National Tertiary Education Union
Let's aim higher

NTEU Submission on the

Higher Education Review: Universities Accord

In response to the Universities Accord Panel Discussion Paper

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Executive Summary

The NTEU notes that the Discussion paper proposes 49 questions around several broad themes raised by the sector during the Panel's previous consultations.

The NTEU's submission in response to the Discussion Paper is framed around four priority areas which relate to many of the 49 questions:

- Secure and valued higher education employment.
- Higher education funding reform.
- Governance and regulation.
- Sustainability and equitable access to higher education.

For the Panel's consideration, we make recommendations for each of the four priority areas. These recommendations are drawn from consultation with staff across the sector. In the first of two surveys, over 2400 NTEU members indicated they wanted the Universities Accord to deal with issues around insecure work, workloads, and governance.

In keeping with the request for the sector to consider innovative and creative policy ideas, the NTEU, in a follow up survey to staff across the sector, proposed the creation of a Higher Education Future Fund to address the issues identified in our first survey. There was clear and overwhelming support of 96% for the idea of a future fund.

An outline of two different funding models for this Future Fund are contained in Attachment A. Both models rely on initial seed funding from Government, topped up by annual contributions from public universities.

In short, the NTEU's proposal for a Higher Education Secure Future Fund supports public universities to create secure, permanent jobs that provide quality teaching and research, improves support for higher education students, and aims to make the sector far more resilient and resistant to global shocks such as the COVID pandemic of 2020-22.

The NTEU believes universities must focus on their core mission of:

- providing quality teaching and research that promotes critical learning and inquiry; and
- acting as a public good in their communities; and
- operating as the engine which turbo-powers the professional labour market and supports many of the critical foundations of the wider economy.

Universities should also set the benchmark in employment standards, investing in their staff and providing jobs that are secure, appropriately remunerated and valued.

Recommendations

Core Recommendations

1. Establish a Higher Education Secure Future Fund (HESFF) (see Attachment A) to provide funding to future-proof the sector and to support increased uptake of ongoing forms of employment.
2. Set a sector target of 77.5% continuing employment to be reached within the next 5 years (halving the usage of fixed term and casual contracts).
3. Reverse the changes to funding per student place that were made under the Jobs Ready Graduate Package, restoring the overall balance between commonwealth and student contributions.

Additional Recommendations

Priority 1 Recommendations: Secure and Valued Higher Education Employment

- Implement an Aboriginal and Torres Strait Islander employment target, based upon current national census data.
- Change the ARC and NHMRC Acts to make job security a goal of funding and investigate options that would facilitate the portability of benefits for research staff.

Priority 2 Recommendations: Higher Education Funding Reform

- Legislate automatic indexation for Maximum Basic Grant Amounts using the same methodology that is applied to other amounts under Higher Education Support Act (as currently outlined under Division 198).
- Revise the methodology under Division 198 of the HESA to reduce the lag between the CPI year and the indexation year.

Priority 3 Recommendations: Governance and Regulation

- Implement a set of national university governance guidelines.
- Mandate all public universities report detailed employment data including ongoing, fixed term, casual, and third-party contractor positions, by headcount, hours, as well as FTE, to the Department of Education, and for this data to be made public on a regular basis.
- Establish and fund a national student ombudsman to deal with student complaints and grievances relating to public higher education providers.
- Make TEQSA act as a regulator, not as a facilitator, and to treat insecure employment as a quality issue.

Priority 4 Recommendations: Sustainability and Equitable Access to Higher Education

- Review student access to support services in the context of any increased targets for equity group enrolments.
- Provide a one of grant of $30m for the Indigenous Student Success Program to support increased student numbers and Aboriginal and Torres Strait Islander staff employment, with increases in future annual Budget allocations and forward estimates.

NTEU Priorities for the Universities Accord

The National Tertiary Education Union (NTEU) represents the industrial and professional rights of around 26,500 members working in Australian higher education and research.

We welcome the opportunity to make a submission to the Expert Panel on the Universities Accord (Higher Education review) in response to the Discussion Paper.

Priority 1: Secure and Valued Higher Education Employment

In previous submissions to the Accord and during sector consultation with the Expert Panel, the NTEU has outlined the detrimental impact that the high levels of insecure employment in higher education has on students, staff, and the capacity of our universities to sustainably deliver quality teaching and research.

The recent loss of thousands of jobs during COVID have highlighted and exacerbated the problem of precarious work, including the exploitative use of 'casual', sessional and fixed term employment.

We note that while the Government is looking to address insecure employment more broadly, the unique dynamics of insecure employment in higher education means that that these broader industrial measures may not be an effective remedy for higher education workers as for those precariously employed in other sectors of the economy.

The NTEU therefore believes that specific policy and regulatory intervention is urgently required in the higher education sector to effectively address the systemic overreliance on insecure employment.

We note that the Discussion Paper raises one question specifically in relation to the academic workforce (Q38). The NTEU is concerned that, to date, there has been a relatively minor focus on those who provide the core function - the teaching, research and professional support (including student support) - within our institutions. Industrial reforms are needed, but so is change around myopic university cultures which have prioritised short term savings over workforce retention and development.

We have provided evidence that shows higher education is afflicted by many of the same issues as the 'gig economy'– including underpayment of wages, unpaid additional hours of work and excessive workloads, and higher than average instances of sexual harassment, sexism, gender-based discrimination, bullying and other psycho-social hazards. The NTEU has documented all these issues extensively, providing briefing papers, research papers, submissions and presenting to government inquiries. Universities have a plethora of policies that are supposed to deal with these issues; but from the evidence collected by the Union, it appears too often these have little effect.

Insecure Employment and the Quality of Education

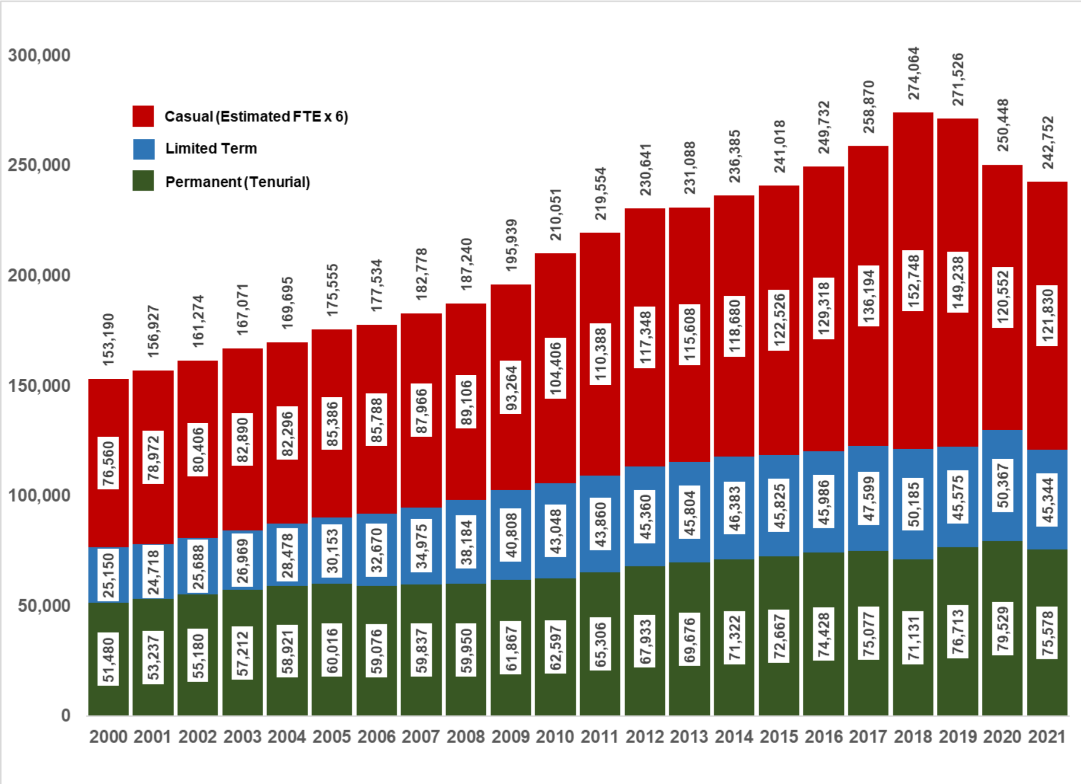
In addition to the problems that insecurity of employment creates for those who are locked into it, there are broader concerns around the impact of insecure employment in higher education and how it affects the quality of teaching and research. History clearly shows that higher education providers do not invest in the professional development of insecurely employed staff, particularly in relation to academic teaching. In fact, it is the norm in the sector for casual and sessional academic staff to be largely unsupported in not only the delivery of course materials, but in the creation and updating of course content.

