THE UNIVERSITY OF QUEENSLAND
AUSTRALIA

CREATE CHANGE

Australian Universities Accord Discussion Paper: The University of Queensland Submission

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Executive summary

The University of Queensland (UQ) welcomes the opportunity to respond to the Australian Universities Accord Discussion Paper. Higher education plays a critical role in providing the education and skills necessary to produce a productive workforce at the same time as being a fundamental building block to the preservation of a civil society. Through higher education and its development of cultural capital, our society is better placed to engage in public debate, improve social wellbeing, and safeguard legal and political stability. The higher education sector is also at the heart of research and innovation, contributing to sovereign capability by finding solutions and developing technology to address our biggest challenges. Foundational to a sustainable university sector which supports Australia's long-term ambitions is capital investment to facilitate productivity and growth, and autonomy to enable each university to deliver its mission.

Australia has developed an excellent higher education sector over the last two decades, but a review is timely to ensure its continued success into the future. The Accord provides a once in a generation opportunity to recalibrate Australia's higher education sector to ensure it is responsive to the needs of individuals and supports the nation's current and future social and economic priorities.

UQ's suggestions for the Accord are farsighted and ambitious. Our focus is not just on quick wins but on holistic structural and financial adjustments that will ensure the long-term quality and sustainability of the higher education sector. The current policy and funding settings have not constrained our suggested actions and solutions although many of the views we outline here align closely with recommendations made across many previous reviews, particularly the Bradley Review of Higher Education[1]. We believe that to grow the nation's — and individual's — prosperity and wellbeing, the Accord needs to focus on developing a policy and funding environment that will:

1. **Establish a more integrated and holistic tertiary system**. UQ recommends that the Accord:
    - Explore opportunities to build a more integrated and holistic tertiary education system where both vocational and higher education are recognised for their different but complementary contributions to training, skills development, education and knowledge leadership.
    - Consider the recommendations from the West Review and Bradley Review, in relation to an integrated tertiary system, that is both balanced and inclusive.
    - Consider establishing a statutory agency responsible for providing government with independent, evidence-based advice on matters relating to postsecondary education and training.

2. **Develop greater differentiation between higher education institutions**. UQ recommends that the Accord:
    - Explore policy, governance and funding levers to support different levels of teaching and research concentration across the sector, a focus that would encourage new types of providers to enter the higher education sector, thereby foster greater differentiation.
    - Encourage the development of a higher education sector where comprehensiveness is achieved through a network of partner institutions rather than through the activities of each individual university.

[1] Bradley, D., & Department of Education, Employment, Workplace Relations. (2008). *Review of Australian higher education : final report*. Department of Education, Employment and Workplace Relations. [Bradley Review]

3. **Design a re-balanced and sustainable Commonwealth Grant Scheme.** UQ recommends that:
    - The student contribution rates be recalibrated back to a tiered system that considers both employment outcomes and potential earnings.
    - A more flexible mechanism be introduced to allow universities to respond to growing and/or changing demand – in this respect, two options are proposed:
        a. Reinstate demand driven funding (the preferred option)
        b. Replace institutional MBGAs with a national funding envelope that is allocated on the basis of CSP load volume and discipline profile. The funding envelope should be indexed annually by CPI and changes in the population of 17-25 year olds. Additional funding should also be included to address the Government's aspirations to raise higher education attainment rates
    - At a minimum, Commonwealth supported places for all Aboriginal and Torres Strait Islanders, regardless of their postcode, be uncapped.
    - The CGS should fund teaching activities only, and that an assessment of costs be undertaken to determine the optimal funding required to deliver high quality teaching.

4. **Greater participation in higher education of students from under-represented groups**. Under-represented groups include students from a low SES or regional or remote background, Aboriginal or Torres Strait Islander students, or students with a disability. UQ recommends that:
    - Policies and strategies aimed at widening participation in higher education be broadened to focus on pre-university disadvantage with clear goals to improve achievement at the senior secondary level.
    - Funding for university outreach activities be directed towards collaborative state-wide initiatives. State-based outreach teams could be developed in collaboration with universities, the state education systems and tertiary admissions centres. This would ensure that there is consistent information, advice and support provided to students state-wide. The activities would be offered at scale supported by a robust evaluative process to ensure effectiveness.
    - Funding to support equity student outcomes be allocated according to the number of — rather than share of — domestic undergraduate equity students at the institution. That is, government allocates a pre-defined loading for each enrolled equity student.
    - Government returns to first principles to determine the true cost of supporting an equity student to completion to determine the appropriate value of the equity loading. The value of the loading may differ according to student equity type and/or stage of study.
    - Review income support arrangements for students, including: broadening access to Youth Allowance by raising the parental income threshold for dependent students; reviewing the age of independence and criteria for independence; and increasing income support levels.

5. **Create a much more sustainable research and innovation system**. To support the growth of research activity in Australia, and ensure our universities remain competitive on the world stage UQ, recommends that:
    - The Research Support Program (RSP) be redesigned to fund the indirect costs of Category 1 research only, at a pre-determined rate for every dollar of Category 1 funding.
    - Ensure consistent, considered oversight of mission-based funding for research.
    - Funding agencies be required to fund the full salary for successful fellowship applications.

1. An integrated tertiary education and training system

UQ recommends reframing the Universities Accord as a tertiary education Accord. Most of today's jobs, and those in the future, require knowledge and skills from both the higher education and vocational sectors. The disconnected nature of the two sectors constrains Australia's ability to develop coherent policy and funding arrangements. A coordinated and nimble national response is required to deliver the skilled workforce needed by Australia's joined-up economy.

UQ recommends that The Accord process explore opportunities to build a more integrated and holistic tertiary education system where both vocational and higher education are recognised for their different but complementary contributions to training, skills development, education and knowledge leadership.

Australia's current approach to tertiary education policy and funding — which is the responsibility of federal, state and territory governments — is fragmented and inconsistent. As a result, a change made in one part can lead to unintended consequences in the other. Over the past 15 years, there has been a policy and funding emphasis on higher education, resulting in a widening divide between the two tertiary sectors, to the detriment of VET. This was propelled by the introduction of demand driven funding for universities, which coincided with a decline in VET enrolments[2]. Although multiple and complex factors have led to the weakening of the VET sector, the introduction of demand driven funding in 2012 saw the number of domestic bachelor enrolments increase by a third between 2009 and 2017, whereas the Mitchell Institute reports[3] that participation rates in the VET sector decreased from a peak of 7.1 per cent of working age adults in 2012 to 5.0 per cent in 2017 and that overall participation in tertiary education has been in decline, because of a decline in participation in VET.

Changes in higher education policy have made it easier for people to access university due to the increased number of government funded places combined with financial support for students through income-contingent tuition loans. The absence of upfront financial barriers for domestic bachelor's students — but not for all domestic VET students— may have resulted in students choosing a university degree, even if they are more suited for VET, because they are unable to meet the upfront VET fees.[4] A VET qualification may also cost more than a university qualification. The highlighted nursing example demonstrates that the current tertiary system is not coherent and that the lack of a whole-of-system view disadvantages students.

Inconsistency in pricing across the tertiary system disadvantages students

The full fee for an 18-month Diploma of Nursing at a Queensland TAFE, which will lead to a job as an enrolled nurse, is $23,505 . As the VET Student Loan is capped at $16,788 in 2023, a student will have to pay $6,717 upfront. In comparison, the indicative cost of a three-year Bachelor of Nursing, which would lead to a job as a registered nurse, is $16,920 and all this cost can be deferred through HECS-HELP. On graduation, a registered nurse is likely to earn more than an enrolled nurse, with average weekly earnings of $1,452 compared to $1,068 for an enrolled nurse. In summary, the university qualification is cheaper, has no upfront costs and will lead to a higher paying job. The only advantage of the TAFE qualification is that it is shorter so the student can start working sooner.

[2] Productivity Commission. (2023). *5-year Productivity Inquiry: From learning to growth*. 8 (100). https://www.pc.gov.au/inquiries/completed/productivity/report

[3] Dawkins, P., Hurley, P., & Noonan,P. (2019). *Rethinking and revitalising tertiary education in Australia*. Mitchell Institute. https://www.vu.edu.au/sites/default/files/rethinking-and-revitalising-tertiary-education-mitchell-institute.pdf

[4] Norton, A., & Cherastidtham, I. (2019). *Risks and rewards: when is vocational education a good alternative to higher education?* Grattan Institute. https://grattan.edu.au/report/risks-and-rewards-when-is-vocational-education-a-good-alternative-to-higher-education/

The VET sector has also suffered reputational issues in recent years due to poor government regulation. For instance, integrity and quality issues emerged in 2012 following the expansion of the VET FEE-HELP scheme which resulted in large numbers of students enrolling in substandard programs and being left with substantial student debt. Confidence in the VET sector is low and consequently the status of VET does not sit alongside higher education in the ambitions of Australians. Fewer people aspire to pursue vocational education and training, and VET is considered less prestigious than university[5].

