



Encouraging a responsive university sector – how have regulation and funding systems impacted this goal?

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1. Introduction

Universities hold an important position in Australia's social fabric, they educate hundreds of thousands of students each year, employ over one hundred thousand academic and professional staff, play a critical role in connecting Australia to the international community, and produce world class academic research. There is an argument, however, that the broad uniformity of Australian universities runs contrary to the increasingly diverse needs and aspirations of the sector's consumer base, which is larger and more dynamic than it has been at any other time in Australian history.

This is not to say that each of Australia's 43 universities is identical, but rather that the current model of what a university should be, and how it should operate, is one that values, indeed enforces, conformity. In our previous paper on [The Future of the University Sector Post COVID-19](#),¹ we heard from a number of senior university leaders that both the university sector as a whole, and individual universities, could better serve Australia if universities were able to support their students and communities in more differentiated ways. Some have put these views publicly.

In his 2017 book on the subject, Glyn Davis² argued that a single idea of the Australian comprehensive research university prevails, creating limits for what universities in Australia can offer. Peter Dawkins, in the 2021 report he co-authored with Martin Bean,³ argued for stronger collaboration with industry and the Vocational Education and Training (VET) sector and for universities to embrace the concept of skills and the contribution universities can make to skills needs.

Given that we argued that more of this responsiveness and outwards focus is needed for universities to remake a covenant with Australian communities, we decided to explore this question. Could Australian universities be more responsive to communities and provide students more choice and higher quality education with regulatory reform? We reviewed regulation and policy documents, commentary and key reviews that have been recently undertaken. We interviewed a range of university leaders and thought leaders in the university sector.

We start by considering how universities fit within the wider higher education system, incorporating universities and other institutions that qualify in the regulations as providing higher education. Glyn Davis' work lead us here. We go on to consider a variety of pressure points within current Australian university business models that are possibly exacerbated by regulation and funding policy.

Finally, we step further back to consider universities in the context of the whole tertiary education sector, with non-university higher education providers (NUHEPs) and Vocational Education and Training (VET) providers. Peter Dawkins' commentary guides us to take this wider vantage point.

Our first conclusion is that it is important to take this comparative and wider system perspective. Insights gained from situating universities in both the higher education sector and the wider tertiary education system inform regulatory and wider policy reform questions that ought be addressed by both the sector and Government.

¹ Ian Anderson and Robert Griew, 'The Future of the University Sector Post Covid-19', 2022, 18, https://www.thinkchangeresolve.com/_files/ugd/0245e3_a4fb0b971b1c4a2fac3c8594c2b8709a.pdf.

² Glyn Davis, *The Australian Idea of a University* (Carlton, Victoria: Melbourne University Publishing, 2017).

³ Martin Bean and Peter Dawkins, '[Review of University-Industry Collaboration In Teaching and Learning](#)' (Department of Education, Skills and Employment, 7 December 2021).

2. What is at stake?

Australia's universities play an important role in our education ecosystem, delivering high quality education to just over 1 million Australians, and many thousands more international students each year.⁴ They are also research powerhouses, acknowledged internationally as valued contributors to progressing scholarship across myriad fields, and collectively contributing approximately \$10 billion to Australia's GDP each year through their research output alone.⁵

Yet the environment within which universities perform these two functions—research and teaching—is changing, along with the needs of Australia's higher education consumers, which have shifted significantly over the past decades.

In order to understand the extent to which regulation and funding might be inhibiting universities from serving their students and communities in more differentiated ways, it is first important to be clear about why this question matters.

Universities are now educating a large proportion of Australians

The number of students attending Australia's universities has grown significantly over time, and particularly so since the Dawkins reforms of the late 1980s and early 1990s. In 1971, 3 per cent of Australian men and only 1 per cent of Australian women held a bachelor degree or higher qualification. In 1991, these figures were 8 per cent and 7 per cent respectively.⁶

Fast forward to 2021 and one-third of all Australians aged 15 to 74 years now hold a bachelor degree qualification or higher, with attainment rates highest among young Australians. 37% of young Australian men, and 50.4% of young Australian women aged between 25 and 34 years, had a bachelor degree qualification or higher.⁷ More women than men hold bachelor degree qualifications across all age cohorts except the 64-75 years range⁸.

International students make up slightly more than one-quarter of the Australian university student population.⁹ A growing number of Indigenous students are attending university.¹⁰ And more students from low socioeconomic backgrounds, and regional areas are participating in higher education, though still at lower rates than their metropolitan counterparts.¹¹

The new, larger, student cohort is more diverse than ever in terms of both demographic composition and educational background. It is also more diverse in the range of its aspirations, in what it seeks from higher education. While some students attend university to pursue a research pathway or to be educated by the best academic minds, many attend university to seek advantage in the labour market, not for a particular form of education.

⁴ Universities Australia, 2020, [2020 Higher Education Facts and Figures](#)

⁵ Deloitte Access Economics, '[The Importance of Universities to Australia's Prosperity](#)' (Deloitte, October 2015)

⁶ ABS, 1994, [Educational Attainment: People with degrees](#)

⁷ '[Education and Work, Australia, May 2021](#) | Australian Bureau of Statistics', 9 November 2021.

⁸ Australian Bureau of Statistics.

⁹ Department of Education Skills and Employment, '2020 Section 2 All students', Text, Department of Education, Skills and Employment, February 2022, <https://www.dese.gov.au/higher-education-statistics/resources/2020-section-2-all-students>.

¹⁰ Australian Bureau of Statistics, 'Education Statistics for Aboriginal and Torres Strait Islander Peoples, 2018-19 Financial Year', 4 December 2020, <https://www.abs.gov.au/statistics/people/aboriginal-and-torres-strait-islander-peoples/education-statistics-aboriginal-and-torres-strait-islander-peoples/latest-release>.

¹¹ '[Education and Work, Australia, May 2021](#) | Australian Bureau of Statistics', 9 November 2021.

Universities are providing graduates to an increasingly dynamic employment market

Just as the student body has changed over the past forty years, so too have Australian employers. In terms of both total economic value and share of the labour market, Australia's economy is now predominantly services oriented. Industry is constantly being reshaped by the disruptive forces of technology and globalisation which have given rise to entirely new commercial pursuits and occupations. The way businesses operate in the economy has also fundamentally changed, as they face growing pressure to adapt quickly to meet changing consumer demands.

On top of all this, the supply shortages experienced over the course of the COVID-19 pandemic have reinvigorated calls to strengthen Australia's sovereign capability¹². Successive governments have recognised the need to direct more investment towards cutting edge technology, advanced manufacturing, and, increasingly, green energy and sustainable agriculture, in the face of climate change. These changes are occurring in tandem with major increases in the need for disability and aged care support, which is placing greater demands on our health and community services sectors.

As a result of these pressures, employers require different skills from their employees. Not just new technical skills, but the ability to think critically, problem-solve creatively, and learn quickly. At the top of the list of skills employers value are 'Learning Agility, Information Literacy, Intellectual Autonomy and Self-management'.¹³ These changing needs, accelerated by the impact of the COVID pandemic, are driving skills shortages across industry as new jobs emerge and old ones disappear. In 2021, more than one-quarter of Australian businesses reported having difficulty finding suitable staff, with 66% citing a lack of required skills or qualifications among applicants as the primary reason.¹⁴

Some new partnerships have emerged, based on cross sectoral collaboration and innovative pedagogies. An example is the partnership facilitated by the NSW Government between NSW TAFE and a number of Sydney's metropolitan universities.¹⁵ Industry and state governments seek more. As Bean and Dawkins identify, it is vital that our higher education system is able to respond flexibly to these changing workforce needs, to deliver high-quality education to workers, in areas of industry demand.¹⁶ The connection between universities and industry should be a key driver for any university reform.

