

BCA

Business Council of Australia

Australian Universities Accord

Interim Report

September 2023

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1. Overview

The Business Council of Australia (BCA) welcomes the opportunity to comment on the Australian Universities Accord Interim Report. The Accord offers a unique opportunity to reshape the higher education sector into one that is responsive to industry and meets Australia's future skills needs.

Australia's economy and society will continue to face a range of pressures, including:

an ageing population, mitigated only through skilled migration

the impact of digitisation and technology

a decarbonising economy, and

changing geopolitics.

To respond to these challenges, we need to reshape the economy into a high wage, high productivity one. The BCA's recent report, [Seize the Moment](#), outlined the need for Australia to become a frontier nation by demonstrating world's best practice in everything we do, creating value by working smarter and more efficiently, and strengthening existing industries like mining and agriculture while creating new, globally connected sectors at scale.

As a frontier nation, Australia can become a magnet for investment, ideas and talent. Critical to our success is unleashing the skills and capabilities of all our people. It will enable us to continually evolve, and adapt and stay ahead of our competitors. It will also position us at the cutting edge of discovery and invention, leading the development and application of world-class technologies. We are perfectly placed to be a leader in global decarbonisation efforts.

Australia's economy must be flexible and nimble to overcome these long-term challenges. Developing genuine industries of the future that create jobs and sustain the living standards of Australians will be key to our success. This means creating an economic environment conducive to research, investment and innovation.

Universities and the tertiary sector are central to Australia's economic and social progress. They foster the research, innovation and discovery that will generate the new big ideas to position Australia as a frontier economy. They train Australia's future workforce and drive new industries through innovative research. And they support our relationships with other countries through collaborations with overseas institutions and the education of international students.

Australia needs to better develop the skills and capabilities of its people to drive resilience and long-term prosperity. Ensuring Australians have the competencies needed for the jobs of today, and of the future, is the responsibility of our education and training systems – complemented by a well-managed migration system. These systems must work seamlessly to meet current and future workforce needs. They must jointly deliver for all Australians by providing lifelong access to skills and training to secure new, higher-paying jobs and better opportunities.

The Business Council commends the wide-ranging and thoughtful ideas, options and analysis provided in the Interim Report. The complexities of the higher education sector are evident in the 70-plus areas for further examination and we appreciate the hard work and deep consultation undertaken in compiling the Interim Report.

The BCA agrees with the Accord's five priority areas that are currently with Government for approval. We are supportive of the Accord's work on equity and increasing access, and see value in the proposed approaches to ensure the sustainable, effective delivery of higher education in regional, rural and remote Australia.

We have focussed our submission in response to the Interim Report on the three key areas: future skills needs, university funding and governance, and research and development. We feel these areas should be strengthened in the final report and offer recommendations that seek to ensure Australia's post-secondary education system is fair, accessible, future-focused and takes an active role in strengthening our economy.

2. Key Recommendations

Move past a narrow focus on qualifications that align with traditional occupations or industries and think about skills standards and competencies. Learning should be a lifelong pursuit, with people accessing industry-responsive training throughout their career.

- Increase delivery and integration of short, stackable training options, including industry-delivered microcredentials, consistent with the new National Microcredentials Framework.
- Develop a nationally consistent approach to Work-Integrated Learning.
- Develop a national framework for a digital, portable skills sharing system to enable Australians to share their portfolio of education and skills with employers.

Develop a new post-secondary education and training funding model that breaks down silos between sectors and ensures job-ready graduates.

- Implement a tertiary guarantee funding model that puts the learner in control of their education and is funded by a variety of sources.
- Establish a Tertiary Education Commission as a mechanism to improve system transparency, coordination, oversight and connect all types of post-secondary education.
- Further examine and resolve the role of international student fees in funding higher education, with a focus on long-term fiscal stability and growth.

Increase the capacity and capability of universities to proactively undertake research collaboration with industry. At the same time, remove the barriers for industry – particularly small-medium sized enterprises – to partner with universities and bring innovative new ideas to market.