We currently have a tertiary system that is hierarchical, rather than one in which both the higher education and VET sectors are equally valued despite their different purposes.

Whilst UQ believes that every person who aspires to study at university should have that opportunity, university is not the best option for everyone. The ideal post-secondary system is one where individuals have access to the education and training that best suits their interests, academic abilities and future ambitions. This requires a well-functioning VET sector that provides viable alternatives in education and training.

If we continue to address the policy and funding issues of the two sectors separately, we will always have two sectors competing against each other. This fragmentation places Australia at risk of not being able to produce the workforce needed to ensure a strong economic and social future.

Other benefits of an integrated tertiary education and training system include:

- better collaboration between governments, industry partners, providers and relevant communities
- more efficient use of resources with smaller transaction costs, the increased likelihood of having an impact due to the removal of policy and program overlaps and the simplification of funding
- the reduction of administrative burden and reporting requirements for dual sector institutions.

A more integrated tertiary system has been called for in a number of higher education reviews since the 1990s, most prominently the West Review[6] and Bradley Review[7]. The recommendations from these reviews remain relevant today.

UQ recommends that the West Review and Bradley Review recommendations, in relation to an integrated tertiary system, be considered in the Universities Accord.

A summary of recommendations from the West and Bradley reviews, in relation to an integrated tertiary system

- Establish a framework that views post-secondary education and training as a whole.
- Improve labour market intelligence so that it covers the whole tertiary sector.
- Negotiate with states and territories for VET funding to be transferred to the Australian Government.
- Simplify and streamline accountability to allow each tertiary provider to play to its strengths.
- A national regulatory and quality assurance agency to cover the entire tertiary sector.
- Negotiate with states and territories to move overall regulatory responsibility for tertiary education to the Australian Government.
- Extend income contingent loans to VET students enrolled in all diplomas and advanced diplomas – not just a select list.

[5] Gore, J., Ellis, H., Fray, L., Smith, M., Lloyd, A., Berrigan, C., Lyell, A., Weaver, N., & Holmes, K. (2017). *Choosing VET: investigating the VET aspirations of school students*. National Centre for Vocational Education Research. https://www.ncver.edu.au/__data/assets/pdf_file/0028/1142749/Choosing-VET-investigating-the-VET-aspirations-of-school-students.pdf

[6] West, R., Higher Education Financing Policy Review Committee, & Department of Employment, Education, Training, Youth Affairs. (1998). *Learning for life : review of higher education financing and policy: final report*. Australian Govt. Pub. Service for Dept. of Employment, Education, Training and Youth Affairs. [West review]

[7] Bradley, D., & Department of Education, Employment, Workplace Relations. (2008). *Review of Australian higher education : final report*. Department of Education, Employment and Workplace Relations. [Bradley Review]

It was the Bradley Review that led to the introduction of demand driven funding in the higher education sector, and consequently the expansion of that sector. However, the Bradley Review's recommendations in relation to the VET sector were not implemented and this has contributed to widening the divide between the VET and higher education sectors.

UQ recommends that a set of principles underpin the reconsideration of the West Review and Bradley Review to achieve a balanced and inclusive tertiary education system.

Principles underpinning an integrated tertiary system

- VET and higher education are equally valued in the development of skills and knowledge and their contributions to our economy and society; while acknowledging the necessary distinctions — in terms of purpose and operations — between VET and higher education.
- Equal policy attention is given to the VET and higher education sectors, and policy changes in one sector take into consideration possible consequences in the other.
- Tertiary education regulation enables diversity and innovation, reflecting the strengths of the individual institution, and the needs and preferences of students. (Also see Section 2)
- Harmonising of qualifications across the VET and higher education sectors to enable credit transfer and articulation.
- The tertiary system is seamless from the student's perspective, allowing them to easily move between VET and higher education providers — in both directions and at various qualification levels — to upgrade and acquire new academic and vocational skills and knowledge throughout their working lives.
- Student choice is not distorted by financial barriers, so that students may access the education that best suits their interests and abilities at a particular time, for example:
    - minimise the disincentive of up-front fees through providing tertiary students — at least from AQF 5 and above — with access to a common income-contingent loan scheme
    - establish a regulated and coherent pricing structure across the VET and higher education sectors so that comparable qualifications have a similar price which is based on private benefits.

A fundamental issue for the Accord's consideration is whether a truly integrated tertiary system is possible under the current funding, regulatory and governance model, where all Australian governments share responsibility for various aspects of VET and higher education.

To enable a balanced and inclusive tertiary sector — regardless of the governance model — UQ recommends The Accord explores the establishment of an independent statutory body that would provide seamless, evidence-based advice to federal and state and territory governments on matters relating to postsecondary education and training.

The Accord considers establishing a statutory agency responsible for providing government with independent, evidence-based advice on matters relating to postsecondary education and training.

2. Greater differentiation between higher education institutions

If a key purpose of the Accord is to improve access to higher education — and UQ would argue for improved access to all aspects of tertiary education and training — then it is necessary to consider structural aspects of the higher education sector. UQ believes it is not economically feasible to expand access to tertiary education (plus deliver more sustainable research funding) within the current governance and funding model. A different approach is needed to deliver an affordable higher education system that meets Australia's current and future needs.

Australia's higher education regulatory environment has created a 'flat' university sector. Since 1998 and the 'Dawkins Reforms[8]' the majority of universities are comprehensive, offering a broad range of undergraduate and postgraduate degrees, as well as undertaking basic and applied research across many disciplines. Most Australian universities are large and share a similar mission, goals and philosophy. The uniformity of Australian universities is primarily driven by the legislative requirement that an institution must actively engage in research in order to be classified as a full university[9]. To appropriately fund research, Australian universities need to be large and comprehensive. To educate the quantity of people needed to achieve Australia's economic and social ambitions, more Australians need access to higher education. However, it is unrealistic to expect existing universities to continue to expand to meet future educational needs, or for a substantial number of new universities be established given the cost of entry.

Encouraging new types of providers

UQ recommends that The Accord explores policy, governance and funding levers to enable different levels of teaching and research concentration across the sector. This would expand the capacity of the current system, at the same time as encouraging new types of providers to enter the higher education sector, thereby fostering greater differentiation.

The introduction of the University College category in the Higher Education Standards Framework (Threshold Standards) 2021, following the 2019 review of Provider Category Standard, is an important step in increasing flexibility in the university sector.

To achieve a differentiated higher education sector, a multi-faced system is required — from institutions delivering skills and training, to teaching-focused colleges, to universities offering professionally oriented education, to research-intense universities focused on delivering broad educational offerings and generating knowledge. These activities could operate within a single vertically integrated institution that offers education and training from certificate to postgraduate levels, or across a network of institutions.

Examples of new types of providers

- Liberal arts-style colleges: These institutions would primarily deliver undergraduate degrees. In addition to the generalist degrees, professional degrees in specific areas would also suit this type of institution. They would not be required to conduct research or deliver higher degrees by research.
- Teaching-intensive universities: These institutions would deliver undergraduate and postgraduate coursework degrees across a range of fields of study. Research would be conducted in some broad fields of study, deriving from teaching areas, and be focused on more applied problem solving.

[8] Dawkins, J. (1988). *Higher education: a policy statement*. Department of Employment, Education and Training.

[9] In accordance with the *Tertiary Education Quality and Standards Agency Act 2011*.

Creating higher education networks

UQ proposes that The Accord encourages the development of a higher education sector where comprehensiveness is achieved through a network of partner institutions rather than through the activities of each individual university.

One possible model for encouraging differentiation is the formation of 'university networks'. Under this model, rather than each university being comprehensive, the goal of comprehensiveness is achieved through a network of partner institutions. Multiple universities, which may specialise in particular disciplines, could partner with one or more research-intensive universities. Teaching-intensive universities could partner with VET providers, creating a whole-of-tertiary system. Each institution would deliver their specific mission, which focuses on their individual strengths. Although an individual institution may not meet every student's needs, the university network as a whole would be able to satisfy these needs, across all aspect of tertiary training and skills development, higher education, and knowledge creation and leadership. The benefits of this model are that it would remove unnecessary duplication from the system. It would also enable universities to further develop their areas of strength and create niche areas of expertise. UQ's existing partnerships with other universities exemplify how this network model could operate.