Universities occupy an important place in the higher education ecosystem

All of this said, universities are important as places of enquiry: of research driven by the best minds and the big questions, of education based in scholarship that opens its recipients to both knowledge and its foundations. Universities are important to a modern Australia. They make a major contribution to economic growth, foster awareness and respect of difference, and contribute significantly to community development, public policy and ecological sustainability. Universities educate graduates with the tools to perform in the modern world and to adjust to the rapid change that increasingly characterises it.

¹² Elise McDonald, 'STA Calls for "sovereign Capability" Focus', *InnovationAus.Com* (blog), 22 April 2020, <https://www.innovationaus.com/sta-calls-for-sovereign-capability-focus/>.

¹³ Australian Industry and Skills Commission, 2021 [National Industry Insights Report 2020/2021 National Overview](#).

¹⁴ ABS, 2021, [A quarter of businesses unable to find staff](#)

¹⁵ 'MULTIVERSITY', MULTIVERSITY, accessed 1 August 2022, <http://www.multiversity.edu.au/>.

¹⁶ Bean and Dawkins, 'Review of University-Industry Collaboration In Teaching and Learning'.

Nothing that holds universities back from maximising this distinctive role, or that would traduce or damage this contribution, should go unquestioned. Both are possible in a discussion of regulation and funding, so it is important to proceed with caution. Over-regulation would inhibit their creativity and responsiveness. Removing some core standards that define universities could reduce their distinctive contribution.

The question this paper addresses is, could Australian universities be more responsive to communities and provide students more choice and higher quality education with regulatory and funding policy reform? The higher quality aspect of this question's framing is important. Choice should not be at the expense of quality.

A final framing point is worth articulating. Improved responsiveness to communities and choice and quality for students involves close examination of regulatory structures and the interaction of education and research funding. This is required to understand the framing of higher education for students. This paper is less though an exploration of research funding itself.

3. Universities in the higher education system

There are four types of higher education providers in Australia—Institute of Higher Education, University College, Australian University, and Overseas University—each of which has its own legislated definition.¹⁷ We begin our examination of the Australian University category by placing it within the higher education system.

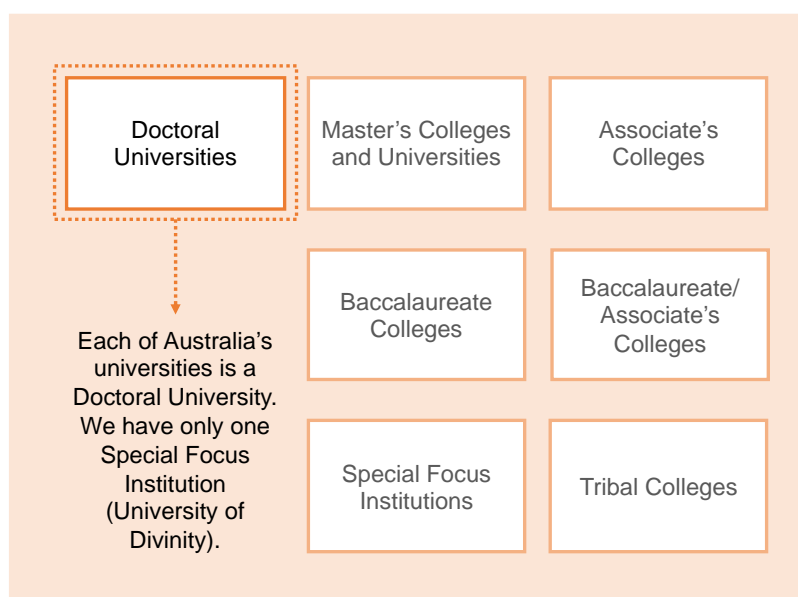
Our starting point is Glyn Davis’ notion that all Australian universities conform to the same model—that of the comprehensive research institute.¹⁸ Our starting point is to consider how universities fit in to the broader higher education sector. This examination throws up questions both of whole of sector diversity and of a more sustainable university sector.

All Australian Universities are comprehensive research institutions

Glyn Davis argues that each of Australia’s public universities is modelled on a singular idea of the ideal university—one that is ‘autonomous, professional, comprehensive, secular, public and commuter’.

A brief consideration of Australia’s university sector through the lens of the United States’ Carnegie Classification brings this homogeneity into stark relief. Where the United States has multiple institutions within each of the classification’s seven broad types of higher education provider, all of Australia’s universities fall within the one category: the Doctoral University (see Figure 1).

Figure 1 | The Carnegie Classification of Institutions of Higher Education



While Australia’s universities do differ in terms of research focus and intensity, their core models are similar. They each offer the same qualifications and undertake research, across a similar range of fields. They are all conscious of the need to strengthen their research output, whether to thrive in

¹⁷ Department of Education, Skills and Employment, ‘[Higher Education Standards Framework \(Threshold Standards\) 2021](https://www.legislation.gov.au/Details/F2022C00105/Html/Text)’ accessed 1 August 2022, <https://www.legislation.gov.au/Details/F2022C00105/Html/Text>.

¹⁸ Davis, *The Australian Idea of a University*.

international competition for status and students, or simply to maintain their standing as a university.

Current higher education regulatory and funding instruments reinforce this model

Australian universities operate within a complex regulatory and funding environment. These instruments both define what it means to be a university, and actively shape how universities perform their allocated role within the broader higher education ecosystem. Key higher education regulatory and funding instruments include:

- The **Higher Education Standards Framework 2021 (Threshold Standards)** which establishes the Threshold Standards against which the Tertiary Education Quality and Standards Agency (TEQSA) assesses educational quality. Part A of the Framework provides the minimum standards higher education providers must meet along all stages of the student learning journey. Part B of the Framework specifies the criteria providers must meet to be registered in different provider categories.¹⁹
- The **Higher Education Support Act 2003 (HESA)** which provides for the Commonwealth to give financial support for higher education. In so doing, the HESA explicitly determines which types of higher education providers are eligible for which categories of funding.²⁰
- The **Australian Qualifications Framework (AQF)** which establishes the standards Australian higher education qualifications must meet, thereby guiding course design and delivery.²¹

The requirement for universities to be comprehensive is enshrined in Part B of the Threshold Standards, which specifies that (among many other things) a university is a higher education provider that:

- self-accredits and delivers undergraduate and postgraduate courses of study in at least three broad (2-digit) fields of education
- delivers Doctoral Degrees (Research) in: at least three, or at least 50 per cent, of the broad (2-digit) fields of education in which it delivers courses of study, whichever is greater
- undertakes research at or above one or both of the benchmark standards [world standard] that leads to the creation of new knowledge and original creative endeavour in at least three, or at least 50 per cent, of the broad (2-digit) fields of education in which it delivers courses of study, whichever is greater.²²

At the most fundamental level, this dual requirement to both deliver education across a broad suite of fields, and conduct world standard research, is what sets Australian universities apart from both the Institute of Higher Education and University College categories. This dual requirement is also

¹⁹ Department of Education, Skills and Employment, 'Higher Education Standards Framework (Threshold Standards) 2021'.

²⁰ Education and Training; Education and Training; Prime Minister and Cabinet, '[Higher Education Support Act 2003](#)' (Attorney-General's Department), au, accessed 1 August 2022, <https://www.legislation.gov.au/Details/C2017C00311/Html/Text>.

²¹ Australian Qualifications Council, 'AQF Second Edition', Text, AQF, 16 March 2021, <https://www.aqf.edu.au/publication/aqf-second-edition>.

²² Department of Education, Skills and Employment, 'Higher Education Standards Framework (Threshold Standards) 2021'.

what underpins one critique of uniformity, that some universities could better serve their consumers if they were freer to focus on their educational offering.

