

**LA TROBE UNIVERSITY'S SUBMISSION TO
THE BUSINESS COUNCIL OF AUSTRALIA
(BCA)**

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Future-Proof

Protecting Australians Through Education
and Skills

ENQUIRIES
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INTRODUCTION

La Trobe University welcomes the opportunity to participate in this consultation process on the future of education and training in Australia. There is broad consensus in Australian society on the key transformative role that tertiary education plays in social and economic development. The challenge is to find the right policy settings that support and enable tertiary education providers to prepare graduates who are equipped with the skills required to engage in Australia's changing economy and to respond to evolving industry and community needs. There is an additional challenge to address regional and rural skills and workforce shortages.

La Trobe welcomes the BCA's on-going interest in education policy. The recent results of the [Employer Satisfaction Survey](#) (ESS) show that the majority of employers (84%) are satisfied with university graduates. This indicates that universities are on the right track, further reinforcing the ongoing need for, and benefits of, public investment in tertiary education. La Trobe was rated second among Victorian institutions, and eighth nationally, with 86.6% employer satisfaction demonstrating that the University's [Career Capability Framework](#) is enabling us to empower students to develop the skills and capabilities that businesses are looking for.

In its Mid-Year Economic and Fiscal Outlook (MYEFO) for the 2017-18 Budget, the Federal Government introduced significant changes to the funding of universities including freezing the demand-driven system at 2017 levels for the next two years (2018 and 2019). **These funding cuts will have an impact on universities' capacity to deliver the skilled workforce that Australian industry relies on.** La Trobe is concerned about the medium and long-term implications of these cuts, especially for regional and disadvantaged student participation. Building regional achievement and attainment remains a challenge, and it is one area that the Business Council of Australia (BCA)'s 'Future-Proof' paper fails to address.

La Trobe cautions against statements that suggest the demand-driven system imposed unpredictable, ongoing increases in the public cost of higher education. We submit that the demand-driven system was designed to increase participation and absorb unmet demand for higher education in Australia. After a period of growth, enrolments have stabilised; and La Trobe believes that the potential of the demand-driven system has not been fully realised, particularly in regional Australia.

La Trobe concurs with the view that currently the Australian VET and Higher Education systems operate as two silos with different pedagogical, regulatory and funding approaches. We agree that they should retain their distinct entities but argue that the interface between the two systems should be simplified.

Any discussion on Australia's tertiary education future must take into account the Federal Government's funding cuts and the negative impact they will have on universities' ability to continue to deliver the skills that employers and industry require. **Working with BCA on the future of Australia's tertiary education and on ways in which businesses can work with the tertiary sector to deliver career-ready graduates is therefore timely and pertinent.**

The following submission is structured as follows:

- The impact of funding cuts on Australia's tertiary education sector
- A tertiary education model?
- Answers to consultation questions

La Trobe endorses the responses of Universities Australia (UA) and the Innovative Research Universities (IRU) to this consultation and looks forward to further consultation with BCA.

THE IMPACT OF FUNDING CUTS (MYEFO 2017-18)

For years, the Government has sought to legislate changes in the higher education sector. Having failed to legislate its reforms, in the December 2017 *Mid-Year Economic and Fiscal Outlook (MYEFO)*, the Government announced major funding cuts to universities and the introduction of performance targets to determine growth in public funding for bachelor degrees from 2020. Rather than providing policy and funding certainty, the changes announced in MYEFO introduced new elements, the impacts of which remains difficult to predict, particularly when it comes to performance funding. It is important to recall that prior to the latest cuts announced in late 2017, the sector had already absorbed \$3.9 billion in budget cuts since 2011-12¹.

Any discussion on Australia's tertiary education future must take into account of the negative impact of current and previous funding cuts on universities' ability to continue to deliver the skills that employers and communities require. In addition, the Ministerial decision via MYEFO to effectively dismantle the demand-driven system should be revisited as a critical issue for public debate and parliamentary scrutiny.