Examples of UQ's partnerships with other universities

UQ's **Regional Medical Pathway** programs with both Central Queensland University and the University of Southern Queensland improve accessibility for regionally-based aspiring medicine students. The pathway allows students to study, train, and practice in the region they are from. Students complete a Bachelor of Medical Science at the regional university, before completing a UQ Doctor of Medicine (MD). From 2025, all four years of the MD program will be offered in Bundaberg/Hervey Bay or Rockhampton (Central Queensland – Wide Bay Regional Medical Pathway) or Toowoomba (Darling Downs – South West Medical Pathway). Regional Medical Pathways are an efficient use of funds for medical training, at the same time as helping to address critical workforce shortages in regional areas.

The **Brisbane Universities Languages Alliance** (BULA) is a long-standing alliance between Griffith University, Queensland University of Technology and UQ. It aims to expand higher learning in a range of Asian and European languages. Students can study one (or more) language at any of the three institutions, regardless of their home university. The study program is then credited to the home university. This initiative removes duplication and provides students with more choice.

An equitable and sustainable differentiated higher education sector, which improves student access, depends on a range of complementary factors.

Requirements for an equitable and sustainable differentiated higher education system

- **Removing student geographical barriers to facilitate student mobility**. Australians should have the opportunity to attend the best university that meets their ambitions, even if that university is not located nearby. Mechanisms to remove geographical barriers include:
  - widening access to relocation grants (extend the Tertiary Access Payment to facilitate two-way movement between metropolitan and regional areas)
  - better cost of living support by increasing the value of Youth Allowance, and broadening access to Youth Allowance by raising the parental income threshold for dependent students given that over time the relationship between the threshold for dependent students has increased when compared to average weekly earnings making it harder for students to access income support[10].
- **An integrated tertiary education and training system**. Students are able to move seamlessly between different types of providers, at various qualification levels, to upgrade and acquire new academic and vocational skills and knowledge. (See also Section 1).
- **Transparent funding which clearly differentiates between funding for teaching, funding for research and funding for other purposes**. Further recommendations in relation to the funding of teaching and the funding of research are provided in sections 3 and 5 below.

  It is acknowledged that to sustain regional universities in a differentiated system, it may be necessary to provide them with additional funding. UQ recommends that funding to develop and/or maintain regional universities should be provided via a separate grant, and not incorporated into teaching funding, to ensure funding ransparency. Under a differentiated model, it is important that the funding model not be distorted through opaque loadings.
- **Mutually beneficial partnerships between universities and other tertiary education providers**. A university network model relies on the establishment of multiple collaborative partnerships between higher education and tertiary providers so that the network, rather than an individual institution, provides students with easy access to a full suite of learning and research activities. UQ's existing partnerships with other universities exemplify how this network model could operate.
- **Compact based accountability.** There is the opportunity to re-invigorate the compact and use it more deliberately when negotiating with each institution, in particular to encourage universities to define and pursue a distinctive mission which is aligned with their capacity and community context. As previously indicated, the regulatory framework would need to be amended to enable universities to have further autonomy and identify their niche, in order to achieve diversity and excellence. The terms of accountability should be clear and measurable, and agreed at the same time as the compact is negotiated.

[10] Analysis comparing the 1994 Austudy family income threshold with the 2023 Youth Allowance parental means test found that a greater proportion of dependent students would have had access to financial support in 1994 than today. In 1994 students could access the full Austudy if family income is at or below 77% of annualised average weekly earnings (based on all persons in May 1994, seasonally adjusted). In 2023 students can only access the full dependent Youth Allowance if the family income is at or below 62% of the annualised average weekly earnings (all persons, November 2022, seasonally adjusted). If applying the 1994 relationship between average earnings and the threshold, the 2023 threshold of $58,108 would increase to $72,077.

3. A re-balanced and sustainable Commonwealth Grant Scheme

The University of Queensland is pleased that the Accord will undertake a specific review of the Job Ready Graduates (JRG) package. JRG aimed to increase Commonwealth Supported Places (CSPs), encourage greater demand in areas of national priority, support greater participation among regional students and align funding rates to the costs of teaching. We believe these are all important policy goals but we believe that mechanisms introduced to achieve these aims have had minimal impact, and in some cases have promoted perverse and negative outcomes.

We've framed our concerns and recommendations around three key themes. We argue for:

- a recalibration of student contribution rates
- a more flexible mechanism to allow universities to respond to growing and shifting demand
- maintenance of the principle that CGS should exclusively fund teaching supported by an assessment of the optimal costs of delivering quality teaching.

Recalibrating student contribution rates to align with graduate outcomes and potential earnings

The JRG policy introduced a significant shift in the principle underpinning the setting of student contribution rates. Prior to the introduction of JRG, discipline differences in student contributions were loosely aligned to expected earnings, but JRG introduced a completely new approach with contributions re-set to encourage (or discourage) enrolments in particular disciplines. The humanities and social sciences became the most expensive disciplines whereas the rates for national priority areas (eg STEM, health, teaching, foreign languages) were reduced. At UQ, the average student contribution rate rose by 2 per cent, but this figure hides the significant impact on students in the humanities and social sciences for whom fees more than doubled.

In a politically and socially complex world, we would argue that the humanities and social sciences are increasingly essential to helping us address national and global challenges. Hence, enrolments in these fields should not be discouraged. Even if this issue is put aside, the JRG policy has failed to significantly influence student choice because Australia's Higher Education Loan Program (HELP) does a remarkable job of reducing tuition fee cost barriers. Our analysis of student demand at UQ suggests that students predominantly consider their personal interests and graduate employment outcomes rather than student fees when deciding which course to pursue. This was recently supported by an analysis of New South Wales university applications over the 2014-2022 period which provided little evidence that students respond to price signals[11].

The JRG package has also created a system in which some cohorts of graduates with the lowest average salaries will be burdened with the highest HELP debts. Analysis of graduate salaries using Australian Tax Office (ATO) data shows that the average salary in 2018 for the full cohort of domestic bachelors graduating in 2016 was $51,200 but for those with a humanities and social sciences degree it was only $36,900[12]. This is not just a question of fairness for individuals but it also creates issues for the cost and sustainability of the HELP scheme. If the average time to repay increases and a larger proportion of debtors never repay, there is an additional cost to government and taxpayers. Analysis of ATO data from 2006-07 to 2021-22 shows that the average time to repay HELP debts has already increased from around 10 years to 12 years[13].

[11] Young, M. (2022). *Demand and supply effects of university funding changes: An Australian policy analysis* Presented at the Melbourne Centre for the Study of Higher Education, 19 October 2022 https://events.unimelb.edu.au/melbourne-CSHE/event/24753-how-much-do-university-applicants-care-about

[12] Aungles P., Hodgson, H., and Parbery, S. (2021). *Graduate incomes: insights from administrative data,* Department of Education, Skills and Employment. https://qilt.edu.au/docs/default-source/default-document-library/bachelor-graduate-incomes-report.docx?

[13] Warburton, M. (2022). *Gender, equity and policy neglect in student financing of tertiary education.* Melbourne Centre for the Study of Higher Education https://melbourne-cshe.unimelb.edu.au/__data/assets/pdf_file/0006/4509852/Gender-equity-and-policy-neglect-in-student-financing.pdf

If we accept that students do not consider price when selecting their preferred discipline, a flat rate may seem appropriate and would be simpler to administer. However, our analysis shows that the annual fee would need to be approximately $9,650 to generate the same revenue as the current mix of JRG rates. For students studying nursing and teaching, this would result in an increase of 134 per cent on their current contribution rate or an increase of 36 per cent on the pre-JRG rate[14]. Issues around the debt burden for graduates in fields with lower earning potential would remain.

UQ recommends that the student contribution rates be recalibrated back to a tiered system that considers employment outcomes and potential earnings.

Estimates on the time taken to repay HELP loans could provide a useful evidence base for setting the optimal rates, as suggested by Andrew Norton, if we accept the principle that the settings should even out the effort individuals will need to take to repay their loan.[15]

Benefits of a tiered SCR that considers employment and potential earnings

This approach recognises that:

- The private benefit of a university education can vary considerably across different disciplines.
- A fair system is one in which the burden of repayment is evenly spread.