There are important advantages attached to the Australian University category, which are reinforced by funding policy

Current regulatory and funding arrangements advantage the university model relative to alternative forms of higher education. Only universities are entitled to the full gamut of Commonwealth funding. While university students are eligible for indexation-only HECS-HELP loans, students attending non-university higher education providers (NUHEPs) must pay a 20 per cent loan fee.²³ This was introduced to “offset” any cost extending income contingent loans to non-university higher education providers might entail, notwithstanding that in fact loans to students from the Commonwealth are primarily treated as an asset in the Commonwealth balance sheet. It is an anti-competitive policy that discourages students choosing non-university degree providers.

Universities are also advantaged by being, as a category, self-accrediting—i.e. able to develop and approve their own qualifications and courses. By contrast, NUHEPs—who typically have either no, or very limited, self-accrediting powers—must submit all courses to TEQSA for approval, subject to progressively earning self-accrediting status.²⁴

The importance of self-accrediting rights was reinforced by examples offered by interviewees. One was about a NUHEP developing a degree in agricultural sustainability that, despite having senior management support and being sponsored by industry leaders, was rejected by TEQSA. Another was a much-needed degree for nurses to become managers in nursing homes (a vocation identified as sorely needed subsequently) that was accredited by TEQSA but then lost internal support for implementation.

Interviewees cited examples such as these two to illustrate the interdisciplinary and innovative education offers from NUHEPs that can be difficult to get over the line. NUHEPs have to seek accreditation through TEQSA while carrying support and capacity within the NUHEP over a high-risk developmental phase. We also heard claims of TEQSA referring these curriculum proposals for appraisal by university academics with a conceivably conflicted set of interests.

The creation of TEQSA removed the role of jurisdictional legislatures in creating Australian universities, fundamentally altering the pathway to becoming a university. The Torrens University, created by an act of the South Australian parliament²⁵ and now listed on Table B of HESA, was the last university created by a state legislature. Avondale University is the only university to achieve

²³ Department of Education, Skills and Employment, ‘FEE HELP’, Text, Department of Education, Skills and Employment, 11 April 2022, <https://www.dese.gov.au/higher-education-publications/higher-education-administrative-information-providers-october-2021/31-fee-help>.

²⁴ Department of Education, Skills and Employment, ‘Higher Education Standards Framework (Threshold Standards) 2021’.

²⁵The Government of South Australia [‘Torrens University Australia Act 2013’](#), 2013, 5.

that category status under the mechanism set up in the original Provider Category Threshold Standards (2011),²⁶ via registration in 2019 as an Australian University College.²⁷

We interviewed the former Principal of Avondale University, the only person to lead a provider through this pathway, about Avondale's 20-year mission to achieve university status. He described the achievement of self-accrediting status as the biggest noticeable breakthrough change, achieved as Avondale became a University College. He also described intentional planning and decision making on the part of faculty, many of whom had come from other universities. Avondale focussed resources on three strong areas that they might fulfil the three fields of research criteria for qualification as a university.

In addition to the benefits outlined above, there is a high degree of status attached to the Australian University category, which goes beyond the category's material advantages. These interviewees noted that in and of itself, the status attached to the category is important for attracting staff and students, winning other grant income, bringing resources to its host community and delivering value for the relevant state government. That status reinforces the desire of universities to maintain their standing as universities and, in the view of some, acts as a brake on innovation that might divert energy from continued compliance with the strictures of complying as a research-based institution.

There are arguments against having a new education focussed category of university, eg a polytechnic university.

In a previous article, one of the authors argued for consideration of a polytechnic university category.²⁸ This was aimed at addressing a similar set of issues regarding diversity. Conor King, argued against this and similar proposals on the basis they would precipitate "Cheap & Nasty U". It is important to consider where this argument (and its strength) comes from. King is a credible advocate for strong research focused universities that are not receiving the financial investment of the Group of 8 but are engaged with their community. This is the basis of his defence of the value of the research-education model of a university. It was reflected by others who we interviewed for this project.

This argument is warning of a slippery slope whereby opening an education focused university category would result in too many institutions being transferred to that category by dint of financial constraints. The fear is that this could lead to an even stronger consolidation of research funding in the Group of 8, or as another of our interviewees put it, "the Group of 8 plus, er, a few..." The challenges that face such categories as the United States' Community Colleges are also held up by some we interviewed as a warning sign. This raises the question whether a new teaching focussed university category, absent the baseline requirement of research capacity, would have the ability to contribute to their communities and economies with impactful local research.

It is also an argument based on path dependency. Since Colleges of Advanced Education and Institutes of Technology were included in the Australian University category in the 1980s Dawkins

²⁶ Department of Industry, Innovation, Science, Research and Tertiary Education, '[Higher Education Standards Framework \(Threshold Standards\) 2011](https://www.legislation.gov.au/Details/F2013C00169/Html/Text)' (Attorney-General's Department, Amended March 2013), au, <https://www.legislation.gov.au/Details/F2013C00169/Html/Text>.

²⁷ Stacey Brenton, 'Adventist School Avondale Is Now Australia's Newest University', *Adventist World* (blog), 2 July 2021, <https://www.adventistworld.org/adventist-school-avondale-is-now-australias-newest-university/>.

²⁸ Robert Griew, Jessie Borthwick, Cameron Barnes, Arun Murali 'Diversity in Australian tertiary education: turning words into action' *Nous Insight* piece October 2018

reforms,²⁹ any reform that appears to be unwinding that elevation of status and expectation of education focused public higher education institutes is less plausible. The same path dependency locks individual universities into prioritising staying a university, not considering if there are other options. A regional university that opted to become a non-university would likely lose its Chancellor and Vice Chancellor, driven from their region.

The categoric nature of the university has been reviewed and confirmed

The implausibility of the Australian University category remaining indefinitely closed and static, as well as the lack of any positive characterisation of ‘non-university higher education providers’ (known by the negative “non-university” term) set the scene for the 2019 Review of the Higher Education Provider Category Standards by Professor Peter Coaldrake.³⁰ Coaldrake argued to maintain the fundamental category distinction between universities and other higher education providers. Influenced by the risk of compromising the value of the university category, he favoured continuing to protect the research-based definition of the Australian university.

He did, however, recommend greater scrutiny of the performance of Australian universities against the Provider Category Standards. Furthermore, Professor Coaldrake proposed the introduction of threshold benchmarks for research quality. Specifically, that universities ‘conduct world standard research in at least three, or at least 30 per cent of the broad (2-digit) fields of education where courses are delivered, whichever is greater’, and that this requirement should be raised to 50 per cent over time. These requirements have now been implemented in the updated Threshold Standards. He also advocated that universities be assessed regularly for compliance with the Threshold Standards.

This recommendation, endorsed by Government, secures the protected nature of the university category advocated by the universities and discussed in section 2 above. The review went on, however, to address some of the issues this endorsement entails.

The Coaldrake Review also identified the need for more respect for the “non-universities”

The Coaldrake Review did not recommend establishing an education focused university category, but it did address the need for more positive and less anti-competitive treatment of excellent education focused “non-universities.” In recommending an overall consolidation of higher education provider categories, Coaldrake proposed a new, more positively named category for non-universities—the National Institute of Higher Education category—to replace the former Australian University College category.

Designed to serve ‘aspiration, destination, or progression purposes,’ this category was intended to be both a more plausible pathway to becoming a university, and also a category in which an excellent higher education provider might stay, on the basis of positive attributes. These higher education providers would not be required to undertake research, but would be eligible for self-accrediting status, reducing one anti-competitive imbalance of the system. Granting these

²⁹ John Dawkins, ‘Higher Education: A Policy Discussion Paper’, *Canberra, Australian Capital Territory: Australian Government Publishing Service*, 1987, <https://www.voced.edu.au/content/ngv%3A1033> .