Thus, while it appears that these staff are only tasked with delivering content and paid for contact hours and (limited) marking, it is not unusual for casual and sessional staff to design and deliver not just subjects, but large components of the courses in which they teach. Casual academic staff are also expected to support students outside the direct delivery of the content, the vast majority of which is unpaid. This is because casual academics are essentially treated as sub-contractors and frequently are not paid for each hour of work they perform.

The many instances of casual and sessional staff struggling to provide the best quality learning environment for their students, while at the same time working within a 'lowest cost' budgetary environment in their department or school, and a university culture that is indifferent at best, was repeatedly highlighted at the 2022 Secure Jobs Inquiry. That Inquiry found a clear link between insecure employment, the exploitation of higher education workers, and quality teaching issues.

The level of precarious employment in higher education cannot be overstated; insecure employment is now the norm in higher education, with only one in three workers employed in permanent, full-time work (see Fig 1).

Fig. 1: Number (Headcount) of University Employees by Contract of Employment 2000 to 2021



Source: Department of Education Higher Education Staffing Data 2000-2021, https://www.education.gov.au/higher-education-statistics/staff-data *N.B in lieu of publicly available headcount data on casual employment, it is assumed that 1 FTE=6 people. This is consistent with evidence we have received from individual universities and AHEIA*

Insecure work among Aboriginal and Torres Strait Islander staff

Aboriginal and Torres Strait Islander staff members are not immune when it comes to insecure work. While Aboriginal and Torres Strait Islander fixed-term and ongoing staff comprise 1.4% of all fixed-term and ongoing staff (2021), data for Aboriginal and Torres Strait Islander casual staff is non-existent. Anecdotal feedback from Aboriginal and Torres Strait Islander NTEU members, expressed to NTEU Aboriginal and Torres Strait Islander elected officials and staff, detail their experiences with insecure employment, mainly through rolling casual contracts, hurdles for career progression and conversion to full-time, ongoing employment.

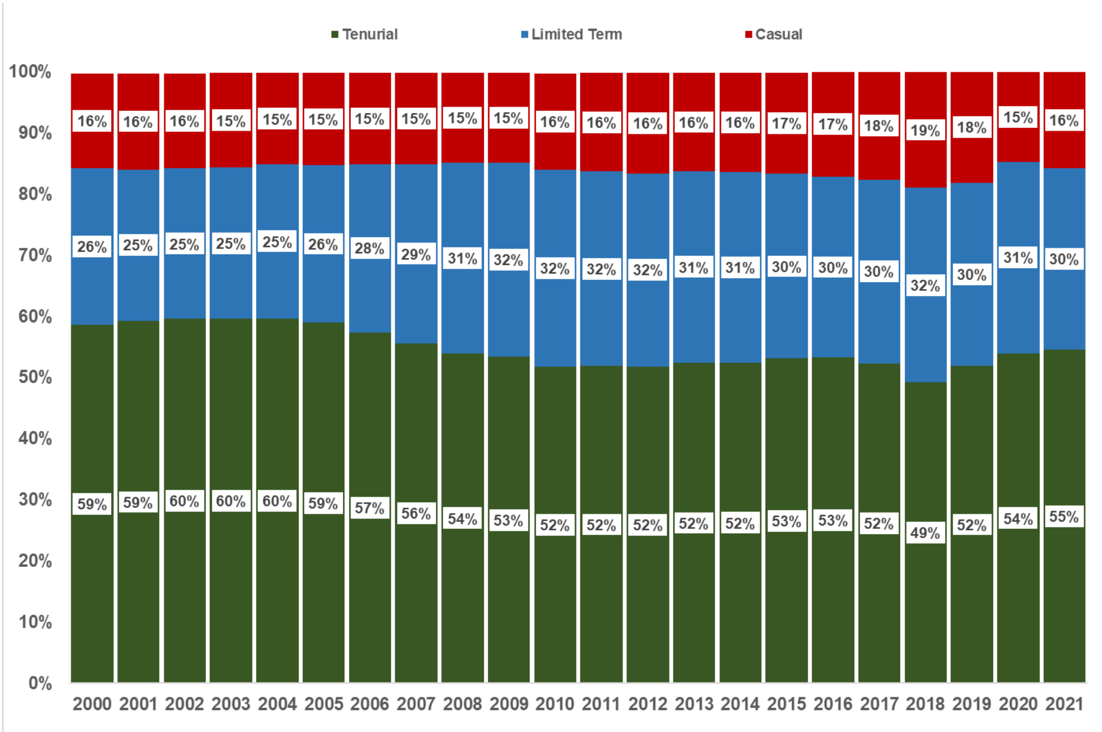
To ensure insecure and casualised employment for Aboriginal and Torres Strait Islander staff is reduced, greater opportunities for conversion to ongoing employment must be provided. Table A and B universities who are in receipt of Indigenous Student Success Program funding should implement an Indigenous workforce strategy that incorporates a 3% employment target.

Recommendation: that an Aboriginal and Torres Strait Islander employment target, based upon current national census data, is implemented.

Solutions to Insecure Employment

The NTEU believes that, to deal with the flood of insecure employment, policy and regulatory intervention is now required. To this end, the NTEU proposes the introduction of an interim policy target of 77.5% continuing employment in the sector to be achieved within five years, including a cap on the levels of insecure work permissible among higher education providers that receive public funding, equivalent to no more than 7.5% of total FTE workforce employed casually, and 15% employed for fixed terms within the next five years. These interim targets would halve the current levels of insecure employment in the sector (see fig 2.) and would require a 10 percentage point reduction in insecure employment per year. These targets would however still allow significant scope for the legitimate uses of these forms of employment that may arise, for example to backfill absent continuing staff, exam invigilation, and other genuine temporary forms of work.

Fig. 2: Share of Full Time Equivalent Number (FTE) University Staffing by Contract of Employment 2000 to 2021



Source: Department of Education Higher Education Staffing Data 2000-2021, https://www.education.gov.au/higher-education-statistics/staff-data

Any cap on insecure employment in the sector should be viewed in the context of quality assurance and risk management and therefore could be introduced either through the mission-based compacts that currently exist between the Federal Government and each publicly funded higher education institution, or through other forms of regulation such as provider registration standards. Further, these caps could be enforced via a direct link to funding.