Flexibility to respond to changes in student demand

In a capped funding environment, significant planning is required to deliver enough CSPs to keep pace with population growth and ensure that distribution of places between universities adequately considers variations in institutional demand. As outlined in the Accord discussion paper, in order to meet Australia's future skills needs we will need to raise the rate of higher education attainment. The National Skills Commission projections show that between 2021 and 2026, 90 per cent of new jobs will require tertiary education and half of these jobs will require a bachelor's degree or higher[16]. An effective CGS should provide sufficient places and flexibility to meet population growth at the same time as supporting aspirations to raise higher education attainment levels.

The JRG package claimed to address these issues with the provision of an additional 39,000 places by 2023[17] but this goal was predominantly achieved by substantially reducing the average government contribution per student. At UQ, this amount dropped by 11 per cent from $13,494 to $12,034[18]. In summary, the changes in government contributions had the effect of increasing funded places with only limited additional investment in overall government funding.

In our view, the distribution and allocation of the additional places across the sector through the JRG package was too simplistic and did not align with actual demand. Institutional MBGAs were set with reference to the discipline mix of their load in 2019 with the addition of funding to support annual growth in the commencing cohort at a rate of 1.5-2.5 per cent per year for metropolitan universities and 3.5 per cent for regional universities. We recognise that the intention of the policy was to support greater participation among regional students but this has created a misalignment between supply and demand. In 2021, metropolitan undergraduate applications grew by 4.5 per cent while regional applications were flat (-0.1 per cent).[19] As outlined in Section 4, supply-focussed policies are not sufficient to grow the participation of students from under-represented groups.

[14] In 2019 the student contributions for Nursing and Teaching were $6,684. With indexation they would have been $7,106 in 2023 had JRG not been implemented.

[15] Norton, A. (2022). *Submission on priority student funding policy issues for the Universities Accord – December 2022.* https://www.education.gov.au/system/files/documents/submission-file/2023-02/AUA_priorities_Andrew%20Norton.pdf

[16] National Skills Commission, *Employment Projections* https://www.nationalskillscommission.gov.au/topics/employment-projections#Projectionsbyskilllevel

[17] Department of Education, Skills and Employment (2020). *Job-ready Graduates: Higher Education Reform Package 2020.* https://www.education.gov.au/job-ready/resources/job-ready-graduated-discussion-paper

[18] This is the full impact of the JRG changes based on 2021 cluster rates and the discipline mix profile of UQ's CSP load in 2021.

[19] Department of Education. (2021). *Undergraduate Applications, Offers and Acceptances 2021.* https://www.education.gov.au/higher-education-statistics/resources/undergraduate-applications-offers-and-acceptances-2021

The approach used to allocate places in the JRG package has therefore resulted in some universities receiving more places than they can fill while other universities are teaching unfunded students.

Throughout the JRG transition years (2021-2023), the Higher Education Continuity Guarantee has provided welcome funding certainty for universities, but when combined with MBGAs that are out of step with demand it has meant that many universities are receiving funding for students that they are not teaching. At the same time, other universities are over-enrolled and therefore constrained from meeting increases in overall demand or responding to shifts towards demand for disciplines in more expensive funding clusters. It is the case that universities still receive student contributions for any over-enrolled students. However, in many disciplines, particularly those in areas of national priority, the student contribution is unlikely to cover even the marginal cost of teaching.

This issue will continue unless the MBGAs can be appropriately recalibrated or a different mechanism is implemented to allocate funding in a more flexible way.

The University of Queensland proposes two different options for delivering a sustainable CGS that can flexibly respond to growing and/or changing demand:

- **Option A - Reinstate demand driven funding (the preferred option)**
- **Option B - Replace institutional MBGAs with a national funding envelope that is divided across universities according to their CSP load volume and discipline profile. The funding envelope should be indexed annually by both CPI and changes in the population of 17-25 year olds. Additional funding should also be included to address the Government's aspirations to raise higher education attainment rates.**

We support the view of the Productivity Commission[20] that a demand driven funding system is the best mechanism to encourage competition within the sector and meet Australia's growing need for a skilled and educated workforce. We acknowledge that when demand driven funding was introduced in 2012, the growth in enrolments was higher than anticipated, and as such there may be a financial risk to uncapping the number of places again. Detailed analysis of unmet demand would help assess and manage this risk.

We also argue that a strengthened vocational system that is closely integrated with higher education would minimise the risk of excessive growth, ensuring that prospective students have genuine choices about the best option for furthering their education.

If demand driven funding is not possible, then we propose that institutional MBGAs should be replaced with a national CGS funding envelope or grant. Recalibrating institutional MBGAs in an effort to meet the specific demand profile of each institution would be extremely complex. Even if an accurate assessment of institutional supply and demand settings could be achieved, it would take only a few years before further recalibrations were required. Capped places fundamentally stifle competition and flexibility, but a national funding envelope (see below for more detail) would allow the government to control costs and at least provide some flexibility for institutions to grow or contract in response to demand.

[20] Productivity Commission. (2023). *5 year Productivity Inquiry: From learning to growth.* https://www.pc.gov.au/inquiries/completed/productivity/report/productivity-volume8-education-skills.pdf

A model for a national CGS funding envelope

Under a national funding envelope model, universities would enrol students as they did in a demand driven funding environment. They could aim to achieve a CSP cohort size and profile that aligns with their strategic goals – gaining market share through initiatives such as developing new programs, improving the student experience or implementing aspiration building and support systems to enable greater participation of students from under-represented groups.

The cost of the load across the sector would be calculated using the normal approach of multiplying the EFTSL by the appropriate discipline government contribution rate. This amount would be assessed against the national funding envelope.

- If the value of the enrolled load is less than the national funding envelope, then all universities are funded for the students they have taught, and the unused funding is simply retained by government as a saving.
- If the value of the enrolled load is greater than the national envelope, then each institution's government contributions are capped by the equivalent percentage. So, if the national envelope is $7bn but the value of the enrolled load comes to $7.1bn then each institution receives 98.6 per cent of the value of their government contributions ($7bn = 98.6 per cent of $7.1bn).

A national funding envelope would be simpler to administer than institutional MBGAs and would ensure that funding is better utilised. It is much easier for government to decide how many places should be funded nationally to meet a growing population and deliver on aspirations for higher attainment levels, than to do calculations undertaken on an institution-by-institution basis.

At a minimum, the envelope should be indexed annually by CPI and increased in line with the national population growth of 17-25 year olds. Additional growth will also be needed to ensure there are enough places to grow higher education attainment rates and meet Australia's future education and skills needs.

From an operational perspective, universities would need some indication of future funding to support their budgeting processes, but this could be achieved through enhancements to the usual six monthly CSP load estimates process. As the Tertiary Collection of Student Information system matures, Government may also be able to reconcile actual enrolments and funding on a more regular basis.

The JRG also included demand-driven places for regional and remote Indigenous students, a move that was welcomed across the sector. There is, however, a strong case to be made that this provision be extended to all Indigenous students, given the data indicates lower participation rates for Indigenous students, regardless of where they live.

Table 1 Higher education participation rates

	Total population	Regional and remote
Overall participation rates	6.8%	5.3%
Aboriginal and Torres Strait Islander participation rates	3.6%	2.6%

Source: Napthine Report[21]

UQ recommends that at a minimum Commonwealth supported places for all Aboriginal and Torres Strait Islanders, regardless of their postcode, be uncapped.

Uncapped Commonwealth supported places for all Aboriginal and Torres Strait Islanders will help to close the gap between Indigenous and non-Indigenous higher education attainment.

[21] Commonwealth of Australia. (2019). *National Regional, Rural and Remote Tertiary Education Strategy: Final Report* [Napthine Report]. https://www.education.gov.au/access-and-participation/resources/national-regional-rural-and-remote-tertiary-education-strategy-final-report

The CGS should exclusively fund teaching activities

UQ supports the principle of aligning base CGS funding with the cost of teaching by setting government contribution rates that would cover the gap between student contributions and these costs.

We believe that government funding schemes should be targeted to ensure there is clarity on which kinds of activities each scheme is covering.

When the CGS included a nominal component for scholarship and research, universities were essentially receiving research funding (which grew under demand driven funding) without it being tied to expectations of increased research activity or impact. Moreover, targeted funding schemes are an important enabler for driving greater institutional diversity within the sector.