³⁰ Peter Coaldrake, *Review of the Higher Education Provider Category Standards : Discussion Paper* (Canberra, ACT : Department of Education and Training, 2018), <https://nla.gov.au/nla.obj-776747004>.

institutions self-accrediting status was also recommended to enable TEQSA's resources to be deployed to more useful work than double handling curriculum and qualification assessments undertaken within these institutes.

Coaldrake's report did not extend to funding policy, so it is important not to assume his positions on funding policy issues. A strong argument can be made, however, that access to Commonwealth funded teaching places and the removal of the 20% loading on HELP student fees loan debt for students choosing non-university providers should follow. Universities might be tempted to argue against these. However, as a reasonable trade-off for the defence of the Australian University category and the status privilege that accompanies it, the university lobbies would want to be careful not to appear to be too defensive of a privileged market position delivered to it by government policy and regulation.

The previous Australian Government accepted the intention of all of the Coaldrake Review's recommendations, consolidating the number of higher education provider categories from six to four. Then minister Dan Tehan, however, demurred on the proposal for a new name for the new category, the National Institute of Higher Education. He instead opted to remodel the University College category, to provide both a pathway and a destination for excellent non-university higher education providers. This familiar title came to apply to what had been a novel proposed new category.

It is important to situate that decision in the then tense relationship between the university sector and the Australian Government following the failure of the Pyne deregulation package and Minister Birmingham's serial attempts to negotiate higher education spending restraint. This had led to Cabinet arbitrarily capping spending. It is likely Minister Tehan was seeking a reform pathway that made sense but did not aggravate the already aggrieved universities with the threat of additional competition. The retention of the name University College was also attractive to a number of non-universities that could reasonably now aspire to the broadened University College category.

The Coaldrake Review and the Tehan settlement is still to be assessed

The reform that flowed from the Coaldrake Review of the Provider Category Standards marks clear progress in finding ways through previously unresolved issues. It defends the core value of the university and it opens up a more viable transition pathway, making real the prospect that the number of universities might not remain static in the long term. It makes the reasonable point that the, now secured, category of Australian University must come with some accountability for compliance with its categoric standards.

It also attached positive status to a renewed University College category of high-quality education focussed higher education providers. It is interesting to note that the four University Colleges registered since 2021 are the National Institute of the Dramatic Arts (NIDA),³¹ the Australian Film, Television and Radio School (AFTRS),³² Moore Theological College³³ and Alphacrucis University

³¹ Tertiary Education Quality and Standards Agency, 'The National Institute of Dramatic Art', Text (Tertiary Education Quality and Standards Agency, 3 November 2017), <https://www.teqsa.gov.au/national-register/provider/national-institute-dramatic-art>.

³² Tertiary Education Quality and Standards Agency, 'Australian Film, Television and Radio School', Text (Tertiary Education Quality and Standards Agency, 3 November 2017), <https://www.teqsa.gov.au/national-register/provider/australian-film-television-and-radio-school>.

³³ Tertiary Education Quality and Standards Agency, 'Moore Theological College Council', Text (Tertiary Education Quality and Standards Agency, 3 November 2017), <https://www.teqsa.gov.au/national-register/provider/moore-theological-college-council>.

College,³⁴ which are all teaching focussed institutes. NIDA and AFTRS are very highly reputed (and, in fact have been sought as faculty by a number of universities).

The relatively quick adoption of the new category by these four non-universities is something of a test that it will support diversification. These four institutes all, however, already existed, two with significant public investment. A further test would be the creation of new institutes, for example, a premier liberal arts college. In the course of this work, we interviewed a sector leader who had been deterred from pursuing such a venture because he could not make such a model, of even the highest quality, compliant with the previous Australian University College category. He had modelled that he could make such a college financially viable under standard Commonwealth Grant Scheme funding, with 1,000 students. But it would not comply with then regulation. A test for the new University College category would be that such a college would comply and, indeed, might emerge.

The potential weakness of the new University College category is that it is not as transparent about having both a revised transition category to allow new universities and a higher status destination for high quality education first higher education providers. The application of the previous terminology might hide (at least for some) the innovation being enacted here.

If the Government had accepted a new title with this significantly revised category, then it might also have been more likely it would have had to sort out the anachronistic and anti-competitive measures inflicted on non-universities. They might not have had to remain excluded from self-accrediting status, limited in their sources of funding and with students financially penalised for choosing those institutes. These issues were deferred under the current settlement and non-universities, and their students, continue to be subject to unfair policy, aimed at advantaging universities.

It could be argued that the Coaldrake Review, at least as enacted by the previous Government, has been more definitive in securing the highly advantaged status quo definition of the university than it has at being permissive of competition of more bespoke educational alternatives. What happens next on a number of policy fronts and in the response from high quality non-university institutions is an incredibly important indicator of whether this fear is founded.

Conclusion – it is useful to consider the university category within the context of the whole higher education sector

Our analysis in this section suggests that current regulatory and funding structures assign substantial advantage to being designated a university. Far from being disadvantaged by their place in the higher education system, universities enjoy significant privileges.

Thus, the first conclusion we have drawn is to support the recent improvement of both the mechanism by which new universities might come into being and a new category of higher education provider that focuses on high quality education.

We do question whether the previous Government's decision to enact these recommendations in a way that somewhat obscured what was being done was useful. We would argue that there needs to be

³⁴ Tertiary Education Quality and Standards Agency, 'Alphacrucis University College Ltd', Text (Tertiary Education Quality and Standards Agency, 3 November 2017), <https://www.teqsa.gov.au/national-register/provider/alphacrucis-university-college-ltd>.

- a high-status category for non-universities to excel as educators. This is a necessary corollary for the important decision to maintain the current research-based definition of an Australian university and
- a review of the various regulatory and funding policy settings, including the grant of self-accrediting status, which still disadvantage non-universities and penalise their students.

4. Nonetheless, the university category definition is problematic, for a variety of reasons.

In the previous section we concluded that current regulatory and funding structures make it advantageous to be an Australian University. Anti-competitive policy advantages and the accretion of status make remaining as an Australian University incredibly appealing for individual universities.

Nevertheless, university leaders both defend this status quo and explain that it remains problematic for many institutions. In this section, therefore, we examine some business model challenges that university leaders often relate to regulatory requirements.

Universities themselves are constrained by funding and fee policies

There has been instability in the distribution of Commonwealth funded teaching places over the last decade. Since the Rudd and Gillard Governments introduced the Demand Driven System for allocating undergraduate places, which provided a funded place at a Table A university for all eligible students, places have been in turn, frozen, capped and distributed according to central planning in government.³⁵ Australia has seen the reintroduction of central planning in the Australian university system, aptly caricatured in W Max Corden's oft quoted 2005 phrase, Moscow on the Molonglo.³⁶

Under the Commonwealth Grant Scheme, funding for Commonwealth Supported Places is also not well aligned to the cost of delivery. This creates incentives for universities to deliver courses with a lower cost of provision (such as business or law degrees), to subsidise those with a higher cost (such as science degrees). This is compounded by the underfunding of research, through both block and competitive grants, which creates additional incentives for universities to extract surplus value from teaching activity, for example in some Cluster 1 subjects such as business and law.

It is implausible for Australian universities to become mission specific

A common argument is that funding policy is inhibiting specialisation—and therefore sector diversity. For example, a Vice Chancellor told us that his university would achieve great things if it could fashion itself around a core mission as a specialist health and health sciences university but that this is implausible under the current funding system. This system is designed on a built-in assumption of mass cross subsidy across a comprehensive university. It would be impossible to operate a specialist health sciences university without other faculties to share the high costs of a health sciences degree and the high-status research that comes with that faculty.