Building regional achievement

In some regional areas, participation and attainment rates in higher education are less than half those of metropolitan cities and the cap on funding in 2018 and 2019 will have a disproportionate impact on regional University campuses because these campuses are more reliant on government support, and have limited access to other sources of funding.

The funding cap will entrench participation disparities for disadvantaged students and diminish La Trobe's capacity to close the gap in participation rates between regional and metropolitan areas. The likely impact will be a more limited suite of education options to provide the skilled workforce needed by local industry. This will be detrimental to both the regional and national economy.

Building regional achievement and defining ways in which the tertiary education system can better address regional skills shortages is one area that the BCA's 'Future Proof' paper could more actively address.

Key Recommendation

1. **In designing proposals for Australia's future tertiary education system, specific attention is required to improving regional participation and achievement to address regional and rural skills and workforce shortages.**

A TERTIARY MODEL?

One of the main proposals in the BCA paper is to "the introduction of a broad tertiary system that covers VET and HE" that would "maintain a unique identity for the VET and HE sectors" and establish "a sector-neutral funding model". While further work, detail and consultation with the tertiary sector is required to properly assess the merits of this proposal, La Trobe concurs with the view that there is structural and policy dysfunction between the two sectors. Currently the Australian VET and Higher Education systems operate with different pedagogical, regulatory and funding approaches. La Trobe argues that the interface between the two systems should be simplified and highlights issues impeding collaboration between the two sectors.

The lack of alignment in the policy and regulatory settings between the VET and higher education sectors has been a longstanding problem in Australia's post-secondary education system. Poor alignment in these settings can distort student behaviour, particularly where course choices are driven by subsidy levels rather than the best interests and aptitude of the student. Moreover, poor policy alignment impedes collaboration between VET and higher education

¹ Universities Australia submission to the Senate Committee inquiry into the Higher Education Support Legislation Amendment (HESLA) Bill, June 2017.

providers, thus diminishing the benefits generated by this collaboration. In short, the overall effectiveness of Australia’s tertiary education sector is undermined by the fact that its VET and higher education components are poorly integrated.

In recent years, higher education has become more flexible with universities increasing their ties with industry. This means that there is more scope for greater synergies with VET. In turn, partnerships between VET and HE providers can better address local community and industry needs.

There are a number of specific policy and structural issues to be addressed in order to move towards a better integrated tertiary sector. Solving these issues would enable the two sectors to retain their distinct entities while being mutually reinforcing. These include:

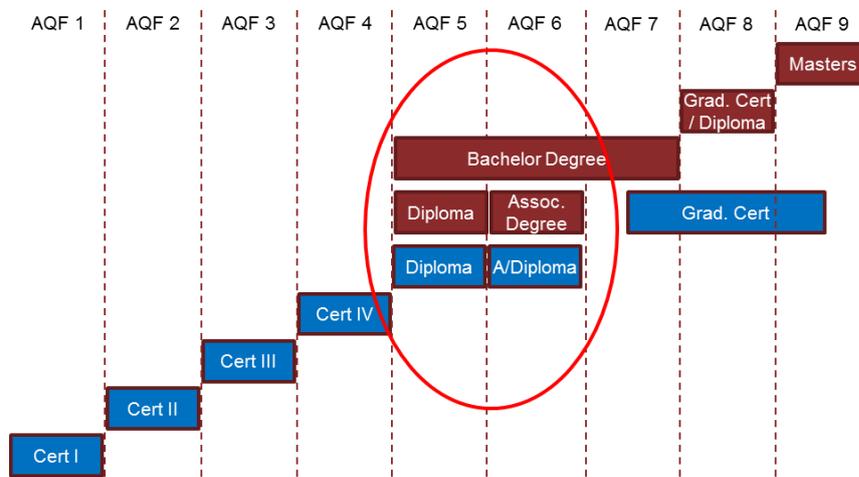
- the overlap between AQF levels 4-8 (see Figure 1), which cover vocational certificate IV to vocational graduate certificates in the VET sector, and enabling programs to graduate diplomas in the higher education sector; and
- funding and resourcing inconsistently applied across and within sectors, including variations by state, by institutional type, by student cohort and by learning level.