However, in aligning base funding to the cost of teaching, the JRG package redirected funding that had been nominally provided for scholarship and research towards creating additional places and introducing supplementary schemes like the National Priority Industry Linkages Fund. This left a gap in the funding available for research. At UQ, the CGS revenue per EFTSL in the faculties of Science, and Engineering, Architecture and IT has dropped by 12 per cent and 13 per cent, respectively. This is despite the fact that these are the parts of the university that have some of the most expensive teaching infrastructure and support costs. For example, the cost of teaching veterinary science is estimated to be in excess of $50,000 per student per annum. This cost has never been covered by the CGS contribution, or even the combined CGS and student contribution, and under JRG the gap between the cost of delivery and the funding provided has widened. This creates significant problems for universities with vet schools and vet hospitals, and puts at risk the future delivery of underfunded programs. Funding gaps for teaching and research now need to be covered by other revenue sources. Later in this submission we outline our recommendations for a more sustainable research funding model (Section 5).

The JRG package also used data from the Transparency in Higher Education Expenditure exercise as the basis for assessing the base funding for each discipline. Conceptually this is a reasonable starting point, but we would like to see a deeper conversation about the resources required to deliver teaching at the quality we would expect from our system. Teaching expenditure across the sector is extremely variable. If we use the data for Engineering bachelor's degrees as an example, the costs at the 25th percentile are more than 30 per cent below the costs at the 75th percentile ($20,432 vs $30,198 in 2023 dollars). To develop good policy and deliver optimal funding, we need to understand the reasons for this variation. There is a real risk that these differences are driven by a policy and funding environment in which universities can only fulfil the full scope of their missions through internal cross-subsidisation between disciplines and activities.

UQ believes the CGS should exclusively fund teaching activities, but would like to see an assessment of costs that considers the optimal funding required to deliver high quality teaching.

4. Widening participation to higher education

The University of Queensland is pleased that the Australian Government has prioritised the goal of widening participation in higher education and included access and opportunity explicitly in The Accord's terms of reference. Dismantling barriers to higher education participation is vital to ensuring that Australians from all backgrounds equally benefit from the economic and social opportunities provided by further education.

Higher education attainment in Queensland is lower than in any other state or territory, accounting for only 37 per cent of 25-34 year olds in 2022. The national rate is 45 per cent[22]. Within this context, UQ's Queensland Commitment[23] outlines our aspiration to increase the concentration of students from regional, remote or low socio-economic backgrounds to 30 per cent of our domestic undergraduate population. We are also committed to providing more opportunities to Aboriginal and Torres Strait Islander students — we are working towards ensuring their representation at UQ mirrors that of the Queensland community. To achieve these challenging goals, we are working closely with a range of external stakeholders, including alumni, our donor base, and local communities across the state and the schooling system. The policy and funding settings delivered by government at both state and federal level will be a key enabler.

As outlined in The Accord discussion paper, since 2005 there has been minimal improvement in the participation rate of students from most under-represented cohorts, excepting students with a disability. Government policies to widen university participation have historically focussed on the supply of additional CSPs or grant schemes such as the Higher Education Participation and Partnership Program (HEPPP) to fund outreach and aspiration building activities or targeted services for students from under-represented backgrounds.

Ensuring that there are sufficient university places to support the goal of widening participation is important, but this does not address the core issue: current inequities in higher education access, participation, attainment and success are the end product of a system of educational inequality that begins before formal schooling starts and continues through all stages of the educational journey.

The nation needs policies and initiatives that support and encourage more students from under-represented groups to aim for a university pathway. A whole of student lifecycle approach is required to grow the pool of university applicants, rather than encouraging universities to compete for a static pool of potential students.

Building aspirations and addressing academic preparedness

Schooling outcomes for students from low SES, regional/remote and Aboriginal and Torres Strait Islander students continue to fall behind those of their peers. Across all jurisdictions, young people living in regional and remote areas or from low SES backgrounds are less likely to obtain their Senior Secondary Certificate[24]. When students from low SES backgrounds do complete Year 12, they are less likely to choose the ATAR stream and are less likely to achieve a high ATAR. Interestingly, low SES students who take the ATAR pathway do then apply for university at a rate that is the same or better than their peers with similar ATAR achievement[25].

UQ's analysis of data from the Queensland Tertiary Admissions Centre (QTAC) shows similar trends. In 2023, because low SES school leaver applicants achieve lower ATARs, only 88 per cent received a university offer. For Indigenous applicants, the offer rate was 86 per cent. In comparison, 97 per cent of high SES and 93 per cent of non-Indigenous school leaver applicants received an offer.

[22] ABS. (May 2022). Education and Work. https://www.abs.gov.au/statistics/people/education/education-and-work-australia/latest-release

[23] https://about.uq.edu.au/uq-initiatives/initiative/queensland-commitment

[24] Australian Curriculum Assessment and Reporting Authority. (2021). *Year 12 Certification Rates.* https://www.acara.edu.au/reporting/national-report-on-schooling-in-australia/national-report-on-schooling-in-australia-data-portal/year-12-certification-rates

[25] Manny, A. (2020). *Socio-economic status and the ATAR,* University Admissions Centre. https://www.uac.edu.au/assets/documents/atar/SES-and-the-ATAR-report.pdf

Academic achievement and educational outcomes are closely intertwined with aspirations and expectations. Research[26] among school students has shown that low SES students don't necessarily have lower aspirations for higher education, but they do have lower expectations of being able to undertake higher education, and this gap widens in high school. Expectations strongly influence outcomes. Fifteen-year-olds who indicate that they intend to study at university are 15 to 20 per cent more likely to do so even after controlling for school achievement and family background[27].

Over the last decade or so, universities have introduced a range of mechanisms to widen participation from under-represented groups. These include alternative admissions pathways and selection criteria adjustment factors and outreach activities (see highlighted examples). However these mechanisms can never fully compensate for the underlying issue of educational disadvantage in the schooling system. When students aspire to progress to tertiary study, complete Year 12 and undertake the academic/ATAR stream they are engaged in a curriculum that is well catered to preparing students for university study.

Achieving equitable expectations and academic achievement at the secondary school level is a necessary precursor to achieving equitable access and success in higher education.

Addressing educational disadvantage in the schooling system is a complex challenge, requiring significant investment and collaboration between all levels of government, the broader educational system, not-for-profit organisations and local communities. Drivers of disadvantage and barriers to educational success are broad and varied and cover policy domains beyond education such as social welfare, housing and health.
UQ welcomes the federal government's establishment of an expert panel to inform a better and fairer school education system as improvements in school student learning will enable wider participation in the university sector.

UQ recommends that policies and strategies aimed at widening participation in higher education be broadened to focus on pre-university disadvantage with clear goals to improve achievement at the senior secondary level.

Examples of initiatives to widen university participation

Alternative admissions pathways and selection criteria These acknowledge that non-year 12 study and other measures can be used as indicators of academic preparedness and readiness for university. At UQ, we offer a Tertiary Preparation Program (https://uqcollege.uq.edu.au/study-options/tpp) through UQ College as a pathway for students who have not completed secondary school to Australian Year 12 standard.

Adjustment factors These are used to 'boost' an applicant's selection rank, recognising that the ATAR of a student who has faced significant educational disadvantage may not fully reflect their true academic potential.

Outreach activities Financial support from programs like HEPPP support a range of outreach activities. UQ is an active member of the Queensland Widening Tertiary Participation Consortium (Queensland Consortium) through which we partner with 20 schools in low SES and regional/remote communities to increase awareness and understanding of tertiary study and build academic capacity. With support from donors, we also deliver our Young Achievers Program (https://young-achievers.uq.edu.au/) which provides tertiary study engagement, mentoring and financial assistance to senior secondary students with academic potential from under-represented groups.

Examples of factors that support educational success

Material resources – finance, housing, food security, good health

Parental guidance and support

School resources and teaching quality

Social and cultural capital

Close proximity to tertiary education institutions

Access to high quality study and career advice

[26] Tomaszewski, W., Huang, Y., Xiang, N., Flesken, A., McCourt, B., & McCarthy, I. (2021). Investigating the drivers of higher education expectations among students from low and high socio-economic backgrounds in Australia. *International Journal of Educational Research*, *109*, 101822. https://doi.org/10.1016/j.ijer.2021.101822

[27] Homel, J., & Ryan, C. (2014). *Educational Outcomes: The impact of aspirations and the role of student background characteristics*, *Longitudinal Surveys of Australian Youth Research Report 65.* https://www.ncver.edu.au/__data/assets/file/0022/16780/education-outcomes-2669.pdf

Compounding the issues of academic preparedness and university aspiration is the fact that students from some equity groups lack access to timely and high-quality information on post-secondary pathways. Research[28,29,30] has found that:

- post-school education and careers guidance are far more constrained at low SES and regional and remote areas schools, so teachers do not have time to invest in advising students
- some low SES and underperforming students are steered away from ATAR subjects and towards a vocational track, even if they express an interest in university
- low SES students are less likely to access information about careers and university courses, and more likely to access information about apprenticeships and TAFE courses
- there is a lack of role models amongst family, friends and community of people who have been to university in regional/remote locations.