- Establish a National Future Industries Council that focuses on research commercialisation and industry development for future prosperity.
- Review and improve existing incentives to deliver non-taxpayer research funding sources, such as the Research and Development Tax Incentive (R&DTI). Consideration should be given to a collaboration premium.
- Explore mechanisms to incentivise and support start-ups.
- Develop a National Research Register.

3. Future Skills Needs

The Universities Accord Interim Report well articulates the possible steps required to meet Australia's future skills and workforce needs. It calls for a more integrated system between higher and vocational education, the development of a national skills passport, and support for lifelong learning and microcredentials. The Business Council is highly supportive of this work and would like to see these ideas developed further in the final report.

Currently, the higher education system is not flexible enough to respond to emerging industries and skills requirements, given its focus on delivering multi-year qualifications rather than short, stackable training options. Post-school qualifications take too long to update and become detached from current industry needs. And skills and training undertaken outside formal qualifications often go unrecognised. So Australians have limited options to quickly retrain and upskill mid-career, or to collate and share their credentials.

The BCA has long advocated for systems and incentives for people to develop new skills and knowledge over their lifetime. Our economy must adapt to change, develop new industries and respond to the digital

transformation, and Australians need to refresh and update their skills throughout their careers. They also need more options to acquire new skills that match evolving industry needs.

Recommendation

Move past a narrow focus on qualifications that align with traditional occupations or industries and think about skills standards and competencies. Learning should be a lifelong pursuit, with people accessing industry-responsive training throughout their career.

- Increase delivery and integration of short, stackable training options, including industry-delivered microcredentials, consistent with the new National Microcredentials Framework.
- Develop a nationally consistent approach to Work-Integrated Learning.
- Develop a national framework for a digital, portable skills sharing system to enable Australians to share their portfolio of education and skills with employers.

3.1 Lifelong Learning

To remain up to date with the skills needs of the 21st century and drive lifelong learning, delivery and integration of short, stackable training options must be increased, including microcredentials consistent with the new National Microcredentials Framework. Universities, Vocational Education and Training (VET) providers and industry should partner to develop and deliver these flexible, stackable courses that supplement – not replace – foundational education (university degrees and TAFE courses). This training is particularly suited to mid-career Australians who have existing qualifications and may have working or caring responsibilities that make engaging in full-time or long-term study difficult.

Our members noted that targeted microcredentials could also be offered to High School students to assist their preparation for post-secondary education. Credits awarded from microcredentials could complement students' ATAR scores and contribute to their university or TAFE entry applications.

To keep pace with these shifts, the training system needs to strike a better balance between regulation and responsiveness to industry. For short courses and microcredentials to have their full impact, they need to be formally recognised, recorded and rewarded for the capabilities they signify. This would build on the recommendations of the 2019 Noonan Review of the Australian Qualifications Framework (AQF) and should encourage greater recognition of prior learning within the framework.

More access to FEE-HELP support could increase the uptake of microcredentials and stackable training courses. Microcredentials developed under the current Microcredentials Pilot in Higher Education are currently available for FEE-HELP, and should the pilot prove successful, consideration should be given to providing access more broadly.

3.1 Work-Integrated Learning

A nationally consistent approach to Work-Integrated Learning (WIL) must be agreed and established to produce job-ready graduates. Incorporating WIL will enable learners to develop technical skills in real-world work situations, and general business skills that are often left to the employer to develop. As part of the Accord process, the Australian Government should encourage greater usage of WIL in university courses by implementing the National Work-Integrated Learning Strategy. Funding options to support students undertaking WIL placements should also be explored.

Embedding WIL in post-secondary education will require greater commitments from both universities, in designing courses to include a WIL component, and industry, in committing resources to mentor and welcome students into participating programs. Universities and industry should work together to increase the usage of WIL, while a target level of participation in appropriate fields could act to incentivise greater uptake. The National

Priorities and Industry Linkage Fund (NPILF) Pilot inclusion of WIL funding in universities was a welcome initial step, although the program will require further reforms to succeed at the necessary scale.