Recommendation: Set a sector target of 77.5% continuing employment to be reached within the next 5 years (halving the usage of fixed term and casual contracts) and support universities to reach this target.

Insecure Employment in Research

Research staff in our institutions are also heavily impacted by insecure employment, with over 70% of long-term researchers employed on rolling fixed term contracts. The NTEU has made a comprehensive submission to the recent review of the Australian Research Council (ARC) in which we highlighted the brain-drain problems caused by this practice, and recommended several reforms aimed at improving job security for research staff, and we have reiterated those as part of the recommendations of this submission.

In summary, the NTEU is advocating for the ARC and the National Health and Medical Research Council (NHMRC) to incorporate job security within their grants framework; including, for example, ensuring that employment contracts cover the entire duration of the grant. We also recommend that the Government, universities, and the grants bodies investigate options that would facilitate the portability of benefits for research staff.

Recommendation: Change the ARC and NHMRC Acts to make job security a goal of funding and investigate options that would facilitate the portability of benefits for research staff.

Supporting the Transition to a Stable Workforce

Finally, the NTEU is cognizant of the need to support institutions as they transition to lower levels of insecure employment. This is one of the purposes of our proposed Higher Education Secure Future Fund (HESFF). This proposal is outlined in detail in Attachment A, but in summary, portions of the interest from the fund would be made available annually for grants to institutions to support the conversion of rolling insecure positions to ongoing positions.

The principal sum invested in the HESFF is intended to future-proof the sector, to support it during periods of deep or sustained market turmoil or another social or economic crisis that threatens the sustainability of the sector and the jobs of higher education workers.

Recommendation: Establish a Higher Education Secure Future Fund (HESFF) (see Attachment A) to provide funding to support increased uptake of ongoing forms of employment.

Priority 1 Recommendations: Insecure Employment

- That an Aboriginal and Torres Strait Islander employment target, based upon current national census data, is implemented.
- Set a sector target of 77.5% continuing employment to be reached within the next 5 years (halving the usage of fixed term and casual contracts) and support universities to reach this target.
- Change the ARC and NHMRC Acts to make job security a goal of funding.
- Establish a Higher Education Secure Future Fund (HESFF) (see Attachment A) to provide funding to future-proof the sector and to support increased uptake of ongoing forms of employment.

Priority 2: Higher Education Funding Reform

A key section of the Accord discussion paper asks respondents to address the question of sustainable funding for the sector, including student contributions (questions 47, 48 and 49, as well as 12).

The impact of Jobs Ready Graduate funding reforms

NTEU notes that the multitude of concerns with the JRGP have been widely documented and acknowledged by the sector since its implementation. In brief, under the Morrison Government's Job Ready Graduate reforms federal funding per student place was cut by 14 percent, and average student fees were increased by 7 percent, leaving universities with 7 percent less funding overall per student place.

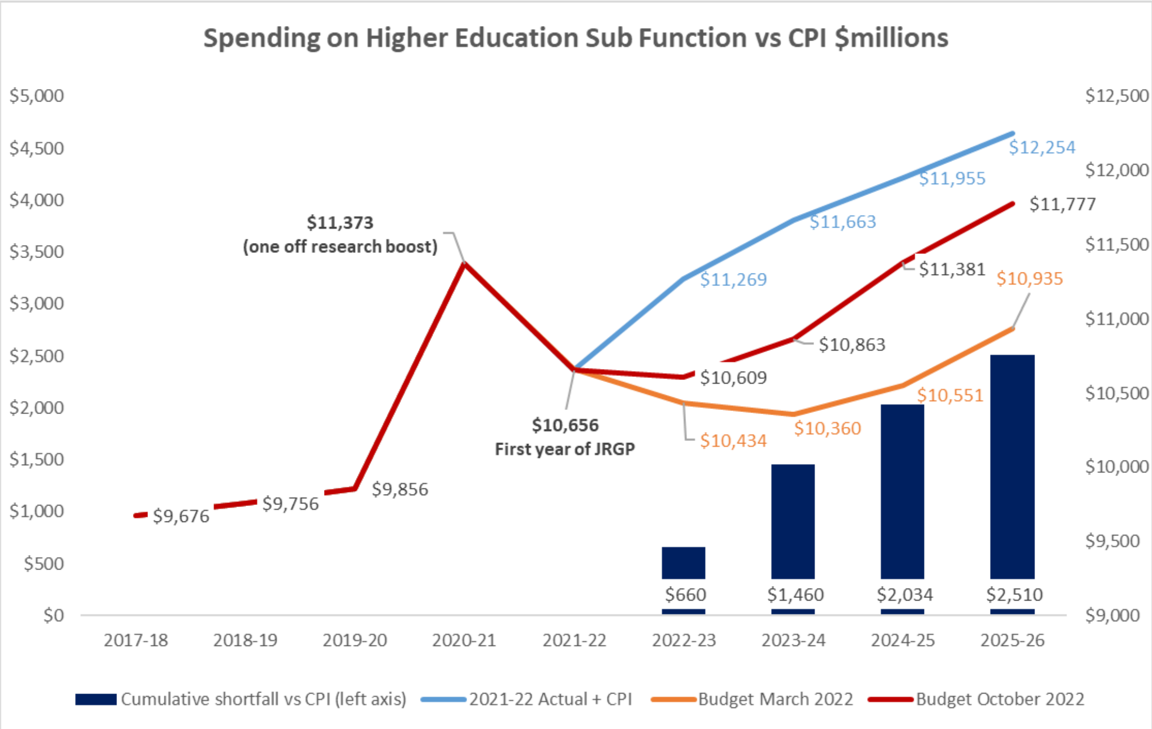
The changes made under JRGP were not based on clear principles about how funding should be allocated, or fees should be set. Nor was it based on research on what programs were actually more conducive to future employment. For example, journalism, social sciences, and humanities fees were increased by over 100 per cent, as an alleged disincentive for students to study these courses. However, there is no evidence that under the HECS-HELP system students consider the deferred costs of their education in pursuing their strengths, interests, and aspirations. Further, as discussed below these changes created an incentive for universities to enrol more students in the very courses that had their funding reduced - counter to the Government's own questionable objectives.

Recommendation: That the Government reverse the Job Ready Graduates cuts to average funding per place and increases to average student fees

Appropriate Indexation of Higher Education Funding

As shown in Fig.3 below, the funding for the Higher Education sector is falling well behind inflation. This is largely the result of the current indexation regime. It is demonstrably ineffective for ensuring real funding levels are maintained because it does not apply to Maximum Basic Grant Amounts (MBGAs) – that is, the pre-determined maximum yearly amounts each institution is set to receive under their individual funding agreement with the Government.

Fig 3: Spending on Higher Education Sub Function



Source: NTEU Analysis of 2022-23 Treasury Budget Papers

The forward estimates from the October 2022 budget show that government spending on higher education will decline by 3.9 percent between 2021-22 and 2025-26 in real terms. This is an improvement over the March 2022 Coalition budget but will nevertheless amount to a $2.5 billion cumulative funding shortfall over the forward estimates.

These funding agreements are periodically set between each Table A and B higher education provider and the Government for a fixed period (most recently three years), in advance. The agreements outline maximum nominal amounts of funding to be received by each provider for all courses delivered (other than medicine) for each year. This maximum amount is not automatically indexed by inflation like other amounts in the Higher Education Support Act but is instead indexed by a pre-determined value to allow for growth in student places. This amount is based on campus location and was designated at the time the Job Ready Graduates legislation was introduced. These amounts range from 0.8 percent indexation for low growth metropolitan campuses in 2023 to 3.0 percent for Regional and remote campuses (these being the minority).[1] For the present period the previous Government also voluntarily indexed MBGAs for future years based on expected (low) inflation figures when the current MBGAs were set out in 2020. For 2024 this amount is set to be only 2.1 percent. It is important to emphasise that these vital increases are not presently required under the Act – creating uncertainty for providers.