There are two reforms to current policy that might facilitate this. One would be more precise alignment of funding with costs for each cluster of degree funding levels and allowed fees. This has a superficial appeal but would inevitably be executed within capped budget parameters, leading some band funding to increase but be offset by falls elsewhere. It would likely also come with more interventionist administration of funding and costs, likely more than offsetting any gain to universities.

Nonetheless, a closer alignment of funding bands within the Commonwealth Grant Scheme (CGS), without some accounting imperative on universities to acquit bands within each faculty's programs,

³⁵ Productivity Commission, *The Demand Driven University System: A Mixed Report Card*, 2019, <https://www.pc.gov.au/research/completed/university-report-card/university-report-card.pdf>.

³⁶ W. Max Corden "Australian Universities: Moscow on the Molonglo" *Quadrant Magazine*, Vol XLIX, No 11, November 2005, pp.7-20

would minimise distorted university decision making, based on calculations of cross subsidy. The policy aim should be cost transparency, policy that is neutral for university choices and freedom for universities to make those choices.

The other would be to allow such specialist universities some limited ability to charge fees beyond the current regulated schedules. These schedules are designed around comprehensive universities, where volume and cross subsidisation are the key tools of university management. In this sense the current funding and fee schedules attached to clusters of courses in Australian universities are premised on the idea of a comprehensive university.

The notion of fee flexibility within Australian universities is unlikely to be supported by an Australian government from either side of politics, following the fate of the 2014 deregulation package in the first Abbot Government budget. We spoke to at least one VC who has expressed strong interest in their university pursuing a more specialised strategy. If this were to be seriously pursued, there would need to be either a focused revisiting of the cost basis of the groupings of funding and fee levels in the funding system, or of the issue of variable fees.

This is an example of how looking at university policy in the context of broader higher education policy or policy across the whole tertiary education sector is instructive. There are variable fees across the rest of the higher education system and across tertiary education more broadly. Universities are, on the other hand, subject to a higher level of price control. This is a result of policy, but more importantly is also a political reality. When the community thinks about higher education, most people's minds, and all political conversation, focusses on universities. This is the origin of both the substantial competitive advantages universities are granted and of the fee policies that do inhibit specialisation.

It would be technically possible to design policy "guardrails" to allow some additional charges for specialised universities, limiting retained income beyond an "efficient price" for example. Government would, however, reasonably want to know that such a challenging policy discussion would indeed lead to genuine innovation and differentiation. In the meantime, Australian universities will continue to be constrained to a comprehensive model in order for cheaper courses to cross subsidise more expensive ones.

[The Australian university category is challenging to comply with for many Australian universities](#)

Some university leaders running lower research-intensive universities, many strong on educational and community impact, are genuinely concerned about their ability to withstand more searching scrutiny on this research criterion. One leader made the point to us that to comply with the new research standards, that university would both have to win a large amount of competitive research funding every year and then raise half as much again because of the underfunding of competitive research. This seemed implausible for a university that lacks the status to attract significant numbers of international students.

Other university leaders running highly competitive research universities stress how difficult it is to raise the funding for comprehensive research programs, even at a well-resourced university, where large amounts of additional revenue must be raised to support research won across many disciplines. One such leader expressed great sympathy for the leaders of important metropolitan and regional universities but opined that the advantages of scale and status in a comprehensive research institution are "not easier, just different".

These issues have been somewhat brought to a head for both groups in recent years. The Coaldrake Review's suggestion that the regulator ensure compliance with enhanced research performance criteria puts pressure on the less well performing research institutions.³⁷ The interruption to the international student market that funded research costs in higher status institutions has sobered thinking in some of those universities.

A few questions flow from this situation, absent a change in the definition of a university that maintains research as a central element or significant additional research investment.

Are less research-intensive universities really under threat from the regulator?

Our informant from the new university, Avondale, agreed that a university without the history, resources or sector heft (such as his or many of the regional or outer metropolitan universities) may have lots to offer but struggle to comply with the research criteria. He also, however, told the story of faculty collectively organising to focus time and resources for stronger research active colleagues on an agreed number of disciplines in which they would make the required grade.

The story of an institution whose staff were undoubtedly strongly motivated to achieve university status after so long could be taken as an outlier, the exception that proves the rule. However, we heard exactly that story from others as well. Another senior leader from a metropolitan university that has had challenges in status and business viability over the years, told a very similar story of the university deciding on candidate research areas corresponding to their strength and accessible resources there.

Some argue, therefore, that this fear is exaggerated. They point out that the upgrading of the research requirements is planned to be implemented over a long period of time and that TEQSA is simply unlikely to expel universities from the category, at least on this basis. The benchmark standards for research in the Provider Category Standards are:

- research that is 'world standard' measured using best practice indicators, and/or
- research of national standing in fields specific to Australia, in the case of research that is not easily captured by existing standard indicators.³⁸

The second point can be read to allow credit for research work of important impact for Australia, although the term "national standing" might imply a separate metric for quality, in addition to impact. It is not clear which interpretation is correct. One danger is that less research-intensive universities, rather than focus on teaching and research for their communities, might divert a lot of resources toward research achievements measured against more traditional metrics, namely publications and rankings. This would not be in the national interest, especially not in the interests of their local communities.

Thus, we would also suggest as a corollary of affirming the research-based definition of a university, as the Coaldrake Review did, that TEQSA should clarify the importance and meaning it gives to the acknowledgment of "research of national standing in fields specific to Australia". This clarification should definitely indicate that high community and regional impact research has an equivalent

³⁷ Coaldrake, *Review of the Higher Education Provider Category Standards*.

³⁸ Department of Education, Skills and Employment, *Amending the Higher Education Standards Framework: Provider Category Standards: Higher Education Standards Panel Consultation Paper*, 2020, <https://www.dese.gov.au/higher-education-standards-panel-hesp/resources/amending-higher-education-standards-framework-provider-category-standards-hesp-consultation-paper>.

weight to international peer reviewed publications and citations in assessing research category compliance. TEQSA is currently consulting on this issue.

Australian universities face two other substantial problems that they link to regulation, principally the need to maximise revenue available to fund research

Raising funding for research currently drives two problematic elements of Australian university business models. These are the industrial treatment of junior academic staff and the operation of many universities' international education activities. The pressure many university leaders feel to raise funding for research, driven by the underfunding of research costs and the central place of research in the recently affirmed definition of a university, is one common explanation for these practices.

Some also link the industrial issues confronting universities to regulations linking teaching to research activity. This would be a big problem in the face of Fair Work Ombudsman (FWO) Sandra Parker recently publicly comparing universities to fast food outlets because of their exploitative relations with their own staff.

1. Employment practices in Australian universities are anachronistic and reputationally risky, driven by the imperative to support other priorities

A number of interviewees in our previous project attributed challenges around both financial sustainability of universities and industrial tensions with their academic staff to a belief that their industrial arrangements are inevitably based on a research-teaching nexus—academic teaching staff having to be research active.³⁹ They argue, in effect, that the problems around affordability and industrial relations in universities arises from a regulatory requirement that permanently employed academic staff be research active and deploy their time 40% to teaching, 40% to research and 20% to engagement—the so called “40/40/20” industrial arrangement. Thus, universities have been compelled to underpay one group of staff to support a mandated 40/40/20 arrangement for another group of staff.

This argument is not accurate. Higher education standards require that education is delivered based on scholarship, not necessarily by active researchers. The Higher Education Industry – Academic Staff Award does, through the Minimum Standards for Academic Levels (MSAL), specify that ‘teaching and research’ academic staff will do teaching, research and administrative tasks.⁴⁰ It does not, however, specify a 40/40/20 arrangement.

