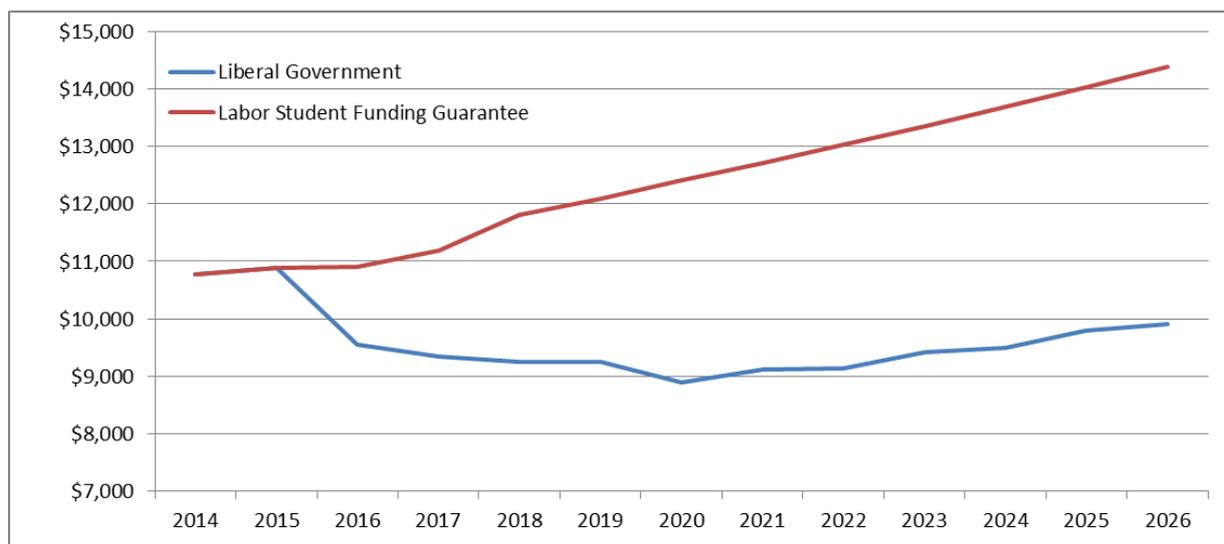
The economic case is emphatic.

⁸ <https://collegescorecard.ed.gov/>

Investing in Higher Education is good for students

To provide certainty to students and universities, the **Student Funding Guarantee** will boost per student funding by more than 27 per cent or \$2,500 per student, per year.

By 2026, Labor’s student funding guarantee will see universities more than 40 per cent or \$4,000 better off per student each year in government funding compared to the Liberal Government’s policy.



On average, over the next decade, a Shorten Labor Government will invest an additional \$9,000 in each student’s education for a standard 3-year degree. This additional investment will fund better outcomes, without \$100,000 degrees.

Course (duration)	Cost of degree under Labor	Cost of degree under Turnbull*
Dentistry (5 years)	\$52,615	\$148,620
Vet Science (5 years)	\$52,615	\$131,580
Medicine (5 years)	\$52,615	\$125,155
Law (4 years)	\$42,092	\$86,024
Engineering (4 years)	\$35,948	\$51,872
Commerce (3 years)	\$31,569	\$63,915
Science (3 years)	\$26,961	\$50,337
Education (4 years)	\$25,224	\$48,312
Humanities (3 years)	\$18,918	\$49,587
Nursing (3 years)	\$18,918	\$36,867

*Based on NATSEM modelling.

Labor's record

There are 750,000 undergraduate students at Australian universities today and one in every four of them is there because of Labor:

- We put 190,000 more students on campus.
- We boosted Indigenous student numbers by 26 per cent.
- We boosted regional student numbers by 30 per cent.
- We have more than 36,000 extra students from low income families in universities, compared to 2007.

Labor boosted universities' real revenue per student, including government and student contributions, by 10 per cent. That's an extra \$1,700 for universities to spend on quality teaching for every student.

Overall, Labor lifted Government investment in universities from \$8 billion in 2007, to \$14 billion in 2013.

The Liberal Government's record

The Liberal Government has the wrong plan for Australia.

By introducing \$100,000 degrees, they will erect walls around education. It is hard to imagine a more economically myopic decision than to tilt the board against Australian kids getting a better education.

The Liberal Government's policies will see Australia fall behind, committing us to a lower standard of living and lower incomes.

Deregulation and \$100,000 degrees will shut the door on students and our future economic prosperity.

Expert opinions on the Liberal Government plan:

"... deregulation will inevitably lead to much higher fees for our students."

"Over time, full fee deregulation will lead to a higher education system characterised by the 'haves' and the 'have nots'."

PROFESSOR LINDA KRISTJANSON, VICE-CHANCELLOR, SWINBURNE UNIVERSITY

(Email to staff, 27 May 2014)

"I want the best students, not only those who can afford to pay. It's the ordinary Australians that I think aren't getting enough of a guernsey in this conversation."

PROFESSOR MICHAEL SPENCE, VICE-CHANCELLOR, UNIVERSITY OF SYDNEY

(SMH/Age 22 May 2014)

“There are grave risks here. Universities are being asked to set fees in an unprecedented market environment.”

PROFESSOR SANDRA HARDING, FORMER CHAIR, UNIVERSITIES AUSTRALIA

(The Australian, 21 May 2014)

“Is it really worth a couple of Australian universities getting very slightly better – and there will never be an Australian Harvard – at the cost of the remainder becoming very much worse?”

PROFESSOR GREG CRAVEN, VICE-CHANCELLOR, AUSTRALIAN CATHOLIC UNIVERSITY

(The Australian, 28 May 2014)

“Fees will go up and they will go up quite significantly.”

PROFESSOR BRUCE CHAPMAN, ARCHITECT OF HECS

(SMH, 15 May 2014)

Financial Implications and Offsets

The net impact of Labor’s package, costed by the Parliamentary Budget Office, is \$2.5 billion over the budget forward estimates.

BUDGET IMPACT (UCB)	2015–16	2016–17	2017–18	2018–19	FE Total
Student Funding Guarantee	-332	-812	-1,191	-1,520	-3,865
TEQSA funding increase	-	-10	-10	-11	-31
Expansion of the demand driven system - not proceeding	134	298	360	426	1,217
FEE–HELP and VET FEE–HELP loan fee cessation - reversal	-	2	17	40	59
Structural Adjustment Fund - reversal	27	42	31	-	100
Net impact	-171	-480	-793	-1,064	-2,519

**numbers in table may not add up due to rounding*

The Student Funding Guarantee includes additional funding to reverse the Government’s Budget cuts.

Labor will offset this investment by not proceeding with a number of lower priority measures announced by the Government:

- Expansion of the demand-driven system to sub-bachelor places and to bachelor places at non-university higher education providers;
- Abolishing FEE–HELP and VET FEE–HELP loan fees; and
- Establishment of the Structural Adjustment Fund aimed at helping regional universities adjust to a deregulated system.

Labor believes that investment is better directed to the public university system, rather than increasing funding to private providers. Labor will announce further policies regarding the TAFE system and pathway programs prior to the election.

The additional expenditure will be offset, over the forward estimates and the medium-term, by existing commitments to reform the taxation of multinational entities and superannuation tax concessions, and the abolition of the Emissions Reduction Fund.