[1] Hazel Ferguson, A guide to Australian Government funding for higher education learning and teaching, Australian Parliamentary Library, 2021, https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/rp/rp2021/GovernmentFundingHigherEducation#_Toc70073564

Recommendation: That the government legislate automatic indexation for Maximum Basic Grant Amounts using the same methodology that is applied to other amounts under Higher Education Support Act (as currently outlined under Division 198)

At the same time indexation is, by law, applied to both the Commonwealth Grant Scheme (CGS) funding bands and the student contribution amounts. This indexation is calculated by using a factor of the CPI to the December quarter from 1 year prior, and two years prior to the year that the indexation is to be applied to.2 This creates a significant lag in the indexation of these amounts, which is another issue that needs to be addressed.

Recommendation: That the government revise the methodology under Division 198 to reduce the lag between the CPI year and the indexation year

For 2024 this will mean an 8 percent indexation is applied to the Government and student contribution per place, almost 4 times higher than the MBGA indexation applied in the same year. This creates a situation whereby the number of funded places automatically falls every year, as the cap is reached with fewer places.

Providers respond to this dynamic by offering more places in lower commonwealth contribution bands (band 1 contains business, law, humanities and social sciences) and fewer places in higher commonwealth contribution bands (band 4 contains medicine, dentistry, and agriculture). A band four place receives around 24 times more public funding than a band 1 place, and therefore consumes 24 times more of the MBGA cap. Providers may also respond by offering places beyond their caps, which receive no commonwealth funding at all.

Over time, this jeopardises the quality of teaching in our higher education institutions, with providers arguing that excessively high levels of casual employment are needed to perform core ongoing work, and that the endemic use of short duration fixed term contracts for almost all forms of research work are "necessary" modes of operation given the uncertainty they face around funding and inflation. It also reduces choice for students, with high-enrolment low government contribution courses taught at low cost being offered to fill the gap left by insufficient indexation to teach higher cost courses. Lastly, student experience in these courses varies widely, with limited access and exposure to non-casual members of staff. Universities, on the whole, do not invest in or support professional development of casual staff (particularly casual academic staff), despite the important role these staff presently have in both the development and delivery of course content, and being the frontline contacts to most students.

[2] See Division 198, *Higher Education Support Act 2003*

The automatic decline in place numbers for higher cost courses also undermines efforts to increase the numbers of graduates in several areas of skills shortage where funding is in the higher HECs bands – such as nursing, education, and engineering. While the last budget introduced some 20,000 new student places for areas of skills shortage (and targeted at improving participation levels of particular student cohorts, including low SES, regional and rural and Indigenous), these are once off allocations and are not permanent increases.

Priority 2 Recommendations

- Reverse Job Ready Graduate cut to average funding per place, and increase to average student fees.
- Legislate automatic indexation for Maximum Basic Grant Amounts using the same methodology that is applied to other amounts under Higher Education Support Act (as currently outlined under Division 198).
- Revise the methodology under Division 198 to reduce the lag between the CPI year and the indexation year.

Priority 3: Regulation and Governance of Higher Education

The NTEU notes that Q36 and 37 in the Accord discussion papers cover regulation and governance, and in particular, asks "How could a more coherent and dynamic national governance system for higher education be achieved?"

Public universities have increasingly been reconfigured over time to adopt the institutional structures of for-profit entities, moving away from their core function as institutions for the public good. One aspect of this has been a change in the composition of their governing bodies, towards a reduction in staff and student involvement and less transparency in decision making processes.

Over the last twenty years the numbers of elected university community members on the governing bodies of public universities have decreased. In 2000, more than one-third of positions were elected, but by 2020 this had declined to only one in four.

These positions have been replaced with private sector appointments, which has in turn impacted on institutional cultures. The NTEU believes there must be a balance between private and public sector expertise and experience, given the impact of these interests on the institution's governing body and the need for democratic accountability.

While all public universities are established and operate under state and territory Acts (apart from ANU), the NTEU believes there is scope for a national set of guidelines around public university governance. These should outline:

- Requirements for elected representation of university staff, students, and alumni
- A minimum quota for the share of appointees on governing bodies that have public sector or higher education experience.
- Requirements for meetings of the governing body to be publicly accessible, and for the deliberations and decisions to be publicly accessible, or at a minimum, transparent and visible to the entire community it serves (noting that there are circumstances which will require confidentiality and that some deliberations will not be public).
- Guidelines for setting executive remuneration in line with community standards.
- Further efforts should be made to streamline reporting obligations as between different levels of government.

Recommendation: That the Government implement a set of university governance guidelines.

Data collection and transparency

The NTEU has been advocating strongly for improved transparency around higher education reporting especially the timely release of data in relation to higher education staffing and expanded data on the true usage of casual employment.

An additional area that requires more attention is the usage of sub-contractors. It has recently been revealed that some universities have engaged third party providers to deliver online "flexible" course content to students. The employees of these contracted providers – over which the institution has no oversight – are presented to students as academic employees of the institution, even to the point of having university email addresses. However, the reports are that the quality of the course content is dated and that the education being provided is sub-standard. More to the point, students are completely unaware of the employment relationship. This is clearly a cost-saving measure by the institutions that engage in these practices, but in doing so they are risking the quality of the education provided to students.

While there is a clear justification for the regulator to take an interest in such arrangements, this situation also illustrates the need for more transparent reporting of personnel arrangements.

We therefore support calls to make it mandatory for all public universities to report detailed employment data (including permanent and casual positions, contract and third party/external contractor academic and student support positions, by headcounts, hours, as well as FTEs) to the Commonwealth Department of Education, and for this data to be publicly released in a regular and timely manner.

> Recommendation: Mandate all public universities report detailed employment data including ongoing, fixed term, casual, and third-party contractor positions, by headcount, hours, as well as FTE, to the Department of Education, and for this data to be made public on a regular basis.

National Student Ombudsman

One final recommendation is for the Expert Panel to consider the introduction of a national Higher Education Student Ombudsman. While all states and territories have some version of this, there are a number of variations in scope that lead to inconsistencies. Furthermore, the move to online learning means that the provider the student is studying with may not be local, or even in their state or territory, and this can confuse matters when the student is seeking advice or wishes to lodge a complaint.

The Commonwealth Ombudsman can currently investigate complaints from international students about private schools, colleges, institutes and universities in Australia, but this does not extend to domestic students who have a commonwealth supported place at a public university. Similarly, while students may make a complaint directly to TEQSA, the regulator does not act on individual complaints, but will just record it as part of the overall quality assurance and compliance processes.

> Recommendation: Establish and fund a national student ombudsman to deal with student complaints and grievances relating to public higher education providers.

Improved Regulatory Attention to Insecure Employment and Quality Risk

One further recommendation is that the tertiary education regulator, the Tertiary Education Quality and Standards Agency (TEQSA), acts in the role of an energetic regulator for the sector, rather than as a facilitator, which is how it currently functions. Insecure employment, particularly in relation to teaching and student support, presents significant risks to the quality of education being delivered. The NTEU believes that providers with excessive levels of insecure employment – particularly in relation to student facing academic casual and sessional staff – should be required to show cause to the regulator, with any continued non-compliance in reductions of insecure employment subject to penalties. The government should also consider penalising universities that fail to meet secure employment targets.

