Who funds the researcher?

The Grattan Institute report *The cash nexus: how teaching funds research in Australian universities* has opened up the debate about how universities’ responsibility to lead research and higher education delivery in Australia is achieved within each institution. The issue is important, with expectations high for university delivery on both fronts.

The report’s assessment of the relationship of the four relevant factors - expenditure on teaching, expenditure on research, revenue for teaching and revenue for research – glides too easily across the data, assuming a single purpose for universities’ largest single revenue source, the Commonwealth Grant Scheme.

Applying the report’s logic, the conclusion I reach is that Government does not fund academics' salary as they research. This seems strange.

Another interesting implication is that the extent of the subversion of teaching funds should be greater in universities with more substantial research output per student. That is, the services for students should be that much better in universities with relatively low levels of research activity, since there is less research to prop up. Is this the experience of students in such universities?

To take the four factors in turn, before looking at the substantive issues – how should Government fund research, and should students contribute to research costs.

**Expenditure on teaching**

The Report relies on the 2010 Deloitte Access Economics study for the Lomax-Smith review. That is reasonable enough. That study attempted to estimate expenditure on teaching through splitting academics’ time between teaching and research and similarly splitting all other expenditure. Since the issue of the study was teaching expenditure and the suitability of the funding rates, there would be some bias to showing high teaching costs.

**Expenditure on Research**

Although the Deloitte Access Economics study has data on research expenditure, the Grattan study uses the regular Australian Bureau of Statistics (ABS) estimate of research activity. The crucial point is that the estimate includes a guess at academic and other staff time devoted to research. In contrast to the Deloitte Access Economic study the bias here is likely towards ensuring a good looking figure for research.

Grattan is reasonable in using the estimates of expenditure – but to be comprehensive a study would need to set out explicitly to estimate both teaching and research expenditure within the constraint that expenditure can only be counted once. The challenge is that so much university activity and infrastructure is relevant to both, right down to subscriptions to groups like the IRU. In many cases the actual use of a resource, human or otherwise, will vary from year to year between the two.

The problem is the assumptions about revenue.

**Revenue for teaching**

The report assumes all fee paying student revenue is for teaching. That broadly makes sense. See the discussion below about whether students should make a contribution to research funding.

The report further assumes the combined revenue from the Commonwealth Grant Scheme and related payments plus student contributions from domestic Commonwealth Supported Students is for teaching. The assumption is so strong that the two are not separated in the analysis, although the Commonwealth Grant Scheme alone at $6 billion is three times the estimated $2 billion cross subsidy for research.
As with student fees the student contributions reasonably sit as teaching revenue.

The crux is what the Commonwealth Grant Scheme is for. Nomenclature is not in itself a decisive argument but the lack of reference to teaching in Commonwealth Grant Scheme does not upfront suggest a solely teaching purpose.

**Revenue for Research**

The report attributes to research only those programs explicitly targeting research – the research block grants, individual research project grants from Government and other sources – and then includes all other minor revenue streams. That these do not cover expenditure on research is no surprise. In essence none of those sources sets out to fund academic salaries, in most cases they explicitly do not fund the salary of the main researchers. They are all predicated on universities having a base source that does that.

What does? Well I would point to the Commonwealth Grant Scheme as a key revenue stream for this purpose. The ABS tends to agree as footnote 49 of the Report makes clear:

> It [ABS] only identifies the source of money paid to universities specifically for research, with the rest appearing as *general university funds*. Since this category is 55 per cent of all research funding sources, it needs disaggregating to estimate the contribution of student-driven funding.

There is a precision in wording here – the Commonwealth Grant Scheme is ‘student-driven funding’ but that does not make it for teaching only.

We need to explore the purpose of a revenue source distinct from how it is calculated. The Commonwealth Grant Scheme is distributed based on student load by discipline. So students are the driver. They long have been for the main funding source to universities – as indicated in the Report Chapter 4.

Over time various funding streams have been removed from the main grant as explicit research streams driven by research outputs. This broadened the sources of research revenue, with four main drivers – student numbers (Commonwealth Grant Scheme), research outputs (research block grants), research project proposals (eg. ARC) and direct end user services (category 2 to 4 research income).

Students are a valid basis for Government to allocate a base level of research funding since it encourages universities to do research in line with where students go. Despite grumbles about 18 year olds determining the research future of the country, there is something to be said for a proxy that pushes research into all areas where students think the future lies. It goes to the fundamental concept of a university combining research and teaching – in contrast to other higher education providers who have no research obligations.

Hence to be balanced, the Grattan calculation should consider as research revenue a proportion of the Commonwealth Grant Scheme equal to the amount the ABS includes as research expenditure. That would still leave a subsidy from teaching revenue, from the student payments, to research but somewhat smaller than the Grattan estimate.

After all, of the Grattan estimated $2 billion subsidy, $1.5 billion is from the $6 billion Commonwealth Grant Scheme along with the $0.5 billion from fee paying students: is this a problem or a realistic distribution of Commonwealth funding?
Better data

The argument for better data always looks sensible.

We do not need a mystic relationship between research and university teaching to see that many elements of university expenditure relate to both and would be difficult to disentangle other than as a theoretical split.

The issue here is the impact of splitting what is so often combined: there are academics employed to research, other employed to teach, but still the majority are employed for both. Other staff support one or other stream but whole areas of universities do both, and do both in changing proportions: how is a building used, who uses a laboratory year to year, what is the balance of the effort from management, human resources and so on. Any sensible ongoing reporting will divide using standard proportions but that prejudges the question of what the actual split is year to year.

To measure each distinctly on a regular basis will encourage a real division between the two – is that a useful outcome?

Should students support research?

It may be unfashionable but there is a clear case for a proportion of student fees to support research.

If you want to attend an institution with renown for learning and expect the people who teach you to be across that learning and potentially be developing it further, then it is reasonable that you contribute to the cost of the research that underpins that by contributing to the base not just the marginal cost of your education.

It is straightforward for fee paying international and domestic postgraduate students. They have chosen a university degree over other options: what is it they are looking to purchase? As Grattan has shown there is preference for high fee charging universities that are associated with the greatest research activity and reputation. They also tend to pay the same amount regardless of discipline. It is hard not to conclude that the purchase is of a degree, and one from a research institution.

Commonwealth supported students have fewer options. However, it is not clear that their student contributions, as against the Commonwealth Grant Scheme revenue they drive, is supporting research. Regardless, how many of those students would choose a non-university option if available?

The challenge ahead

The Grattan study raises important issues that we need to confront as both major parties complete the contrasting policies for university funding they will take to the 2016 election.

- How should universities fund research, in particular which program supports academic staff salaries if not the Commonwealth Grant Scheme?
- Hence, do we confirm that the Commonwealth Grant Scheme is a Government subsidy for all university activities, using students as a useful basis for distribution or decide that it is purely a support for student learning? If the latter, the argument for a final carve out of research funding from the base is much strengthened.
- How to set the Commonwealth Grant Scheme funding rates and associated student contribution rates, implicit in both Government and Labor’s directions, to ensure that reflect both reasonable costs and the expectation that all disciplines deserve some subsidy?