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Productivity Commission
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Dear Sir /Madam

La Trobe University response to the PC's 5 year Productivity Inquiry: From Learning to Growth

La Trobe University welcomes the opportunity to respond to the Productivity Commission's 5 Year Productivity Inquiry Interim Report. Our comments relate to Select Recommendations of the *From Learning to Growth* report. We endorse the submissions of Universities Australia and the Innovative Research Universities (IRU) groups to this Inquiry.

The one consistent feature of tertiary education policy for the last decade has been precisely the lack of consistency. Universities (and students) have constantly had to adjust to new policy settings often driven by concerns about fiscal costs. **We argue that the primary driver for changes to tertiary education policy settings should be an honest and comprehensive assessment of the tertiary education and research system that Australia needs – a system that produces the quantum and type of skilled graduates that are required while also generating world-leading research.** As noted by Universities Australia, Australian universities contribute to productivity in both their education and research functions.

We are hopeful that the upcoming Australian Universities Accord (AUA) process will provide the opportunity for this comprehensive assessment paving the way for a simplified, coherent system that offers policy stability to universities, students and employers. **The PC's Interim Productivity report comes at an important time to contribute to this process.**

La Trobe's response to Select Policy Recommendations

PC's draft recommendation 3.1: Expand the number of places in tertiary education to better support future workforce needs.

- La Trobe endorses the PC's Interim finding that "rationing places in tertiary education – through skill lists or provider funding caps- impedes efficient skills acquisition by limiting access or distorting course choices' (p.43) and supports the PC's interim recommendation 3.1 "to expand the number of places in tertiary education to better support future workforce needs". That said, our experience as a multi-campus university with a very high cohort of equity students, is that increasing participation in tertiary education and, in particular, increasing participation from among underrepresented groups is more complex than increasing the number of university places. For instance, across its multi-campus network, La Trobe has the capacity to train hundreds additional nurses and allied health workers, a significant area of current and future workforce shortage. However, due to the limited availability of clinical placements and the lack of means to upgrade infrastructure (e.g. nursing labs) to be able to teach students, we are limited in terms of the numbers of students we can enrol. La Trobe therefore recommends that in addition to increasing the number of places, further action is required on the

additional obstacles which are preventing higher education providers from being able to train the future workforce. Further detail can be provided to the PC on this point upon request.

PC's draft recommendation 3.2: Alter qualification subsidy rates across tertiary education to improve the effectiveness of government investment and support expanded access.

- La Trobe concurs with the PC that there is scope to revisit current qualification subsidy rates. Such an exercise cannot be decoupled from the discussion on what constitutes an equitable student contribution system. While this is a complex issue which the AUA will need to address, there are three elements which we think are crucial:

- The full cost of teaching: The total amount of government subsidy and corresponding student contribution needs to cover the full cost of teaching. Within the Job Ready Graduate (JRG) package, for instance, universities ended up not receiving enough money to cover the cost of delivering engineering, a key area which the JRG was trying to target. Any reworking of the subsidy rates and the student contribution systems must ensure that universities have the means to deliver a quality education to students.
- A more equitable student contribution system: The PC's report confirms the sector's long-held views that, due to the existence of the income-contingent loan scheme, "students are unlikely to be sensitive to price differences". Despite the best intentions of the JRG legislation, there is to date no evidence that it has succeeded in directing students to areas of skills shortages with significantly lower student contributions. The upcoming AUA process, which entails a review of the JRG legislation, should provide the adequate avenue to determine a more equitable student contribution system which considers the public and private benefits of higher education. La Trobe endorses the work of the IRU in this regard.
- Funding the full cost of research: In determining the optimal subsidy rates and therefore the quantum of public funding that is dedicated to teaching, it is important to recall the importance of fully funding the cost that universities bear to generate research, itself a huge driver of productivity. It is an open secret that the current levels of public funding for research fall way short forcing universities to cross-subsidise research through other means primarily international student fees. In its 2017 *Shifting the Dial* report, the PC recommended that government funding for university teaching and research be separated to avoid cross-subsidisation, and that government fund the full cost of research. For the first time, JRG broke the teaching-research nexus, thus fulfilling the first part of the PC's recommendation without solving the latter. As the PC outlines, providers are highly responsive to course prices (p.43). We submit that if universities were adequately funded for their research effort, an obligation they carry under TEQSA, this would be one way to "dampen incentives to prioritise enrolments in higher margin courses" (p.43). We recommend that the PC address the issue of the full funding of research as a key element of the broader funding of the tertiary education system.

PC's draft recommendation 3.4: Better informed student choice in tertiary education

- Enabling stronger TAFE-university partnerships to increase student choice: While, as the PC notes, it is important that prospective students are able to make an informed choice when selecting a tertiary provider, we believe that a more prescient issue is the continued lack of harmonisation between the vocational and higher education sectors. Both vocational training institutions and higher education providers play an important role in upskilling and training the current and future workforce. We consider that governments at all levels should take a broad and holistic focus of the higher education and skills training system that recognises the complementary roles of both TAFEs and universities, incentivises collaboration between

providers, and builds seamless pathways between them. La Trobe has a long history of partnering successfully with TAFEs (three of our regional campuses are co-located with TAFEs). This has enabled several pathway projects in which we work with regional schools, TAFEs and other community groups to raise aspiration and improve transition to post-school education. However, we consider that there are still too many regulatory obstacles that prevent us from building more innovative models of delivery with TAFE partners. In addition, providing more information on the existing possibilities for students to move across the two sectors would contribute to more informed student choices.

Thank you for the opportunity to comment on the PC's Interim Report. Please do not hesitate to contact my office should any further information on the points raised above be required.

Regards

Professor John Dewar AO
Vice-Chancellor and President