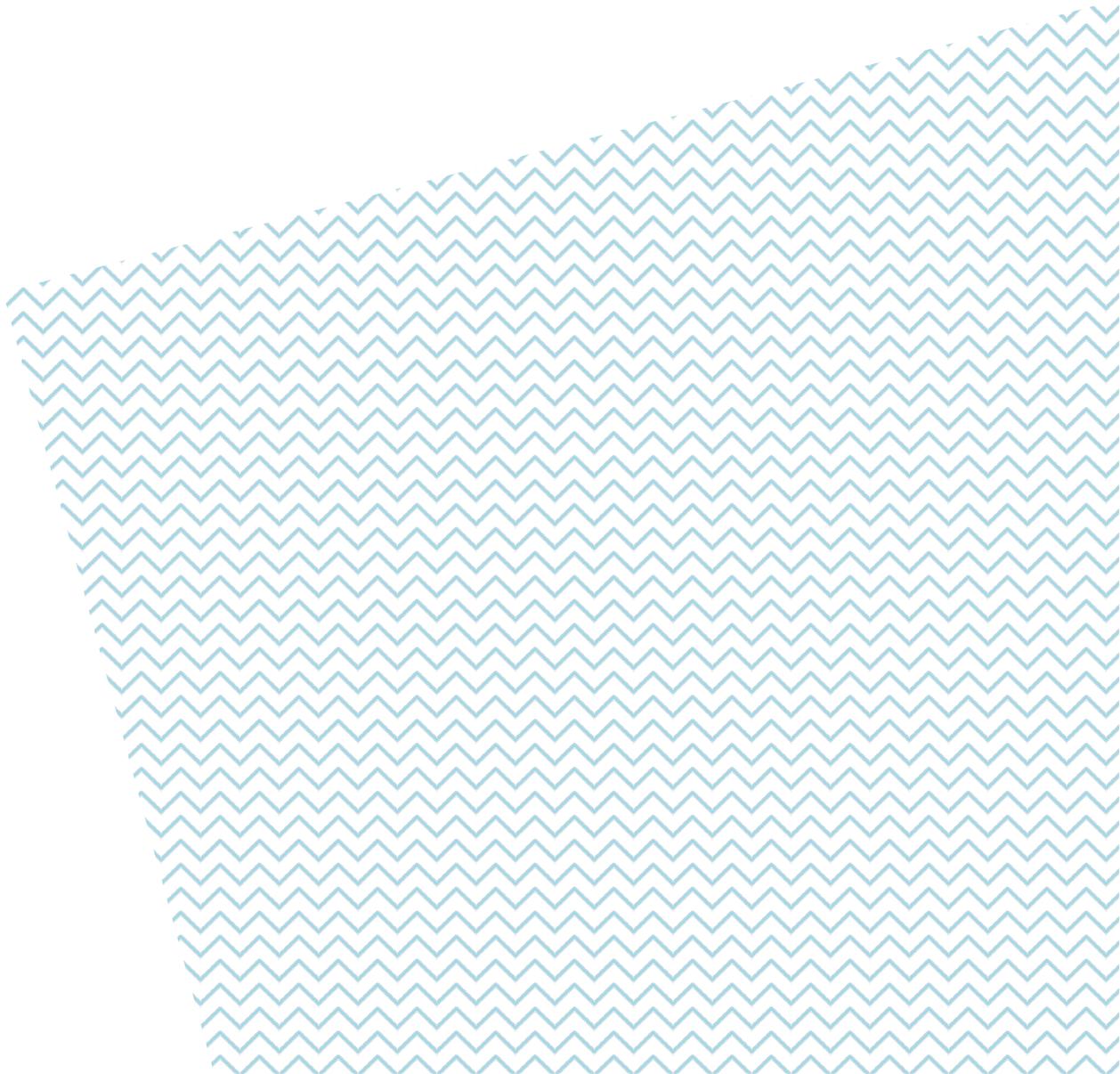




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# Submission to the Universities Accord Consultation

11 April 2023



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## 1. Introduction: looking ahead to 2050

The Universities Accord Process has been established 'to drive lasting alignment between Australia's high quality higher education system and national needs'.<sup>1</sup> It invites us to think about the challenges Australia faces over the coming decades, and what roles universities must play in helping to meet those challenges. It therefore represents an exciting opportunity to take the long view and chart a path to a preferred future. This requires us to identify the big whole-of-system reforms which we must make, as well as the things we need to do right now to support this path.<sup>2</sup>

In doing so, we should keep firmly focused on the fundamental purpose of universities: that is, the education of individuals to the highest level, in the context of the formation, dissemination and translation of knowledge for the benefit of society. This purpose does not change.

Over the next twenty years the expression of this purpose will be brought to bear on a range of emerging challenges. They include the transition to a low emissions economy and resilience in the face of climate impacts, the rise of AI, ongoing digital transformation, a shifting geopolitical context and rising concerns about how we respond to global food insecurity and the threat of future pandemics. These challenges accelerate societal change. They reinforce the importance of the perennial role of universities in supporting a civil society, and in developing a population that is thoughtful, intellectually informed, agile and resilient, and able to navigate complexity and to frame, and address, tough problems.

Neither should we lose sight of the fact that, notwithstanding opportunities for improvement and some areas in need of urgent reform, we have a good foundation on which to build. Australia's higher education system is performing well. We educate more than 1.6 million students every year (45% of Australians aged 25-34 now hold higher education qualifications),<sup>3</sup> and we are the third most popular destination for international students. Australia pioneered an income-contingent tuition loans scheme which is available to all Australian students and has been adapted and adopted by other systems internationally to support near-universal access to higher education. A goal for 2050 should be for higher education to reflect society more fully, by widening participation and demonstrating cultural and socio-economic diversity, built on equality of opportunity.

Our universities punch well above their weight in the generation of new knowledge. Australia makes an outsized contribution to global research, producing 2.7% of the world's scientific output despite comprising only 0.34% of the world's population.<sup>4</sup>

Increasingly, Australian universities are at the forefront of global collaboration. This is especially important because the challenges Australia faces in the coming decades will not be unique to us. They are largely global in nature and no single institution, individual or sector will have all the answers. A robust and high performing higher education system, educating across borders, contributing to the global pool of knowledge and forging collaborative partnerships across sectors and communities, will help us to address these issues at a global level. Collaboration will also be critical to Australia's sovereign wealth and capabilities, strengthening our capacity to engage, lead and influence as a respected member of the international community.

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<sup>1</sup> Introduction, Australian Universities Accord Discussion Paper, February 2023

<sup>2</sup> A summary of recommendations, including a subset of recommendations for immediate consideration and delivery, is at Appendix 1.

<sup>3</sup> Australian Bureau of Statistics, *Education and Work, Australia*, <https://www.abs.gov.au/statistics/people/education/education-and-work-australia/latest-release#:~:text=65%25%20of%20all%20students%20were,other%20education%20or%20training%20institutions.>

<sup>4</sup> Department of Education, University Research Commercialisation Action Plan, <https://www.education.gov.au/university-research-commercialisation-package/resources/university-research-commercialisation-action-plan> p. 8

Teaching students and undertaking research are integral and inseparable components in the work of universities. Great teaching needs to occur in an environment informed by excellent research. It facilitates students' access to the best minds in their fields and exposes them to the spirit of inquiry and challenge that is necessary for a healthy and progressive society. Engagement with students helps academics to frame and refine research questions through teaching, and the engagement of students in the research process supports the research effort of the University. Much university infrastructure supports both teaching and research in the delivery of the university mission. While some academic staff will naturally gravitate predominantly towards teaching and others to research, these functions are most often intertwined and mutually reinforcing, and all staff need to be fully engaged in the academic life of the University.

The opportunity for an Accord is to build consensus around what we must do to secure this future and chart a path forward. In this submission, the University of Melbourne focuses on proposals for significant system reform in five key areas, with supporting rationale and recommendations, which we believe are necessary for universities to operate at the highest levels of excellence and to fulfil their mission into the future. They are interrelated in their impacts, and together will respond to the significant challenges framed by the Accord.

The Review's terms of reference indicate that the Panel will provide an interim report on "priority actions" by June this year. The final section of this Submission – S. 3 – forms an appendix to the argument for systemic reform. It outlines proposals for immediate action which can improve the operations of the sector and lay the foundations for the reforms proposed here.

