

21 October 2022

To the Chair and Commissioners,

The Regional Universities Network (RUN) welcomes the opportunity to comment on the Productivity Commission's *5-year Productivity Inquiry: From learning to growth* Interim report (the report).

RUN is a national collaborative group of seven regional Australian universities: Charles Sturt University, CQUniversity Australia, Federation University Australia, Southern Cross University, University of New England, University of Southern Queensland, and University of the Sunshine Coast. RUN member universities may also make their own submissions to address in detail any specific issues they wish to explore with the discussion paper. It should be noted that RUN is supportive of the submission from Universities Australia.

This submission reflects the positions of RUN institutions, and in doing so, also aims to represent the unique needs of those students and communities which RUN universities serve; the one-third of Australians who live outside of metropolitan centres in Regional, Rural and Remote (RRR) locations. Specifically, RUN has sought to provide general comment as it relates broadly to recommendation direction and information requests 3.1 – 4.3 from the report.

The importance of universities to Australia's productivity

Universities are one of the key drivers of Australia's productivity and productivity growth. Australia's universities conduct research that enhance the productivity of Australia's industry, laying the groundwork for new innovative industries and processes that drive Australia forward. Universities also empower the productivity of Australia's future workforce, be that first time students looking to obtain their initial fundamental post-school qualification, to the student looking to upskill, reskill or new-skill. Regional universities are not only often the largest employer in their region, but continuously power the regional workforce with 70 per cent of graduates from regional universities remaining in the regions post-graduation. Despite this, there remains more to be done to close the tertiary participation and attainment gap between regional and metropolitan Australia.

Regional education attainment

RUN supports policies that enable increased access to universities, especially for students from traditionally underrepresented cohorts. We believe that policies should enable students to pursue their ambitions of higher education, at the institutions of their choice, studying the subjects that they want, to work in the careers of their choosing. RUN believes that policies need to address not only access to higher education, but also need to address enabling institutions to support students to succeed.

The 2019 National Regional, Rural and Remote Tertiary Education Strategy (Naphthine Review) identified that individuals who grow up in RRR locations are around 40 per cent less likely to gain a higher-level tertiary education qualification and less than half as likely to gain a Bachelor and above qualification by the time they are 35 years old, compared to individuals from metropolitan areas¹. The proportion of Australians with a bachelor's degree (or above) varies greatly based on

¹ Department of Education, National Regional, Rural and Remote Tertiary Education Strategy: final report [Naphthine review], 2019, accessed at <https://www.education.gov.au/access-and-participation/resources/national-regional-rural-and-remote-tertiary-education-strategy-final-report> on 17 October 2022

where Australians live. For instance, 36 per cent of people living in capital cities (aged 15-74 years) attain a Bachelor's degree qualification or above, compared to 20 per cent in inner regional, 16 per cent in outer regional Australia, and 17 per cent in remote and very remote Australia². This disparity is not limited to higher education. There remains a persistent attainment gap between metropolitan and regional year 12 or equivalent attainment rates with attainment rates differing by up to 28 percentage points between metropolitan and remote and very remote Australians aged between 15 and 24³. RUN therefore encourages continued policy focus on closing the rates of educational attainment between metropolitan and RRR Australians.

The effects of this educational disparity between metropolitan and RRR Australia manifests in many ways, for instance, across health and socio-economic outcomes. But in terms of the report's focus on future workforce needs, there is evidence of critical tertiary skills shortages being both chronic and more acute across most industry sectors within RRR communities compared to the situation in capital cities. Recent National Skills Commission data reveals job advertisements in regional areas have grown by 95.8 per cent, compared to a growth of 60.6 per cent in capital cities when compared to pre-Covid levels⁴. In its *Overcoming Australia's Labour and Skills Shortages* policy paper, the Australian Chamber of Commerce and Industry recognises that one-third of the national workforce is employed outside capital cities, but employers in the regions continue to report difficulty recruiting; generally, regional employers are filling a lower proportion of their vacancies and are attracting a smaller number of applicants⁵.