What is La Trobe doing?

La Trobe has a long history of partnering with VET sector providers. Across each of our major campuses, we have an established Dual Enrolment program – a degree-diploma model that operates in partnership with a number of TAFE institutions. This innovative model brings a range of benefits, including increased participation rates in areas of skills shortages, improved learning outcomes, and improved responsiveness to workforce challenges through producing work-ready graduates. La Trobe’s Dual Enrolment program involves students enrolling simultaneously in a bachelor program and a VET diploma, with the option of either exiting after one year with the VET qualification or continuing the bachelor program.

The early success of La Trobe’s Dual Enrolment model has been achieved despite the policy and regulatory hurdles that make this type of collaboration more challenging. For example, since VET completions are not recognised in the collection of higher education data, students who exit early with a VET diploma are viewed as having ‘dropped out’, thus negatively contributing to attrition and retention rates, even though this may be the optimal outcome from the student’s perspective. The introduction of performance targets based on a ‘one size fits all’ understanding of the sector are unlikely to take account of these approaches. This, along with the capping on the demand-driven system in 2018 and 2019, represent a disincentive for institutions like La Trobe to pursue such innovative models.

Figure 1: VET and HE systems overlap at AQF5 to AQF8



Key Recommendation

1. **Put in place the right policy and funding settings that would:**
 - a. **enable seamless student transitions across the vocational (VET) and higher education sectors;**
 - b. **give the tertiary sector the flexibility to adapt to industry needs and to innovate in the delivery of programs such as the La Trobe degree-diploma model**

ANSWER TO 'FUTURE PROOF' CONSULTATION QUESTIONS**Overall tertiary system**

1. **What is your view on the proposal to move to a tertiary model and why?**

La Trobe acknowledges that the overall effectiveness of Australia's tertiary education sector is undermined by the fact that its VET and higher education components are poorly integrated. However, further detail is required to determine how an integrated model would work while preserving the distinct characteristics of VET and HE. It is also not clear how the model would work within current funding allocations and policy.

2. **If Australia were to adopt a tertiary model, do you think the proposed five elements of the tertiary system (structure, funding, information, governance and lifelong learning) are appropriate, and why?**

Subject to further work, detail and consultation, the proposed five elements make sense. A sixth element – 'scholarship' – could be added to reflect the knowledge base, innovation and research component.

Component one: Structure

3. **Do you agree it is important that the two sectors (VET and HE) maintain a unique identity?**

VET and HE do and should continue to have unique identities. However, there must be greater flexibility at the interfaces such as allowing direct substitution of equivalent units of study at the same AQF level.

La Trobe is also of the view that uncapped sub-degree places should be extended to self-accrediting, Table A universities for application in bachelor degree structures that have nested diploma and associate degree structures². This would encourage greater participation and valid exit points for students. This is unlikely to drive increased cost in the system as the majority of places would be replacements for standard bachelor degree enrolments and may well increase overall completion rates due to the alternate exit points.

4. **The continuation of sector specific standards and regulators are designed to support each sector maintaining their unique identity. Do you think any other mechanisms are needed to ensure each sector maintains their own identity?**

While we acknowledge the purpose of separate regulators for VET and HE, simplification of regulatory requirements would reduce complexity and costs for providers at the cross over point of qualifications.

'Life-long' learning could be a mix of vocational and HE knowledge-based units with the systems allowing sufficient flexibility to accommodate for a 'mix & match' degree and 'aggregate' qualifications.

² La Trobe acknowledges that there is a freeze in the demand-driven system for 2018 and 2019 but the demand-driven system remains in legislation.

5. Do you think the proposed new institution (the body that will contract manage funding the LSAs and the market information platform) needs to differentiate between the two sectors?

If established, the new funding body may best focus on the pathways between VET and HE institutions as this is the “in-common” ground of programs.

Component two: Funding

6. What is your view on the proposal to create a Lifelong Skills Account, and why?

A Lifelong Skills Account (LSA) is an interesting concept, although the detail of the funding model and the funding caps would need careful consideration.

