



NTEU Submission to the Productivity Inquiry

23 March 2020

The National Tertiary Education Union (NTEU) represents the industrial and professional rights of around 30,000 members working in Australian higher education and research.

We welcome the opportunity to make a submission to the Productivity Commission's review of Australia's productivity performance and provide our recommendations on what changes need to be made to make productivity-enhancing reforms.

We note that the Commission is requesting that recommendations should qualitatively and quantitatively estimate the benefit of making the reform and identify an owner for the action and a timeframe in which it might occur. The NTEU's submission is confined to the higher education sector, in which case ownership for reforms will be either by Government (primarily Commonwealth Government) or higher education providers, or both. In most instances, we are recommending immediate action, or for reforms to be fast tracked.

We have attached to this submission a number of supporting documents which provide in depth analysis of some of the issues that are impediments to improving productivity outcomes in the higher education sector. These documents are:

- **Attachment A:** The NTEU's 2022-23 pre-Budget submission
- **Attachment B:** Discussion paper on insecure employment in higher education
- **Attachment C:** confidential
- **Attachment D:** confidential
- **Attachment E:** Brief Comparison of Australia with the OECD

Higher education providers, both public and private, are integral to Australia's productivity growth. Higher Education Providers are not only engaged in training and re-training the next generation of skilled professionals, they are upgrading our reserve of human capital – one of the only means available to us on the economy level to improve productivity.

In addition, the higher education sector, primarily through public universities, is responsible for the vast bulk of Australia's knowledge and innovation economy through research and development – another key area where we may realise productivity gains at the economy level.

Part One: The Decline of Public Investment in Higher Education

The higher education sector is Australia's 4th largest export industry; in 2019-20 bringing in \$37 billion to the economy.¹ At first glance, it would appear that the trajectory of the higher education sector – and in particular, public universities, has been positive growth. It is true the total revenue for public universities rose between 2010 and 2019 (prior to COVID-19) from \$21.6b to \$36.5b (an increase of \$14.9B or 69%). Similarly, there has been growth in student numbers; overall, enrolments increased 35 per cent between 2010 and 2019.

However, therein lies the issue. The majority of the total income increase for public universities has been **paid for by domestic students (via HECS-HELP) and international students**. In fact, during that time, domestic enrolments increased by 27 per cent while international enrolments rose by 57 per cent. Although numerically smaller in number than domestic student enrolments, the increase in international student numbers was driven largely by the need for universities to subsidise their domestic teaching and research with international student fee income, which is uncapped and falls under discretionary income for institutions.

At the same time, the Government's own direct contribution (via Commonwealth Grants Scheme (CGS)) **as a proportion of total funding has fallen**. In the international context, Australia is a laggard. According to the OECD, Australia spent just 0.63% of GDP on higher education in 2019 versus an OECD average of 1.1%.² (see attachment E)

Thus, broken down, three-quarters (75%) of the \$14.9b total increase in revenue from 2010 to 2019, is attributable to:

- an increase in overseas student fees of \$6.1b (41%)
- an increase of by \$2.7b in fees paid by Commonwealth supported students (domestic students) via HELP payments increased (18%), and
- an increase of \$2.3b in the Federal Government's direct contribution (public subsidy) for the education of domestic students, (Commonwealth supported places (CSPs)) via the Commonwealth Grants Scheme (CGS (16%).

(Note: the rest of the funding increase comes from a number of other different sources, including other grants programs and university discretionary funding sources).

The decline in public funding as a proportion of university income has been due to successive Governments initiating numerous funding cuts, freezes and other savings measures, to the point that by 2019 there was **\$10b less in Government contributions than what was originally projected** for the sector in 2010.