## **2. Five Key Areas for Reform**

### **(i) Developing a student-centred and integrated postsecondary education system**

The National Skills Commission found that within five years more than 90% of jobs would require post-secondary qualifications.<sup>5</sup> A single qualification is not enough — we need to facilitate and encourage people to develop their thinking, knowledge and skills throughout their lifetimes. Achieving this requires strong links between education providers and industry, pathways for students between vocational and university education that are not one-way, and a research system that is funded to produce the new thinking and knowledge that will keep Australia at the frontier of innovation. In this way, we can accelerate the transition to a knowledge economy and build industries and jobs which will boost national productivity.

An integrated postsecondary system requires recognition of the value of diversity within the university sector, and recognition of the range of credentials provided by the higher education sector – from micro-certificates and diplomas through to postgraduate coursework and research education. The Australian Government has been focused on undergraduate education in its approach to growth and to monitoring the quality of universities' contributions to producing work-ready graduates. This narrow focus, reflected in current funding mechanisms, drives a narrow approach to curriculum delivery which will not meet current or future workforce needs.

While historically an intractable policy challenge, largely because of the separation of funding and regulatory mechanisms across State and Australian governments, now is the time to address the fragmented and siloed system of post-compulsory education. Strengthening collaboration between universities, secondary schools, VE providers and adult education will be integral to supporting

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<sup>5</sup> National Skills Commission, *Projecting employment to 2026*, <https://www.nationalskillscommission.gov.au/insights/projecting-employment-2026#:~:text=More%20than%20nine%20out%20of,wil%20require%20post%2Dsecondary%20qualifications.>

disadvantaged students and building aspiration; through pathways, joined-up communication with prospective students and families, innovative delivery and support mechanisms.

The Accord should forge consensus around an integrated system that removes funding and regulatory blocks to the delivery of innovative curriculum, new qualifications, accessible pathways and broad-based recognition of prior learning and experience.

This will require ongoing co-operation between the State and Territory Governments and the Australian Government to ensure policies are aligned and complementary. There may be mechanisms through the new National Skills Agreement to align the two systems, noting that the Heads of Agreement<sup>6</sup> identified “supporting lifelong learning through an integrated tertiary education system” as a priority. A bold direction for the Accord would be to commit to an ‘integrated tertiary education system’ and a roadmap to deliver it.

### **Fostering cross-sector innovation and collaboration**

Cross-sector collaboration should recognise and draw on the distinctive value universities can contribute in terms of building knowledge and capabilities that equip people to think critically and with rigour, while navigating complex problems. Cross-sector collaboration can tackle gaps in key capability areas and widen access and entry points for students to higher education and employment, particularly as many sectors will require graduates with both VET and higher education qualifications. It also offers students a ‘taster’ of university research and higher education which enriches vocational learning and fires the imagination.

### **Case Study**

Since 2002, the University of Melbourne has partnered with GOTAFE and the Rumbalara Football Netball Club in Shepparton, through the Academy for Sport and Health Education (ASHE), to deliver educational programs for students at risk of exiting secondary school without work-relevant skills or qualifications. This ranges from facilitating the achievement of vocational education qualifications and curated pathways into higher education, to applied learning enriched by research, such as TAFE students working with research scientists at the University’s Dookie campus to develop Indigenous gardens for culinary, medicinal and study purposes.

In 2023 ASHE is being reviewed and is set to form part of the Munarra Centre for Regional Excellence, an Indigenous-led tertiary education facility in Shepparton. It is an example of innovation in delivery which is student-centred and proven to be effective, but not explicitly recognised or supported by Government. Government support could help to scale up initiatives and ensure learning is shared.

The positive impact of cross-sector collaboration can be enhanced through Government brokering industry involvement. For example, the interim results from research partnership Net Zero Australia<sup>7</sup> indicated that 1 to 1.3 million new workers will be required by 2050 to support the transition to net zero emissions.<sup>8</sup> This is approximately the size of Australia’s current health and welfare workforce.<sup>9</sup> The majority of these new roles will require a post-secondary qualification, with around 60% requiring a VET qualification. Some will require skills and qualifications drawn from both sectors.

<sup>6</sup> <https://www.pmc.gov.au/publications/heads-agreement-skills-reform>

<sup>7</sup> <https://www.netzeroaustralia.net.au/>

<sup>8</sup> Net Zero Australia, *Interim Results, August 2022*, [https://energy.unimelb.edu.au/\\_data/assets/pdf\\_file/0008/4267304/Net-Zero-Australia-interim-results-launch-event-presentation-30-August-22.pdf](https://energy.unimelb.edu.au/_data/assets/pdf_file/0008/4267304/Net-Zero-Australia-interim-results-launch-event-presentation-30-August-22.pdf)

<sup>9</sup> Australian Institute of Health and Welfare, *Workforce, Overview*, <https://www.aihw.gov.au/reports-data/health-welfare-services/workforce/overview#:~:text=The%20health%20and%20welfare%20workforces,and%20welfare%20services%20in%20Australia.>

To respond to these challenges, a pilot program could be established to support cross-sector and industry collaboration, involving both Australian and State Governments, brokering end-to-end solutions for priority sectors such as clean energy, MedTech and the care economy. This would bring together cutting-edge research with best practice teaching, smoothing the regulatory barriers between the different parts of the sector and reducing red tape. The University will have a further case study to share, involving the Medtech sector, in the coming months.

## RECOMMENDATION 1

***That State and Australian Governments work together to build a coordinated approach to post-secondary education, supporting consistency in regulation and reporting, funding flexibility across the parts of the sector to support collaboration and innovation in curriculum, and multidirectional pathways across VET and higher education delivery.***

***That the Australian Government join with industry and a range of post-secondary education providers, including universities and VET providers, to consider how innovative cross-sector education opportunities could be established and supported at scale in priority workforces and regions throughout Australia.***

### **(ii) Building a robust and fair higher education funding system**

Despite record tertiary participation, Australian higher education clearly needs to grow over coming decades if we are to meet social and labour market demand as well as widen participation. As highlighted by the Productivity Commission, the population of post-school students is projected to expand, with a 20% increase in the number of 19-year-olds expected in the decade to 2030. Furthermore, the number of jobs requiring university-level education is expected to grow at a much faster rate than the forecast growth in additional university places (a factor of 8:1 by 2026).<sup>10</sup> Growing the number of under-represented or disadvantaged students – first in family, low SES, Indigenous, disabled, rural and regional – will necessitate overall growth in delivery, as well as the development of new modes of teaching and support.

The Job Ready Graduates Package (JRGP) will not support a university system that can meet these looming pressures nor deliver on the aspirations the nation has for its universities. The JRGP must be abolished and replaced with a new funding model.

The shortcomings of the JRGP have been covered extensively from within and without the sector. The JRGP reduced overall funding for domestic students by 6% and was based on a costing undertaken by Deloitte that is acknowledged to be flawed.<sup>11</sup> The funding split between government and students is inherently unfair, with students paying anywhere from 13% to 93% of the costs of their course.<sup>12</sup> Despite its stated aim of increasing the attractiveness of education in national areas of priority, the movement in student contributions under the JRGP had no clear impact on student choice. On the other hand, JRGP increased overall funding for some courses *not* designated national priorities (e.g. Business) and reduced overall funding for so-called 'priority' areas (e.g. Science), creating perverse incentives for universities in considering enrolments. The high student contribution impacted disproportionately low SES, women and Indigenous students. Further, growth funding is calculated on geographical zones used by the ABS for

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<sup>10</sup> Productivity Commission, *5-year Productivity Inquiry: From learning to growth, Interim Report*, <https://www.pc.gov.au/inquiries/completed/productivity/interim5-learning/productivity-interim5-learning.pdf> p. 46

<sup>11</sup> See Vin Massaro's article, *Funding model inadequate on teaching quality and standards*, for further detail: [https://campusmorningmail.com.au/news/funding-model-inadequate-on-teaching-quality-and-standards/?utm\\_campaign=website&utm\\_source=sendgrid.com&utm\\_medium=email](https://campusmorningmail.com.au/news/funding-model-inadequate-on-teaching-quality-and-standards/?utm_campaign=website&utm_source=sendgrid.com&utm_medium=email)

<sup>12</sup> An unpublished study by Deloitte for the Department of Education showed that the public benefits of higher education exceed the private benefits. The report showed that, after controlling for students' 'innate ability', 55% of the benefit to the economy from each graduate was a public benefit, compared to a 45% private benefit. *Deloitte Access Economics 2016, Estimating the public and private benefits of education, unpublished report to DET, p.47, cited in Australian Government 2016, The Higher Education Reform Package, p.9-10*

statistical purposes, which falsely assumes in metropolitan areas that students enrol at the university in their immediate locality. The JRGP and its unintended impacts do not benefit students and run counter to its stated policy intentions.