> Recommendation: Make TEQSA to act as a regulator, not as a facilitator, and to treat insecure employment as a quality issue

Priority 3 Recommendations: Governance and Regulation

- Implement a set of national university governance guidelines.
- Mandate all public universities report detailed employment data including ongoing, fixed term, casual, and third-party contractor positions, by headcount, hours, as well as FTE, to the Department of Education, and for this data to be made public on a regular basis.
- Establish and fund a national student ombudsman to deal with student complaints and grievances relating to public higher education providers.
- Make TEQSA act as a regulator, not as a facilitator, and to treat insecure employment as a quality issue.

Priority 4: Sustainability and Equitable Access to Higher Education

Improved participation of student equity groups

The NTEU notes that the Accord discussion paper asks the sector for ideas that improve the participation of student equity groups, something that the NTEU has long advocated for.

While the NTEU will leave the expert panel to interrogate the various recommendations around this, it needs to be highlighted that appropriate student academic and welfare support must be made available that is commensurate with any increased equity group targets. The NTEU's experience is that these areas are often under resourced in relation to student demand, with long wait times for students that often require urgent support, and heavy attendant workloads for staff. This situation has worsened recently, with redundancies in 2020 and 2021 disproportionately impacting on these vital support services.

> Recommendation: That the government review student access to support services in the context of any increased targets for equity group enrolments

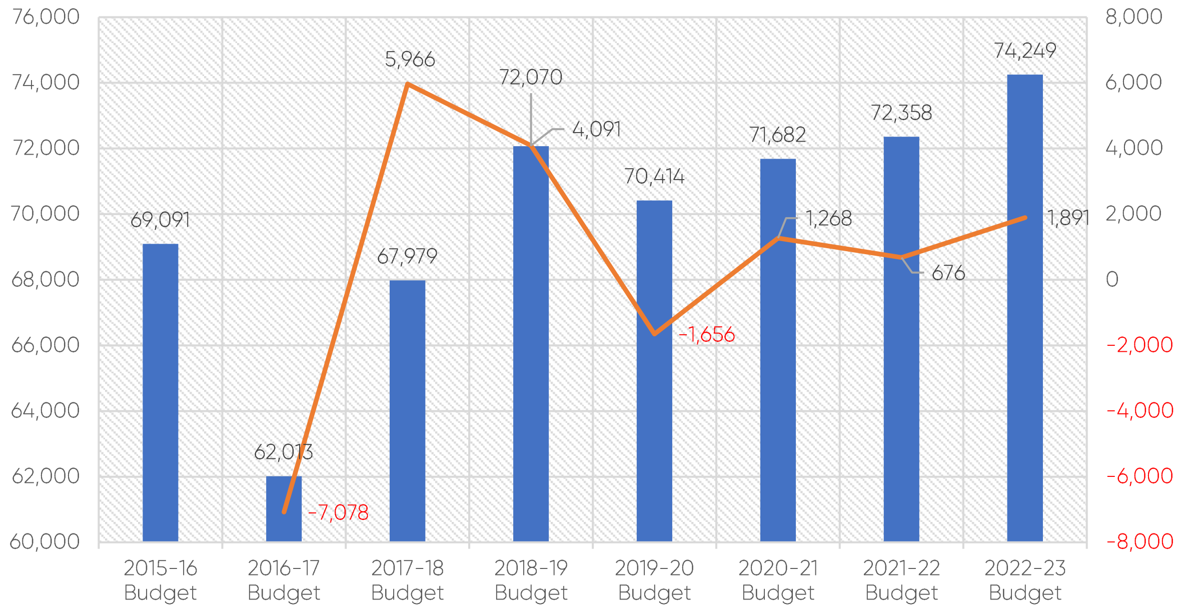
Funding for Aboriginal and Torres Strait Islander student support

Funding arrangements for Aboriginal and Torres Strait Islander student support, and the employment of Aboriginal and Torres Strait Islander staff has only increased by 7.5% in nominal terms across the past eight Federal Budgets, meaning a decline in real terms (Fig.4). Federal Government support for Aboriginal and Torres Strait Islander students and staff must grow to meet the continued expansion of Aboriginal and Torres Strait Islander student enrolments.

To keep pace with Aboriginal and Torres Strait Islander student enrolments, ISSP would require a one-off Injection of $30m, to support increased student enrolments and Aboriginal and Torres Strait Islander staff employment, with increases in future annual Budget allocations and forward estimates.

> Recommendation: That the government commits to a one-off injection of $30m into the Indigenous Student Success Program to support increased student number and Aboriginal and Torres Strait Islander staff employment, with increases in future annual Budget allocations.

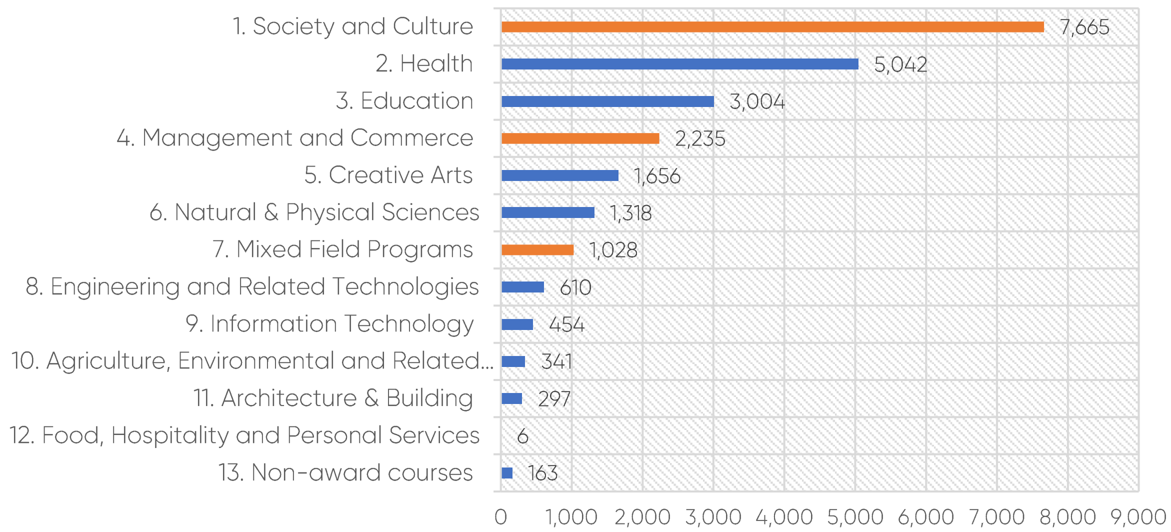
Fig 4. Indigenous Student Success Program first year funding allocation by Federal Budget



($,000) Source: NTEU Analysis of 2022-23 Treasury Budget Papers

Impacts of the JRGP were of particular detriment to Aboriginal and Torres Strait Islander students, which in turn, flowed on to Aboriginal and Torres Strait Islander staff. Of the 23,819 Aboriginal and Torres Strait Islander students reported as studying in 2020, 10,934 or 45.9% of Aboriginal and Torres Strait Islander students were directly impacted by the JRGP (Fig. 5). As a result the reversal of JRGP changes would contribute to improved equity for Aboriginal and Torres Strait Islander students.

Fig 5. Aboriginal and Torres Strait Islander students by broad field of education 2020 (orange indicates broad field of education negatively impacted by the JRGP)



Priority 4: Recommendations

- Review student access to support services in the context of any increased targets for equity group enrolments
- Provide a one-off injection of $30m into the Indigenous Student Success Program to support increased student number and Aboriginal and Torres Strait Islander staff employment, with increases in future annual Budget allocations.