University places and funding

RUN fully supports a recommendation to expand the number of places in tertiary education to meet the demand of students and to meet the needs of Australia's future workforce. The current funding caps, as well as placement caps in certain fields of education, significantly limit the ability of education providers to meet the needs of students, industry and community. With RUN universities educating the lion's share of traditionally underrepresented cohorts at university, demand-driven funding should be expanded to support students from targeted equity groups. RUN further believes that Australia's university sector would benefit from longer-term funding block grants which would provide certainty of funding for all providers.

The report's discussion of 'overskilling' or 'overeducation' being problematic (or otherwise) is not one that is applicable to RRR Australia. While there may be an argument that metropolitan tertiary participation/attainment rates may be at (or approaching) saturation point, the experience in RRR Australia is one of high scarcity and demand. While some RUN institutions are currently experiencing the anomaly of student enrolments falling to or below their capped allocation of places, this must be viewed within the context of highly unusual and likely temporary social/economic pressures such as record low unemployment, a strong labour market and other post-pandemic workforce dynamics, existing sector policy settings, and a poor investment environment. Indeed, the demand-driven funding model had proven to facilitate growth in regional student participation and provided one of the few authentic opportunities for RRR Australia to make modest gains towards parity with metropolitan Australia in terms of tertiary

² Australian Bureau of Statistics, Education and Work, Australia, May 2021, accessed at <https://www.abs.gov.au/statistics/people/education/education-and-work-australia/latest-release#data-download> on 10 October 2022

³ *ibid.*

⁴ National Skills Commission, Labour Market Update June 2022 Quarter, August 2022, accessed at <https://www.nationalskillscommission.gov.au/sites/default/files/2022-08/NSC%20Labour%20Market%20Quarterly%20June%202022.pdf> on 17 October 2022

⁵ Australian Chamber of Commerce and Industry, *Overcoming Australia's Labour and Skills Shortages*, March 2022, accessed at <https://www.australianchamber.com.au/wp-content/uploads/2022/03/ACCI-Overcoming-Australias-Labour-Shortages-24-March-2022-Final.pdf> on 17 October 2022

participation/attainment. Prior to the temporary social/economic pressures noted above, such was the demand for university education, RUN universities were all operating over their allocated caps.

The disparity in tertiary participation/attainment between regional and metropolitan Australia, and the stronger demand for skilled workers in RRR locations, indicates that regional communities play host to the greatest concentrations of untapped economic potential at a national level. The Regional Australia Institute estimates that if people in the regions had the same share of Bachelor level qualifications as in metropolitan areas, there would be over 461,000 more graduates living and working in regional Australia, collectively earning about \$26 billion each year, based on the average salary for a graduate⁶. Regional Australia is arguably the lowest hanging fruit for realising the socio-economic dividends from increased tertiary education participation and attainment and thus one of the areas that can most readily boost Australia's productivity.

Regional universities play a crucial role in activating this untapped economic potential. RRR Australia is well-served by many world-class comprehensive universities that already have the capacity to translate investment in tertiary education and research into higher participation rates amongst underrepresented student cohorts. As a percentage of our student load, RUN enrolls (and subsequently graduates) the nation's highest rates of Indigenous students, students from low socio-economic backgrounds, first-in-family students, and of course students from RRR communities. We know that 70 per cent of students that graduate from a RUN university go on to remain living and working in RRR Australia, enriching our communities and economies while reducing the education disparity between cities and regional areas. Unfortunately, we also know the reverse is true: RRR students who relocate to study at a metropolitan campus are far less likely to ever return to the regions to live and work after graduation, perpetuating the 'brain drain' from regional Australia's talent pools. It is therefore incumbent for all regional universities to be an accessible, supportive, competitive, and high-quality option (for both teaching *and* research) for the RRR communities they serve.