The system of Commonwealth Grants coupled with student contributions should be simplified, and established on a rational and transparent basis, to support stable planning for students, universities and Government. It needs to adopt a considered approach to growth in the sector, and it needs to support initiatives to widen access to higher education.

Most importantly, this system must redress the inadequate basis of funding per student and recognise that the costs of teaching do not stop at what occurs in the classroom but include sustained investment in both learning infrastructure and in the development of staff, amongst other things.

**A funding model to support excellence, access and equity**

Universities are communities, many of them the size of small towns, and in turn they act as hubs within their local communities. Ensuring that they are resourced to deliver on their promise is not a simple proposition. Universities rely on funding from a range of Government and private sources for teaching and research, as well as for the infrastructure which supports them. Beyond that, universities need resources to support an excellent student experience, a high performing and motivated workforce, and strong engagement with their communities and partners.

The Accord provides an opportunity to confirm Government’s goals for the sector and ensure that it is funded appropriately to deliver them. In particular, we should move towards a funding model that is based on a full understanding of the costs of delivery in relation to the core activities of teaching and research, and critically, recognise the inextricable relationship between them.

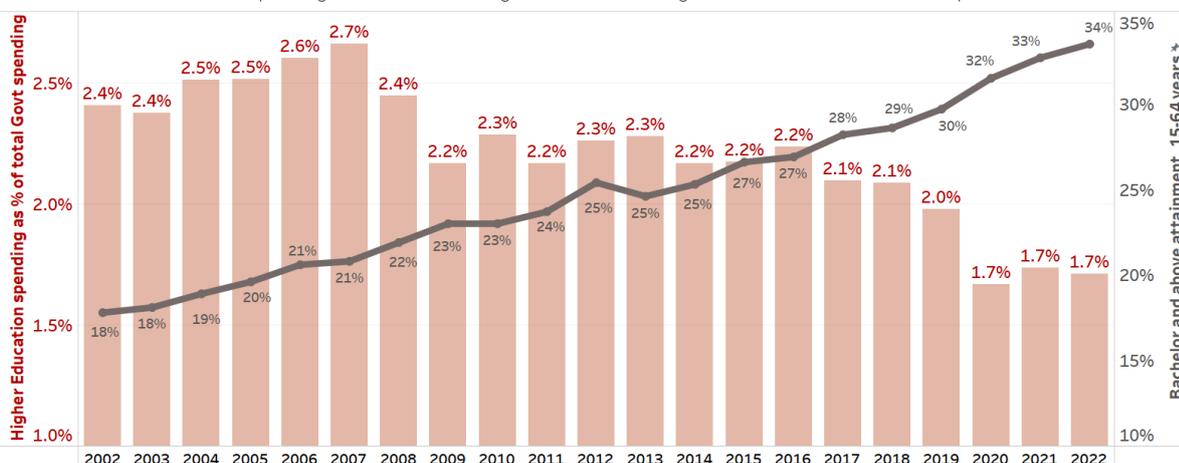
Recent growth in domestic student numbers has far outstripped Australian Government support for higher education. Since 2008, CGS funding has grown by 41%, compared to 48% growth in CSP load over the same period. Despite massive growth in domestic enrolments, there has been a long-term decline in support for higher education as a share of total Australian Government spending. (See Chart 1 below). Our higher education system is supporting the life ambitions of a growing share of Australians but is receiving a proportionally lower level of Government support. Increasingly universities rely on student contributions to fund the shortfall.

**Chart 1**

‘Higher Education’ expenditure as a share of total Australian Government expenditure and 15-64 years Bachelor and above attainment: 2002-2022

Source: Final Budget Outcomes, and ABS.

Note: HE spending includes CGS funding and research block grants. Does not include HELP expenses.



Under the JRGP, funded growth in participation is very low, and set according to a three-tiered model, based on population growth in the region in which the University is sited. This approach needs to be replaced with a strategic and evidence-based approach to growth in higher education, which supports medium- to long-term planning, and takes into account:

- Local and international demographic trends (to support integrated growth planning across domestic and international students).
- Long-term forecasting about workforce and societal needs in Australia and in key international student home locations, which moves beyond and complements quarterly analysis of labour market data.
- Linking growth allocations for CGS to real student demand.
- Continued deployment of a flexible 'funding envelope' to enable universities to plan their student profile in line with student demand, mission and community context.
- The level and sources of funding required to deliver sustainable growth.

### An approach to funding for teaching and learning

We propose the following principles to underpin a new funding model for consideration:

- Quality: funding provided should be sufficient to cover the costs of high-quality delivery. This should include investment in infrastructure to support curriculum innovation and the continuing development of an excellent academic workforce. The research funding component should be returned to the CGS. This should be complemented by funding the full economic costs of research.
- Accessibility: all students capable of benefiting from higher education should have it, thereby broadening access and increasing educational attainment levels. We need to lift participation among those groups currently under-represented in universities, and this means minimising deterrents such as student debt and unfair disparities in student contributions.
- Fairness: there should be no significant disparity across students in different courses in terms of their contribution to the costs of their education. There is a strong case for industry, as a beneficiary of higher education, to contribute directly to its funding.
- Innovation: Funding settings should encourage innovation in course design and support diversity of offerings.
- Efficiency: Funding settings should be stable, to allow efficient planning across the sector, and designed to eliminate administrative waste.

A radical solution would be to make higher education free for the student at the point of entry, recognising that it is significantly a public good, and that the cost of doing this would be recouped rapidly via general taxation on the higher earnings that graduates would achieve. However, this approach seems extremely unlikely to gain government support.

An alternative route to ensuring fairness and supporting access at the point of entry is to reintroduce a flat fee system set at a level that will not dissuade participation by low SES students, or others likely to be deterred by accruing debt, and with repayment thresholds and rates which do not disadvantage students who are in lower-paid occupations. The place to address fairness in relation to the private benefit conferred by a degree is again through the tax system post-graduation where incentives and rebates can be provided linked to individual earnings.

## RECOMMENDATION 2

### *That the Accord:*

- ***Replace the JRGP with a new funding model that supports system growth aligned to demographic factors and real demand, services the need for increased participation in higher education, and sets a fairer contribution for students.***
- ***Set the overall Commonwealth Supported Place rate in line with a strengthened and consistent model for understanding the full costs of delivery.***
- ***Complement funding for student places with block funding for equity and locational allowances, aligned to each University's mission and community.***

### System wide interventions required to improve student access and equity

A key policy change that helped drive major increases in enrolments, including for under-represented cohorts, was the move to demand driven funding in 2012 – a system-wide measure that applied to all domestic students rather than measures limited to equity cohorts. The demand driven system pushed up low SES enrolments at a faster rate than those from other SES groups and low SES numbers fell more than other SES groups after the demand-driven system ended. The Productivity Commission found that in 2010 36% of 22-year-olds from low SES backgrounds attended university compared to 46% in 2016 after several years of the demand driven system.<sup>13</sup> Commencing low SES undergraduate enrolments increased every year under the demand driven system and in 2017 commencing low SES students were almost double what they were in 2006.

The government effectively ended the demand driven system in 2017 and, subsequently, commencing low SES enrolments declined in 2018. As of 2021, enrolments from this cohort are still numerically lower than they were in 2017. Between 2012 and 2017, commencing low SES enrolments grew by 25%, compared to 16% for all commencing domestic undergraduate enrolments. Between 2017 and 2021, commencing low SES undergraduate enrolments fell by 5.6%, compared to 1.1% growth for all domestic undergraduate enrolments.