3.2 Digital Skills Sharing Framework

A digital, portable skills sharing system – for instance, a National Skills Passport – would enable Australians to build and share their portfolio of education and skills with employers. The portable skills system would include formal qualifications, microcredentials, accredited training, non-accredited training, WIL and recognition of prior learning. It would focus both on a learner’s qualifications and the skills and competencies they have gained that apply to a range of industries. This would provide a nationally standardised format for employers to view and verify the skills and competencies of a potential employee.

The ‘passport’ should be a simple and flexible mechanism to digitally collate education and training experiences. It should be learner owned and managed, rather than a government-issued document like a travel passport. The BCA recommends the development of a national framework to set the standards of what the ‘passport’ could contain. This would ensure integration with education and training institutions, and harmonise with existing state and territory digital architecture and initiatives such as Education Wallets, Skills Passports, and Learner Profiles.

A digital skills sharing framework would also help facilitate a flexible approach to qualifications, making it easier for learners to change degrees or institutions while receiving recognition for what they have already done (such as exit qualifications). Ideally, such recognition could extend between higher education, VET, and work-based training.

4. Sustainable Funding and Governance

Our tertiary education system is beset by a misaligned and unfair funding model that encourages one type of learning over another, and a governance structure that inhibits flexibility and collaboration. Confused responsibilities between federal and state governments exacerbates the divide between higher education and VET, with uneven incentives for similar training delivered by various institutions. This in turn affects the perceived esteem of higher education versus VET and inhibits a cohesive, lifelong learning approach.

The Universities Accord Interim Report goes some way to identify the problems underpinning unsustainable university funding and governance. We welcome the redesign of the Job Ready Graduates funding scheme proposed by the Accord and currently with Government for approval. And we are highly supportive of the Interim Report’s proposal to review HECS/HELP to improve the affordability for students. The proposed extension of Higher Education Continuity Guarantee to 2025 would go some way to provide stable funding as a new model is developed.

The BCA proposed a higher education funding model in its recent report, [Seize the Moment](#). With extensive consultation with our members and the community, we believe this universal learning entitlement model offers a sustainable, fair and diversified funding system that would produce the highly skilled, job-ready Australians needed for a modern, dynamic economy.

Recommendation

Develop a new post-secondary education and training funding and governance model that breaks down silos between sectors and ensures job-ready graduates.

- Implement a tertiary guarantee funding model that puts the learner in control of their education and is funded by a variety of sources.
- Establish a Tertiary Education Commission as a mechanism to improve system transparency, coordination, oversight and connect all types of post-secondary education.

- Further examine and resolve the role of international student fees in funding higher education, with a focus on long-term fiscal stability and growth.

With the right settings in place, Australia can strengthen its post-secondary education and training system to provide more skills and education pathway choices and expand learning and career options. As stated in [Seize the Moment](#), Australia's tertiary funding system should be based on a **tertiary guarantee** that puts the learner in control of their education and is funded by a variety of sources. The guarantee should be guided by these principles:

Universal tertiary funding made up of:

- an income-contingent loan
- individual contribution
- employer contribution
- subsidy.

The mix of the guarantee (for example the level of subsidy) is based on equity and depends on:

- whether it is a first foundational qualification
- public need and/or the benefit to industry (as identified by Jobs and Skills Australia, see below).

National recognition of learning via a digital, portable skills sharing system

- courses funded by the guarantee would lead to a qualification that can be included in a portable skills sharing system (skills passport) that employers can access.

Flexibility is paramount and the tertiary guarantee would allow access to university, TAFE, private providers and work-based learning. Over time, this will deliver an integrated and compatible tertiary education system that better connects – and more evenly funds – VET and higher education. This would enable Australians to undertake a mix of university, VET and TAFE courses throughout their lives.