Equity students may also lack the social and cultural capital that is necessary to navigate the higher education system. Our recent review of UQ's adjustment factor schemes found that that the requirement to provide evidence of eligibility may be creating a barrier to access for cohorts, such as low SES and regional and remote students, who do not have active supports to assist with the application.

High quality outreach activities can help bridge the information and advice gap for students from under-represented groups. HEPPP provides universities with good base level support to fund these activities, but we believe that collaborative action is required at scale. When each university is funded separately, it is hard to build efficiencies into the delivery of information and support, and the activities are likely to be too small to properly evaluate.

UQ recommends that funding for university outreach activities be directed towards collaborative state-wide initiatives. State-based outreach teams could be developed in collaboration with universities, the state education systems and tertiary admissions centres. This would ensure that there is consistent information, advice and support provided to students state-wide. The activities would be offered at scale supported by a robust evaluative process to ensure effectiveness.

Supporting students to succeed

Once within the higher education sector, students in equity groups often experience multiple, compounding barriers to succeeding and completing their university study, these may include:[31]

- geographical location: having to travel further distances to access higher education
- emotional factors: leaving their community and emotional support networks
- financial constraints: affordability of living expenses, and the necessity of working whilst studying
- sociocultural factors: lacking familial experience with university's culture and expectations and the relevant 'cultural capital'.

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[28]Bennett, D., Coffey, J., Bawa S., Carney, D., Dockery. A. M., Franklyn, K., Koshy, P., Li, I. W., Parida, S., & Unwin, S. (2022). *Ameliorating disadvantage: Creating accessible, effective and equitable careers and study information for low SES students*. National Centre for Student Equity in Higher Education. https://www.ncsehe.edu.au/wp-content/uploads/2022/11/2022-NCSEHE-BennettCoffey-Final-Formattted.pdf

[29] Halsey, J. (2018). *Independent review into regional, rural and remote education: final report*. Department of Education and Training (Australia). Independent Review into Regional, Rural and Remote Education - final report - Department of Education, Australian Government

[30] Tomaszewski, W., Huang, Y., Xiang, N., Flesken, A., McCourt, B., & McCarthy, I. (2021). Investigating the drivers of higher education expectations among students from low and high socio-economic backgrounds in Australia. *International Journal of Educational Research*, *109*, 101822. https://doi.org/10.1016/j.ijer.2021.101822

[31] Nelson, K., Picton, C., McMillan, J., Edwards, D., Devlin, M., & Martin, K. (2017). *Understanding the completion patterns of equity students in regional universities*. University of the Sunshine Coast and Federation University. https://www.ncsehe.edu.au/publications/completion-patterns-of-equity-students-in-regional-universities/

Students with more than one equity factor, for example low SES and Indigenous students, are more likely to encounter barriers and less likely to participate in and complete higher education studies[31]. To help equity group students complete their degree, additional academic and personal support is needed as research[32,33] has found that:

- Equity group students perform less well academically, relative to their counterparts; and poor academic performance is a predicter of attrition. Multiple forms of disadvantage are associated with markedly poorer outcomes along the student life course.
- Students from most equity groups, particularly Aboriginal or Torres Strait Islander students, students with a disability and those from regional or remote locations, are more likely to consider leaving university.

Government funding to institutions, through the programs that now fall under the Indigenous, Regional and Low-SES Attainment Fund (IRLSAF) and the Higher Education Disability Support Program, are critical to the delivery of supports to help under-represented students succeed and complete higher education. UQ uses this funding to provide: pastoral, professional and social support; advice on accommodation and financial support; professional development and career opportunities; social and cultural events to build a sense of belonging; and academic and learning support and advice. UQ also uses philanthropic funding to support equity students via scholarships.

UQ acknowledges that the government has committed to working with the higher education sector to redesign the equity support funding model prior to the full implementation of the IRLSAF model in 2024. However, as part of The Accord process, we suggest a change of methodology to how all equity access and participation funding is allocated.

UQ recommends that funding to support equity student outcomes be allocated according to the number of — rather than share of — domestic undergraduate equity students at the institution. That is, government should allocates a pre-defined loading for each enrolled equity student.

For the purposes of this funding, equity students are defined as those from a low SES background, a regional/ remote background, Aboriginal or Torres Strait Islander, or with a disability. This funding would be required to be used only for initiatives that aim to improve student progress and attainment for these groups. As previously recommended, outreach activities would be funded separately and directed towards collaborative state-wide initiatives.

The key benefits of the UQ suggested methodology is that it is fair, transparent and simple. Universities would be able to better predict the value of the equity funding that they would receive as it would no longer be dependent on the outcomes for other universities. This predictability would enable institutions to better plan the implementation of relevant initiatives and support mechanisms.

The true cost of supporting a student with an equity background is unknown. Currently, universities work within the funding amount provided by government, and may cross-subsidise academic and personal support services for equity students. Each equity group has different needs, and these may change throughout their time at university. For example equity students, except for those with a regional and remote background, tend to have greater challenges in their first year of study than other students. However, after four years, similar to other equity groups, regional and remote students are less likely to complete[32].

UQ recommends that the government returns to first principles to determine the true cost of supporting an equity student to completion to determine the appropriate value of the equity loading. The value of the loading may differ according to student equity type and/or stage of study.

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[32] Tomaszewski, W., Kubler, M., Perales, F., Clague, D., Xiang, N. & Johnstone, M. (2020). *Investigating the effects of cumulative factors of disadvantage: Final report*. Institute for Social Science Research. https://espace.library.uq.edu.au/view/UQ:2a76ba9

[33] Li, I. W., & Carroll, D. (2017). *Factors Influencing University Student Satisfaction, Dropout and Academic Performance: An Australian Higher Education Equity Perspective.* National Centre for Student Equity in Higher Education. https://www.ncsehe.edu.au/publications/factors-influencing-university-student-satisfaction-dropout-and-academic-performance-an-australian-higher-education-equity-perspective/

Removing financial barriers by improving income support arrangements

As recognised in the Bradley Review, Australia's income-contingent student loan scheme removes a significant financial barrier for participation in higher education. However, the day-to-day cost associated with being a student are substantial. Increasing cost of living pressures are a significant issue for all students, but disproportionately so for regional and remote students, students from a low SES background, Aboriginal and Torres Strait Islander students and students with a disability.

- Students that must move from their community to study face relocation costs, ongoing accommodation and living costs, and costs associated with returning home to visit friends and family.
- Low SES students, who are likely to be additional earners in their households, experience a greater opportunity cost — that is, the impact of foregone earnings during the time of study — than high SES students[34].
- Students from equity groups are more likely to consider leaving university than non-equity students and are more likely to cite financial reasons as the reason for considering leaving, with Indigenous students the most likely to give this reason[35].

In response to the increasing cost of living, students are working more hours. A 2022 survey found that 86 per cent of Australian students are in some form of paid employment – this has increased from 78 per cent in 2021[36]. Having to work to support themselves financially can be a significant cause of stress. More than a third (37 per cent) of domestic students in the 2021 QILT Student Experience Survey reported that paid work commitments negatively affected their study[37]. Having to work extensive hours leads to poor learning outcomes[38].

While students do have access to income support benefits (Youth Allowance or Austudy), the current eligibility criteria for these schemes denies access to many. For example, 70 per cent of 18 to 21-year old tertiary education students are not eligible for Youth Allowance[39] because they are deemed dependent on their parents, and their parents' income is above the maximum threshold. Those young people who are able to access Youth Allowance are mostly paid at levels well below the poverty line: less than $26 per day (dependent rate of payment)[40].

[34] Cardak, B. A., & Ryan, C. (2022). Socioeconomic disadvantage, ability to pay and university attendance in Australia. *Education Economics*, 1–22. https://doi.org/10.1080/09645292.2022.2085668

[35] Li, I. W., & Carroll, D. (2017). *Factors Influencing University Student Satisfaction, Dropout and Academic Performance: An Australian Higher Education Equity Perspective.* National Centre for Student Equity in Higher Education. https://www.ncsehe.edu.au/publications/factors-influencing-university-student-satisfaction-dropout-and-academic-performance-an-australian-higher-education-equity-perspective/

[36] YouthInsight. (2023). Studiosity 2023 Australian & New Zealand Student Wellbeing Survey. https://www.studiosity.com/student-wellbeing-2023-chapter-one

[37] Social Research Centre. (2022) *2021 Student Experience Survey: Quality Indicators for Learning and Teaching*. https://www.qilt.edu.au/surveys/student-experience-survey-(ses)

[38] Bradley, D., & Australia. Department of Education, Employment, Workplace Relations. (2008). *Review of Australian higher education : final report*. Dept. of Education, Employment and Workplace Relations.

