

8 June 2017

Committee Secretary
Senate Education and Employment Committee
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Secretary

**Inquiry into the Higher Education Support Legislation Amendment Bill
2017**

Swinburne University of Technology welcomes the opportunity to make a submission to the Senate Inquiry into the Higher Education Support Legislation Amendment Bill 2017 (the Bill).

Australia is fortunate to have a university sector that is internationally-competitive, supports excellence in higher education and provides equity of access and quality educational outcomes for students. While Swinburne is supportive of certain elements of the Bill, there are a number of features of this new reform package which could undermine the significant economic and social contributions delivered by universities.

Background

Following the abandonment of the higher education deregulation agenda pursued by the Abbott Government and then Education Minister Christopher Pyne in 2014, the Australian university sector has been anticipating the development of revised reform proposals.

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Swinburne's key concern regarding the reform package proposed in 2014 was the inflationary risk of deregulated university fees, with public commentary from providers at the time confirming the likelihood of this development.¹ Swinburne also noted the additional risk posed by the design of the Higher Education Loan Program (HELP), which ensures that students incur no upfront costs for their tuition. Given that students can defer loan repayments for many years, we observed that students could incur far larger debts than they reasonably should, as no 'price pain' was experienced at the time of purchase.²

While Swinburne is pleased that the significant and hasty 2014 deregulation agenda is off the table in these new proposals, and the previously announced 20% cut to the Commonwealth Grant Scheme (CGS) has not eventuated, the new package will nevertheless adversely affect students and universities.

Impact on students

The proposal of greatest concern to Swinburne is the combined effect of a 5% cut to Commonwealth Grant Scheme (CGS) funding, and a 7.5% increase in the proportion of course fees students would be required to contribute by 2021. In simple terms, the Government is proposing to make students pay more for a university education, while giving universities less money to invest in this education.

These proposals would worsen the already poor standing of Australia amongst other OECD nations with respect to student fees and university funding. Australian higher education students pay the sixth-highest fees of the OECD, yet our universities receive the second lowest level of public investment of the 31 countries in the OECD.³

Impact on universities

Deloitte Access Economics estimates that in 2013, the Australian university sector contributed circa \$25 billion to the Australian economy, or 1.5% of Australia's Gross Domestic Product (GDP), and employed circa 160,000 full-time equivalent positions. The same Deloitte analysis estimated that university education resulted in a contribution of \$140 billion to Australia's GDP in 2014, due to increased workforce participation and productivity from university graduates.⁴ In 2013 The Australian Workforce and Productivity Agency estimated that every dollar invested in the university sector would grow the economy by \$26 and tax revenues by \$8 in 2025.⁵

¹ <http://www.abc.net.au/news/2014-09-23/uwa-to-hike-fees-30-per-cent-if-deregulation-gets-green-light/5762240>

² Swinburne University of Technology, *Submission to Higher-Education Reform Amendment Bill 2014*

³ *Universities Australia, Pre-Budget Submission 2015*

⁴ *Deloitte Access Economics, The importance of universities to Australia's prosperity 2015*

⁵ *Australian Workforce and Productivity Agency, National Workforce Development Strategy 2013*

Given the evidence-based, transformative effect of higher education, maintaining and increasing access and reducing financial barriers for students is crucial to both Australia's future economic success and aspirations for an egalitarian society. Swinburne contends that to cut funding to a sector which contributes so much to the nation would be a retrograde measure.

Swinburne has calculated the following revenue impacts as a result of the proposed efficiency dividend and 7.5% at risk performance funding. Swinburne expects that our university will be at least \$31.8m worse off as a result of these measures with losses potentially totalling more than \$80m:

Impact on Swinburne CSP places (\$m)	2018	2019	2020	2021	2022	Total
CGS funding changes	-2.2	-6.7	-6.9	-7.6	-8.4	-31.8
CGS plus worst case 7.5% contingent funding	-2.2	-18.7	-19.4	-20.4	-21.8	-82.4

Performance funding

While Swinburne promotes and supports measures to drive excellence in higher education, and is committed to improving the transparency and accountability of admissions practices to ensure that students can make informed decisions about their tertiary education, the threat to withhold 7.5% of CGS funding to universities could have severe and unintended negative consequences, particularly for a university such as Swinburne.

Performance funding for universities is not a new concept, with 25 implementations in the United States at the state level between 1990 and 2010.⁶ Two separate, large-scale studies concluded respectively that these performance funding programs did "not achieve the most basic goal all states believe is central to their performance efforts – improving productivity"⁷ and that such policies were "at best ineffective, and at worst, they are negatively linked to student performance"⁸

It is proposed that in 2018 7.5% of universities CGS funding will be notionally at risk, contingent on meeting admissions transparency requirements.