The Award has 25 separate hourly pay rates for full and part time (both fixed term and continuing) academics, depending on seniority (Academic Level A through to E). There is no distinction in the pay rates dependent on whether the work is teaching or research. It also has a whole section devoted to pay rates for casual employees, which is basically divided into pay rates for lecturing, tutoring and marking, albeit with loadings for additional qualifications (such as having a PhD). It is this aspect of the Award that leads commentators to say casuals are paid ‘piece rates.’ The MSAL do not apply to casual employees.

Like all Awards, the Higher Education Industry – Academic Staff Award applies to the whole group of employers, not one employer. The detailed employment arrangements for each university, including the proportion of time to be spent on different job aspects by permanently employed academic

³⁹ Anderson and Griew, ‘The Future of the University Sector Post Covid-19’.

⁴⁰ Fair Work Commission, ‘Higher Education Industry - Academic Staff - Award 2020’, June 2022, https://awardviewer.fwo.gov.au/award/show/MA000006#P768_67741.

staff, are found in individual university enterprise agreements or in university policies. These university specific agreements need to pass the Better Off Overall (BOOT) Test to be registered, but a specific type of work allocation can be negotiated within this process.⁴¹ Universities can, and some have, negotiated compliant enterprise agreements that tailor positions to institutional need, including 80/20 positions in favour of teaching for example.

The worst risk is the way many universities use the section of the Award that sets out employment of casual staff. The Award allows the engagement of casual staff and piecework style payment for those staff. Casuals are paid on a separate scale in the Award. Their pay rates are set according to tasks completed (including lecturing, tutoring, and marking at various levels). This resembles the controversial treatment of some fruit pickers in Australia, up until 28 April 2022, where workers were paid for the amount of fruit picked rather than by the hour, even though the setting of the rate assumed a certain amount of time was required to pick a certain amount of fruit.⁴²

Recent cases and comments by the FWO have named individual universities' manipulation of categories of work for casual staff to minimise pay rates as 'wage theft'. These instances go to the processes of individual universities in interpreting the Award and their own agreements and policies. For example, a university might claim a lecture delivered by a casual was at the level of 'basic' (which attracts three hours of payment) when it was actually delivered at the level of 'developed' which attracts four hours of payment.

Approximately 25% of the whole Australian workforce consists of casual workers.⁴³ However, over 50% of academic teaching staff in universities are casual workers.⁴⁴ While casual arrangements are valuable for students who need to supplement their studies with a bit of work, it is not sustainable for this proportion of academic teaching staff to remain casuals—especially over the long term. Recent changes (in 2021) to the Fair Work Act (2009) that provide for long term casual staff to have a pathway to permanency have not yet seen much conversion of casual academic staff.⁴⁵

The new Australian Government has committed to legislative change to ensure casuals have a clearer pathway to permanent work.⁴⁶ An additional way forward for the higher education sector is to consider whether it is worth pursuing a review of the Award by the Fair Work Commission. The revision of the casual employee section of the Award, involving possibly the removal of piece rates, would be a clear way of ensuring casuals are not underpaid, and arguably a simpler system of payment.

⁴¹ The Fair Work Commission, 'Better off Overall Test (BOOT) | Fair Work Commission', Unknown, <https://www.fwc.gov.au/better-off-overall-test>.

⁴² Tasmanian Times, 'Fruit Pickers' Guaranteed Rate to Become Law 28 April - Tasmanian Times', 2 February 2022, <https://tasmaniantimes.com/2022/02/fruit-pickers-guaranteed-rate-to-become-law-28-april/>.

⁴³ Australian Bureau of Statistics, 'Insights into Casual Employment, Occupation and Industry', 23 December 2020, <https://www.abs.gov.au/articles/insights-casual-employment-occupation-and-industry>.

⁴⁴ Senate Select Committee on Job Insecurity. Interim Report: Insecurity in Publicly- Funded Jobs. Oct 2021. https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Job_Security/JobSecurity/Second_Interim_Report; A Norton, How many jobs are there in higher education? April 16, 2021. <https://andrewnorton.net.au/2021/04/16/how-many-jobs-are-there-in-higher-education/> Both sources calculate close to 50% of total academic positions in universities are occupied by casual employees, making an estimate that over 50% of teaching positions are occupied by casual employees conservative.

⁴⁵ AG; DEEWR, 'Fair Work Act 2009' (Attorney-General's Department), au, accessed 2 August 2022, <https://www.legislation.gov.au/Details/C2011C00580/Html/Text>, <http://www.legislation.gov.au/Details/C2011C00580>.

⁴⁶ Office of the Fair Work Ombudsman, 'Changes to Casual Employment – Industrial Relations Reforms - Fair Work Ombudsman', 23 October 2021, <https://www.fairwork.gov.au/newsroom/news/reforms>.

In suggesting the development of a new industrial relations architecture that will improve career prospects and reduce both casualisation and payment by piecework, we are conscious that the funding model for teaching in most universities is currently geared around the short duration of academic terms. This has been raised as a material barrier to resolving casualisation. Some universities feel they would have to pay full year salaries to staff largely teaching students for little over six months a year. A number have adopted trimesters and other restructuring of the teaching year that would be more facilitative of teaching only career positions for academics.

Our observation would be that other industries facing major technological or societal change have had to solve such issues. Not to do so maintains an intergenerational inequity that implausibly sits at the heart of institutions that see themselves as beacons for Australian progress. This is a major issue of credibility with junior academic staff, who contrast their treatment with that of senior academics, some of whom they observe “buying out” their teaching responsibilities but then undertaking little research. The notion that these arrangements are rooted in regulatory requirements wears very thin at this point.

In some of those processes of industrial modernisation in other sectors, especially where there is strong public interest and/or government is a major funder, such industrial relations related discussions have had constructive engagement from government as an interested third party. Universities could make a case for such engagement, if they were willing to demonstrate a preparedness to do the difficult industrial work with the National Tertiary Education Union and to engage with the Fair Work Commission. It could also be possible to link progress on industrial modernisation with other policy movements or transitional support from government.

2. Pressure to supplement research funding drives Australian universities’ expansion within the international student market.

The international student market is much less regulated than the domestic. While universities must comply with the educational standards established by the Education Services for Overseas Students (ESOS) Framework, they are free to set their own fees and student numbers.⁴⁷ As has been keenly highlighted by the COVID-19 pandemic, many Australian universities pursue international student market expansion as a way to overcome shortfalls in Australian government funding. According to Andrew Norton, as much as 27 per cent of total research expenditure relies on profits from international student fees.⁴⁸

This phenomenon has been described as the undeclared, implicit deal between governments (that don’t want to fund the full cost of research) and universities (that need to build research standing). It has a few important implications for the sector. Firstly, it creates a virtuous cycle whereby institutions with the best research standing attract international students more easily, allowing them to reinvest surplus revenue in further research. It also creates the opposite kind of cycle for universities with lower research standing. In the absence of additional public research funding, this

⁴⁷ Department of Education, Skills and Employment, ‘Education Services for Overseas Students Act 2000’ (Attorney-General’s Department, 10 February 2022), au, <https://www.legislation.gov.au/Details/C2022C00066/Html/Text>, <http://www.legislation.gov.au/Details/C2022C00066>.

⁴⁸ Andrew Norton, 2020, [How reliant is Australian university research on international student profits?](#)

helps to consolidate research funding within Australia's research-intensive universities, furthering the divide between these institutions and those regional and outer metropolitan universities.

Secondly, the way the universities have used international student enrolments to generate a substantial discretionary income stream has led to the creation of large, significantly isolated international student populations, particularly at Australia's higher ranked universities. This does a clear disservice to international students, whose university experience deserves greater attention. It also undermines universities' credibility with domestic student families, who have come to look unfavourably on the impact of a large international student cohort, rather than viewing them as a high value future network of regional peers.

