



Business Council of Australia
Future-Proof: Protecting Australians through Education and Skills
Discussion Paper

Bond University Submission
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Future Proof: Protecting Australians Through Education and Skills

Bond University submission to the Business Council of Australia Consultation Process

Bond University acknowledges the Business Council of Australia (BCA) for delivering a broad-ranging and thoughtful paper, *Future- Proof: Protecting Australians Through Education and Skills*, and we are grateful for the opportunity to engage in an ongoing discussion around these significant matters.

The national importance of a strong and coherent system for delivering knowledge and skills into our communities cannot be understated. Education is a cornerstone of our society that is critical to the growth of our economy, the development of our society, and the security of our place in the global landscape.

Bond welcomes a discussion that recognises the complexity of developing a national and cultural commitment to lifelong learning. This discussion will inevitably uncover areas where different institutions' interests are sometimes at odds, which is to be expected given the broad scope of the work and the complex nature of the problems.

Bond University, by virtue of our position within Australia's higher education sector, is able to bring a unique perspective to the table. We were established 28 years ago as Australia's first private, non-profit University, and we remain committed to providing an independent alternative to the large and relatively homogenous public universities that dominate higher education in this country, and to delivering a high-quality education for our students. As we receive no direct government subsidy for student places, we are well placed to offer an independent perspective.

Australia's education system must be able to service the diverse needs of our nation's student body, and deliver a quality education that will equip them with skills and attributes that allow them to succeed in an increasingly competitive global landscape. The challenge of preparing graduates for the ever-changing workforce of the future will require close cooperation and dialogue between the university sector and business and industry. The solution will depend upon a diverse education and training system that supports institutions of different shapes, sizes, structures and missions, and policy settings that support institutional autonomy and continuous improvement.

Our current system sets uniform funding rates for our public universities and incentivises volume growth and cost efficiency over quality and innovation. It has the effect of encouraging conformity and uniformity over diversity and difference. There has been extensive debate accompanying the various Government attempts to reform higher education sector funding systems over the past four years, and Bond has consistently supported those proposals that promote a more diverse, innovative and quality-focussed system.

The BCA paper provides a broad survey of important issues. In this submission, we have focussed on two key elements of the paper which relate to funding mechanisms (Component 2). We would welcome further dialogue on these matters and we are also willing to engage in wider discussions around other important questions raised by the paper.

Consultation Questions 6 and 8

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

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?

The proposed Lifelong Skills Account (LSA) provides an elegant and positive funding mechanism which allows equitable access and life-long skills development. However, elements of the proposal which impose a uniform cap on individual's entitlements carry a danger of unintended consequences.

The application of a lifetime cap on income contingent loans (ICL) is a simple and ostensibly fair mechanism for managing public costs. However, it may also introduce some perverse incentives. Under a capped system, if the caps are set appropriately they will be aligned to the reasonable learning requirements of individuals who pursue a career that requires high level of technical competency and/or advanced knowledge. Most learners would not exhaust their cap. However, a minority would and, at that point, face a financial barrier to further development. By this reasoning, the individuals who are most likely to be negatively impacted by the imposition of a cap would be those who are pursuing careers in the new and advanced industries that are characterised by disruption, innovation and risk, i.e. the industries of the future that Australia must embrace.

In contemplating an ICL cap, we should also consider career switchers who are highly motivated to pursue additional education. A lifetime cap is, inter alia, designed to prevent delinquencies. However, a capped system that can be refreshed by the repayment of loans, or by some other mechanism that recognises the public value of the education that has been gained as a result of those loans, would provide more flexibility and greater national benefit. Most credit systems reward borrowers with a good repayment record and a positive credit rating, and the LSA should be no different. We strongly advocate for a system wherein students who successfully pay down their loans should be allowed to access the ICL again. The alternative is to throw away the concept of lifelong learning and entrench careers.

But is it necessary to cap the ICL at all? The Future-Proof paper provides an analysis of how an income contingent loan (ICL) mechanism coupled with poor market information has dulled the price signals that would normally act to moderate profiteering in a deregulated market. However, it also concludes that ICLs and fee deregulation can successfully coexist in circumstances where the students are motivated, well informed, and able to engage in a sophisticated assessment of the benefits of the study.

In a well-regulated and quality assured system of universities, coupled with strong mechanisms for informing the market and encouraging genuine student commitment, the creation of a deregulated undergraduate marketplace could mirror the successful full-fee postgraduate system that is already in place. To this end, the BCA's proposals around the introduction of a single platform for market information and a mechanism that ensures students have 'skin in the game' have merit.

Bond University's successful operations over 28 years, with its strong student outcomes and leading student satisfaction metrics, provides compelling evidence that a private University can deliver quality outcomes. In the most recent Quality Indicators for Learning and Teaching (QILT) survey, Bond undergraduates rated their overall educational experience positively at 90% compared to the national average of 80%. Bond University has also been listed in the most recent global top 20 Best Small Universities in the World by the Times Higher Education (THE) Rankings.

A more diverse university system of public and private Universities is needed and, in the change, the principles of competitive neutrality must be kept at the fore. Those elements in the current system that do not meet this standard should be reviewed. For example, the current terms and conditions of HELP ICLs disadvantage private institutions whose undergraduate students must pay a loan fee of 25% on FEE-HELP loans that is not applied to HECS-HELP loans. This is also inequitable for students. All students are investing in their future and there is no reasonable justification for the current situation of inequitable loan terms for different student groups.

Consultation Question 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?

Funding models should incentivise quality and allow institutions the autonomy to structure programs in ways that will meet their student's needs. The Australian higher education sector operates in a global context and we must encourage innovation in an increasingly competitive marketplace. Any attempt to set prices by referencing historical costs will entrench past practices.

A centralised price-setting system that creates a tight relationship between the cost of learning and the student contribution carries some risk. The central body charged with calculating the cost of learning will need to make assumptions around the 'best' way to deliver knowledge and skills, including the mode of delivery, length of program, requirement for work integrated learning, use of technology and practicums, etc. Ultimately, when institutions are funded at the same levels for the same programs, they are incentivised to teach the programs in the same way, and the system will tend towards a more homogenous range of offerings. This works against the principles of market-responsive diversity, which is a critical element of innovation and change.

Further, such an approach may introduce adverse price signals that will encourage enrolments in the programs that are cheaper, rather than the programs that are best aligned with the student's ambitions and the national economy's priorities.

The ratio of public and private benefit is an appropriate consideration in setting subsidy levels. Governments must retain this as a lever for encouraging the development of a well-balanced workforce.

Thank you for your willingness to consult with the sector on these important issues.