Conclusion

The recommendations and proposals put forward by the NTEU are done so in the interest of creating a more certain, stable and quality focused higher education sector. While the NTEU has many other policy recommendations and proposals that we put forward (particularly in relation to research reform and international education), the priority areas that we have outlined in this submission draw primarily from the concerns voiced by our members working in our public universities, TAFEs and other higher education providers. The NTEU knows that the working conditions of our members are the also conditions where students learn and new knowledge is produced.

As such, the reform program should be bold and creative, but it must include those who are intrinsic to the system – the people who teach, research, and provide the technical and professional expertise that is the foundation of Australia's higher education sector.

We would be pleased to speak to our submission and our recommendations in further detail.

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Attachment A

NTEU Higher Education Secure Future Fund policy proposal

Proposal Summary

As part of our submission to the Universities Accord the NTEU proposes that the Government legislates to create a new future fund, known as the "Higher Education Secure Future Fund" (HESFF), which will be supported by contributions from the Government and public universities (Table A Providers).

The funds under management will be governed by the current Australian Government's Future Fund's Board of Guardians. Each year a portion of the HESFF investment returns will be made available to the new Higher Education Future Fund Council (The Council) which will comprise representatives from universities, and university staff and student national organizations (that represent the majority of staff and students in the sector). These funds will be allocated to public universities to support workforce development projects and other activities outlined by guidelines under the HESFF framework. This governance model ensures that investment and funding decisions are separated and roughly mirror the model used by the Medical Research Future Fund (MRFF).

Unlike the MRFF however the principal of the HESFF will act as the sector's 'rainy day' fund, to support the sector during periods of sustained and deep sector wide crisis, such as international market turmoil or any other event that threatens a massive loss of jobs in the sector and therefore the sector's capacity to serve the nation.

Higher Education providers will be automatically exempt from contributing to the fund when they are running a deficit, and also in special cases of financial distress (with Ministerial approval).

Further details of the proposed HESFF are outlined below.

Background

In 2019, pre pandemic, Australian Universities made a combined surplus of around $2.3bn.

Despite consistently generating surpluses, and 'saving for a rainy day' Australia's public universities refused to use their amassed fortune of $13 billion in current assets and $63 billion in net equity to offset the substantial loss in international student fee income that was expected in 2020 and 2021 – instead they actively transferred the risk they had taken onto the shoulders of their staff and students via heavy and rapid job losses. This also impacted student experience with staff-student ratios immediately deteriorating.

Now in 2023, international education is returning to Australian universities, and it is apparent that both the Government and sector are intent on reaching and surpassing pre-pandemic levels of international student enrolment, as soon as possible.

The latest data from the Government on international student enrolments has shown that the sector is quickly rebounding with offshore visa applications peaking in December 2022 and January 2023 to over 42,000 and 41,00 respectively (higher than prior to COVID). Government statistics report that there currently is around 676,000 student visa holders (40% higher than 30 June 2022), of which more than 583,000 are in Australia.

While there is a focus on diversifying international student markets this is not sufficient to avoid the inherent risks of the sector's over-reliance on international student fee income, which is now firmly entrenched.

One of the government's justifications for not extending full support to the sector during the crisis was the existence of large savings pools in the sector. Yet, the actions of many universities in 2020 demonstrated that they are not willing to use their savings and investments to protect core services even in the most extreme circumstances.

Furthermore, this pool of savings is not evenly disbursed throughout the sector, with the bulk of investment savings attributable to those institutions that also have the lion's share of international student fee income (and the ability to use these funds to support their investment strategies). However, as the COVID crisis demonstrated, external perturbations in the market can be manifested sector wide – with varying results.

Given that the public also contributes to each institution's surplus (via government funding and support of HECS-HELP loan income) it is reasonable that the public and the government take an interest in ensuring that a proportion of these surpluses are deployed to support the sector's development, sustainability, and as a form of future insurance. For these reasons the NTEU strongly recommends the government establish a Higher Education Secure Future Fund.

Details of the Higher Education Secure Future Fund

Funding component

In order to kick-start the HESFF the Federal Government will contribute a once off seed grant of $500m. Public universities (Table A Providers) will then contribute funding annually via a Government legislated levy (the Higher Education Secure Future Fund Levy, HESFFL). The federal government should consider matching these contributions on an annual basis.

HESFF Levy details: The HESFFL will initially be calculated at 10% of each Universities' net operating surplus, or 5% with a matching government co-

contribution. The levy will be payable on June 1st each year for the previous calendar year.

The funds generated via the HESFFL will be allocated by legislation to the future fund and accumulate as part of the fund's principal.

Over time, the interest generated by the future fund will increase as the principal matures. The interest on the principal may be distributed in part or whole for the purposes outlined in the HESFFL grant scheme, as approved by the relevant Minister and administered by the Higher Education Future Fund Council.

Exemptions to the levy: Higher Education providers will be automatically exempt from contributing to the fund when they are running an operating deficit. In addition an institution may be exempt when they can demonstrate to the Minister that payment of the levy would result in immediate job losses.

Access to the HESFF interest funding: A proportion of the interest generated through investment of the HESFF Principal amount will be made available to public universities (Table A providers) by the Council, for distribution on a competitive grants basis for the purposes of supporting workforce development, including but not limited to transition funding for the conversion of insecure forms of employment to continuing employment and student access and equity measures as prioritised by the Council and government.

Exclusions: General goals of grant funding will be specified in legislation, and will exclude from its scope a number of items such as, building and infrastructure projects, executive remuneration, payments to external contractors, the employment of staff on fixed term contracts linked to specific HESFF grants.

Example: University A commits to employing 50 externally funded fixed term research only staff on an ongoing basis and applies to the fund for a $10m provision over the next 7 years that may be drawn upon in the event that some of those staff are no longer covered by external grants during the transition period. Unused funds are returned to the HESSF.

Specific guidelines on the criteria for grants paid by the Higher Education Secure Future Fund will be set by regulations and approvals made by the relevant Minister, following recommendations made by the Council and the Department of Education.

Example: University B commits to create 150 new continuing positions and reducing casual employment by 150 FTE over the next three years, and reducing the total proportion of their workforce that is engaged casually. They apply for transition funding support of $4m per year for 5 years. These funds are paid annually contingent upon demonstrated progress towards the agreed de-casualisation targets.

HESFF Principal fund access: Public universities (Table A providers) will be able to apply for access to the principal only in the circumstances of a disaster or crisis which has adversely impacted the institution and there are insufficient funds held by the institution to remedy the damage as a result of the crisis, and where the inability to access HESFF funds would result in substantial job losses or reduced student access to education. Note that SFF principal funds are only accessible in circumstances where alternative financial options, including insurance and other funding relief, are not available or are insufficient.

This arrangement will be overseen by the Minister, the HESFF Council, in consultation with the relevant provider/s.

The Minister, in consultation with the HESFF Council, will determine whether the circumstances for access to the SFF principal have been met, as set out in the legislation.

Modelling the Higher Education Secure Future Fund (HESFF)

Below are calculations made by the NTEU based on the proposed Federal Government contribution of $500m in seed funding, and a sector-based levy of 10% of operating surpluses (or a levy of 5% combined with matching government co-contributions).