Targets that have sought to increase the proportionate representation of disadvantaged cohorts have not been met over decades and progress towards the targets has been stubbornly slow. There are multiple reasons why. The Productivity Commission found in its review of the demand driven system that proficiency in literacy and numeracy at age 15 years is the strongest predictor of whether an individual will attend university.<sup>14</sup> Lower levels of literacy and numeracy within the low socioeconomic and first in family cohorts is a major explanation for their under-representation at universities. The Accord should recognise the key role that education attainment in the compulsory school years plays in future life and education options and choices, alongside working closely with universities to support measures to increase access and success.

Further, research on equity and access in Australian higher education shows that economic disadvantage and financial strains remain central concerns for economically disadvantaged students despite the availability of student loans and fee assistance.<sup>15</sup> Financial stress has a significant impact on the academic performance of low SES and first-in-family students.<sup>16</sup> An aversion to accruing debt, despite income-contingent loans, is also known to act as a deterrent within these cohorts, and financial pressures are much

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<sup>13</sup> <https://www.pc.gov.au/research/completed/university-report-card/university-report-card.pdf> (p.67)

<sup>14</sup> <https://www.pc.gov.au/research/completed/university-report-card> (p.11)

<sup>15</sup> National Centre for Student Equity in Higher Education, *Facilitating Student Equity in Australian Higher Education*, <https://www.ncsehe.edu.au/wp-content/uploads/2016/08/Facilitating-Student-Equity-in-Australian-Higher-Education.pdf> p. 5

<sup>16</sup> *Ibid*, p. 9

more likely to have a negative impact on university life for Indigenous students than for non-Indigenous students.<sup>17</sup>

Universities can play their part by actively supporting equity students and taking greater accountability for their success, but systemic intervention needs to come from government. Wrap-around and targeted supports for equity students, if financial barriers are addressed, are also a necessary complement.

Adequate levels of student income support are essential to ensuring that disadvantaged students can maintain their enrolment and succeed in their studies. Around 70% of 18–21-year-old tertiary education students are not eligible for Youth Allowance.<sup>18</sup> The Accord must review the adequacy of, and limited eligibility for, income support.

A key reform relates to the criterion for “independence” for students to receive payments, which is onerous, and requires students under the age of 22 to delay their studies to take up work for a period of time in order to satisfy the criterion. This disproportionately impacts equity cohorts, particularly those from regional and remote areas. As a first step, eligibility for independent income support should be reduced to 18 years of age, to support more students to enter higher education directly from high school.

### Philanthropy

Philanthropy can play a bigger role in opening access for under-represented students facing financial barriers to participation. Several countries have established highly effective matched funding programs in which Governments match philanthropic contributions. Such programs offer compelling “value for money” for donors while also driving the development of internal philanthropic culture within organisations. For example, the scheme administered in England between 2008 and 2011 saw a 53% increase in the number of donors.<sup>19</sup> An Australian matched funding program between government, an institution and its philanthropists could be established to fund scholarships for under-represented groups that could be used to fund additional places, or cover education and living costs, for example. Importantly, this model should increase funding, rather than offset reductions in government support.

### **RECOMMENDATION 3**

- ***Simplify and ensure fairness in the student contribution arrangements.***
- ***Support the review of income support including its adequacy and eligibility requirements and lower the threshold for meeting the independence criterion for student income support to 18.***
- ***Consider a matched funding program for philanthropic funding to support student access.***

### Diversifying revenue sources – engaging industry

Continuing to escalate student contributions is not a sustainable answer to funding future growth. Student debt is approaching \$70bn, exacerbated by inflation, with an increasing proportion of debtors holding debt above \$20,000.

If higher education provision is to grow through to 2050 and be more inclusive, we need to find, in addition to a fair and simple mechanism for student contributions and increased Government investment, a wider variety of funding sources to support participation. Funding towards the full costs of research, covered later in this submission, will free up significant resources to expand student places and to support equity and access measures.

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<sup>17</sup> Ibid, p. 19

<sup>18</sup> National Union of Students and Foundation for Young Australians, 2022, “Locked out of Youth Allowance: Student Poverty and Centrelink in Australia.” NUS and FYA <https://changetheage.asn.au/>.

<sup>19</sup> More Partnership (2012), *Review of Philanthropy in UK Higher Education*, [https://www.morepartnership.com/library/Review\\_of\\_Philanthropy\\_in\\_UK\\_Higher\\_Education.pdf](https://www.morepartnership.com/library/Review_of_Philanthropy_in_UK_Higher_Education.pdf)

In this light, future funding sources should also include those that are direct net beneficiaries of the education of graduates, particularly including industry. The Accord should consider developing system-wide mechanisms to increase industry investment in education and the student experience, taking note of examples used in other jurisdictions. Such an approach in Australia was recommended in the Final Report of the 2021 *Review of University-Industry Collaboration in Teaching and Learning* (Bean-Dawkins Review).<sup>20</sup> That report cited models from overseas including the US and Canadian Co-operative education models and the UK's degree apprenticeships program. These models are not directly transferable to the Australian context, but they offer learnings in considering a scalable approach to funded cadetships and industry-supported higher education places.

#### RECOMMENDATION 4

- ***Consider nationally accessible, industry-embedded higher education programs that could be funded through an education contribution from industry and offer both scale and quality.***

### **(iii) Meeting the full economic costs of research**

Research is core to the progress of society and essential for our future. From basic, curiosity-driven research to the innovation of new research applications, the advancement of knowledge through research is intrinsic to the work of universities across the STEM and HASS disciplines. Research is also central to university teaching and learning, through the dissemination of new knowledge and the development of productive and engaged graduates and is enriched by the participation of students in research-related activity. This relationship between research and teaching supports graduates to participate in the future workforce, including in emerging national priority areas such as quantum, AI, nuclear science and clean energy systems. Research also has a crucial role to play in addressing deeper questions about the nature of existence, and how human beings live in the world. Marrying more closely STEM and HASS disciplines delivers much more than the sum of the parts for the benefit of civil society and prepares the nation's graduates for an increasingly changeable and uncertain world.

A major problem in the current system is that there is a large gap between the cost of research and the proportion of it that is funded through government funding schemes. This is a huge risk for the future delivery of the research that society needs and wants. In 2008, the Australian Government commissioned ACIL Allen to write a discussion paper on the full costs of university research. It found that, based on international practices in 2008, a "fixed percentage of 50 per cent, in addition to existing project funding, for indirect costs would be necessary to maintain a sustainable research effort in Australia."<sup>21</sup> This was broadly endorsed but sadly not implemented.

To illustrate the problem, in 2021, Australian universities received \$435 million in Research Support Program funding intended to meet the indirect costs of Australian Competitive Grants (Category 1)<sup>22</sup> but a total Category 1 Research income of \$2.09 billion in 2021.<sup>23</sup> This means the rate of Government funding for 'indirect' costs was 20.9%, significantly lower than the 50% recommended in 2008. This contrasts with the United States, where Government provides 59% of the funding for HERD,<sup>24</sup> while institutional funds account for a quarter.

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<sup>20</sup> Martin Bean and Peter Dawkins, *Review of University-Industry Collaboration in Teaching and Learning*, <https://www.education.gov.au/higher-education-reviews-and-consultations/university-industry-collaboration-teaching-learning-review> p.47-48

<sup>21</sup> The Allen Consulting Group, *Recognising the full costs of university research*, November 2008, p. vi

<sup>22</sup> Department of Education, *2021 research block grant allocations*, <https://www.education.gov.au/research-block-grants/resources/2021-research-block-grant-allocations-0>

<sup>23</sup> Department of Education, *Research Income Time Series*, <https://www.education.gov.au/research-block-grants/resources/research-income-time-series>

<sup>24</sup> National Centre for Science and Engineering Statistics, *Universities Report Largest Growth in Federally Funded R&D Expenditures since FY 2011*, <https://nces.nsf.gov/pubs/nsf23303>

This pressure can influence the type, scale and depth of research, driving towards short-term projects with multiple funding sources which represent a lower funding risk. This is at odds with the need to foster larger scale, collaborative research that is conducted over a longer timeframe.