[39] National Union of Students and Foundation for Young Australians. (2022). *Locked out of Youth Allowance: Student Poverty and Centrelink in Australia.* The National Union of Students. https://changetheage.asn.au/

[40] National Union of Students and Foundation for Young Australians. (2022). *Locked out of Youth Allowance: Student Poverty and Centrelink in Australia.* The National Union of Students. https://changetheage.asn.au/

In order to be eligible for independent Youth Allowance — and avoid the parental means test — some students under the age of 22 are deferring study and working for 18 months. This is a popular option for regional and remote students and is reflected in their high deferral rates[41]. However, some of these students are unlikely to take up their university place once they begin earning an income, as the opportunity cost becomes too high. In particular, regional and remote students with a low SES background are less likely than other students to take up their deferred university position the following year[42].

Australia's current income support system for students does not support equity students' access, participation and success in higher education.

UQ recommends that The Accord review income support arrangements for students, including:

- **broadening access to Youth Allowance by raising the parental income threshold for dependent students**
- **reviewing the age of independence and criteria for independence**
- **increasing income support levels.**

This recommendation aligns with comments made in Section 2.

[41] Halsey, J. (2018). *Independent review into regional, rural and remote education: final report*. Department of Education and Training.

[42] Polesel, J. (2009). Deferring a university offer in rural Australia. *The Australian Journal of Education*, *53*(1), 87–103. https://doi.org/10.1177/000494410905300107

5. Sustainable research funding

The development of an Australian Universities Accord presents the opportunity to address the current research funding challenges facing universities and to set a new direction for the sector. However, it is time for an overhaul to address the current challenges facing universities and to set a new direction for the sector.

Research is an essential component of economic growth, innovation, and social progress. It is a means of generating knowledge, developing new technologies, and finding solutions to complex problems.

In Australia, research funding is provided by various sources, including the government, industry, and philanthropic organisations. However, the sustainability of research funding in Australia is a major area of concern, particularly for universities and research institutions that rely on this funding to conduct research and make significant contributions to society.

Over the past decade, the Australian government has reduced its funding for research as a percentage of GDP. In 2010, the government invested 0.73 per cent of GDP in research, while in 2020, it invested only 0.58 per cent of GDP.

This decline in public investment has created a significant gap in research funding, which universities and research organisations have had to fill by seeking alternative sources of funding. Higher education research expenditure increased substantially (from $2.8b in 2000 to $12.2b in 2018, a 9 per cent per annum increase[43]), a position that is not sustainable.

While research funding is critical for driving innovation, advancing knowledge, and improving our quality of life, it is also a finite resource that must be managed effectively to ensure that it is used in the most sustainable way possible.

The sustainability of research funding in Australia is critical to maintaining the country's competitiveness in the global research landscape. Funding cuts and uncertainties have the potential to reduce the quality and quantity of research produced, discourage young researchers, and threaten the reputation of Australian research.

While there have been many positive developments in recent years, including increased funding for mission-based research and a greater emphasis on industry partnerships, there remain significant challenges that threaten to undermine our ability to compete on the global stage.

We believe that the following practical measures are essential to supporting the growth of research activity in Australia, and ensuring that our universities remain competitive on the world stage:

- **The Research Support Program (RSP) be redesigned to fund the indirect costs of Category 1 research only, at a pre-determined rate for every dollar of Category 1 funding.**
- **Ensure consistent, considered oversight of mission-based funding for research.**
- **Funding agencies be required to fund the full salary for successful fellowship applications.**

Such actions would ensure that the Australian research sector not only remains competitive and innovative but has sufficient scale and focus to contribute to economic growth and social progress.

By establishing a long-term strategy for the funding of indirect research costs, reducing the administrative burden of grant applications, encouraging diversification of funding sources, and improving the governance of research funding, the Australian research sector can be positioned for success in the next decade and beyond.

[43] Department of Education, Skills and Employment. (2022). *University Research Commercialisation Action Plan*. Department of Education, Skills and Employment.

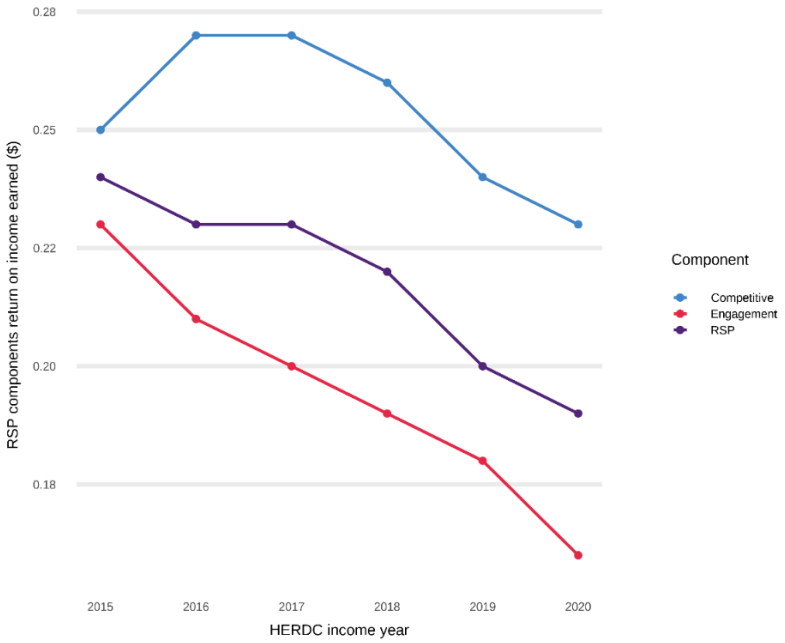
Supporting the indirect costs of research

The Research Support Program (RSP) is intended to provide funding for the indirect costs associated with research, such as infrastructure, equipment, and other research-related support involving compliance such as ethics, contracting, and foreign interference. However, the RSP is a capped pool that, although receiving occasional modest increases, has not been adjusted to reflect the growth in overall research funding, resulting in a substantial diminishing return per dollar of reported research income.

This is with the excepetion of the fact that, as a consequence of the real threat that COVID would impact on the strength of Australia's research system, a one-off increase of $1 billion in RSP funding was granted through the 2020 budget. Arguably, this was recognition of the amount that needed to be added in the face of genuine concern for the capacity of Australian universities during the pandemic to maintain their research capabilities and the career trajectories of early and mid-career reserachers through other sources such as international fee revenue.

The capped pool of the research support program provided to universities to fund indirect costs has not kept pace with the growth in research funding.

Figure 1 National decline in RSP returns from HERDC income earned



The RSP is currently capped, and therefore rewards universities' relative performance. In 2015, the block grant provided universities with approximately 24 cents for every dollar of reported research income, while in 2020, this had declined to just 19 cents. This means that universities must generate more income from other sources to maintain their research operations. This places a significant financial burden on universities, and it limits the ability of universities to undertake essential research projects.

There are few options available to universities to meet this shortfall, which has driven a sector-wide reliance on international student fees as a means of supporting the costs of research. Universities have also sought to diversify research income through industry engagement, philanthropic donations, and international research funding, but these have been insufficient to meet systemic funding shortfalls in the national system.

A potential solution is to revise the RSP to reward absolute research performance rather than relative performance by tying it specifically to Category 1 research only and designing it to fund indirect costs at a pre-determined rate per dollar.

This would essentially uncap the RSP, but the support for indirect costs will naturally scale with the increase in research activity that is demanded from universities through government funded Category 1 research. A 2019 report by the Australian Council of Learned Academies supports this approach, recommending that the government "should consider aligning the block grant for research to Category 1 funding levels to address the growth in research activity and maintain research quality".

Furthermore, by limiting the RSP to category 1 funding only, this enables the government to fund an initial increase in the support of government prioritised research, and also provides the mechanism for government to be able to predict (for budget purposes) the expenditure from the RSP.

Uncapping the RSP would require the Government to set an amount per dollar of research income that would be returned through the RSP. Although the full economic cost of research is estimated to be about $1.20 per $1 of research income, it is appreciated that a sudden increase to this level may not be feasible[44]. By restricting RSP to only Category 1, it is suggested that an initial setting of the indirect cost rate to approximately 55c would be more feasible.

