



Centre for the Study of Higher Education

## **Education, Science and the Future of Australia**

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# **Confronting challenges for universities**

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At the outset, let me commend the University of Melbourne, in particular the Centre for the Study of Higher Education for initiating this series of discussions.

Australia's capacity for higher education policy research and analysis has eroded over the last two decades or so at least in the areas of the public sector where it was formerly significant, both in government agencies and departments (CTEC and NBEET, DEET and DEST) and in universities, where Melbourne and UNE are now the only substantial players though they are both small units. Other former HE policy centres have either withered or been turned inwardly to focus on academic development.

There has been some growth of private sector capacity through consulting firms and think tanks, the latter tending to be politically aligned. Since around 2001, DEST has made much use of external consultants in mapping activities, scoping issues, consulting interest groups and examining options. Many in the sector have felt that those processes have increased inclusion in policy discussion, although the frequent disconnects between those processes and eventual decisions has caused some disillusionment, whether the 'Crossroads' exercise or the EAG to DAG elements of the RQF exercise.

There seems concurrently to be greater influence exercised through informal ways and means by individual institutions, persons and interest groups. Perhaps this makes the advisory process more contested and decision making more responsive if less transparent, but it is not evident that the policy outcomes are sounder or more coherent.

Associated with these shifts in the consideration of policy over the last two decades at least has been a government-driven agenda to which universities have been mainly reacting and complying rather than contributing. Importantly, much of that government agenda has not been about higher education policy per se but rather about fiscal policy, labour market policy (including immigration policy), labour relations policy, and public sector administrative and governance reform along with (more recently) challenges to the allegedly dominant 'soft-left' institutional values culture. Interestingly, in day-to-day relations between the academic, government and business communities there are other matters discussed, such as those relating to trade, strategic issues, environment, demography or health, yet higher education policy (with the exception of education exports) has not reflected these dimensions of the contemporary role of universities. Financial relations are also increasing with these other areas of government and industry.

It has become more demanding for higher education policy centres to grapple with these wider cross-portfolio agendas. Nevertheless, if universities are to shape the future policy agenda or at least be influential voices in its shaping through sound claims and critiques then centres of higher education policy analysis and research will become ever more important. Among the future challenges for such centres, whether in universities or sectoral bodies or elsewhere, will be those relating to linkages with centres of expertise in other policy areas as well as international linkages.

All this is to say little other than that higher education these days straddles government portfolio boundaries and is necessarily bound up in the global knowledge economy (which presents new challenges even to the best of nationally joined-up governments, horizontally across ministerial portfolios and vertically among levels of government in federal systems).

The main implications for universities are that they need to be connected into this new operating environment in ways that matter and to bring to their relations with government considered and timely proposals together with a principled understanding of trade-offs.

The flip side of the relationship is also important, that is that governments need to appreciate the dynamic competitive world in which universities operate and allow them the flexibility to function responsively. They cannot do so if governments treat universities as part of a centrally managed school system. That is one of the key messages in the Go8 discussion paper *Seizing the opportunities*: if governments continue to over-regulate and micro-manage universities and fetter their discretion through a myriad of specific purpose funding schemes each with varying conditions attaching, Australia will lose out through the inability to shape up in the intensifying international fight over intellectual talent. Of course, another message is that the Go8 sees it has the responsibility to make its policy preferences clear and not be satisfied or be assumed to comply with ill-conceived or ill-constructed policies from whatever side of politics, particularly if they may do damage to research universities.

I wonder, for instance, who has noticed the reduction in the share of higher education R&D dedicated to basic research, from 64% in 1990-91 to 52% in 2004-05 – in a country whose reliance on university research within its total R&D effort is almost double that of the OECD average? That is a big shift in just fifteen years, and a curious one given the Productivity Commission's comments about the importance of the basic research function of Australian universities.