Its long-term impact is reflected in the fact that in 2022 the University of Melbourne, being research intensive, had to find from other sources approximately \$475m to meet the full costs of delivering grant-funded research. Based on movement over time, we estimate this unmet cost could be close to \$880m by 2030.

Properly funding the full economic costs (FEC) of research would therefore support excellence and remove the need to cross-subsidise the research effort from within university budgets. Funding the full cost of research would enable universities to mobilise their resources differently to support improvements and growth in teaching and student access and equity supports, and would provide the scope to design and fund a more fit-for-purpose post-secondary education system.

We know that Australia's total investment in R&D is low by international standards and has been declining for over a decade. In 2020, it represented 1.79% of GDP, significantly lower than the OECD average of 2.52%.<sup>25</sup> The current Government has recognised the need to boost this investment significantly, with Science Minister Ed Husic flagging a goal of 3% of GDP.<sup>26</sup> However, there is currently no long-term plan to achieve that goal, and the need to do so is urgent. It will certainly not be achieved if the FEC of research is to come from within the current funding envelope.

Therefore, the University of Melbourne recommends that the Government develop a roadmap to boost national expenditure on research to 3% of GDP, with FEC a short-term goal as part of that plan. Phased over four years, the Medical Research Future Fund (MRFF) could fully fund research projects in the near term, followed by the National Health and Medical Research Council (NHMRC), followed by the Australian Research Council (ARC) to a minimum 50 cents/\$ indirect costs.

Greater efficiencies in the way the sector and universities manage research will also be required. For example, the efficiency of the current research grants process could be improved by ensuring greater alignment between funding bodies such as the ARC and the NHMRC. A focus for the Accord might be to test the efficacy of a single submission system and post-award process for all ARC, NHMRC and MRFF grants. This would reduce the administrative costs of the granting system and reduce the burden for universities associated with negotiating different schemes with different rules.

### **A national approach to building research excellence**

University research funding from the Australian Government is currently provided by a wide range of sources, sitting across multiple departments. For example, in 2017-18, R&D investment was provided through over 119 initiatives, across 14 government portfolios and six methods of funding allocation.<sup>27</sup> This means that the system is fragmented and disjointed, both administratively and strategically. It is also unbalanced across the disciplines.

To move forward with purpose and to focus investment in the future, the Accord could consider a whole of government approach to align and co-ordinate research strategy and funding, to achieve balance, efficiency and a more strategic approach to research funding.

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<sup>25</sup> OECD, *Gross domestic spending on R&D*, <https://data.oecd.org/rd/gross-domestic-spending-on-r-d.htm>

<sup>26</sup> Liam Mannix, *Scientists 'cautiously hopeful' as minister vows action on funding boost*, <https://www.smh.com.au/national/scientists-cautiously-hopeful-as-minister-vows-action-on-funding-boost-20220805-p5b7o2.html>

<sup>27</sup> House of Representatives Standing Committee on Employment, Education and Training, *Australian Government Funding Arrangements for non-NHMRC Research*, [https://parlinfo.aph.gov.au/parlInfo/download/committees/reportrep/024212/toc\\_pdf/AustralianGovernmentFundingArrangementsfornon-NHMRCResearch.pdf;fileType=application%2Fpdf](https://parlinfo.aph.gov.au/parlInfo/download/committees/reportrep/024212/toc_pdf/AustralianGovernmentFundingArrangementsfornon-NHMRCResearch.pdf;fileType=application%2Fpdf) p. 7

## RECOMMENDATION 5

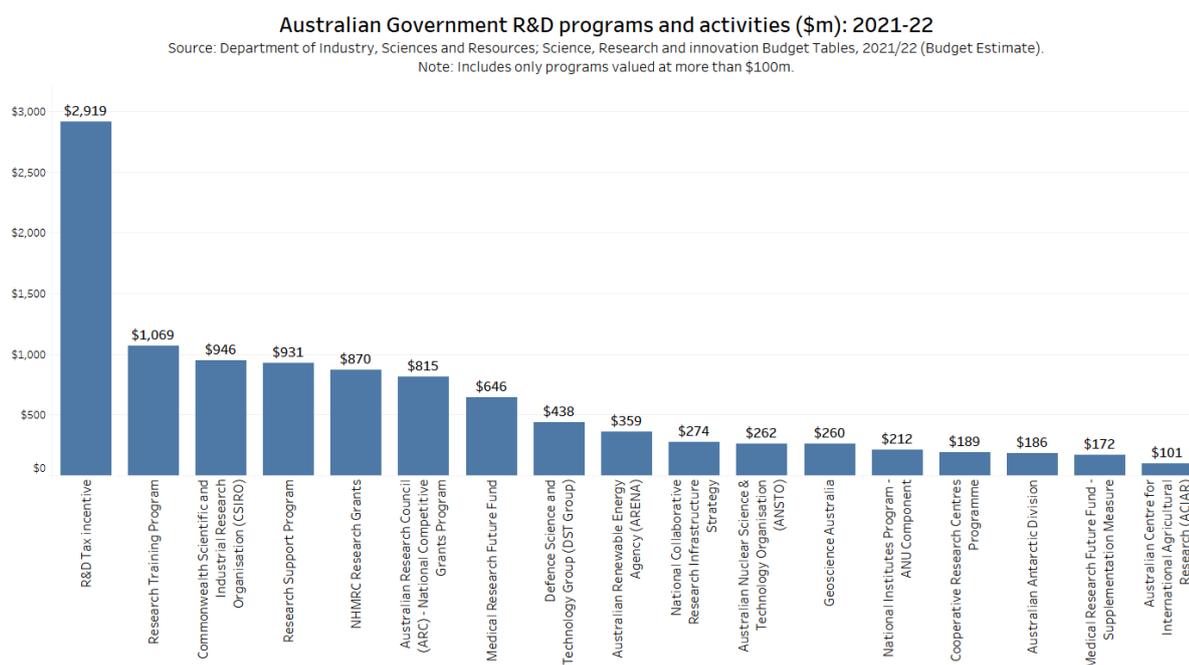
- **Adopt a whole of government commitment to funding which meets the full economic cost of research, across all research funding programs across Government departments and granting councils, over 4 years to a minimum 50 cents/\$ indirect costs.**
- **Broker greater alignment between Government research funding bodies to increase administrative efficiency.**
- **Adopt a whole-of-government approach to co-ordinate research strategy and funding.**

Growing the percentage of GDP spent on research also requires increasing meaningful investment by industry.

The R&D Tax Incentive (RDTI) remains the single largest form of Government support for R&D and the primary mechanism through which it aims to drive private sector research – 82% of all government support for BERD is through the RDTI.<sup>28</sup> However, while expenditure on the RDTI increased dramatically from 2010-11 (\$1.9 billion) to 2011-12 (\$2.98 billion) and remains very high (estimated \$2.92 billion in 2021-22),<sup>29</sup> business R&D investment has declined since 2008 and sits well below the OECD average. BERD as a proportion of Gross Domestic Product (GDP) was 0.9% in 2019-20, the same proportion as 2017-18.<sup>30</sup>

Government expenditure on the RDTI is more than the government outlays for the MRFF, NHMRC, ARC and CRC programs combined (See Chart 2, below).

### Chart 2



<sup>28</sup> OECD, *R&D Tax Incentives: Australia, 2021*, <https://www.oecd.org/sti/rd-tax-stats-australia.pdf> p. 3

<sup>29</sup> Universities Australia, *Priorities for the Universities Accord – submission*, <https://www.universitiesaustralia.edu.au/wp-content/uploads/2022/12/UA22005-Accord-Submission-FA.pdf> p. 12

<sup>30</sup> Australian Bureau of Statistics, *Research and Experimental Development, Businesses, Australia*, <https://www.abs.gov.au/statistics/industry/technology-and-innovation/research-and-experimental-development-businesses-australia/latest-release>

To date, public investment made through the RDTI has not driven a commensurate increase in industry-research collaboration. Only 3.3% of innovation-active businesses collaborated on R&D in 2018-19, the lowest proportion since 2005-06. This was even lower among small businesses (2.2%).<sup>31</sup>

If the corporate tax system is to be used to support increased BERD and research collaboration, the mechanism adopted should be meeting those policy objectives. Currently it is not. The Accord should abolish the RDTI and replace it with a targeted BERD incentive fund, directly supporting investment in research aligned with national priorities and facilitating collaboration between industry and universities.