Jobs and Skills Australia (JSA) should provide data on the public need and demand for various courses, enabling the Tertiary Education Commission (see below) to set degree of subsidy provided. Subsidies would be higher for those studying for their initial qualifications compared with subsequent qualifications. Those from disadvantaged backgrounds must have equitable access. In cases where there is a demonstrable benefit for industry, businesses would be expected to contribute funds to train their employees. This will, in many cases, reflect current practice.

4.1 Governance

A fair, diversified and sustainable funding model must be underpinned by a strong national governance system. The current governance system is derived from 1980s sector reforms and has not provided adequate strategic planning or growth management. As stated in the Interim Report, “currently, Australia’s policy, funding, [and] regulation ... is beset by fragmentation, under-investment and competing interests between different institutions and agencies. The system has grown in recent years without regard to how or where institutions operate. In addition, the current system does not have the settings to facilitate alignment between VET and higher education”.

The BCA supports the proposed Tertiary Education Commission as a mechanism to improve system transparency, coordination, oversight and to connect the divergent forms of post-secondary education. This independent body should be responsible for aligning the separate and inconsistent policy, regulatory and financial arrangements that drive cultural differences between higher education and VET sectors and restrict institutional collaboration and innovation.

The Tertiary Education Commission should design and implement an updated and fit-for-purpose funding model with longer planning cycles to imbed financial stability. And, partnering with Jobs and Skills Australia, it should set the requirements and deliver against economy-wide skills needs and participation and attainment targets, including for equity cohorts. The Commission should support and complement the higher education regulatory body, TEQSA.

Importantly, the Tertiary Education Commission should examine the financial adequacy and vulnerability of the sector. As started in the Interim Report, many, and potentially most, universities will be reporting revenue losses for 2022 – likely from the lingering effects of COVID-19 and/or the downturn in student demand. As the independent oversight body with accountability to Commonwealth and state and territory governments, the Tertiary Education Commission should identify faltering institutions and intervene before they face irreparable financial decline.

The success or failure of a Tertiary Education Commission rests, we believe, on its legislative strength. Unless the Commission has ‘teeth’ to make decisions and enforce change to post-secondary education sectors, it will make few tangible improvements to the complex governance environment.

4.2 Levy on International Student Fee Income

The Interim Report suggested exploring a levy on international student fee income to be used for future infrastructure or research needs. The BCA has heard a range of views on this issue from our members, and, noting the complexities, we wish to highlight the following points for consideration.

First and foremost, the Accord should put to rest the debate about the role of international students in the higher education sector. International students are – and always will be – a key part of the funding model and are integral to Australia’s soft diplomacy, global reputation and contribution to capacity building in emerging economies.

The importance of international student partnerships and experience was recognised with 2018 New Colombo Plan and has grown substantially in recent years. Last year alone, international education was worth \$26.5 billion to the Australian economy – \$15.1 billion paid as goods and services and \$11.4 billion paid as tuition fees¹. So it’s vital the Accord resolve how best to utilise international student fee income without over-reliance on the inherently volatile funding stream, or damaging Australia’s attractiveness in a competitive international student market.

Higher education providers help Australia take its place in the global economy. International education is a crucial export industry for Australia. It is a mechanism for soft diplomacy, creating generations of people throughout the world who know, understand and value Australia.

To remain an educational destination of choice, we need to maintain our high quality of education and demonstrate that we appreciate the contributions of international students. Some of our members are concerned that a levy on international student fee revenue sends a conflicting message: it could further increase international student fees and could give an impression these students are a ‘cash cow’ for the higher education sector. This risks our competitive advantage in a tight international student market.

The Universities Accord Interim Report discusses the importance of reducing the reliance on volatile revenue sources to bridge the gap between the funding and costs of teaching. The Report identifies that fees from international students represent the second largest amount of overall university revenue (around \$8.7 billion in 2021).² The sharp decline in international student attendance throughout the pandemic highlighted the inherent instability in this funding stream.