Let me also pay tribute to Professor Kwong Lee Dow, a generous man and a friendly face who has made a formidable impact on Australian education. Kwong will appreciate the irony that almost a decade after the Committee of Review of Higher Education Financing and Policy of which he was a member, the Go8 has issued a discussion paper with proposals along similar lines to those his Committee (chaired by Rod West) recommended to government for a more holistic approach to lifelong learning and student-centred funding. As I recall, the West Committee had few champions within the university sector, let alone anywhere else, at the time.

Timing is everything in public policy. The West Committee was formed to provide safety-net advice for fallback options in the event that the measures adopted for giving effect to the decisions of the 1996 Budget to cut higher education outlays had adverse consequences. The West Committee's draft proposals were quickly ruled out by the Prime Minister in the run-up to the 1998 election because they exposed the government to additional political risks.

A subsequent set of recommendations reflecting a modification of the West Committee's final recommendations were almost taken to the Cabinet by the then Minister David Kemp only to be leaked to the Opposition, leading the Prime Minister to announce in October 1999 the following rule-outs: "fees will not be deregulated; vouchers will not be introduced; the Higher Education Contribution Scheme (HECS) will not be charged for Technical and Further Education; the current HECS system will remain; there will be no additional loan system, or real interest rate attached to the current HECS system; the current system of Government subsidies and funded places will remain, as will the prohibition on charging fees for HECS-liable places."

As it has turned out some of those policy features have since been ruled in, suggesting that they were not ruled out on their substantive merits. This is not to say that the West Committee's proposals or those of Dr Kemp may not have been found wanting with more considered evaluation, but merely to emphasise the fact that the prevailing circumstances dictate, policy windows open and close quickly and the opportunities for influence can be fleeting. It does not matter how compelling the rational-empirical case may be. Anecdotes that reveal perceptions of political risk have clout.

From a public policy perspective, the run-up to an election presents doubled-edged opportunities for interest groups to advocate for a change in policy direction. On the one hand, matters of higher education and (but curiously to a much lesser extent) research can gain some attention, typically when non-government parties make electoral inroads through their criticism of government policy and their proposed initiatives. Arguably, the ALP White Paper issued by Jenny Macklin in 2006, that criticized the rigidity of funding clusters and put forward some novel ideas, gave impetus to the partial deregulation measures announced by the Minister, Julie Bishop, in the May 2007 Budget. Additionally, the possibility of political change opens up room for consideration of alternatives to the policy status quo. On the other hand, all propositions are received from a politicised perspective, with the risk that argument if not evidence is interpreted as partisan. Additionally, the more radical the proposal for change the more likely it is that those who fear they will lose will be more vocal than those who think they might gain.

It is not in the interests of those advocating reform, nor of political parties that may need to adopt the proposals in some measure in government after the election, to have particular options ruled out prematurely. Meanwhile, it is important that debate continues within the sector to clarify areas of agreement and disagreement, with a

view to presenting as solid common ground as possible on matters of overarching sectoral interest, noting that on some important matters there will be sharp differences within the sector and it will suit no one to blur or seek to bury them.

To the extent that the proposals for change unsettle the established understandings the debate can become fraught. In the case of the Go8 paper, the cheap shot is to dismiss the propositions as self-serving for elite Go8 universities, on the assumption that what is good for them cannot be good for others. Thankfully, only a very few have attempted to fire that shot and their efforts have not reflected well on them. For the most part, the reactions of non-Go8 commentators have been reasoned and balanced. Most have welcomed the contribution to the debate. There is some wariness, understandably, but also a willingness to look for points of agreement about deficiencies in the current policy framework and measures that might provide greater operating flexibility and sustainability in the future.

There are concerns about a shift to demand-side financing and the use of national merit lists for the allocation of scholarships to students. There are concerns that regional universities will be disadvantaged and that damage will be done to equity of student access. There are concerns that some fields of study will become unviable for want of student demand. There are concerns that research concentration will entrench the advantages of the longer established universities and make it more difficult for newer universities to develop their capacities. There are concerns from other quarters that actual teaching costs are elusive and arbitrary price caps will restrict the operation of market mechanisms.