If a transitional phase is required, eligibility criteria should immediately change to align with national research priorities, with criteria around research additionality strengthened. At a minimum, the Government should introduce a collaboration premium as recommended in the 2016 Review of the R&D Tax Incentive by Ferris, Finkel and Fraser.<sup>32</sup> The collaboration premium should also include PhD internships to foster longer term engagement between businesses and researchers and help dissolve cultural barriers between researcher-industry collaborations.

### **Educating and developing researchers**

A high-quality research and innovation sector relies on a high-quality research workforce. The current system will not support the development of a strong and innovative research workforce able to work across sectors and collaborate globally. For example, the current National Industry PhD Program supports only a small number of candidates, is costly to implement, and incentivises only a few industry sectors.

In 2016, the Australian Council of Learned Academies (ACOLA) undertook a review of Australia's research training system,<sup>33</sup> with many of the recommendations still relevant today. For example, the review made recommendations relating to the development of transferrable skills among higher degree by research (HDR) graduates, the creation of funding mechanisms to drive industry-university collaboration, and the establishment of a national industry placement scheme to ensure all HDR candidates can undertake placements. The Australian Government should revisit ACOLA's review and consider how the relevant recommendations could be implemented.

## **RECOMMENDATION 6**

### ***That the Accord:***

- ***Replace the RDTI with direct support for BERD and university-industry research collaboration aligned with national priorities, including essential research infrastructure.***
- ***As a transitional step, reform the RDTI, noting the recommendations of the Ferris, Finkel and Fraser review and permit research-enhancing activity such as the employment of PhDs and a collaboration premium.***
- ***Explore ways to increase student participation in research education. As a start, this could involve linking the stipend base rate to a reputable cost-of-living index and ensuring part-time stipends receive tax-free status.***

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<sup>31</sup> Department of Industry, Science, Energy and Resources, Australian Innovation System Monitor, *Businesses collaborating on R&D*, <https://www.industry.gov.au/sites/default/files/minisite/static/e809cbb0-a803-4827-a45b-51598ba272b2/australian-innovation-system-monitor/networks-and-collaboration/innovation-connections/index.html>

<sup>32</sup> Bill Ferris, Alan Finkel, John Fraser, *Review of the R&D Tax Incentive*, <https://www.industry.gov.au/sites/default/files/May%202018/document/pdf/research-and-development-tax-incentive-review-report.pdf> p. 3

<sup>33</sup> ACOLA, *Review of Australia's Research Training System*, <https://acola.org/wp-content/uploads/2018/08/saf13-review-research-training-system-report.pdf>

## Placed-based innovation ecosystems

Every successful innovation ecosystem around the world has, at its core, at least one world-class university alongside a number of successful multinational companies operating symbiotically. Successful ‘innovation districts’ rarely develop by chance, although there is an organic element to growth. They start with purposeful precinct design and policies, and strategies to support co-location. This is certainly the case with the biomedical precinct case study described below, which originated with the adjacent foundation of the University of Melbourne and the city’s founding hospitals, but has evolved through a mix of enterprising activity, collaboration around shared goals, and discussion between precinct tenants and Governments as to how best to maximise its outputs.

Such centres of concentration are often precursors to generating the environment in which start-ups and new industry growth can thrive, alongside education, basic research and research translation. They can also operate as talent magnets. For example, the tenant organisations in the Melbourne Biomedical Precinct (outlined below) employ more than 49,000 people, who are attracted by the opportunity to work with world-leading academics and companies, the positive impact of its work, the access to cutting-edge facilities and the engagement with university students. Precincts also support industry-relevant teaching, as evidenced by the Biomedical Precinct and by the University’s Southbank campus, located in the heart of Melbourne’s Arts and Culture precinct. Here, the co-location of major cultural institutions offers students in the visual and performing arts easy access to world class art, exhibitions and performances and opportunities to work within them. The impact of co-location was supported in a paper by Harvard experts which found “striking evidence for the role of physical proximity as a predictor of the impact of collaborations.”<sup>34</sup>

Diffusion of innovation does not happen on its own, and looking to the future, Australia will need to understand its innovation ecosystem and the often-complementary role universities, governments and their partners play in its development. The critical link, well recognised both in Australia and overseas, is that economies benefit most when they can connect centres of innovation with the needs of society. Universities have a critical role to play in connecting, acting as a trusted, knowledgeable ‘innovation concierge service’<sup>35</sup> between innovators, entrepreneurs and the wider economy, especially the SMEs that employ most Australians. This service, such as that provided by Melbourne Connect,<sup>36</sup> helps innovators navigate what can be a confusing and complex innovation ecosystem. They can also support inclusive growth, through engaging students and members of the community in this activity.

Noting this, the University supports the Productivity Commission’s recommendation that governments strengthen collaborative networks for diffusion and facilitate knowledge transfer by funding extension services (also known as partnership engagement services).<sup>37</sup> These should be aligned to priority sectors and located in areas of clustering such as innovation precincts.

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<sup>34</sup> Lee K, Brownstein JS, Mills RG, Kohane IS (2010) Does Collocation Inform the Impact of Collaboration? PLoS ONE 5(12): e14279. doi:10.1371/journal.pone.0014279

<sup>35</sup> David Noble, *Do we need a national start-up concierge service?* [https://www.innovationaus.com/do-we-need-a-national-startup-concierge-service/?utm\\_medium=email&utm\\_campaign=Newsletter%20921%20-%2026%20August%202022&utm\\_content=Newsletter%20921%20-%2026%20August%202022+CID\\_8d795ef1f59ff04f18336974800c6438&utm\\_source=Email%20marketing%20software&utm\\_term=Do%20we%20need%20a%20national%20startup%20concierge%20service&utm\\_term=Do%20we%20need%20a%20national%20startup%20concierge%20service](https://www.innovationaus.com/do-we-need-a-national-startup-concierge-service/?utm_medium=email&utm_campaign=Newsletter%20921%20-%2026%20August%202022&utm_content=Newsletter%20921%20-%2026%20August%202022+CID_8d795ef1f59ff04f18336974800c6438&utm_source=Email%20marketing%20software&utm_term=Do%20we%20need%20a%20national%20startup%20concierge%20service&utm_term=Do%20we%20need%20a%20national%20startup%20concierge%20service)

<sup>36</sup> Melbourne Connect, <https://melbconnect.com.au/>

<sup>37</sup> Productivity Commission, *5-year Productivity Inquiry: Innovation for the 98%*, <https://www.pc.gov.au/inquiries/completed/productivity/report/productivity-volume5-innovation-diffusion.pdf> p. 49

## **Case study: Melbourne Biomedical Precinct**

The [Melbourne Biomedical Precinct](#) is made up of over 40 hospitals, medical research institutes, biotechnology organisations and universities. Its reach goes beyond its geographical boundaries, with collaborations across Victoria, Australia and the world.

The decision by CSL to locate its new \$700 million global headquarters on Elizabeth Street in Parkville is a clear example of the attraction of precincts to research-intensive businesses. CSL earns 90% of its revenue outside of Australia and there is an argument for it locate its headquarters to the US or Europe. However, the Biomedical Precinct means CSL remains co-located with key partners such as the University of Melbourne, WEHI, Bio21, the Monash Institute of Pharmaceutical Sciences and others.

Within its new headquarters within the precinct CSL has created two floors which will serve as incubator, office and wet lab space for new biomedical start-ups. CSL is investing in “precinct infrastructure” which will foster new businesses setting up in the area and further enhance the biomedical eco-system which has assisted CSL to grow into a global biomedical giant. Other businesses that have recently established a presence in Parkville include Illumina, Seer Medical and BioNTech.

Victorian and Australian Government co-investment over decades has been crucial to the success of the precinct – and this need will continue. For example, last year it was announced that the new [Cumming Global Centre for Pandemic Therapeutics](#) will be established in the precinct, following a \$250m gift from Geoffrey Cumming and an initial contribution of \$75m from the Victorian Government. The Doherty Institute was established through co-investment from the Australian and State governments and the University. The precinct also hosts NCRIS-funded research infrastructure. The Victorian government has also worked with precinct partners to attract global companies into the precinct.