⁶ *Tandberg and Hillman, State Performance Funding for Higher Education: Silver Bullet or Red Herring? WISCAPE, 2013*

⁷ *Ibid*

⁸ *Rutherford and Rabovsky, Evaluating Impacts of Performance Funding Policies on Student Outcomes in Higher Education, AAPSS, 2014*

With respect to the development of these initial requirements for 2018, Swinburne has expressed broad support for all the recommendations outlined in the Higher Education Standards Panel (HESP) report, *Improving the Transparency of Higher Education Admissions*, particularly those recommendations which relate to supporting students and their advisors in navigating critical information regarding future study options. This student-centred approach is consistent with Swinburne's ethos.

However, Swinburne has noted in a recent submission that the report proposes a timeline which would require providers to publish information about all courses by August 2017, including detailed statistics. Swinburne therefore believes that an acceptable 'best endeavours' approach for Victorian universities would be providing the current ATAR information published by the Victorian Tertiary Admissions Centre (VTAC), with the full requirements to be met in 2019. Despite encouraging communications from the Department that best endeavours approaches will likely be accepted, Swinburne requires certainty that this funding will not be withheld in 2018.

Swinburne is further concerned with the potential metrics that would be used to determine universities eligibility for the proposed 7.5% at-risk CGS component from 2019. While the Department of Education and Training has committed to developing these performance metrics with universities over the next year should the Bill pass the Senate, placeholder metrics communicated at a recent Departmental briefing in Canberra are a portent. These sample metrics, which included a three-year attrition average by institution and graduate employment outcomes, could present unique difficulties for Swinburne.

Swinburne is committed to attracting and supporting students from diverse backgrounds and geographical locations. Approximately one in five of our students are either non-traditional or are experiencing educational disadvantage, including low SES, part-time, mature age, indigenous and regional/rural cohorts. Swinburne has no intention of ever turning away learners from these backgrounds, yet we are cognisant that there are inherent attrition risk factors associated with these student cohorts, as confirmed in a 2014 Education Department analysis.⁹ While Swinburne and Online Education Services (OES), our partner in Swinburne Online (our online delivery arm) are implementing retention initiatives and analyses of student trends, we are concerned that any performance metric tied to attrition could severely disadvantage and punish Swinburne for being a university of access.

⁹ Department of Education and Training, *Completion Rates of Higher Education Students – Cohort Analysis, 2014*

Similarly, the prospect of having funding tied to graduate employment outcomes is poorly conceived, as universities have no control over such outcomes. Further, the Government's Graduate Destination Survey (GDS), the only significant data collected relating to outcomes, is taken voluntarily by limited numbers of students just four months after graduation. Swinburne asserts that tying any university funding to incomplete data is not viable. Given that CGS funding is based on student demand, there is already an innate incentive for universities to strive for high retention and employability outcomes.

Swinburne notes that while any funding withheld as a result of performance measures would not be recouped by Government but rather redistributed amongst other universities, the Bill allows for significant ministerial discretion with regard to this redistribution. We are therefore concerned that unless legislative amendments clarify the administration of this proposal, the Bill risks political interference in CGS funding.

Given that under the Government's proposals 7.5% of CGS funding is not guaranteed, universities will be unable to make reliable revenue projections, impacting on planning. Further, if the proposed metrics require universities to collect additional data than is already measured, this will place an additional cost and time burden on universities.

We are encouraged by advice from the Minister and the Department that evidence of relative improvements at individual universities would be sought from performance metrics rather than the establishment of sector-wide benchmarks. However, Swinburne believes that the risk of perverse outcomes is too high to justify the establishment of a performance funding scheme.

New arrangements for sub-bachelor courses

Swinburne is strongly supportive of the proposal in the Bill to expand the demand driven funding system to include Commonwealth Supported Places (CSPs) in approved sub-bachelor level diploma, advanced diploma and associate degree courses at public universities from 1 January 2018.

We believe in the importance of diverse entry pathways for students to access higher education, and this proposal will help a greater number of students experiencing educational disadvantage to access the opportunities a higher education provides.

For Swinburne, the ability to offer a greater number of sub-bachelor places will help us to improve the academic skills and preparedness of students to undertake a Bachelor level qualification. Sub-bachelor study is also an attractive entry point for students who are returning to study after a long absence, and may wish to test the practicality of fitting study commitments into their lives, as Swinburne observed in our submission to the Australian Government's Review of the Demand Driven System in 2013.¹⁰

As noted in the 2014 Review of the Demand Driven System, the discretionary allocation of CSPs by government undermines competition, student choice and suppresses market potential.¹¹ In a submission to the Government's 2016 higher education policy options paper, the Group of Eight universities noted that while student participation in sub-bachelor degrees has grown substantially as a result of the demand driven system, sub-degree programs had not been able to keep up with the needs of the economy.¹²

As with many other providers, demand for sub-bachelor enrolments has significantly exceeded available places at Swinburne in recent years, therefore we commend the Government for this necessary policy adjustment.