The Go8 paper suggests there are ways of addressing some of these concerns through the weighting of scholarships to encourage the participation of students from particular equity groups and to give incentives for study at regional universities. The Go8 paper also proposes an element of direct funding to universities, such as for sustaining scholarship in fields of low enrolment, and for community engagement and knowledge transfer functions independent of teaching scale. The idea is that the mix of incentives should enable each university to play to its strengths.

If that means that the strongest (at least in terms of accumulated resource and reputation) should get stronger it does not necessarily follow that the weakest will get weaker. Rather, the weaker institutions (those with less capacity) should also grow stronger, for it is not a static zero sum game. However, the real question is not about strength alone but fitness relative to mission, and what is important for the community is that each university has strength of purpose and capacity to fulfill its own mission.

Most of the Go8 universities are not seeking to grow their domestic undergraduate numbers. Competition for volume is likely to be outside the Go8. Under the current framework the only semi-discretionary source of government funding for universities relates to research and research training, and as the funding for teaching is tied up, all universities are aiming to raise their research income. Funding for community engagement, and resourced collaboration via a hub & spokes model in respect of research, should serve to widen income options and reduce the pressures on some institutions to emulate research intensive universities while expanding opportunities for their staff to undertake research.

Nevertheless it has been suggested that the overall Go8 approach is inappropriate and that non-Go8 universities should be given the chance to build up and not be discriminated against on grounds of age. Do we wait until every post-Dawkins university has had the chance to catch up with the pre-Dawkins' universities? Can we afford to do that as a nation when the rest of the world is not waiting for Australia

to catch up? Should we accelerate skewing the distribution of resources to bring the lowest up to the highest? Do we have the resources to do that – the human as well as the financial resources? Should we aim to level our performance peaks or is it self-defeating even to attempt to do so?

A policy framework that promotes emulation by default runs counter to any policy objective of structural differentiation as a means of widening student choice. Martin Trow (2003) has noted that “a central problem for higher education policy in every modern society is how to sustain the diversity of institutions, including many of which are teaching institutions without a significant research capacity, against the pressure for institutional drift toward a common model of the research university. The effort alone shapes the character of an institution to be something other than what it is – a prescription for frustration and discontent.”

The Go8 paper addresses this issue, noting: “At the core of the dilemma is a single image of a university and a set of assumptions, in the academy if not in the community, that confuse institutional status with institutional purpose and performance. It is the tendency of tertiary education institutions, if driven by academic norms alone, to narrow their purposes and define their differences in terms of hierarchical rather than horizontal relations. The sustainability of a diverse system requires interactions between specialist institutions and other organisations in the community in which they function. Tertiary education institutions have a responsibility to define their roles in relation to the needs and expectations of the communities they serve. The definition of their roles should be the subject of period reappraisal involving consultation with internal and external communities”.

The Go8 proposals are based on the concept of the locally-engaged internationally competitive university. This line of thinking moves away from either a provider-centric approach or a government-control approach. That is universities own themselves but they must serve their communities to sustain the trust that underpins their support. A contemporary approach to rebuilding university-community relations should encourage diversification in the roles and forms of universities.

Frans van Vught (1996) has suggested two principles for explaining the extent of differentiation within higher education systems – the first relates to the exogenous structure of incentives and the second to the endogenous culture of organisations: “the larger the uniformity of the environmental conditions of higher education organisations, the lower the level of diversity of the higher education system”; “the larger the influence of academic norms and values in a higher education organisation, the lower the level of diversity in the higher education system”.

We can see normative prices (common rates of funding per student place) and volume quotas (supply lock-ins lagging student demand) as elements of the uniformity of environmental conditions. They now sit at odds with universities that operate more fluidly in international competitive markets. But that is only a part of the story. The notion of sameness pervades the policy culture as well as the policy frameworks, whether through AUQA audits to lowest common denominator standards, or the Learning and Teaching Performance Fund with its lack of recognition of differences in the standards of learning outcomes.

The over-riding need is to free universities to serve the community in the best ways they can. There is a need for strongly performing universities contributing to the economic and cultural development of communities that include groups who are marginally attached to the society. There is nothing subordinate in such a role and it needs to be valued as an essential ingredient of an inclusive, productive society.