The setting of a government rate for the indirect cost of research would also provide universities with a direct price signal that can be passed on to Industry funded research as a minimum cost recovery rate. At present, universities set an indirect cost to research at various levels, but often these costs are waived in an attempt to attract industry funding into the university to gain access to more RSP. his creates a non-virtuous cycle, where government is effectively subsidising more and more industry research. A government set rate would enable universities to hold the line with Industry funders that wish to use government funded infrastructure and expertise in universities, as there would be no incentive to waive such costs.

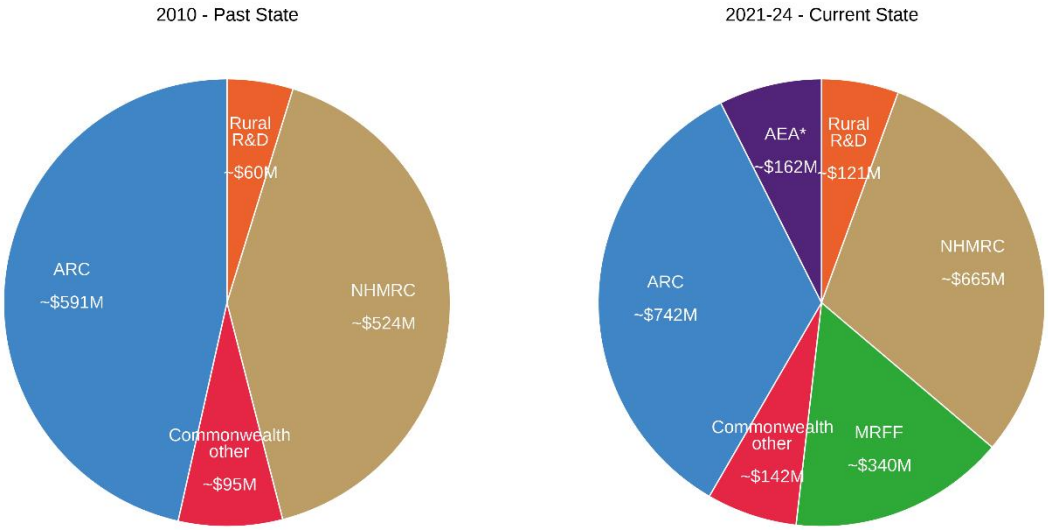
Research governance and mature funding agencies

Australia has two major funding agencies, the ARC and NHMRC, which have for many years provided governance frameworks over pre-award selection of projects based on peer review, and post-award management of expenditure and outcomes. However, many government sources for funding research do not receive the same governance oversight, and the shift to mission-based, large-scale funding (welcome as that is) has exacerbated this issue. Mission-based research is research specifically directed to addressing identified challenges or solving particular problems, often through funding agencies that create a research ecosystem that is specifically intended to incentivise and enable certain types of directed activities. Examples in the current Australian context include the Medical Research Future Fund (MRFF), Trailblazer Universities Program, Australia's Economic Accelerator (AEA), Rural Research and Development Corporations (RDCs), and Defence-related funding programs. With the introduction of new mission-based funding, the proportion of funding receiving best-practice peer review administered by dedicated funding agencies has declined.

[44] Group of Eight, *Essential decisions for national success Supporting Australian research*, Supporting Australian research (go8.edu.au), p.11.

The growing importance of mission-based funding for research activity in Australia highlights the need for greater transparency and oversight to ensure that this funding is allocated effectively and efficiently.

Figure 2 Increasing diversity and scale of funding bodies



Notes:
Approximate figures based on nationally reported HERDC income.
* AEA funding envelope scale based upon Department of Education, Skills and Employment Portfolio Budget Statement 2022-23 (March 2022), p.25.

A more mature research governance framework for Australia would see all major government funding of research administered by dedicated and well-resourced funding agencies that support:

- program innovation and development, with a view to the long-term funding of research through high-quality programs
- structures supporting broad and sufficiently granular expert knowledge through academic program leads, panels, college of experts etc (the National Science Foundation, NSF, in the US is a strong example here)
- program releases with reasonable timelines.

Government departments funding research targeted at the university sector should be required to fund programs through established research agencies to:

- reduce duplication of administrative structures
- provide rigour in peer review mechanisms
- reduce opportunity for politicisation
- ensure researchers deal with fewer organisations
- require researchers to use a unique identifier (ORCID)
- utilise on-line publication records (auto-populated)
- use a common application form for the routine components (where possible).

Integration of discovery and mission-based funding into a small number of mature and well-funded research agencies could be accomplished by ensuring each funding agency administers both discovery and mission-based programs; the NHMRC in the medical sector (including the MRFF), a new overarching Defence-related Agency (as currently being considered), and the ARC expanded to administered programs from the Department of Education (Australia's Economic Accelerator) and RDCs. This approach would still enable government to stand up new programs quickly by a Minister issuing a letter of instruction to the relevant agency.

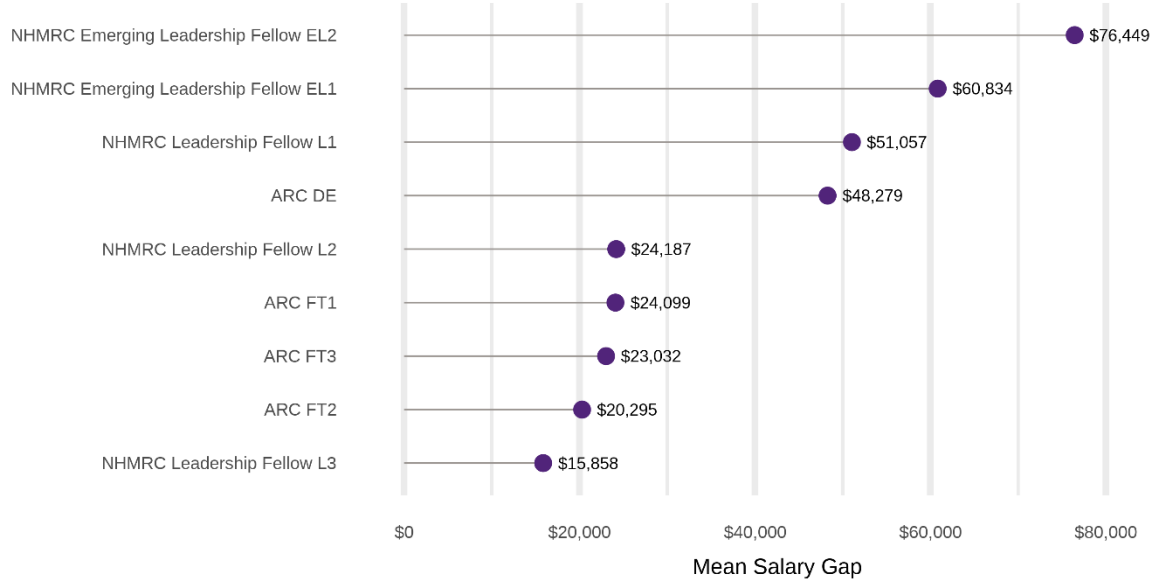
Fellowship salary gaps

In 2020, the Australian Research Council (ARC) reported that the success rate for its Discovery Early Career Researcher Award (DECRA) was just 12.3 per cent, down from 16.4 per cent in 2010. There is significant competition for funding. Furthermore, even when funding is secured, researchers may not receive the full salary they require to complete their work.

This is particularly true for fellowships awarded through the ARC and National Health and Medical Research Council (NHMRC), where universities are required to cover the gap between the fellowship amount and the researcher's full salary**.**

This gap can be substantial, up to $76,000 for an NHMRC EL2 fellowship. As a result, universities must find additional funding sources to bridge this gap, which can put significant financial pressure on institutions.

Figure 3 UQ-fellowship salary gaps per scheme (2022)



Note: Salary gap values are means weighted against the number of fellows at each staff level (e.g. if NHMRC EL2 has 1 Level C, and 3 Level Ds, then the means are weighted more towards Level D salary gaps). Values assume UQ salaries are at the top of each level.

UQ propose that Funding Agencies be required to fund the full salary for successful fellowship applications in funding schemes run by the ARC and NHMRC.

This would ensure that universities are not required to bear the cost of the salary gap. The current situation, where universities are burdened with the cost of funding the salary "gap" for successful fellowship applicants, is unsustainable and creates a significant financial burden for universities.