Higher education and the Commonwealth budget: An outsider's perspective

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1. The budget – Main features

- Demand-driven system
- Extra Funding (with extra strings attached):
- (i) Infrastructure (EIF);
- (ii) For extra government funded student places;
- (iii) Loading for students from low SES background + Partnership program;
- (iv) Indexation provisions;
- (v) Performance funding;

- (vi) Extra funding for indirect costs of research;

- (vii) Structural adjustment funding for regions.

- Income support: Change to eligibility provisions

- A new system of regulation and accreditation (TEQSA)

- Reform to improve tertiary pathways

2. A rich country on the cheap

"At the end of the twentieth century almost all nations have discovered what America knew at the beginning of the century. Human capital, embodied in one's people, is the most fundamental part of the wealth of nations. Other inputs…can be acquired at world prices in global markets, but the efficiency of one's labor force rarely can." (Claudia Goldin and Lawrence Katz, 2008).

- Sources of economic growth in Australia: Strong role of natural resources; Limited role for productivity growth

- A comparison - Economic growth in the US: C20 as the 'American century and the HK century' – In 1905 ratio of L prody in AUS/US is 105 cf. in 1961 is 73.

- Anemic growth in expenditure on higher education in Australia (1995-2005: OECD 57.8% cf. Australia 34.1%).

"…the medium to long-term future is likely to depend increasingly on sophisticated knowledge-intensive industries. The world is already highly competitive in the production and dissemination of knowledge. It is likely to become even more so in the future. Thus, much higher levels of investment in education, training, scientific research and innovation is fundamental for a successful transition to a future economic environment…' (Boris Schedvin, 2008).

- An extra perspective – The burden of knowledge: Greater existing body of knowledge -> Must know more to extend knowledge

- Hence in US: (i) Age at 1st invention, specialization and teamwork increase across time; (ii) Growth in teamwork and specialization are greater in 'deeper' areas of knowledge (Benjamin Jones)

-> Need to run (train) longer to stay still

3. The level of public expenditure

- Some increase in public expenditure – Could be regarded as a notable achievement – But:
- (a) Failure to match Bradley review recommendations: No 10% increase; Slow introduction of indexation and funding for indirect costs of research
- (b) Run-down of EIF
- Simon Marginson – A budget of 'deferred gratification'; Eventual funding 37% of Bradley recommendations

4. Performance funding

- Is it necessary? The balance between regulation and trust in leadership and competition
- What should the performance criteria cover?
- Are financial incentives enough?
- Issues with CEQ etc. surveys
- Is the size of financial incentives appropriate?

5. Policy, ideology and regulation

- Another new system of regulation
- Jumping at shadows - The Budget as a black box in a distant future
- Bias in research funding (Share of funding for basic research – 1969: 77%; 2006: 50%)
- The role of private education – Re-fighting the battles of student politics

6. A demand-driven system

- But outcomes will depend on supply as well
- Number of CS places offered likely to depend on 'price' relative to costs and relative to 'price' for international students
- Hence key aspect of current system is continued lack of scope to adjust prices

-> Likely consequence: '…continued high numbers of internationals in prestige institutions while the growth in local participation takes place in less research-intensive universities, private providers and vocational education and training…' (Simon Marginson, <u>AFR</u>)

7. Improving access for disadvantaged students

- How should targets be expressed? (Andrew Norton)

- How can we best promote participation by disadvantaged students?

- Should (and can) universities have a role?