

## Pre-Budget Submission 2020

### About the IRU

Innovative Research Universities (IRU) is a coalition of seven comprehensive universities committed to innovation and inclusive excellence in teaching, learning and research in Australia.

The members' impact is local and global with a focus on advancing communities through education, resources, opportunities, translational research and enterprise.

Through its members working collectively, the IRU seeks to be at the constructive centre of Australian university policy making.

Our membership is Charles Darwin University, Flinders University, Griffith University, James Cook University, La Trobe University, Murdoch University and Western Sydney University.

### Summary of actions required in 2020 Budget

Through the Higher Education Relief package of 12 April 2020, the Government ensured that its funding to universities for 2020 would remain at the level expected. However, the significant mid-term impact of COVID-19 on the capacity of universities to provide the education and research Australia requires has yet to be addressed.

- Universities are reshaping the approach to delivering education following the rapid move to fully digital based delivery in response to Covid-19.
- University research capability faces a major reduction through loss of revenue streams from international student fees and reductions in domestic and international end user investment.
- International student numbers will be down for several years, affecting the breadth of courses available to Australian students and with large spillover impacts on demand for accommodation and services from students unable to come to Australia.

The Job-Ready Graduates (JRG) package, announced on 19 June 2020, is a domestic funding reform package that seeks to reverse the steady decline in the value of university funding and provide a mechanism for growth in the future that will meet likely demand. The IRU recognises the intent of the package but argues it has significant weaknesses that need to be addressed within its overall structure.

### IRU Recommendations

The IRU recommends that the 2020 budget:

1. provide a substantial two-year Research Sustainability Program to bridge the looming gap in research investment;
2. support three sensible improvements to the Government's Job-Ready Graduates (JRG) package:
  - i. rework the student charges so that no unit is subject to a charge higher than the current highest rate, and raise the lower rates proposed to offset this. This will encourage all Australians to seek the knowledge and skills they need to be best prepared for the unpredictable post Covid-19 economy;

- ii. ensure universities do not receive less per student on average than they currently do. This will ensure universities continue to provide the education Australians need for the post Covid-19 economy; and
  - iii. provide additional growth places since the number allocated in the JRG will only just cover population growth in the younger age groups in the short term, makes no allowance for the Covid-19 upsurge in demand, and will fall well short towards the end of the decade.
3. Strip back unnecessary micro controls of higher education providers proposed for the *Higher Education Support Act 2003*.

## Introduction

Describing 2020 as a “devastating year” due to drought, bushfires and COVID-19, in his 23 July 2020 [economic and fiscal statement](#), the Treasurer, The Hon Josh Frydenberg MP, made clear there are serious economic challenges ahead for Australia.

He acknowledged the fundamental role of universities in responding to the COVID-19 crisis.

“The selfless bravery of the healthcare workers on the front line, our scientists working tirelessly to develop a vaccine and all those quiet Australians who are diligently following the medical advice and playing their part in defeating this relentless and insidious enemy.” *Treasurer’s speech to the National Press Club, 24 July 2020.*

Universities educate and train the frontline health care workers so essential to the COVID-19 response. Universities educate and employ scientists to work on COVID-19 vaccines. University researchers work on drought response and bushfire prevention strategies.

In the same economic statement on 23 July 2020 the Treasurer recognised that the unemployment rate is expected to peak at 9.25 per cent in December 2020.

Consequently, and as always in times of economic downturn, universities will play a significant role in educating the large number of Australians who need to reskill and upskill due to COVID-19 related loss of job opportunities.

More than ever before all Australians will need to aspire to gaining more knowledge and skills for us to have a workforce able to take advantage of change, not be driven down by it.

The 2020 budget is an opportunity for the Government to recognise the fundamental role of higher education in the nation’s recovery from COVID-19 and its longer-term prosperity.

## Impact of COVID-19 on higher education and research

For Government two things should be important looking ahead to 2021 and beyond:

- that Australia has well-functioning universities, not hampered by the transitional challenges from 2020 and with adequate capacity for the COVID-19 induced demand for education; and
- that universities be effective economic players in their regions as we move back to a fully functioning economy and society.