Historical Case Study

If the HESFF had been established in 2012 with a $500m seed contribution, its principal would have reached $2.4 Billion in 2020. The Board of Guardians would have been able to release the principal in this case, based on the clear expectation that international student revenue would be falling dramatically due to the government's decision to close the borders. This principal released would have covered most of the revenue shortfalls that public universities reported in 2020 and 2021, allowing over 9,000 (net) continuing jobs between 2020 and 2021 to be saved, and thousands of casual jobs.

The table below shows the annual contribution amounts, total fund size, and annual distributions that might have been made had the fund been established in 2012.

In this way the HESFF provides an income smoothing mechanism as well as a sector building function.

Fig 1. Example of Past Fund Contributions and Distributions 2012-2022

Year	Total Contributions $'000s	Year Ending Balance $'000s	Rate of return	Distribution rate	Normal Distributions $'000s	Emergency Distributions $'000s
2012	Seed	$500,000				
2013	$193,121	$710,621	7.00%	3.50%	$17,500	
2014	$199,606	$935,098	7.00%	3.50%	$24,872	
2015	$188,827	$1,156,654	7.00%	3.50%	$32,728	
2016	$164,790	$1,361,926	7.00%	3.50%	$40,483	
2017	$155,718	$1,565,311	7.00%	3.50%	$47,667	
2018	$199,035	$1,819,132	7.00%	3.50%	$54,786	
2019	$146,074	$2,028,877	7.00%	3.50%	$63,670	
2020	$228,019	$1,577,907	7.00%	3.50%	$71,011	$750,000
2021	$66,876	$950,010	7.00%	3.50%	$55,227	$750,000
2022	$523,800	$1,507,060	7.00%	3.50%	$33,250	

Assumptions: Distribution Rate: 3.5% Investment Returns (nominal): 5% Contributions are made the year after the reference year. Distributions are based on previous year balance. Emergency distributions are an example only based on the $1.1 billion cut from staff spending in 2021 despite increased enrolments.

Future Scenario

If the HESSF was established this year (2023) with $500m seed funding and contributions began next year, based on average sector surpluses over the last ten years, the fund could reach $4.2 billion in assets under management by 2035 and be making annual investments in the sector of $150m or $98m in today's dollars.

Fig 2. Projected Future Fund Contributions and Distributions 2023-2035

Year	Contribution (based on previous year)	Year Ending Balance	Rate of return	Distribution	Distribution to Universities	Distribution in 2023 dollars	Inflation Index
2023	Seed	$500,000	7.00%	3.50%			
2024	$211,150	$728,650	7.00%	3.50%	$17,500	$17,063	1.025
2025	$216,429	$970,582	7.00%	3.50%	$25,503	$24,212	1.051
2026	$221,839	$1,226,391	7.00%	3.50%	$33,970	$31,358	1.077
2027	$227,385	$1,496,700	7.00%	3.50%	$42,924	$38,468	1.104
2028	$233,070	$1,782,155	7.00%	3.50%	$52,385	$45,501	1.131
2029	$238,897	$2,083,427	7.00%	3.50%	$62,375	$52,414	1.160
2030	$244,869	$2,401,217	7.00%	3.50%	$72,920	$59,161	1.189
2031	$250,991	$2,736,250	7.00%	3.50%	$84,043	$65,687	1.218
2032	$257,266	$3,089,285	7.00%	3.50%	$95,769	$71,935	1.249
2033	$263,697	$3,461,107	7.00%	3.50%	$108,125	$77,841	1.280
2034	$270,290	$3,852,536	7.00%	3.50%	$121,139	$83,333	1.312
2035	$277,047	$4,264,422	7.00%	3.50%	$134,839	$88,334	1.345

Assumptions: Inflation: 2.5% Annual Table A total surplus is equal to 2012-2021 average: $2.06B + inflation

In short, investing now in a Future Fund that both the sector and the Government contribute to, that provides support for workforce development and other core priorities, while ensuring that there are future protections against unforeseen crises, embodies the intent of the Universities Accord.

Additional points to note.

Applying the levy to universities surpluses

Public government funded universities have made a choice, independent of public policy guidance, to amass large sums in investment products and bank accounts, rather than investing these funds into our sector. What each university intendeds to do with their accrued wealth (if anything) is at the discretion of university councils, yet these assets have been contributed to by public funding and student fees.

It is reasonable that the public expect a small share of surpluses be applied to national priorities and sector security now, rather than be fully retained as discretionary investment funds for unspecified future purposes.

The proposed contribution amounts of 5% or 10% would constitute less than 1% of total sector revenue.

Current issues with universities investment of surpluses

A handful of universities currently control the lion's share of sector surpluses (which are largely generated from international student fees). The track record of these universities in managing this national surplus as a sector has been poor; with the bulk tied up in infrastructure, investments, commercial interests and business planning. Very few, if any, have invested in a 'rainy day' strategy, and with each institution acting in its own interests and operating in a sense as publicly funded, but profit driven, entities. The proof of the flaws in their strategy was demonstrated clearly in 2020 and 2021 when the sector imposed rapid mass job losses and service reductions as the first (and in the end, only) response to international student market changes, rather than dipping into their (in some cases, very deep) reserves.

As a result, the loss of thousands of jobs from across the sector has led to a loss of expertise and the capacity to deliver quality of education and research post COVID. It is also resulting in excessive workloads and, for many higher education workers, their physical and mental health is at risk.

HESFF to also assist in workforce development - fixed term contracts

Funds from the HESFF will not be used to provide grants that fund specific positions. Rather, grants will fund workforce transformation projects involving multiple positions that are not individually linked to such grants, as in the examples provided above.

Appendix 1 – Alternative Funding Models

As an alternative model, the Government may also consider supporting such a fund from a levy on international student fee income, which is used by higher education institutions as a source of discretionary income and not subject to regulatory caps (most institutions increase their international tuition fees by between 6% and 11% yearly, although this does vary).

The below tables model two scenarios, the first using a historical 5% levy, and the second using a tapered levy going forward.

International Fee Model – 5% Levy

Year	Contribution (based on previous year) *$'000s*	New Balance *$'000s*	Rate of return	Distribution	Normal Distributions *$'000s*	Emergency Distributions *$'000s*
2016	Seed	$250,000				
2017	$287,599	$541,349	5.00%	3.50%	$18,947	$0
2018	$359,576	$909,045	5.00%	3.50%	$31,817	$0
2019	$419,628	$1,342,308	5.00%	3.50%	$46,981	$0
2020	$495,441	$1,857,885	5.00%	3.50%	$65,026	$755,811
2021	$303,191	$1,433,133	5.00%	3.50%	$76,613	$724,466
2022	$417,394	$1,147,559	5.00%	3.50%	$92,371	$0

Assumptions: Distribution Rate: 3.5% International Revenue Growth Rate in 2022: 4.5% Investment Returns (nominal): 5%, No contributions made from universities that were in deficit for the contribution year.

Future Scenario

If the HESSF was established this year with $250m seed funding and contributions began next year, based on 2023 international student calendar year revenue, the fund could reach $6 billion in assets under management by 2035 and be making annual investments in the sector of $212m or $137m in today's dollars.