The contemporary challenge is that the commonalities of domestic policy translate into perceptions internationally in potentially damaging ways. Australian policy makers seem almost oblivious to Australia's slippage against the world's leaders in research and innovation. Similarly, it seems to be going unnoticed that we are presenting a Brand Australia that is at best confusing. The former is disturbing because of Australia's need to access the 99% of world knowledge generated elsewhere. The latter is concerning because of the high level of university dependency on income from foreign fee-paying students in the context of diminished public investment.

Colombo Plan students who came to Australia to study for a degree were predominantly students of quality who went back to their home countries to occupy positions of significance in business and government, giving Australia networks of influence for advancing our trade, strategic, diplomatic and scholarly interests.

Today the top students from those countries tend to study at the top universities in their home country or in the prestigious universities of the US and UK. We struggle to attract students from the next best tier of educational attainment into bachelor degree programs and Masters courses. Our top universities are struggling to attract the top quality PhD students. Overseas graduates of Australian universities are largely taking up positions down the pecking order in their home countries and our future degrees of influence will sadly reflect that reality for years to come.

Australia's interests will not be advanced if we continue this practice. Rather, we should be considering a contemporary equivalent to the Colombo Plan where Australia sponsors talented PhD students and post-Docs from selected countries to study in Australia. When they graduate Australia will be better able to build relationships to sustain access to the world's knowledge networks and participate at the quality end of international business.

Australia eschews in its official international education promotion, such as through AEI, the halo effect that the British Council exploits so brazenly in its marketing. If Australian higher education is presented as "an average good sector" with "parity of esteem of degrees" it is no wonder we are taken lightly. Ask any Japanese, Chinese or Korean student and they will tell you the rankings of universities in their home country and worldwide. They know where Australian universities lie on the league ladders and it is naive to pretend otherwise.

The league ladders that matter largely reflect the quality of universities' research performance. The PhD is a special qualification in this context, especially for Australia where it is assessed on the basis of a minimum of two-thirds of a candidate's work being research. The PhD is arguably the qualification that defines the heights of the educational and research standards of a country. If the PhD is awarded frivolously the integrity and reputation of the whole sector is at risk. We might call this the 'horn' effect, the devilish obverse of the halo.

The rapid growth of PhD enrolments and graduations across Australian universities seems not to have been subject to scrutiny. There appears to have been rapid growth of PhD enrolments in fields and institutions that do not have demonstrably strong research performance track records. There are also relatively high shares of PhD enrolments in a number of universities that draw larger than average shares of their international undergraduate students from countries where tertiary education standards are generally not high. It is simply not clear what standards apply and how they vary across fields and institutions.

The two main international education markets into the future – China and India – are not receiving reassuring signals from Australia. Let us consider India. Here we have a classic case of Australia putting short-term gains ahead of longer-term benefits. Most of Australia's international education engagement with India is immigration-driven and concentrated in low-priced providers. In higher education, the great bulk of Indian students are to be found in a few institutions at the lower end of the reputational ladder. In India, the impression of Australian higher education is predominantly one of low quality. Clearly India, with a population projected to exceed 1.5 billion by 2050 and a rapidly rising middle class, is an important market but Australia's engagement with India needs to be based on deeper foundations. We should be developing links with the Indian Institutes and top universities but to do so will require some universities to differentiate, perhaps to separate, themselves from the bulk Australian image.

So the bad news is we face some uncomfortable dilemmas. They illustrate just how damaging the sameness model has been and continues to be and why it is necessary to break the mould. The good news is that we are beginning to discuss them.

Again I commend Melbourne University for initiating these discussions. Hopefully, the Go8 paper will also stimulate further contributions to the debate. We need more exploration of these issues but because they are so important the issues cannot be left to drift unaddressed by policy makers. If we do not indicate ways by which the issues can be addressed then either they will drift or governments and other bodies, and not only in Australia, will make decisions that may not suit our universities, and if that happens it is hard to see how Australia can advance.