The members of the Innovative Research Universities (IRU), along with most universities in Australia, have been hit hard by COVID-19 but that will not stop universities playing a positive role in the economic recovery from the pandemic. IRU members estimate that annual revenue for 2020 will be about 10-15% lower than expected.

All IRU members have had to respond in major ways to COVID-19 including moving their teaching and support services into web-based delivery and restricting use of campuses consistent with State and Territory public health requirements.

IRU members have campuses in 33 cities and towns nationwide, employing around 18,000 full-time equivalent staff.

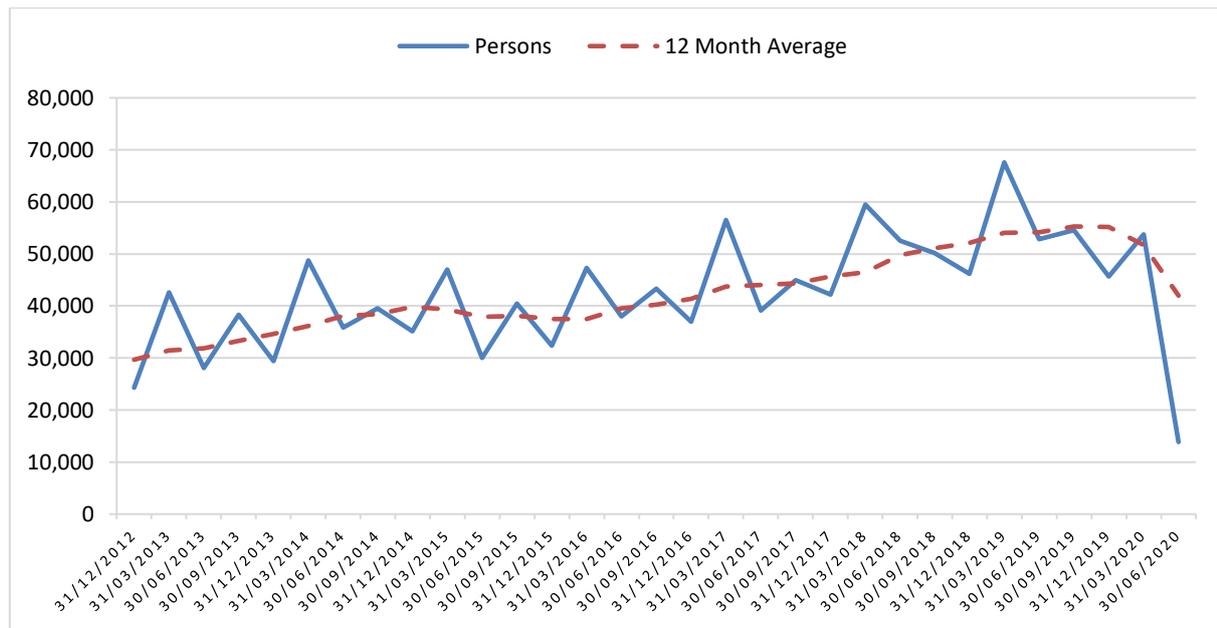
The half yearly nature of student revenue streams and the medium-term nature of most research funding from industry and other research end users means that the full impact for universities is only beginning to show. It means that universities will be slower to emerge as 'normal' activity is reset for the Covid-19 world.

All IRU members are committed to maximising savings to prevent staffing levels falling below those needed from 2022 once the immediate fiscal hit has been overcome.

University savings measures will have major implications for their local economies through job losses in a range of industries. For example, in 2020 IRU members planned to spend \$780 million on new infrastructure and existing infrastructure and assets, providing employment to many more people in other industries. Due to COVID-19 this expenditure is likely to be halved.

International student revenue is down in 2020 and will continue to remain so for 2021 and beyond. As a consequence, universities need more certainty in their revenue for university research across all areas and more places for domestic students in order to be effective economic players in their regions and beyond, as we move back to a fully functioning economy and society.