The UK ‘[degree apprenticeship](#)’ model – a type of ‘training guarantee’ levy that encourages employers to either invest in life long skilling or pay a tax increment – warrants further consideration in the context of business tax and HE funding reform. Consideration should include checks and balances to ensure higher education courses are directed at developing long-term capabilities and entry job preparation.

7. Do you support the principle that the contribution by learners should be based on the cost of the learning and the ratio of public and private benefit, and why?

The contribution by learners should take into account the cost as well as public and private benefit. However, the cost component needs to recognise that the private benefit may never be realised and that the cost of delivery is variable and depends on a range of factors such as the student cohort, geography and equity status. For example, the Deloitte Access Economics ‘Cost of Delivery of Higher Education’ report³, released by the Commonwealth Government in May 2017, concludes that “teaching and scholarship costs are 17% higher for regional students”. For universities highly invested in regional delivery and equity and access programs, such as La Trobe, the funding model should recognise the higher cost these universities bear.

8. Do you think there should be a cap on the subsidy and/or the income contingent loans? If so, how should the cap be determined?

MYEFO 2017-18 introduced a cap on income-contingent loans. This runs counter to a long-standing policy commitment to support life-long learning because the significant cost of further postgraduate study could be a disincentive for mature age students to return to university education.

9. Do you support the establishment of a separate fund that businesses can access to develop their workforce, and why?

Investment in public education should remain the highest priority. One potential option for businesses to develop their workforce could be to establish a training program that is funded by employers (e.g. a training levy), which would then enable employers to invest directly where they require it. While this would require businesses to make contributions, they would be the principal beneficiaries.

Component three: Single platform for market information

10. Market information has been an issue in tertiary education for at least a decade. What are the barriers to building a single platform, and how can they be overcome?

The complexity of information (courses, providers, outcomes etc.) means prospective students can encounter challenges in understanding their options and navigating their way. Providers do, however, commit considerable resources to provide clear and accurate course information and advice. The Quality Indicators for Learning and Teaching provide information on the performance of individual HE providers. The notion of a single platform,

³ Deloitte Access Economics (2017), ‘The Cost of Delivery of Higher Education’, p.61

while interesting, is probably unrealistic given the nature and diversity of the market. Ongoing effort to adopt and apply common terminology and ensure providers remain accountable and subject to the oversight of regulation is a preferable approach.

La Trobe commits considerable resources to raising the educational aspirations of students and to providing them personalised advice. In 2015, La Trobe University researchers led an inquiry into the impact of rising complexity in tertiary admissions practices on various stakeholders, including school students and school-based careers advisers. The conclusions of this research are published in the 2016 report 'The Adaptation of Tertiary Admissions Practices to Growth and Diversity'⁴. One of the findings of the report is that low SES and regional students have less awareness of educational access schemes, general tertiary admissions processes and university courses and institutions. This highlights the importance of teachers and careers advisers to students' post-secondary decision-making and reinforces the need for low SES and regional students to be supported with detailed information and advice.

11. What new data sets will need to be created, and what current data sets will need to be accessed or linked?

Further information on graduate employment would be useful. Currently the Graduate Outcomes Survey (GOS) is conducted six months after completion with the Longitudinal Survey carried out after three years. Data from other intervals such as five years after graduation would give a more comprehensive picture. Better response rates and the ability to capture data regarding new modes of working such as freelancing or consulting, would make the surveys more useful. The Employer Satisfaction Survey is a useful addition to the Quality Indicators in Learning and Teaching.

12. What are your views on the Business Council's proposed approach for a learner's decision-making process?

The elements proposed make sense but a website on its own would probably not be sufficient particularly for students and returning students who are less familiar with the education system.

Component four: agree a shared governance model

13. Do you agree with the proposed split of funding responsibilities between the different levels of government? If not, what alternative approach would you propose and why?

14. There are some concerns that hard lines between levels of government in funding responsibilities can lead to perverse behaviour. If you have these concerns, what alternate model would you propose?

Federal funding would reduce complexity. Tertiary education is predominantly adult education and therefore students are nationally and internationally mobile. In contrast, school and pre-school education belongs more naturally to state level as students are local and less mobile.