¹ Parliamentary Library, "Overseas students in Australian higher education: a quick guide" Updated 22 April, 2021

[https://www.aph.gov.au/About Parliament/Parliamentary Departments/Parliamentary Library/pubs/rp/rp2021/Quick Guides/OverseasStudents](https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/rp/rp2021/Quick_Guides/OverseasStudents)

² OECD (2022) *Public spending on education (indicator)*, <https://data.oecd.org/eduresource/public-spending-on-education.htm>

The NTEU contends that the ongoing reduction in funding for public higher education is part of a long term, ongoing pattern, whereby successive governments have, over time, cut public funding in repeated and persistent attempts that are represented as “reform” of higher education, but in reality, are a claw back of funding for budgetary ‘savings’. The effect of this approach is that higher education is now hamstrung by a high degree of uncertainty, in both funding and regulation. This has an impact on all aspects of higher education – from governance and culture, to workforce issues, to the quality of research and teaching that is being delivered. It is why around 70% of teaching is undertaken by casual staff, and why the majority of research only staff are on rolling fixed-term contracts (usually between 1 – 3 years duration). The NTEU has attached a briefing paper to this submission outlining the impact of insecure employment on the sector, and what this means for the quality of education, as well as the link between insecure work and underpayment.

It is deeply concerning to the NTEU that despite higher education – and in particular public higher education –being such a vital component in our national productivity– funding is very much tied to political oversight and even favour. As such, there is no workforce planning (which has led to a largely precarious, semi attached workforce), reporting is opaque at best, and a political system of ‘carrots and sticks’ are used to influence providers around a series of short-term ever- changing policy objectives.

While this trend was a cause for considerable concern prior to COVID-19, the impact of the pandemic has widened the faults lines in the system. First and foremost, the sector’s over exposure to the international student market (see attachment A) was writ large. The Australian Bureau of Statistics (ABS) in 2021 reported that annual value of tertiary education exports, accounting for tuition, accommodation, and related travel expenses, fell from \$40.3 billion over the 2019 calendar year to \$26.7 billion in the 12 months to June 2021. This shock to the sector resulted in mass job losses, as well as the loss of subjects and courses. Research by the Australia Institute in 2021 found that:

- In the 2021 academic year, tertiary education lost 40,000 jobs (almost one job in five) (according to ABS data).³
- Most of those jobs (about 35,000) were lost from public universities. Universities suffered more job losses over the 12 months to September 2021 than any other non-agriculture sector in the economy.
- In the VET sector, more jobs were lost in TAFEs and other public vocational education institutions than private for-profit providers (who were eligible to apply for JobKeeper).
- Women have experienced disproportionate job losses – more than their share of total employment.
- Reduced staffing and increased casualisation will not only jeopardise the quality of education but will also undermine the ability of Australian universities to support the national economic recovery and the long-term interests of Australian society.

³ Littleton, E., Stanford, J., An Avoidable Catastrophe: Pandemic Job Losses in Higher Education and their Consequences, The Australia Institute/Centre for Future Work, September 2021.

Unfortunately, while it is expected that even should the country's economy recover earlier than anticipated in 2022, higher education will continue to feel the effects of COVID for many years to come, with the loss of international student fee revenue likely to continue impacting the system for the next 3 to 6 years.

While the loss of income to public universities as a result of COVID-19 is projected to be \$4.4b and there have been thousands of staff made redundant, the Government chose to exclude public higher education providers from its JobKeeper program.

COVID showed that the over-reliance on international student fee income to fund higher education has put Australia's investment in skill formation, research and development at risk to international shocks.

Jobs-Ready Graduate Policies

The biggest recent policy development in the sector was the government's 2020 "Jobs Ready" Graduate Package (JRGP). The stated purpose of the JRGP changes were to use a system of fee cuts and increases to incentivise individual students to undertake study that better prepared them to participate in Australia's economy.

The policy *arbitrarily* cut fees to some areas like agriculture and allied health, and increased student fees (up to 100%) in other areas like communications, humanities and social sciences. At the same time public funding was also cut to these discipline areas. In some "priority areas" like maths student fees were cut much more than government funding was increased, leaving these areas starved of resources.

These choices were not evidence based but set by the Minister with no prior consultation (notwithstanding the question of whether it is even possible to predict future skill needs). Further to this, there is no evidence to suggest that school leavers respond to financial incentives in study choice, especially when financial costs are deferred under HELP loans.

Under the JRGP changes, the level of public investment per CSP (in real terms, over forward estimates) fell from \$12,474 to \$10,672, a decline of \$1,802 or 14.4% per student.