### **RECOMMENDATION 7**

***That the Accord identify ways for universities, governments and other stakeholders to recognise and leverage the importance of precincts and place-based collaboration in the formation of new knowledge and innovation.***

***The University specifically supports recommendation 5.3 from the Productivity Commission’s review of innovation which proposes:***

- ***Funding extension services (sometimes known as partnership engagement services) aligned to priority sectors and located in areas of clustering such as innovation districts***
- ***Recognising the role of precincts in facilitating research-industry collaboration and the formation of firms and in driving R&D***
- ***Support of university-industry collaboration through investment in precincts***

### **(iv) Supporting Indigenous knowledges and the full participation of Indigenous Australians in universities**

We refer the Panel to the Submission provided by the University of Melbourne in relation to Indigenous higher education. The submission holds that the role of Indigenous knowledges and the importance of increasing the participation of Indigenous people – staff and students – in the work of the University merits its own discussion, and one in which the voice of Indigenous Australians can be distinctly heard.

As outlined in the University’s 2023-2027 Indigenous Strategy, to be launched in the middle of the year, the University of Melbourne has bold ambitions to further cement our position as a national and global leader in:

- supporting Indigenous people’s educational goals and aspirations;
- our recognition of and scholarly engagement with Indigenous knowledge traditions and their application to address critical issues confronting humanity; and
- being a destination of choice for Indigenous students and staff.

These goals are interrelated, insofar as Indigenous people's educational goals and aspirations are supported by an environment in which Indigenous staff and Indigenous knowledges are strongly represented. Similarly, improving the representation and success of Indigenous students in universities is essential for building a strong pipeline of Indigenous academic and professional staff, and ensuring that Indigenous people are supported in achieving their full potential. In so doing, they also contribute to the mission of the University and the life of the country.

The Accord provides an opportunity for surfacing these issues and facilitating a national conversation on how universities can collaborate and work with Government and community stakeholders to achieve these ambitions.

## **(v) Building an Accord for the long term**

An Accord provides an opportunity to focus on the big, system-wide changes that will be required to achieve the goals of universities 20 years out. This means focusing on bold system-wide reform, as reflected in this submission.

A more sophisticated relationship is required between universities and the Australian Government, built on trust and on the ability for both parties to be "critical friends" to each other. The Accord should deliver a strong degree of agreement on what we are striving for, and a commitment to working together to achieve it. Working together will require an ongoing dialogue, informed by expertise and rigorous evaluation of how this agenda is progressing.

However, it should not end with setting a reform agenda. An Accord should nurture the settings for a more enduring partnership between universities and their stakeholders, and in particular Government. The current transactional mechanisms of funding agreements and 'compacts' (which are simply exercises in data collection) should be replaced with meaningful agreements between universities and Government, reflecting their shared goals and built around the specific mission of each institution.

At the heart of transparent agreements should lie core priorities, including widening access and increasing successful participation by currently under-represented student cohorts, and preserving and strengthening the intrinsic contributions universities make through education, research and partnership with their communities. Such agreements should also involve discussion between Government and individual institutions as to how they might partner to innovate, develop new partnerships and pathways with other educational institutions, and new modes of engagement with Government, community and industry.

At a national level, an Accord, once agreed, needs an ongoing forum to continue the engagement of all parties in the reform agenda. An Accord Forum could bring together government, universities and other stakeholders on a regular basis – perhaps bi-annually – to help keep the dialogue moving and the reform agenda fresh. It should tap into the wealth of expertise and research about higher education that already happens in universities and affiliated institutions such as the National Centre for Student Equity in Higher Education and the Centre for the Study of Higher Education.

Policy development should reside with the Executive arm of Government, but this needs to be well resourced such that it can draw on those with deep expertise and shared commitment to the goals articulated in the Accord outcomes. An Accord Forum ensures both ongoing engagement and advice to Government on key goals.

### **RECOMMENDATION 8**

***That the Accord sets parameters for mission-based agreements between Government and universities that support the achievement of agreed outcomes.***

***That the Accord considers the investment required to support the ongoing evolution of the reform agenda, including the creation of an Accord Forum to support ongoing discussion with the sector and its stakeholders at a national level, supported by deep domain expertise in the Australian Public Sector.***

### 3. Immediate areas for action

#### Priority actions

The Terms of Reference suggested there would be priority actions that are needed immediately, while systemic reform is being developed. The University proposes below a range of reforms that meet this criterion, represent a mix of addressing risk and creating opportunity, and align with the future direction of reforms needed under an Accord. It is nevertheless important that the work to deliver long-term change continues in tandem.

#### Growth funding settings

Growth funding allocations for the current funding agreement period were established in 2020 (through the JRG reforms) and based on population growth projections for the 2021-2023 period, generated by the Australian Institute of Health and Welfare in 2019.

There is an urgent need to establish growth funding arrangements for 2024. Because the current settings are based on projections that were generated prior to the pandemic, they are very likely to be inaccurate and not applicable to longer-term projections. It is also clear that the current settings have failed to align supply with demand, with some universities failing to utilise their CGS allocation and others with significant levels of over-enrolment.

An additional issue is that growth funding is currently limited to Bachelor-level courses: sub-bachelor and postgraduate courses do not attract CGS growth funding. This actively discourages universities from creating innovative curriculum changes to support students across all levels and in particular fails to recognise the importance of postgraduate qualifications in a number of professions. It drives universities towards homogeneity and limits diversity.

In 2024, the Government can address this either by introducing a flat growth rate for all campuses in 2024 (based on the number of CSPs offered across all qualifications), or by assigning 'high-' and 'low-growth' classifications based on current CGS utilisation. We note that the Higher Education Continuity Guarantee ends in 2023: this will be likely to deliver a reduction in CGS expenditure, with institutions not fully utilising their CGS envelope returning unused funds which could be used for this purpose.

#### Pass rate rule

The 50 per cent pass rate rule requires that students enrolled in CSPs pass at least 50 per cent of their subjects in order to continue to receive Commonwealth Assistance. This rule was legislated through the *Higher Education Support Act* as part of the JRG reforms.

There are major problems with the pass rate rule. It is having a disproportionate impact on students from disadvantaged backgrounds, and there are concerns that the risk of losing eligibility for Commonwealth Assistance is contributing to mental health issues for students. The rule also generates considerable administrative work for universities, through required updates to student systems, processing the necessary checks on individual students' eligibility for Commonwealth Assistance, processing a significantly greater number of special circumstances applications, and in communicating information relating to the rule to students. Since universities already operate academic progress reviews, as required under the TEQSA Threshold Standards, the rule duplicates work already conducted at an institutional level.

The Government can address the issue by amending the relevant sections of the *Higher Education Support Act*. Noting that the TEQSA Standards already include the requirement for providers to monitor student progress. A TEQSA Guidance Note indicating that a 50 per cent pass rate threshold is expected would deliver an appropriate level of oversight relating to student progress, while avoiding the problems with the current blunt-instrument approach.

### **Student Learning Entitlement (SLE)**

The SLE is a time-based limit on eligibility for a Commonwealth Supported Place. Once a student has exhausted their SLE, they can enrol on a fee-paying basis. The SLE was legislated through the *Higher Education Support Act* as part of the JRG reforms.

There is no evidence that there are significant numbers of students undertaking one degree after another without entering the workforce. Existing measures already prevent this: i.e. a time-based limit on student income support and a HELP borrowing limit. While very few students are likely to exhaust their SLE, universities have been burdened with the work associated with monitoring and updating the SLE consumption of all Commonwealth supported students. In an environment where we recognise that student learning will increasingly vary according to individual needs and the nature of employment, it makes no sense to place a time limit on eligibility for a CSP.

### **Demand-driven funding for all Indigenous students**

The JRG settings included uncapped (demand-driven) funding for Indigenous students in regional and remote areas in an effort to lift the participation rate of this cohort. This was not extended to Indigenous students in metro areas, despite these students facing many of the same barriers to participation. The Government can address this by extending demand-driven funding to all Indigenous students.

### **National Institutes Grants**

The JRG package included changes to the National Institutes Grant (NIG) program, with the new Indigenous, Regional and Low SES Attainment Fund (IRLSAF) consolidating “relevant elements” of the NIG, along with the Higher Education Participation and Partnerships Program (HEPPP), regional loading and enabling loading.