The imperative here is for universities to focus on improving the experience of both international and domestic students, treating the international education market as a first-class educational opportunity, rather than primarily as an income generator. There is a case here for Government intervention, in the face of a classic market failure. If individual universities are not prioritising the Australian collective interest in creating a really great experience for international students (and domestic students sharing classes with international students) Government could require quality improvements. This could be by requiring a proportion of revenue raised from international students to be reinvested in improving student experience.

In the context of international student migration restarting, there has also been some debate about Government reviewing Australia's student and graduate visa rules.⁴⁹ The aim would be to make Australia an attractive destination for both study and career for highly skilled workers. Government could link eligibility for such concessions to universities that made appreciable progress on plans to improve international student experience and integration with local students

Conclusion – the issues surrounding the comprehensive research-based university are complex but there are ways forward

The model of the comprehensive, research based Australian university presents significant ongoing challenges. Its position as the Australian standard for universities does not readily support more specialised disciplinary institutions. It is arguably ambiguous regarding the nature and standing of research needed to qualify a university as compliant. And the incentive effects it establishes and reinforces with both research intensive and less intensive universities is leading to reputationally damaging management practices and business priorities. This, notwithstanding that universities have less excuse in the regulatory settings for these practices than some claim.

We would recommend sector wide discussion and action on the following key priorities.

- TEQSA should clarify the importance and meaning it gives to the acknowledgment of "research of national standing in fields specific to Australia" with reference to the work of less research intensive but locally engaged universities. We understand this issue is being considered. This clarification should definitely indicate that high community and regional impact research has an equivalent weight to international peer reviewed publications and citations in assessing research category compliance.
- Universities consider a sector wide renegotiation of the Award, involving the universities collectively and the national union. The revision of the casual employee section of the

⁴⁹ Department of Education, Skills and Employment, 'Australian Strategy for International Education 2021-2030', Text, Department of Education, Skills and Employment, 10 December 2021, <https://www.dese.gov.au/australian-strategy-international-education-2021-2030/resources/australian-strategy-international-education-2021-2030>.

Award, involving possibly the removal of piece rates, would be a clear way of ensuring casuals are not underpaid and university reputations are rebuilt.

- Reinventing the international student experience as the market reopens, with accountability for universities to invest in genuine improvements in experience for both international students and the domestic students with whom they share classes. This could possibly be supported by Government with revision of the visa rules for international students and graduates in high need skills areas.
- If there are universities that are strongly committed themselves, not abstractly suggesting it for others, to specialising their scope and reducing disciplinary breadth, with a demonstrated lift in quality, then they might approach Government to consider if it is prepared to allow some (no doubt very specific and qualified) fee flexibility to support this.
- There could also be a reasonable approach to government from the sector that advocated various kinds of support for universities tackling these various constraints, perhaps favouring those addressing more than one issue. For example, a university that is prepared to modernise its industrial relations with academic staff and invest in improving its offer to international students, might also make a case for structural adjustment funding.
- If that university were also seeking to specialise and offer a much-needed response (a health specialist university or a regional university that keeps much needed comprehensive education going) then that adjustment funding might also include some modest fee flexibility or direct transitional investment. Similarly, a specific model, such as the highest quality liberal arts college, might qualify for such limited fee flexibility of structural adjustment funding.
- Finally, continued review of the value of CGS funding bands relative to the costs of provision of courses covered, particularly the relativities of those prices, would be a useful system performance indicator. This should not extend to band-by-band accounting for expenditure. The policy aim should be cost transparency, policy that is neutral in its impact on university choices and on the freedom for universities to make those programming choices

5. Universities as part of the whole tertiary education system – a way forward?

The economy and employers seek university graduates with both theoretical and practical education

In terms of how university education is delivered, there is a clear argument for cross fertilization of course content and pedagogic styles from different Australian Qualifications Framework levels, products and even providers. Skills training is not new to universities who provide, for example, medical or teacher education. Each have significant workplace learning built into both qualifications for that reason. They combine this with deep theoretical and disciplinary education, which is the power of such degrees. These qualifications set their graduates up in terms both of immediate professional employability and their capability to maintain a career in challenging and changing occupations.

Increasingly, employers are seeking similar arrangements in science, engineering, and humanities degrees. Australian employers value both the theoretical education of Australian university graduates and the practical skills attained by students including, for example, certificate level training in advanced manufacturing information management or regulatory compliance practices.

There are choices universities could make to collaborate with, for example, Higher Education Institute or VET providers and complement degree courses with certificate, diploma or short course offerings that would improve the eventual employability of graduates. Bean and Dawkins⁵⁰ made all of these points powerfully in their report. There is nothing within the legislation preventing universities from incorporating vocational skills training into their educational offerings.

The Australian Qualifications Framework (AQF) is out of date and has been reviewed

The 2019 AQF Review led by the late Peter Noonan did, however, note that the current AQF structure is ‘rigid’ and ‘overly hierarchical,’ leading to suboptimal combinations of skills and knowledge within qualifications.⁵¹

The restructuring of the AQF, coupled with the Review’s recommendations about how to better encourage credit recognition across the VET and higher education sectors, may go some way towards facilitating course design that is fit-for-purpose in our modern economy. The Review envisaged a future in which:

- There are a broad range of options and pathways for transition to post school education and lifelong learning is a practical reality.
- Multiple pathways between VET and higher education are normalised and will no longer be hierarchical and linear. This will require reinvigorating the VET system and raising its standing.
- The system will normalise, “short, purpose-built, flexibly delivered qualifications – within and outside the formal qualification system – to gain new skills and knowledge”. Credit recognition and recognition of prior learning will be normalised.

⁵⁰ Bean and Dawkins, ‘Review of University-Industry Collaboration In Teaching and Learning’.

⁵¹ Peter Noonan, ‘Review of the Australian Qualifications Framework Final Report 2019’, Text (Department of Education, Skills and Employment, 2019), <https://www.dese.gov.au/higher-education-reviews-and-consultations/resources/review-australian-qualifications-framework-final-report-2019>.

The Review envisaged changes that included the following.

- Less emphasis on AQF levels and more on qualifications, contextual knowledge, and skills, without entrenched hierarchical assumptions about VET and higher education.
- Eight bands of knowledge and six of skills, more flexibly applied than the current inflexible and hierarchical ten AQF levels.
- Contemporary definitions of knowledge and skills.
- General capabilities such as digital literacy or ethical decision making identified

There is work going on within Government, with sector and expert input on implementing these directions. This is very important work, positive outcomes from which are of key importance. As Bean and Dawkins argued, implementing these changes must be a priority if the whole of the tertiary education system, including universities are to make their optimal contribution to the education of their students and serve the needs of Australian employers and the economy.

Conclusion – considering universities as part of the broader tertiary education system broadens our thinking again

When we considered universities in the context of the broader higher education system, it shone light on the relative advantage universities enjoyed over non-universities. It also helped highlight the ways in which the comprehensive research university model actually does pose challenges for universities, challenges that are not all being addressed at present.

When we step further back and consider universities as part of the broader tertiary education system, with VET providers as well as the rest of the higher education sector, further challenges come into focus. Government needs to implement the recommendations of the Review of the Australian Qualifications Framework to facilitate sophisticated qualifications development from universities and other tertiary education providers that will more flexibly meet professional and technical education needs for today's students and employers. Universities then need to step up to seize this opportunity.

It is worth also recalling that when new regulators for higher education and VET were created under the ministerial leadership of Deputy Prime Minister Gillard over a decade ago, it was envisaged that they would eventually combine to form one genuinely tertiary education regulator. This would require a sophisticated review of the pedagogical and curricular differences between the sectors. These differences date back to the late 1980s and, while it would be a complex piece of work, it would likely prove valuable in facilitating more intentionally responsive educational design on the part of all tertiary education providers to provide contemporary and diverse educational options.