Equity funding

While Swinburne has previously opposed reductions in Higher Education Participation Partnerships Program (HEPPP) funding, we commend the Government for its proposal to retain HEPPP and enshrine it in legislation.

The importance of the participation initiatives enabled via HEPPP funding cannot be overstated. HEPPP allows each university to tailor programs to the specific needs of low SES students, and to build new programs into the university strategy over time. The creation, ongoing evaluation and refinement of these programs would be impossible without HEPPP funding.

Swinburne will make separate submissions to the proposed changes to the way HEPPP is funded, but places on the record our strong support for its preservation. Swinburne commends the recent ACIL Allen HEPPP evaluation which concluded that HEPPP has been an effective program which has likely contributed to increasing low SES enrolments considerably.¹³

¹⁰ *Swinburne University of Technology, Swinburne's Submission to the Review of the Demand Driven System, 2013*

¹¹ *Kemp and Norton, Review of the Demand Driven Funding System, 2014*

¹² *Group of Eight Universities, Submission to Driving Innovation, Fairness and Excellence in Australian Higher Education, 2016*

¹³ *ACIL Allen Consulting, Evaluation of the HEPPP, 2017*

Post-graduate scholarships

Given the limited detail in the Bill and associated explanatory memorandum as to how the Government's proposed postgraduate scholarship scheme would be administered, Swinburne is concerned that there is potential for scholarships to be awarded in a non-transparent manner.

Swinburne does not object to the principle of greater student choice in postgraduate study. However, given that a limited number of scholarships would be highly sought after nationally, Swinburne is concerned that taking university admissions offices out of the allocation process could result in an unfair distribution of places.

Further, Swinburne is concerned by advice that students would have to apply to a third party which would assess scholarship applications and prioritise allocations according to national objectives. In our considered opinion, the risk of interference in these decisions is high, and there is potential for perverse outcomes for student choice if certain disciplines and/or providers are neglected outright.

Swinburne recommends that a superior proposal would be the extension of the demand-driven funding system to postgraduate CSPs, as recommended in the Kemp Norton review.¹⁴

Work integrated learning

Swinburne supports the Government's proposal to offer CSP support for students undertaking a work experience unit as part of their course. Swinburne has an extensive Work Integrated Learning (WIL), partnering with leading Australian and global organisations to offer students authentic and practical workplace experiences.

The proposed policy change is appropriate as it reflects the true costs of offering a quality learning-outcome focused WIL experience.

From 2016, all new Swinburne undergraduates have been offered work experience opportunities. This additional Commonwealth support is therefore most welcome, and will be of benefit to both students and employers.

¹⁴ *Kemp and Norton, Review of the Demand Driven Funding System, 2014*

Recommendations

Recommendation 1 – Efficiency dividend

Swinburne recommends that the Government abandon the proposed 2.5% CGS efficiency dividend in the Bill, in light of the deleterious effect it would have on students and universities,

Recommendation 2 – Performance funding

Swinburne recommends that the Government abandon the proposed 7.5% CGS performance contingent funding, as it would punish those universities which provide access to non-traditional learners and learners experiencing educational disadvantage.

Recommendation 3 – Student contribution

Swinburne recommends that the Government abandon its proposal to increase student fee contributions by 7.5% in 2021. We believe such a measure would make university education less attainable and would further entrench Australia's relatively high student fees when compared with other OECD nations.

Recommendation 4 – HEPPP

While Swinburne supports and commends the Government's proposal to continue funding the HEPPP and to enshrine it in legislation, we recommend that the \$152m cut from HEPPP in 2016 be restored in recognition of the new evidence of its effectiveness in the May 2017 ACIL Allen report.

Recommendation 5 – Postgraduate scholarship scheme

Swinburne believes that there is insufficient detail in the Bill regarding the precise operation of the Government's proposed postgraduate scholarship scheme to warrant unconditional support. Swinburne recommends instead that the demand-driven funding system be extended to postgraduate CSPs.

Swinburne strongly believes that Australia's future prosperity is dependent on strong investment in our higher education system. Swinburne therefore urges the Government not to diminish its support for universities and our students in this Bill, as the greater the investment now the greater the return will be for future generations.

Thank you again for the opportunity to make a submission to this inquiry.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Linda Kristjanson', with a stylized flourish at the end.

Professor Linda Kristjanson

Vice-Chancellor and President