



Tertiary education

Improved education is important for future productivity growth. This is particularly relevant to the services sector where human rather than physical capital drives productivity and quality improvements.

Labour quality (the education and experience of the workforce) has accounted for about 20% of labour productivity growth in recent decade. We have not reached the point where the cost of education for additional students outweighs the benefit to them and society.

The mismatch between the qualification levels employers need and those possessed by job seekers is significant. In the next 5 years,

more than nine out of ten jobs will require tertiary education, and **six of every ten new jobs will be high skilled**.



Giving access to tertiary education to people who, under current settings, are denied the opportunity would provide large economic and social benefits. The current growth in tertiary places will also not meet the expected **15% increase in school leavers** over the next few years. At the same time, quality teaching and providing relevant skills is essential for getting the most from mass investment in post secondary education.

Recommendations

The Australian Government should **improve tertiary education access and better target investment**, by:

- Providing a Commonwealth-supported place to all domestic students accepted to a Table A university Bachelor's degree (recommendation 8.4), subject to measures outlined in other recommendations that contain fiscal costs (recommendation 8.5) and ensure all students are adequately supported (recommendations 8.13 and 8.14).
- Better targeting investment in higher education by setting the student contribution based on the average expected earnings for each field of study, with more of the cost covered by students with a greater capacity to repay (usually via an income-contingent loan) (recommendation 8.5). Student contributions should be higher, on average. The government contribution should make up the gap between the student contribution and the estimated cost of delivery for each field of study.
- Regular costing exercises should be conducted to estimate the costs of tertiary teaching and research (recent cost exercises have only measured higher education teaching costs) (recommendation 8.6). The methodology underpinning these cost estimates should be periodically reviewed and refined over time to inform more accurate estimates, with the ultimate objective of reflecting only efficient costs.
- Gradually expand income-contingent loan (ICL) access to more vocational education and training (VET) courses (recommendation 8.7). Initially this should be limited to Diploma (or above) qualifications, excluding those primarily undertaken for leisure or that yield poor employment outcomes. Subsequent expansion to Certificate IV (and potentially Certificate III) could also be considered after evaluation (including assessing there were no adverse consequences such as those seen under VET-FEE HELP).
- Consolidating and examining the effectiveness and accessibility of available programs to support lifelong learning and to reduce gaps and increase uptake (recommendation 8.8).

The Australian Government should **support improved quality of tertiary education**, by:

- Increasing transparency by requiring universities to provide all lectures online and for free; refining and validating new Quality Indicators for Learning and Teaching (QILT); adapting the ComparED tool to address the risk of misunderstood information and consider abandoning it and providing additional QILT data to non-government funded websites that already cover information relevant to student choice; and giving TEQSA responsibility for external university teaching quality assurance (akin to Scotland) (recommendation 8.9).
- Bolstering incentives for teaching quality, including trialling additional funding for research and teaching development provided to individual staff based on their teaching performance, as well as trialling a modest ARC grant for teaching focused research (recommendation 8.10).
- Empowering the Australian Education Research Organisation (AERO) to collect and disseminate evidence on best practice post-school teaching, covering both VET and higher ed (recommendation 8.11).
- Favouring light-handed and simple performance incentives, by putting on hold the scheduled commencement of performance-based funding of universities in 2024 and only reinstating it if its risks are better managed and if other approaches have proven ineffective. This should be implemented alongside exploring financial rewards to providers that AERO identifies as having made successful efforts to improve (recommendation 8.12).

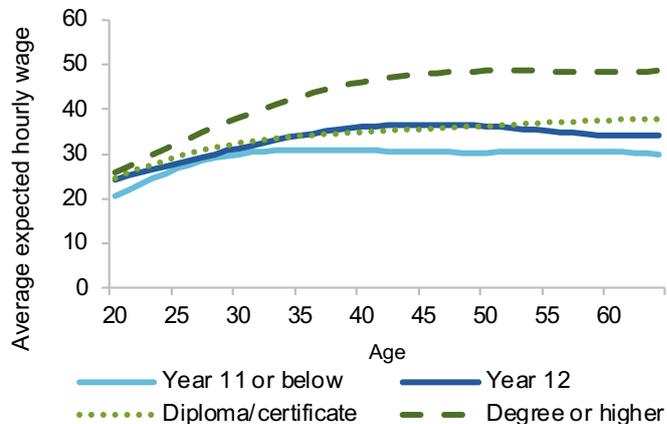
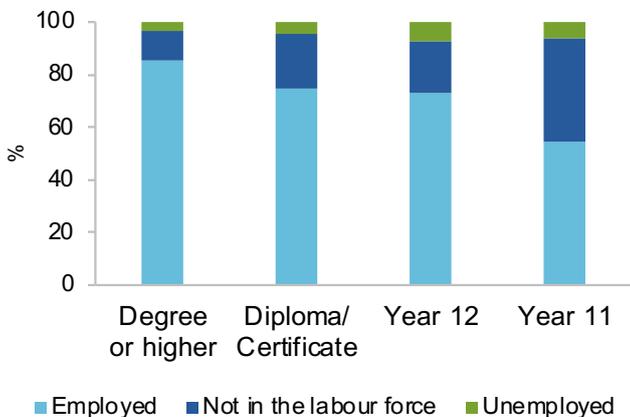
The Australian government should support course completion as well as improve outcomes for those who leave before completion:

- For any undergraduate degree, providers should create at least one subset of courses that provide a qualification for students who withdraw ('a nested qualification') (recommendation 8.13). The design, requirements and timing of the nested qualification/s should be left to providers' discretion, although any qualification would need to meet the relevant TEQSA standards and monitoring requirements.
 - Providing grants to encourage experimentation and sharing of new strategies for student retention (underpinned by post-evaluation) and more effectively communicating to students when they become liable for course fees by amending 'census date' in the HESA Act to 'payment date' (recommendation 8.14).
 - The Australian Government, together with state and territory Governments, should support a responsive VET sector and improve teaching, by:
 - Monitoring the development of new training packages to ensure they meet acceptable timeframes and incorporate innovative and best practice design models, and prioritising cross-sectoral skills standards to reduce duplication of effort in training package development and allow VET students to be assessed against these standards as soon as possible (recommendation 8.15).
 - Funding extra training and development programs for VET trainers and assessors so they can adequately perform independent and proficiency-based assessment; tasking NCVET with a census of the VET workforce, and encouraging state and territory governments to develop local models of vocationally-oriented education that combine VET and higher education content together with industry expertise (following the example of NSW's Institutes of Applied Technology) (recommendation 8.16).

Key figures on next page

Key figures

More education increases labour force participation and lifetime earnings. (Volume 8, p. 4)



Many job vacancies need higher qualifications than job seekers possess. Almost all new jobs over the next 5 years will require tertiary education. (Volume 8, p. 11)