15. Do you support State governments providing base funding to TAFEs to ensure their sustainability? If not, what approach would you propose to ensure sustainability?

Support should be provided where base funding is needed to support skills within thin markets. Consideration should be given to addressing the 30-40% price differential between 'Modern Awards' and TAFE Enterprise Agreements that make it difficult for TAFEs to compete with private RTOs on teaching costs.

⁴ Harvey, A., Brett, M., Cardak, B., Sheridan, A., Stratford, J., Tootell, N., McAllister, R. & Spicer, R. (2016). The Adaptation of Tertiary Admissions Practices to Growth and Diversity. Report for the Australian Government Department of Education and Training, Melbourne, Access and Achievement Research Unit, La Trobe University.

16. What are your views on the proposed methodology that determine the subsidy rates (see proposal six [understood as proposal twelve])?

See 7 above: subsidy rates need to take into account variable costs of delivery. For example, the Deloitte Access Economics 'Cost of Delivery of Higher Education' report, released by the Commonwealth Government in May 2017, concludes that "teaching and scholarship costs are 17% higher for regional students".

17. The governance model has been designed with safeguards to prevent cost-shifting between levels of government (see proposals five and six), as well as cost blow outs. These include:

- 17.1 Proposing that each level of government commit to maintaining current funding levels for 10 years, with a review at five years**
- 17.2 Proposing that when a government transfers funds to the new institution, the new institution will quarantine the funds for each jurisdiction's use**
- 17.3 Proposing that responsibility for qualifications eligible for ICLs rests with the same level of government that fund ICLs (the Commonwealth)**
- 17.4 Proposing that the government that funds the qualification also sets the subsidy provided**
- 17.5 Proposing that governments will determine the level of fee deregulation for each student cohort, including whether providers will be permitted to charge above cost-reflective price and margin**
- 17.6 The ongoing monitoring of all funding across the two sectors. Are these sufficient safeguards? If not, what additional safeguards would you propose?**

These proposals make sense. A reconciliation of expenditures versus outcomes would also be desirable. This would include metrics such as completions, employment, and income-contingent loans' repayment rates.

18. The Business Council has proposed the creation of a tertiary system funding and marketing information institution to enact the decisions of government and a range of other responsibilities.

18.1 Do you support the new institution being a not-for-profit company? If not, what governance would you propose and why would it be preferable?

Appropriate governance would need to be informed by a more detailed view of the agency's proposed scope and focus. If established, the new organisation could likely be either a not-for-profit organisation or a statutory authority.

18.2 Who should the Board be chaired by – industry or government, and why?

If established, it should be chaired by someone with significant experience in the education sector such as a former Vice-Chancellor, a policy expert or a credible business figure, and have a skills-based board. It should not have political appointments.

18.3 Should the Board have any policy responsibility, and why?

If established, it could have a policy advisory role to COAG.

Component five: create a culture of lifelong learning

19. What are your views on adopting a more modularised approach to skill development to support lifelong learning?

Modularisation is inevitable. However, overseeing and guaranteeing quality will be a key challenge.

20. Do you support established workers being able to use their LSAs to fund self-constructed qualifications?

Self-constructed 'mix & match' would work provided there is an awarding institution to provide this recognition. An alternative option is to consider a new type of qualification which does not bear the hallmarks or expectations

of traditional degrees such as a 'bachelor' degree or a single degree. This might be more useful in a future work context where qualifications may not necessarily need to accumulate and can be tailored to the depth needed for a particular activity.

21. What role do you think business should play in creating a culture of lifelong learning?

There is an opportunity for the BCA paper to expand on the actions that businesses and employers could take towards supporting tertiary education in delivering career-ready graduates, such as offering more apprenticeship places or work-integrated learning experiences. In general, businesses and universities could work more closely together to accelerate new business ideas, partner around research and ensure stronger links to desired industry outcomes. The introduction of a training guarantee levy (question 9), while helping to address workforce shortages, could contribute to a culture of lifelong learning.