¹ Department of Education, [Education export income, Calendar Year 2022](#), accessed 29 August 2023

² Department of Education, [Finance 2021: Financial Reports of Higher Education Providers Summary Information](#), Australian Government, 2023, accessed 20 June 2023. Via Universities Accord Interim Report pg 112

The Interim Report suggests the levy could fund research and infrastructure. This would make the sector deeply sensitive to changes in international student demand to study in Australia, or global shocks that might limit their ability to do so. This vulnerability may be alleviated somewhat if the levy was instead used as a sinking-fund to insure against potential economic shocks. Though government should not be absolved from a role in this regard.

Regardless, 'ring-fencing' levy revenue may pose risks for the policies or infrastructure it seeks to fund. It may also constrain the way funds are allocated between competing priorities, or lead to redistributing funds rather than growing the revenue pool.

The impact of the levy will likely vary across universities, depending on a range of factors, including their reliance on international students, the socioeconomic background of international students, and the size of the university. Our members noted that the levy may unintentionally benefit larger, higher-ranked universities. Those universities may be better placed to pass on the levy cost through higher fees, while at the same time continuing to attract international students. The Accord should seek to understand where the economic incidence of any levy may ultimately fall, including implications for revenue raised.

The BCA recommends the Universities Accord further examine and resolve the role of international student fees in funding higher education, with a focus on long-term fiscal stability and growth.

5. Stronger Emphasis on R&D

Increasing research and development (R&D) is critical to lifting Australia's economic dynamism. For Australia to prosper in the years ahead, we will need to increase our productivity – achieving more from our efforts through innovation, research and development of new technologies.

Diversifying the economy means lifting our low rates (by global standards) of R&D spending. This will require greater participation incentives and better coordination between industry, universities and government. If we fail to do this, Australia will continue to fall behind internationally.

Global peers and competitors focus innovation, science and research efforts around their national priorities and challenges – backed by government investment at scale. This funding is matched to ambition, leading to programs that attract co-investment and collaboration between researchers, government and industry.

In contrast, Australian government support for research has been hampered by a fragmented and uncoordinated approach (across successive governments), and industry struggles to collaborate with researchers in a meaningful way. And while we must continue to focus on areas where Australia traditionally has a competitive advantage, like mining and agriculture, we need to create new industries and reposition others to create more jobs and improve productivity.

As a country, we are not matching our competitors, who offer substantial investment incentives to attract industries and grow them at scale. They are quicker to market than us, spend more on innovation, adopt technology faster and upskill their people more rapidly.

Considering the importance of the role of research in driving productivity, the BCA is concerned by the lack of detail on this topic in the Interim Report. We note the Report's assertion that universities shoulder the load of Australia's R&D – both financially and reputationally. So there is much to be done to share responsibilities and offer opportunities.

Our R&D system is already packed with programs, priorities, agencies and incentives. Any consideration of new approaches would need to complement our existing research architecture and synch with broader efforts across governments and industry. Ensuring stability and having faith in some existing programs is vital.

We suggest the Accord clearly identify how the government should create the right settings to encourage and improve investment in, and governance of, R&D. We provided several recommendations in our first submission and offer the key points below.

Recommendation

Increase the capacity and capability of universities to proactively undertake research collaboration with industry. At the same time, remove the barriers for industry – particularly small-medium sized enterprises – to partner with universities and bring innovative new ideas to market.

- Establish a National Future Industries Council that focuses on research commercialisation and industry development for future prosperity.
- Review and improve existing incentives to deliver non-taxpayer research funding sources, such as the Research and Development Tax Incentive (R&DTI). Consideration should be given to a collaboration premium.
- Explore mechanisms to incentivise and support start-ups.
- Develop a National Research Register.

5.1 National Future Industries Council

To ensure governments have a trusted source of expert advice on research gaps, requirements and opportunities, a National Future Industries Council should be established. Reporting to a body like National Cabinet and akin to the National Science and Technology Council, the Industries Council should comprise of experts from industry, the research community, and Commonwealth, state and territory governments. The Council should focus on research commercialisation, and Australia’s capacity to develop the industries needed for future prosperity. It would deliver a coordinated set of actions for all levels of government.