6. Discussion and recommendations

This paper started with the common assertion made by people in the sector that Australian universities are inhibited from being more responsive to their students and communities by regulatory and funding policy settings.

At the recent AFR Higher Education Summit, Andreas Schleicher, Director for the Directorate of Education and Skills at the OECD, provoked the audience with an analysis comparing higher education across the OECD. Standing by the importance of increasing education and skill levels, he questioned whether Australia has hit a limit to useful investment in current higher education arrangements.

Asked about the coincidence of sluggish productivity growth and increasing numbers of university degrees, Schleicher observed the level of education in an economy is only one factor. The ability of the economy to utilize skills and innovation and the responsiveness and agility of the tertiary education sector to respond to opportunity are equally important factors. His provocation, that Australia is doing better at graduating students than achieving innovation in either its economy or in the responsiveness of universities, is worth considering.⁵²

The paper looked first at the definition of the Australian university itself, which was recently examined in the Provider Category Standards Review.⁵³ This review endorsed the unitary concept of the research based Australian university, but also made recommendations that will build the status of high-quality higher education providers that are education focused.

This is a useful approach to settle long-standing issues and blockages in the higher education system. The arguments to maintain a research element in the definition of university are strong but need to be complemented by creating much more positive options for non-universities. The Provider Category Review and its slight variant, adopted by the previous government, have gone a part of the way to opening up real options for high quality non-universities. We also support removing anti-competitive imposts on those providers and their students. It remains to be seen if genuinely new non-university models, such as high-quality liberal arts colleges, emerge.

The paper then examined ways in which the unitary concept of the university creates problems for universities, problems that might also limit diversity and responsiveness from the sector. Our finding here was that these limiting factors exist, although some are also driven by poor management responses from universities themselves. In the case of the approach of university leaders to the poor state of industrial relations, many profess to a mistaken belief as to what the relevant standards and the Industry Award specify.

Notwithstanding that a number of the current critical problems confronting universities are significantly management problems, it is also the case that the combination of the funding system and the regulatory structures are a problem. Solutions for individual universities or even groups of them, which involve no change on their part, will sit oddly with government and the community. This is even more so in the aftermath of a regulatory review that confirmed their privileged position and damning public reporting of wage theft and high rates of casualisation.

⁵² AFR Higher Education Summit, 30 August 2022, *Is the sky the limit for higher education?*
<https://vimeo.com/744807176>

⁵³ Coaldrake, *Review of the Higher Education Provider Category Standards*.

However, there could be a case for some funding or policy flexibility for universities that are prepared to address the issues that are theirs to solve (industrial relations or international students) as well as transforming themselves to offer higher quality and more responsive solutions. This might include the liberal arts college or a health specialist metropolitan university. It might also include provision to support a regional university that will do regional impactful research in a few domains but keep a broad range of professional education going, for its otherwise underserved region.

Such a package would be facilitative of more differentiated products, responsive to communities, while it also required commitment to sorting out some poor practices in universities that are genuinely disliked in the wider community.

Finally, we considered universities in the context of the regulation of the entire tertiary education system, with all higher education and VET providers. The advantage of this is that it sheds new light on the consistent feedback that universities would be better served if they interacted with the VET system more closely. It also points to long term serious policy thinking regarding the outdated nature of the components of the post school education system and their interrelationship.

Conclusion

There are problems implicit in the current comprehensive research-based model of an Australian university. Some of these do limit the responsiveness of Australian universities to their students and communities. Other problems are significantly of the sector's own making and need to be solved as business model problems.

Within the scope of the higher education system, it is important that the revised Provider Category Standards are in fact facilitative not just of a better place for existing non-universities but also of genuine innovation, such as highest quality liberal arts colleges. Equally, there is a case for funding policy and some regulatory flexibility for genuine innovators who are both addressing some of the management related issues in industrial arrangements for example and offering new models. Measures could include some limited fee flexibility, regulatory flexibility or structural adjustment funding.

As a backdrop to all of this, however, it is important to examine what is happening in universities, and in university regulation and policy settings, in the context of the whole tertiary education sector. Universities need to be able to make their best contribution against their research, education and engagement missions. What exactly these are needs to be understood in the context of the whole system, of which they are but one part.

There are a number of adjustments to policy and regulatory settings that would improve universities' ability to respond to their constituent communities' needs. These are also adjustments that are needed that the higher education sector and the tertiary education system overall. Our final conclusion would be that some of these, such as reform to the AQF, would help both the sector overall and universities lift responsiveness, choice and quality.

Below is a list of suggestions to the sector and to Government.

Recommendations

- Monitor the progress of the revised University College provider category to ensure that high quality education focused higher education providers embrace the opportunity to register in the category and lift the status that is afforded to the institutions and their graduates.
- Government should undertake a review of the various regulatory and funding policy settings that still disadvantage non-universities, even in the University College category, and which penalise their students.
- If there are universities that are strongly committed themselves, not abstractly suggesting it for others, to specialising their scope and reducing disciplinary breadth, with a demonstrated lift in quality, then they might approach Government to consider if it is prepared to allow some (no doubt very specific and qualified) fee flexibility to support this.
- TEQSA should clarify the importance and meaning it gives to the acknowledgment of “research of national standing in fields specific to Australia” with reference to the work of less research intensive but locally engaged universities. This clarification should indicate that high community and regional impact research has an equivalent weight to international peer reviewed publications and citations in assessing research category compliance.
- Universities consider whether there is a case for the Fair Work Commission to review the Higher Education Industry – Academic Staff Award, addressing at least the anachronistic casual staff provisions. Real pathways to a career structure for young academics should also be a priority, noting the challenges of paying a salaried position for teaching staff only required for the six months many universities offer courses.
- Universities should reinvent the international student experience as the market reopens, with accountability for universities to invest in genuine improvements in experience for both international students and the domestic students with whom they share classes. This could possibly be supported by Government with revision of the visa rules for international students and graduates in high need skills areas.
- The sector and Government should consider a structural reform package that allows both some flexibility and support for universities that are prepared both to address the contemporary issues of industrial relations and the conduct of the international student market, and pursue innovative models - eg the liberal arts college, the health specialist university or a comprehensive regional university whose research focus is on local impact.
- Government should implement the recommendations of the Review of the Australian Qualifications Framework to facilitate sophisticated qualifications development from universities and other tertiary education providers that will more flexibly meet professional and technical education needs for today’s students and employers. Universities also need to step up with purpose to take this opportunity.
- Finally, continued review of the value of CGS funding bands relative to the costs of provision of courses covered, particularly the relativities of those prices, would be a useful system performance indicator. This should not extend to band-by-band accounting for expenditure. The policy aim should be cost transparency, policy that is neutral in its impact on university choices and on the freedom for universities to make those programming choices.

Interviewees

Our team interviewed the following people for this paper. They were all generous with their views and time. The analysis and conclusions drawn in the paper are, of course, those of the authors.

Emeritus Professor Valerie Braithwaite, Regulatory Institutions Network, ANU

Professor Rufus Black, Vice Chancellor, University of Tasmania

Ms Jessie Borthwick, Board member, NSW TAFE

Dr Gwilym Croucher, Centre for Studies in Higher Education

Emeritus Professor Peter Dawkins AO, Mitchell Institute for Education and Health Policy University, former Vice Chancellor, Victoria University

Professor John Dewar AO, Vice Chancellor, La Trobe University

Mr Paul Harris, Executive Director, Innovative Research Universities

Professor Renee Leon, Vice Chancellor, Charles Sturt University

Mr Andrew Norton, Professor in the Practice of Higher Education Policy, ANU

Professor Ray Roennfeldt, former President Avondale University

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