Furthermore, as a result of the JRGP, on average student fees increased from around \$8,800 to \$9,530 per student per year in 2021 values. This was an increase of some \$730 or 8%. The inherent inequity of the JRGP revealed with the analysis also showed the **average fees for Aboriginal and Torres Strait Islander students increased by 15% and for women students by 10%** (based on the increase in fees for degrees with high enrolments of these student cohorts).

The NTEU's analysis found that the increases in average fees (\$730) was not enough to offset the reduction in average public funding per student (\$1,800). Taken together, the result is that, as a consequence of the Government's policy settings in 2020-2021, public universities on average have suffered a loss in resourcing of more than \$1,000 per FTE student or approximately 6% per CSP.

Funding cuts into the future – a growing student population

By 2024, public spending on higher education will be \$634 million behind where it would have been if it had kept pace with inflation from 2018 (assuming inflation of 2 percent per year from 2021-22).

Importantly however, over this period student numbers are forecast to continue increasing with annual new places planned under the CGS. The result is that, unless funding is restored, real public funding per student is expected to decline – or put simply, despite there being *more* students over time, universities will continue to see *less* public funding allocated per student.

This loss of real funding per student means that universities will, once again, be driven to pursue international student funding to prop up domestic teaching and research costs.

For students more broadly, the impact of the Government's policy setting means the universities will be looking at basing teaching pedagogy around costs of delivery rather than on best practice for that discipline; already we have seen fewer or larger face-to-face classes and less comprehensive student support. For staff, who are already under strain following the loss of around 40,000 jobs in the tertiary education sector, there will be pressure to shoulder even heavier workloads and the already excessive reliance on insecurely employed workers is set to increase.

Nb see ***Attachment B: Discussion paper on insecure employment in higher education*** which discusses the dynamics of insecure employment in the sector and the impact integrity of the sector

See also ***Attachment C: Discussion paper on casualisation and staffing data availability in higher education*** which updates some of this data and attempts to get to the true number of casual staff in the sector.

Part Two: Research

The NTEU believes that the evidence shows Australia's research sector is over-stretched and underfunded, again due to funding cuts and freezes, aimed primarily at curiosity driven research. Recently the Government has also chosen to intervene directly in research grant processes, undermining the independence of the Australian Research Council (ARC) in particular.

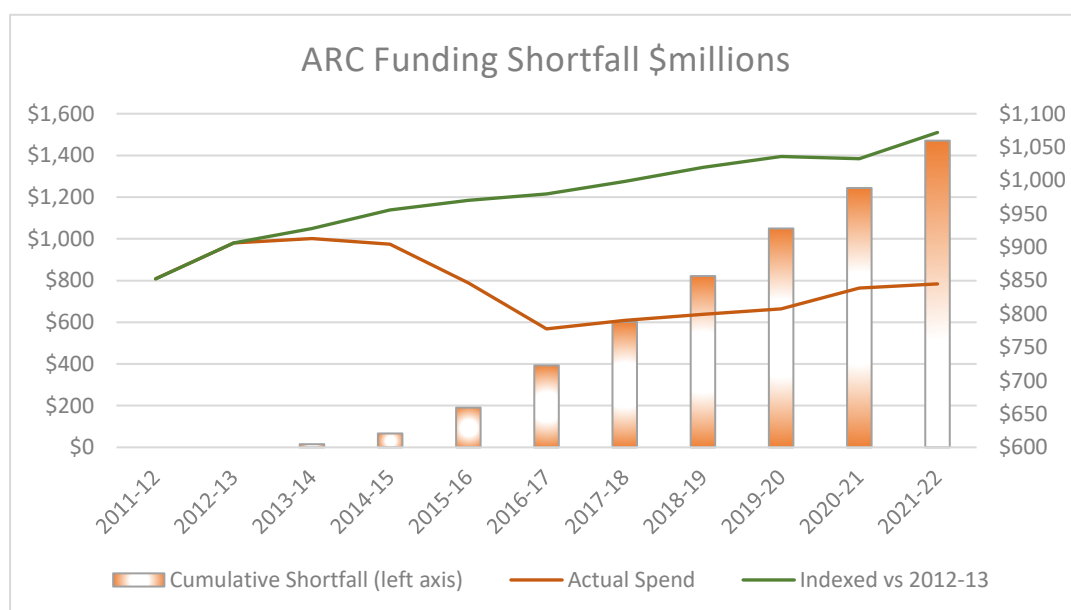
In 2020, the Government changed university funding levels via the Jobs Ready Graduate (JRG) bill which also further reduced research funding, removing it from Commonwealth Grant Scheme (CGS) funding that supports universities, and further emphasising ad hoc single project funding.