Regional universities are held in high regard by their communities for their diligent efforts to serve their communities. There remain, however, multiple barriers to regional universities in meeting the needs of their communities on an equitable footing, such as policy mechanisms that favour metropolitan universities and their high-density urban markets. When compared to metropolitan universities, RUN universities service student cohorts with historical characteristics of inequity and disadvantage, who require complex and resource-intensive support to succeed. The nature of these underrepresented student cohorts places them at greater risk of non-completion, and require more intensive and personalised support, than students who arrive at university directly from schools on the basis of ATAR. Similarly, the social charter, thinner regional markets and the associated higher-cost business models of RUN universities (particularly those servicing multiple campuses across smaller population centres, those with a high proportion of part-time students and those with legislated obligation to operate in particular regions) is different to that of metropolitan universities. Current university funding mechanisms reward those universities that can operate at scale in large urban markets while stretching universities which seek to provide equitable tertiary experiences (including pathways to research, and research-informed teaching) to thinner regional markets characterised by underrepresented and higher-need student cohorts.

Given this, RUN is concerned about a policy dialogue that advocates a one-size-fits all approach to funding. When examining costs across the sector, nuanced consideration must be paid to the differences experienced by regional universities in the cost of teaching and the provision of

⁶ Regional Australia Institute, Rebalance the Nation, September 2022, accessed at <https://www.regionalaustralia.org.au/Web/Research-Policy/Regionalisation-Framework.aspx> on 17 October 2022

equitable student experience, the unique demographics and needs peculiar to regional students, and the subsequent costs in supporting the needs of regional student cohorts. There is a danger that this regional nuance could be overlooked when simply considering the 'median cost' of tertiary education. As such, the need for regional differentiation of university teaching and research funding has always been, and must remain, a key feature of national university funding policy. RUN therefore supports the full implementation of recommendations from the Napthine Review as the preferred long-term policy setting to pursue RRR parity with metropolitan tertiary participation and completion rates, and equitable access to opportunity. RUN would welcome any funding mechanisms that provide further support students from non-traditional backgrounds to succeed at university, including assistance with meeting (often prohibitive) up-front study costs.

While awaiting the full implementation of the Napthine Review recommendations, RUN offers in-principal support to current policy efforts that provide a regional differential in select areas of funding policy – for instance, the 3.5% increase in Commonwealth Supported Places (CSP) available for regional campuses under the Jobs Ready Graduates (JRG) package. While the principle of a regional differential in tertiary funding policy is vital, the actual benefit to regional students/universities under this JRG provision is limited. The modest regional differential here is marginal in impact against a geographic educational disparity that is major in scale, and is unlikely to result in any meaningful gains that may lead to regional Australia approaching the same level of tertiary participation/attainment as metropolitan Australia.

The JRG regional differential also falls well short of recovering the erosion of funding under the broader package. Here, RUN Universities saw a cut in funding in real terms, while our students saw the introduction of ideologically-driven pricing signals not supported by evidence, designed to manipulate compositions of graduate workforces, and which took little consideration of the skills pressures and workforce gaps in regional Australia. The industries and economies of RRR Australia are in general need of skilled graduates from *all* study disciplines, including those seemingly discouraged under the new JRG student contribution bands/clusters accounting, law, tourism and social work, for instance. Where previously the gap between the student contributions of our most and least expensive course options was approximately \$5,000 per year, many of our students will now see a doubling of that to over \$10,000 per year for many courses whose graduates are vital to regional Australia. RUN members hold concerns that this increased debt burden has the potential to affect RRR students disproportionately; our students are more likely to be from disadvantaged/lower SES backgrounds, and are often less inclined to accrue debt being less inclined to pursue tertiary education in the first place.

The public benefit of tertiary education attainment for regional communities is of different magnitude to that of metropolitan Australia, insofar that it arguably routinely outweighs private benefit. RUN members would urge a nuanced approach to any redesign of future policy settings to recognise and account for the need for a genuine regional funding differential.