While NIGs are guaranteed in 2023, there has been no announcement on the continuation of this funding from 2024. While the previous Government intended to address this issue through a consultation on the design of the IRLSAF, this consultation had not been conducted at the time of the change of Government last year. As such, NIG funding is not committed past 2023, creating uncertainty about future funding. Funding should be committed for 2024, while new agreements are being developed.

### **Support for students with disability**

In recent years there has been significant growth in enrolments from students with a disability. These students usually require dedicated infrastructure and in-class assistance to participate fully in student life and to achieve the same course outcomes as their peers. While the Higher Education Disability Support Program offers Australian Government support for these students, changes in the Program’s design made by the previous Government have meant that claims for smaller amounts are no longer eligible to receive support. This represents a barrier to participation for some students with a disability.

The Government can address this through modest changes to the design of the Higher Education Disability Support Program, including the threshold for eligible support.

### **Measuring graduate outcomes**

Data on post-completion employment outcomes is collected annually through the Graduate Outcomes Survey and published on the ComparEd website. There are recognised shortcomings of the survey-based approach to measuring graduate career or employment outcomes: it provides a poor measure of the contribution that higher education programs make to those outcomes, largely due to difficulties in accounting for contextual factors that have no bearing on program quality but that significantly influence survey results.

Researchers at the Melbourne Institute: Applied Economic & Social Research are currently working with Jobs and Skills Australia on an “Analysis of VET Outcomes” project, examining a possible shift from a survey-based approach to measuring graduate employment outcomes to one that draws from Government data

sources (ATO, Department of Social Services, and ABS) and student enrolment data. The aim is to use longitudinally linked data to capture the “value add” of VET courses i.e. the impact these courses have on employment outcomes post-completion.

There is an opportunity to adopt this approach to measuring career outcomes in higher education, shifting away from a survey-based framework and consistent with the development of an integrated postsecondary education system.

### Research quality and governance

Excellence in Research for Australia (ERA) has enabled the systematic and comprehensive collection of data about national research. This has helped focus researchers on the quality of their outputs. However, there is now an opportunity to replace ERA with a comprehensive national data asset, such as a National Research Capability Map, that consolidates both university and non-university data.

While much of the focus on ERA reports has been on institutional performance, this new data asset could provide insights into national research strengths, sovereign capability and international connections. This could provide valuable evidence to guide government decision-making and underpin government investment priorities. It could also enable regular structured evaluations between the Government and universities on outcomes and return on research investment.

### Forging closer links between university research and Government

Government should have greater access to universities as sources of advice and expertise. A strong innovation ecosystem would see greater sharing of data across public sector agencies, including universities, to enable Government to leverage its investment in research and new knowledge. One example would be to optimise researchers’ access to Government data so as to increase their capacity to contribute to policy formation, review and discussion. However, despite recent efforts from the Data Commissioner to improve processes, much of these data are unlinked and difficult to access outside of government. As noted by the Productivity Commission, the *Data Availability and Transparency Act 2022 (Cth)* does not allow for this necessary data-sharing with non-government entities, which “could be a barrier to productivity- and welfare-enhancing data use.”<sup>38</sup>

By improving, linking up and broadening access to government data, universities and other organisations would be better able to support Government in evaluating policy and programs and designing evidence-based improvements. This supports universities to fulfil their role in serving the public interest and facilitates a more sophisticated and collaborative relationship with the Australian Government.

## **RECOMMENDATIONS FOR IMMEDIATE ACTION**

***The University of Melbourne recommends that the Australian Government:***

- ***Introduce interim growth funding settings for 2024, and apply growth funding to all course levels i.e. across the full funding envelope.***
- ***End the 50% pass rate rule by amending relevant sections of the Higher Education Support Act.***
- ***Merge the metro funding growth rates into one.***
- ***End the Student Learning Entitlement by amending the relevant sections of the Higher Education Support Act.***
- ***Expand demand-driven funding for all Indigenous students, regardless of residential address.***
- ***Extend National Institutes Grants to 2024.***

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<sup>38</sup> Productivity Commission, *5 Year Productivity Inquiry: Australia’s data and digital dividend – Interim report* <https://www.pc.gov.au/inquiries/completed/productivity/interim2-data-digital/productivity-interim2-data-digital.pdf> pg. 50

- *Enact changes to the design of the Higher Education Disability Support Program to ensure that it addresses barriers to participation for students with disability as intended.*
- *Shift from a survey-based approach to measuring graduate employment outcomes to an approach that draws from a range of Government data sources, to properly measure the impact that higher education courses have on these outcomes.*
- *Replace ERA with a comprehensive national data asset that consolidates university and non-university data.*
- *Provide access to national data sets to support researchers to contribute to policy formation and review and facilitate innovations.*

## **4. Summary of recommendations**

The University of Melbourne recommends:

### **Developing a student-centred and integrated postsecondary education system**

#### **RECOMMENDATION 1**

That State and Australian Governments work together to build a coordinated approach to post-secondary education, supporting consistency in regulation and reporting, funding flexibility across the parts of the sector to support collaboration and innovation in curriculum, and multidirectional pathways across VET and higher education delivery.

That the Australian Government join with industry and a range of post-secondary education providers, including universities and VET providers, to consider how innovative cross-sector delivery could be established and incentivised for delivery at scale in priority workforces and regions throughout Australia.

### **Building a robust and sustainable higher education funding system**

#### **RECOMMENDATION 2**

That the Accord:

- Replace the JRGP with a new funding model that supports system growth aligned to demographic factors and real demand, services the need for increased participation in higher education, and sets a fairer contribution for students.
- Set the overall Commonwealth Supported Place rate in line with a strengthened and consistent model for understanding the full costs of delivery.
- Complement funding for student places with block funding for equity and locational allowances, aligned to each University's mission and community.

#### **RECOMMENDATION 3**

That the Accord:

- Simplify and ensure fairness in the student contribution arrangements.
- Support the review of income support including its adequacy and eligibility requirements and lower the threshold for meeting the independence criterion for student income support to 18.
- Consider a matched funding program for philanthropic funding to support student access.

#### **RECOMMENDATION 4**

That the Accord:

- Consider nationally accessible, industry-embedded higher education programs that could be funded through an education contribution from industry and offer both scale and quality.

## Meeting the full economic costs of research

### RECOMMENDATION 5

That the Accord:

- Adopt a whole of government commitment to funding which meets the full economic cost of research, across all research funding programs across Government departments and granting councils, over 4 years to a minimum 50 cents/\$ indirect costs.
- Broker greater alignment between Government research funding bodies to increase administrative efficiency.
- Adopt a whole-of-government approach to co-ordinate research strategy and funding.

### RECOMMENDATION 6

That the Accord:

- Replace the RDTI with direct support for BERD and university-industry research collaboration aligned with national priorities, including essential research infrastructure.
- As a transitional step, reform the RDTI, noting the recommendations of the Ferris, Finkel and Fraser review and permit research-enhancing activity such as the employment of PhDs and a collaboration premium.
- Explore ways to increase participation in research education. As a start, this could involve linking the stipend base rate to a reputable cost-of-living index and ensuring part-time stipends receive tax-free status.

### RECOMMENDATION 7

That the Accord:

- identify ways for universities, governments and other stakeholders to recognise and leverage the importance of precincts and place-based collaboration in the formation of new knowledge and innovation.

The University specifically supports recommendation 5.3 from the Productivity Commission's review of innovation which proposes:

- Funding extension services (sometimes known as partnership engagement services) aligned to priority sectors and located in areas of clustering such as innovation districts.
- Recognising the role of precincts in facilitating research-industry collaboration and the formation of firms and in driving R&D.
- Support of university-industry collaboration through investment in precincts.

## Building an Accord for the long term

### RECOMMENDATION 8

That the Accord:

- sets parameters for mission-based agreements between Government and universities that support the achievement of agreed outcomes.
- considers the investment required to support the ongoing evolution of the reform agenda, including the creation of an Accord Forum to support ongoing discussion with the sector and its stakeholders at a national level, supported by deep domain expertise in the Australian Public Sector.