Year	Contribution (from previous year) *$'000s*	Balance *$'000s*	Contribution rate	Distribution	Real Dist *$'000s*	Inflation Index
2023	Seed	$250,000		$-	$-	
2024	$439,030	$701,530	5%	$24,554	$23,816.93	1.03
2025	$459,911	$1,171,964	5%	$41,019	$38,731.93	1.06
2026	$481,732	$1,671,275	5%	$58,495	$53,689.66	1.08
2027	$504,535	$2,200,879	5%	$77,031	$68,619.21	1.11
2028	$528,364	$2,762,256	5%	$96,679	$83,440.98	1.14
2029	$553,265	$3,356,955	4%	$117,493	$98,065.85	1.17
2030	$463,430	$3,870,740	4%	$135,476	$109,127.96	1.19
2031	$485,184	$4,413,985	3%	$154,489	$119,830.33	1.22
2032	$380,938	$4,861,133	3%	$170,140	$126,761.70	1.25
2033	$398,755	$5,332,805	2%	$186,648	$133,205.42	1.29
2034	$278,250	$5,691,047	2%	$199,187	$135,748.27	1.32
2035	$291,221	$6,067,633	2%	$212,367	$137,730.88	1.35

Assumptions: Distribution Rate: 3.5% International Revenue Growth Rate: 4.5% Investment Returns (nominal): 5% Inflation: 2.5%

Note on international student fee income

The current practice among universities is to direct a portion of funds from international tuition fees (which are charged above the cost of teaching) into other discretionary non-teaching areas such as investment portfolios or future building projects. In contributing some of this income to a national sector support pool, the Government can help ensure these funds are directed explicitly into programs that improve the student experience, such as decasualisation of the teaching workforce and improved student support services.

However, to ensure the levy does not impact of the quality of education and to encourage universities to reduce their over-reliance on international student fee income, the levy should only apply where international students are being charged more for a place than the total resourcing the university would receive for that same place from a domestic student.

Appendix 2. Examples of other forms of sector wide secure future funds and levy arrangements

Government Pension Fund of Norway - Norwegian sovereign wealth fund.

Norway has experienced economic surpluses since the development of its hydrocarbon resources in the 70s. This reality, coupled with the desire to mitigate volatility stemming from fluctuating oil prices, motivated the creation of Norway's Oil Fund, now the Government Pension Fund-Global (GPF-G) in 1990. While other countries with significant carbon resources have chosen to integrate the gains from their industries into their current budgets and spending, Norway has opted to invest these funds separately.

As a result, while revenue from oil and gas production is transferred into the fund, these deposits account for less than half of its value, which passed the $1 trillion mark in 2017. The most recent figures show that value has since increased to more than $1.3tn. The fund holds 1.4% of all of the world's listed companies, making it among the world's largest sovereign wealth funds.

According to the fund's website, "deficits are covered with money from the fund" but that there is a rule whereby they do not spend more than the expected return. However, while the Norwegian government can only spend a small part of what is generated, this still represents almost 20% of the country's budget. The fund is also used to finance pension expenditure.

Australia's Sovereign Wealth Fund – Australia established a sovereign wealth fund in 2006 to strengthen the Commonwealth's long-term financial position. It currently manages six public asset funds, invests the assets of the Future Fund, the Medical Research Future Fund, the DisabilityCare Australia Fund, the Aboriginal and Torres Strait Islander Land and Sea Future Fund, the Future Drought Fund and the Emergency Response Fund.

According to its 2023 report to Senate Estimates, over the past decade the Fund has delivered an average annual return of 9.1% against a target of 6.7%. As at 31 December 2022, the Fund stood at $196.1bn, having earned $136bn since inception.

Sector specific funds

Education Investment Fund:

The Rudd Labor Government's Education Investment fund (now abolished) was established in 2008 to invest in higher education and vocational education and training (VET), with the Government contributing $11billion to the fund (with $6 billion reallocated from the Higher Education Endowment Fund). The key priorities of the EIF were around capital expenditure and renewal and refurbishment in universities and vocational institutions as well as in research facilities and major research institutions. However, there was no cap on the yearly allocation from the EIF, with annual levels of investment based on the sector's needs and macroeconomic conditions. The scheme was also entirely Government funded.

The EIF provided $4.2 billion for infrastructure projects through competitive funding rounds held between 2008 and 2011. The EIF was, however, reduced by $130 million from the previous budget provisions in the 2010–11 budget. This time also saw the decline in public higher education funding as a share in GDP, taking Australia's provision further below OECD norms.

In the subsequent 2014–15 Budget (pp. 114–115), the Government announced that the EIF would be abolished, however the legislation to give effect to this announcement lapsed when the Parliament was prorogued on 15 April 2016. The EIF was finally abolished in 2019 by the Morrison Government with the remaining funding of $3.9b transferred to the Emergency Response Fund.

Tuition Protection Service (TPS):

The Tuition Protection Service was established by Government to assist both international and fee paying domestic students enrolled with private education providers should their education provider close, stop offering their course, fail to start their course or discontinue units of study that they are enrolled in.

The TPS is sector funded and each of the services is funded by its own tuition protection levy. Providers pay annual levies commensurate with their size and risk. The levies are held in quarantined accounts for each sector and are used to support students and providers.

The TPS is managed by the TPS Director who is responsible for delivering the service and ensuring the long-term sustainability of the accounts.

The responsible Minister sets the Administrative fee component of the levy paid by providers for each levy. Each year, following advice from the TPS Advisory Board, the TPS Director will set the risk rated premium and special tuition protection components of each annual levy.

Community investment funds and levies

AFL Investment Fund

The AFL's Strategic Community Investment Fund (SCIF) supports the AFL's commitment to community football in Victoria. Established in 2019, the SCIF is in addition to the AFL's community relief fund which supports local communities in fire affected areas. The SCIF provides grant funding of $1.5m per year over three years directly to local football leagues and clubs and is part of the $18 million investment into Victorian community football announced by the AFL in September 2019.

Other examples of community grants from levies

NSW Aboriginal Land Council Community Development Levy

Bellingen Shire Council Environmental Levy

Appendix 3 – Calculations on HESFF Income

Total Contributions 2016-2035

	10 Percent Contribution				
Year	Total Sector Surplus $m	Contribution Rate	Sector Contribution	Share of Sector Revenue	Total Sector Revenue
2012	$ 1,931,210	10%	**$ 193,121**	0.77%	$ 25,210,033
2013	$ 1,996,055	10%	**$ 199,606**	0.76%	$ 26,332,964
2014	$ 1,888,270	10%	**$ 188,827**	0.68%	$ 27,751,858
2015	$ 1,647,899	10%	**$ 164,790**	0.58%	$ 28,609,979
2016	$ 1,557,176	10%	**$ 155,718**	0.52%	$ 30,147,079
2017	$ 1,990,351	10%	**$ 199,035**	0.62%	$ 32,028,091
2018	$ 1,460,744	10%	**$ 146,074**	0.43%	$ 33,741,910
2019	$ 2,280,194	10%	**$ 228,019**	0.62%	$ 36,519,249
2020	$ 668,763	10%	**$ 66,876**	0.19%	$ 34,651,093
2021	$ 5,238,002	10%	**$ 523,800**	1.36%	$ 38,380,744
2022	$ 2,060,000	10%	**$ 206,000**		
2023	$ 2,111,500	10%	**$ 211,150**		
2024	$ 2,164,288	10%	**$ 216,429**		
2025	$ 2,218,395	10%	**$ 221,839**		
2026	$ 2,273,855	10%	**$ 227,385**		
2027	$ 2,330,701	10%	**$ 233,070**		
2028	$ 2,388,968	10%	**$ 238,897**		
2029	$ 2,448,693	10%	**$ 244,869**		
2030	$ 2,509,910	10%	**$ 250,991**		
2031	$ 2,572,658	10%	**$ 257,266**		
2032	$ 2,636,974	10%	**$ 263,697**		
2033	$ 2,702,899	10%	**$ 270,290**		
2034	$ 2,770,471	10%	**$ 277,047**		
2035	$ 2,839,733	10%	**$ 283,973**		