Lifelong learning

RUN supports mechanisms to enable greater lifelong learning. As the pace of change quickens, and technology increasingly disrupts industry, the need for lifelong learning will only increase. The opportunity for Australians to upskill, reskill or new-skill will be paramount to the future prosperity of Australia. Therefore, RUN believes that there needs to be additional work on investigating mechanisms to encourage increased uptake by Australians of short-courses/micro-credentials, while limiting barriers that effectively ration these opportunities. This may include, for instance, consideration of extending income-contingent loans to cover the undertaking of short courses and micro-credentials, and broadening the tax deductibility of short course and micro-credential fees from those relating to a person's current job, to those that may relate to a person's alternative/aspirational career. In particular, students from non-traditional or underrepresented

backgrounds should be a special focus of incentives to encourage the adoption of ongoing learning and skills development. When investigating mechanisms for increasing engagement in education throughout the lives of Australians, one should be mindful of the fact lifelong learning engagement will likely be on a part-time basis resulting in a fundamental shifting of the equivalent full-time study load (EFTSL) to enrolment ratio. The administrative costs will remain fixed however which will create additional need for dedicated infrastructure funding. RUN therefore supports further exploration of the appropriate funding and legislative frameworks to enable lifelong learning.

Informed Student Choice

RUN believes that a strong, accessible, sustainable and equitable tertiary sector enables students to pursue their ambitions of higher education, at the institution of their choice, studying the subjects that they want, to work in the careers of their choosing. RUN also believes in students having access to individualised support mechanisms that enables them to succeed, wherever they choose to study, whatever their background. RUN commits to working constructively with the Higher Education Standards Panel to provide the data and transparency necessary for informed student choice of tertiary provider.

University specialisation

RUN firmly rejects any policy setting that suggest the emergence of specialised “teaching only” universities, given the risk that regional institutions could potentially lose formal university status via such a transition. Such a scenario has the potential to create a two-tiered tertiary system, where the people of RRR Australia may effectively occupy the lower tier. At a time of emerging regional economic potential and simultaneous regional shortages of critical skills, it would be unthinkable for RUN members and RRR communities to see regional universities having their formal status tested, due largely to historic policy settings that have persistently and disproportionately favoured tertiary provider models operating at scale in large metropolitan markets.

RUN therefore supports the Higher Education Provider Category Standards as currently written, and does not support any additional changes to the standards at this time. RUN believes that universities must be required (and equitably funded) to undertake research in at least three broad fields of study that it teaches, with a strengthened benchmark requirement that research be ‘world standard’ or of national standing in a field specific to Australia’s ongoing interests/prosperity. RUN supports mechanism that encourage university collaboration, building upon their comparative strengths and acknowledging the social charter of universities.

Student outcomes

RUN believes that all students with realistic aspirations and abilities should be supported to succeed at university, and universities should be funded accordingly, in recognition that not all students or student groups enjoy the same opportunities or academic journeys. The report rightly identifies that some students are at greater risk of non-completion of study. Equity group students, such as those from low-SES backgrounds, from remote areas or of Aboriginal and Torres Strait Islander descent, have below-average completion rates after starting a degree. Despite this, RUN universities proudly welcome the highest proportions of these equity group students in the nation, and therefore carry an extraordinary degree of responsibility to provide effective student support mechanisms. Consequently, RUN advocates for greater investment in supporting students from underrepresented backgrounds to succeed at university, and would argue against any changes to funding policy that may inadvertently or otherwise seek to disincentivise universities from engaging with students from equity backgrounds. RUN is open to a discussion around expanding Higher Education Participation and Partnerships Program entitlements to a broader base of

underrepresented or equity student groups, such as part-time, online, or lower-ATAR students, who are often more likely to reflect the aspirant students in the regional communities that we serve.

Please do not hesitate to contact the RUN Secretariat via e-mail at execdir@run.edu.au to discuss any elements of the submission further.

Yours sincerely,

Alec Webb
Executive Director