**Figure 1. Student visas granted, higher education, total persons and 12 month moving average**



International student visa applications have declined 82% in August 2020 compared to August 2019. Even with the potential to test safe corridors for students to come to Australia over the remainder of 2020, it is clear that only some students will be able to enter Australia for the study in first half of 2021. [Longer term assessments](#) are that international student numbers will not resemble 2019 levels until at least 2024.

## Research capacity will be permanently damaged without short-term gap funding

University research capacity will be permanently damaged if long-term funding reforms are not coupled with short-term support to bridge the looming funding gaps between recent levels of research and that the future can sustain.

We need to flatten the curve of university revenue reduction across 2020 and 2021 to keep research going.

Research funding is under threat for a variety of reasons, all of which are related to COVID-19:

- fewer international students entering Australia means far less money invested in research. International student fees contribute about [a quarter](#) of total university research funding.
- there is uncertainty about the future of third-party research funding. State Governments and businesses invest over \$2.5 billion a year in research on issues important to them, far more than the Australian Research Council and the National Health and Medical Research Council. They will be under great pressure to pull back new investments as a result of the COVID-19 downturn.

In contrast to the situation in Australia the UK Government has offered to [cover up to 80% of the value of the missing international revenue](#) that would otherwise be spent on research by each university. The gap funding in the UK will comprise low-interest loans with long pay-back periods as well as a smaller amount through government grants. A longer-term [UK research and development roadmap](#) has also been announced by the UK Government.

If capacity is lost in Australia's research system now it will not be easy to ramp it up again quickly, if and when adequate revenue is found in the future. Experienced research professionals are likely to have moved into non-university jobs or to other countries. A [recent brief](#) by the Chief Scientist for the National COVID-19 Co-ordination Commission estimates that 7000 research jobs could be lost in Australia due to COVID-19<sup>i</sup>.

## Making the Job-Ready Graduates package work ready

The IRU acknowledges that the JRG package seeks to reverse the steady decline in the value of university funding. It aims to provide a mechanism for growth in the future that will meet likely demand. To pay for those benefits the JRG reworks the Government funding rates and student charging bands.

The IRU has asked the Government to support three sensible improvements to the JRG package.

**1. Rework the proposed student charges so that no unit is subject to a charge higher than the current highest rate, and raise the lower rates proposed to offset this.**

Charging students greatly different amounts for the benefit of their degree either punishes them for pursuing their interests or encourages them to choose something that interests them less. If the result is that students change their natural choice, it will reduce longer term productivity; a loss not just to them but to all of us.

We need to encourage all Australians to seek the knowledge and skills they need to be best prepared for the post Covid-19 economy. Covid-19 strengthens the rapid change in employment already underway, with uncertainty about its end point. Attempts to predict long-term workforce needs precisely have been notoriously bad.

The attempt to direct students to certain areas with extreme variations in charge introduces an approach to higher education that failed in vocational education and training.

Changes to [incentives to universities do work](#), which is how STEM and health professions grew rapidly in the five years from 2009 and maintained that growth since.

However, previous efforts to alter university choices through charges essentially failed and were abandoned. This is highlighted by the reality that nursing and education have been at or near the lowest charge since different rates were introduced in 1997. For four years the charge was held lower than all other subjects. It has all been to no noticeable impact on the outcomes for either profession.

The new JRG student charging bands would widen the current two-fold gap between the cheaper disciplines and the most expensive and makes it a fourfold difference. The impact is strongest on the broad generalist degrees that are a major stepping stone for people finding their way into higher education. The result would be that nearly half of Indigenous students (48%) would pay the highest rate compared with 38% for all students.

The proposed highest funding band would place extra strain on the HELP system. Each increase in a graduate's debt of \$3,000 to \$4,000 requires an additional year of full-time work in a mid-level graduate role (earning \$70,000 - \$80,000) to pay off.

Against a post Covid-19 world where little is certain, supporting each person pursue her or his natural strengths makes the most sense.