This degree of collaboration will require multiple pathways. From skills development, research, consulting and brokering, to Industry PhDs and embedding and co-locating academics and industry together.

An early task of the National Future Industries Council should be to review and improve existing incentives to deliver non-taxpayer research funding sources, such as the Research and Development Tax Incentive (R&DTI). The Accord could implement recommendation 2 of the Ferris, Finkel & Fraser Review of the R&DTI – to introduce a collaboration premium of up to 20 per cent on non-refundable tax offsets to incentivise collaborations between industry, publicly-funded research organisations (PFRO) and universities. This could include a bonus for partnering universities alongside industry incentives.

Strengthening R&DTI would assist with the ‘additionality’ argument of such indirect support measures, providing a direct incentive for greater industry-PFRO collaboration and focusing the incentive scheme on new knowledge, products and services.

The Trailblazer Universities program, which boosted research investment in strategic priority areas, demonstrates the effectiveness of a cohesive partnership between industry and university research. The program was appropriately based on co-investment – all parties were outcomes-focused and had financial ‘skin in the game’.

But the risky nature of the early research investment is still a barrier for small-medium sized businesses. The BCA recommends programs like the Trailblazer Universities be refined and expanded to encourage businesses of all sizes to participate.

Our members noted the role of start-ups in bringing innovative new ideas to market. Universities are outstanding start-up incubators but there are few support systems or incentives to launch start-ups into the market. We suggest this area of research innovation and commercialisation be explored in the Accord’s final report.

Government incentives to venture capital groups may help bridge the ‘valley of death’ – where early-stage research is frequently not progressed to later stages of development due to the risk and uncertainty about commercial returns. Investment in R&D necessarily involves some investments that don’t pay off, or don’t pay off for many years. The ones that are viable may be lucrative, but few Australian businesses have the time and money to make uncertain speculative investments, and the various barriers (including cost) may be difficult to overcome. Encouraging a venture capitalist eco-system could go some way to bridging this gap.

5.2 National Research Register

Our members noted that universities' research commercialisation is still in its infancy and there are impediments for businesses to partner and invest. This limits the economic impact of our universities and shrinks the return on investment from publicly funded research. Too often, research that could be used to benefit our economy and communities does not lead to new products and services, create jobs and lift productivity.

Businesses have identified three main challenges with partnering with universities:

Impediments to learning about and accessing new research projects and programs undertaken by universities (without trawling through academic journals or meeting directly with Business Development departments of individual universities)

difficulties convincing global businesses to pursue research and investment in Australia, due to our relatively limited global R&D reputation and footprint, and

few venture capital groups who are willing to invest in (costly and risky) early innovation, enabling business to collaborate and partner once a minimal viable product has been developed.

Information is key. The more Australian businesses know about research and investment opportunities, the more likely they will be to partner with universities. This in turn could see an uptick in commercially viable discoveries making their way to the global stage, boosting Australia's R&D reputation and making our research landscape more attractive to international companies.

The BCA recommends developing a national register of new research. The National Research Register should be centrally located with a national governing body (such as the Tertiary Education Commission) and contain a consolidated list of all research projects conducted in Australia. This would give industry at-a-glance visibility of published research, allowing them to consider the commercial applicability and potentially partner with the university to further experiment, test and rollout.

For the Register to be successful, confidentiality and security implications would need to be considered. As would resourcing implications for universities to provide the research information to the register – universities have bespoke methods of capturing research descriptions, and they would be required to package the data in a standardised, commercially coherent manner to benefit a national register.

Yet the national register would be a simple mechanism to encourage industry to explore university research collaboration, opening the door for businesses who have limited insight into the R&D world.

The BCA also supports *open access*. To further reduce barriers to accessing research, much of which is taxpayer funded, government should develop an open access model to make academic journal content free for all Australians. This proposal is backed by the Productivity Commission and journal publishers and would go some way to making research and commercialisation more enticing in Australia, particularly for smaller businesses.

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