Research Funding

Under current government policy arrangements university research is primarily funded via short term competitive grants through applications made to the Australian Research Council (ARC) or the National Health and Medical Research Council (NHMRC). These grants apply to specific approved projects for specific periods of time.

Cumulatively over the past 9 years, this Government has withdrawn \$1.47 billion from the ARC.

Recent funding announcements only replace some of the money that has been lost; it is also narrowly allocated in applied research. Importantly, most of the funding reductions have come from programs that support blue sky, curiosity driven research which are relied upon by our early and mid-career researchers. So called 'new' funding is instead going to a select group of manufacturing priorities, most of which are already supported through existing government schemes.



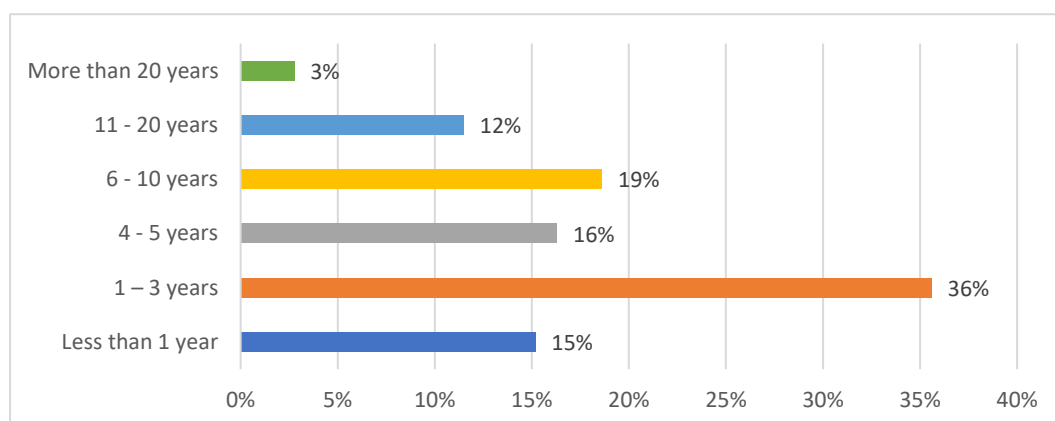
While applied research is important to innovation and productivity, it is often only because of prior work done in pure, knowledge driven research that commercialisation opportunities can

later be realised (the recent advance of MRA vaccines in the COVID pandemic response is an excellent example of this). By reducing funding for pure research, the pool of grant money shrinks, thus impacting on knowledge creation and opportunities, the impact of which can never be known in advance. It is also worth noting at this point that the rate of success in grant applications is extraordinarily low (which in itself is a productivity block) – with around 80% of applications unsuccessful.

Australia’s research workforce – overworked and precariously employed

A large portion of time and energy is expended by university academics on long, detailed, grant applications, the vast majority of which are unsuccessful. **In 2021 only 18 per cent of applications were accepted.**⁴

Not only is this system inefficient, but it has also led to endemic precarious employment in the research sector – which largely operates on fixed term employment contracts linked to the duration of specific grants. This level of precarity is unnecessary given that research work is consistently ongoing in Australian universities and is highly unlikely to ever be discontinued.



Number of years research only staff have been continuously employed on fixed term contracts (NTEU survey respondents, 2020)⁵

It is estimated that over half of all researchers in Australian universities are on short term contracts.

While there is a role for competitive research grants in the public system, there needs to be room in university budgets for base level green-fields research directed by local university departments and individual researchers. This base level funding is also needed to support research training. This type of research builds the teaching-research nexus, strengthening teaching and research output simultaneously.