**2. Ensure universities do not receive less per student on average than they currently do.**

The JRG reduces revenue for universities by 6% against current student enrolments, with government saving 15% of its funding and students paying 7% more.

The proposed revenue for STEM, agriculture, and several of the health sciences would be less under the proposed system despite the Government's argument that it wants to encourage these. The past evidence is clear that growth in disciplines is tied to university revenue incentives for them.

The Government has based its per student spending on the [Deloitte's Access Economics report](#) about teaching costs. The report strictly focused on expenditures directly tied to teaching. This ignores the requirement of universities to invest in infrastructure, facilities, laboratories and teaching resources and equipment, especially in STEM fields.

As the IRU explores the detail and universities model the period to 2024 there is less and less comfort that the funds saved are all being returned to universities in other ways.

In [Improving JRG cluster options](#), the IRU shows that it is possible to rework the proposed funding and student charges rates to reduce the negative impact of the revamped discipline cluster model while retaining the gain in simplicity and the grouping of disciplines the government proposes.

### 3. Provide additional growth places.

The COVID-19 economic impact exacerbates the sluggish economic conditions since 2008, with unemployment expected to peak at 9.25 per cent in December 2020.

The IRU has analysed the capacity for the growth places in the JRG to cover future demand in [Will the growth places be enough?](#) The increase in 39,000 CSPs by 2023 will just be sufficient to meet the immediate demands for higher education from people in the 15-29-year-old cohort. Over the longer term to 2030, the additional 100,000 CSPs in the JRG will be useful towards meeting likely demand but will almost certainly fall short of what is needed.

Changes in need for higher education due to COVID-19 and general rising need for tertiary qualifications is not catered for nor is there provision for growth in demand from the small but important older student cohorts.

To respond to the Covid-19 upsurge the Government should increase the number of National Priority places proposed to target support for universities with clear demand, associated with regions with low current attainment of higher education qualifications. It is already doing this for regional campuses across Australia. It needs to do so in crucial city areas as well.

## Removing unnecessary accountability provisions

The original Higher Education Support Act 2003 was an example of a Coalition Government's commitment to balance in regulation and red tape. It carefully calibrated the necessary requirements to protect the Commonwealth and students against universities' capacity to carry through education and research to the best outcomes possible.

Division 19 was 13 pages in 2003. It is now 27 pages long and will be extended should the proposed 17 different proposed increases to regulation in *HE Support Amendment (Job-Ready Graduates and Supporting Regional and Remote Students) Bill 2020* Schedule 5 be enacted. In 2011 the Tertiary Education Quality and Standards Agency (TEQSA) was created to monitor a comprehensive suite of higher education standards which cover all the issues the Minister has emphasised.

There is no evidence that the Commonwealth requires the additional powers to ensure universities act responsibly concerning any problems that emerge:

- what real gain has come to the Commonwealth and students from the additional requirements since 2003?
- what has happened since 2017 to require the extension of provisions targeting small and for profit higher education providers to universities?

The provisions do not make sense for most of the other higher education providers. Consistent, good regulation would see most providers exempted from those provisions. They should apply only to providers that TEQSA specifies are a high risk of exploiting students through encouraging enrolments where the student is unlikely to succeed.

The two specific issues highlighted by the Minister, Mr Tehan, do not require the heavy-handed approach proposed to resolve them.

- Students who enrol in multiple degrees with multiple providers

Where the Department identifies such students, it should test their veracity and, where suitable, use the Genuine Student test to block the student from further Commonwealth support. Universities and other providers cannot identify such students, hence a requirement to not enrol them only puts them in the position of risk of being in breach.

- Students who fail more than 50% of units

All universities have student progress requirements. The Government should leave universities to administer their policies and continue with performance measures that include the successful passing of units as one marker.

24 August 2020

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<sup>i</sup> Chief Scientist Report, Brief to National COVID Co-ordination Commission, May 2020

<https://www.chiefscientist.gov.au/sites/default/files/2020-05/rrif-covid19-research-workforce.pdf>