⁴ Australian Research Council, “Grants and Funding Trends”, 2022, <https://www.arc.gov.au/grants-and-funding/apply-funding/grants-dataset/trend-visualisation/ncgp-trends-success-rates#:~:text=Since%202002%2C%20the%20ARC%20has,of%20around%2025%20per%20cent.>

⁵ Source: NTEU State of the Uni Survey 2020, n=2401

Political Control of Research in Australia

Another issues around research productivity has arisen more recently, with the Government (through successive education ministers) directly interfering with the ARC's competitive peer-reviewed grants process. Most recently, the Minister vetoed funding six projects in December 2021, all humanities based, but over recent years, around 22 ARC grants have been vetoed by education ministers. The Acting Minister for Education and Youth has gone even further though, recently directing the ARC to appoint 'industry based' non-experts to the ARC's College of Experts, who assess grant applications.

Government intervention in grants processes and in individual research itself has obvious implications around productivity, with an individual minister's own opinion overriding recommendations from the researchers' supporting institution and the ARC's robust peer review processes.

Part Three: Australia's International Standing

The trajectory of Government policy on Australia's higher education sector has the potential to undermine Australia's international competitive advantage as a high skills economy. Under current policy settings Australia is essentially relying on education (and skill) exports to fund our own skill formation while at the same time getting by on a lower and lower quality education offering for residents. This presents obvious risks should there be any (additional) external disruptions to those markets we rely upon – indeed it's worth noting that the majority of Australia's higher education market is from three source countries (China, India and Nepal). However, there is more than just financial risk; Australia's standing internationally has impacts for our research collaborations and on international links and networks.

In terms of comparison's with overseas countries, the 2021-2022 Federal Budget papers clearly showed that Government spending on higher education is set to fall to a multi-decade low as a proportion of GDP – from 0.77% in 2015-16 to only 0.52% in 2024-25, close to half the OECD average. It is also set to lose pace with inflation, suffering a 9.3% reduction in real terms over the forward estimates.

Australia has one of the lowest levels of public investment in tertiary education in the world and students attending public universities pay amongst the highest fees in the world. As a consequence, Australia's share of public investment is amongst the lowest in the OECD.

Part Four: Recommendations

Increasing pressure on higher education institutions to cut research, casualise teaching (reducing quality and skill accumulation in teaching staff) and focus on private revenue streams over core activity threaten to undermine the quality of education available in Australia.

The NTEU recommends major changes to stem this decline.

The NTEU's recommendations require action from both Government and higher education providers.

As a first principle, Australia's world class public university system must be underpinned by:

- **secure employment**
- **a level of public investment that ensures public universities can deal with unexpected external shocks (as evidenced during COVID, and was a direct result of over reliance on international student fee income), and**
- **appropriate regulatory and governance frameworks that are transparent and ensure university autonomy**

In rethinking higher education policy, we recommend that the next Government:

- **form an independent higher education agency or commission with regulatory and funding responsibilities (this ensures regulation *and* funding are at arm's length from political structures)**
- **introduce a Public Accountability Agreement (PAA) framework (supercharged individualised COMPACTS that tie institutional funding to performance/planning) as the primary or the planning/funding/accountability framework to replace existing strategic plans, funding and performance mechanisms.**

A new National Higher Education Funding Strategy should increase investment in public higher education to 1 percent of GDP, and should recognise and address:

- **the real cost of delivering high quality tertiary education including administration, marking, and ensuring staff and student wellbeing**
- **increasing casualisation in university workforces and its detrimental effects on staff and students**
- **the role of research as a core university function**
- **revenue stabilisation and diversification**
- **the need for restored funding for Australian Research Council (ARC) and the National Health and Medical Research Council (NHMRC) to bring back researcher led research**

We also believe that there needs to be a specific plan to address the problem of insecure employment for research staff, which sees us lose valuable research talent every year.

As such, the NTEU urges Government to:

- restore the link between teaching and research, with academic staff allocated paid time to inform their teaching scholarship through CGS funding
- protect Australia's research independence, with research grant funding allocated through independent, peer review processes, and not subjected to political interference
- require higher education institutions to engage in research workforce planning and incentivise them to reduce their reliance on fixed term and casual employment, and
- review the strategic research objectives to ensure that research priorities are coherent and clearly defined, and that researchers can engage in publicly funded curiosity driven research, for both knowledge and public good.

Finally, political interference in Australian research must also end. Research independence needs to be respected and academic freedom protected.

The NTEU would be pleased to discuss any aspect of our submission with the Commission.