

IS AUSTRALIAN HIGHER EDUCATION FIT FOR THE NEXT GENERATION?

Establishing a diverse higher
education sector that can meet
future needs



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About the report and roundtable: To continue advancing the conversation around system diversity, *The University of Melbourne* and *RMIT University* convened a day-long expert roundtable hosted by the Melbourne Centre for the Study of Higher Education in August 2024. The roundtable brought together expertise to examine the case for different types of diversity and the associated longer-term policy options. The focus of the discussion was on higher education, working from the premise that further harmonisation across tertiary education will occur in the future. The participants were:

Professor	Ian	Anderson
Professor	Chi	Baik
Mr	Tom	Bentley
Ms	Kate	Chipperfield
A/Professor	Gwilym	Croucher
Professor	Peter	Dawkins
Professor	Stephen	Duckett
Ms	Alanna	Heath
Hon Dr	Peter	Hendy
Professor	Julia	Horne
Dr	Clare	Hourigan
Professor	Gregor	Kennedy
Professor	Kerri-Lee	Krause

Professor	Alwyn	Louw
Hon	Jenny	Macklin
Professor	Vin	Massaro
Professor	Andrew	Norton
Professor	Mary	O'Kane
Professor	Sarah	O'Shea
Dr	Leah	Schwartz
Professor	Gary	Thomas
Mr	Mark	Warburton
Professor	Michael	Wesley
Ms	Carlene	Wilson
Dr	Janet	Yeo
Professor	Chris	Ziguras

EXECUTIVE SUMMARY - WILL FUTURE STUDENTS HAVE THE HIGHER EDUCATION OPTIONS THEY NEED?

This paper summarises and builds on an expert roundtable discussion hosted by the University of Melbourne and RMIT University in August 2024. The discussion sought to tackle questions about the future state of Australian higher education and the role of system diversity in that future.

Over the coming decades, Australia's higher education system must continue transforming to serve students, align with economic needs, and meet the community's evolving expectations. Current higher education offerings do not always cater to the full range of students with diverse characteristics, be they recent school leavers, international students, mature aged students or employed professionals seeking to upskill.

This challenge will only grow following the Australian Universities Accord recommendation that by 2050, 55% of Australians aged 25-34 should have a Bachelor's level qualification or above. Increasing scale will bring many more students into the system, including many who would not previously have accessed higher education. Growth will need to meet community expectations that higher education is delivered equitably across Australia. Significantly, more students also imply a more significant cost to the public purse, especially if development patterns since the 1990s continue, with most students now taught in public universities.

For Australian higher education to be successful, we need more diversity in the system – more options across different course levels, and more choice in where and how education is delivered. To be high-quality and affordable, there will need to be more specialisation, new institutions and new types of providers. Higher education must be more closely aligned with other types of post-secondary education. Seeing the comprehensive university as the de facto model will not cut it. In a resource-constrained environment, Australia will need new models and approaches.

Achieving a higher education system that is fit for future generations is a big task. Powerful forces, including government policies, have driven institutional uniformity and inhibited diversification and innovation. Public funding does not cover the total cost of a quality education.

Student numbers have grown since the middle of the twentieth century, and higher education providers have not always equipped themselves to meet changing needs. Gaps have emerged in educational options between VET and higher education, and pathways between the two are inconsistent. While there is diversity and innovation in the system, the fact remains that nearly 9 out of 10 higher education students are currently at 42 university institutions, with more similarities than differences in their offerings.

Following the Australian Universities Accord Report and the creation of a new Australian Tertiary Education Commission (ATEC), it is time to start a conversation about the future "architecture" of Australian higher education.

To help guide change, the sector and government should develop a coherent and comprehensive vision for a desired future state, considering what educational offerings are needed to match skills demands,

support student success, and drive economic development, and, significantly, the institutions and policy and funding settings the nation will need to achieve the quality educational outcomes.

The roundtable discussed some immediate steps that could further the long-term reform of higher education in Australia, including the following actions:

1. ***Establish a joint ATEC-sector project to build an evidence base:*** A challenge is to create a space for higher education providers, government and other stakeholders to have brave conversations about the future of the sector. To support the development of a long-term vision, higher education providers and the ATEC should collectively establish a dedicated project to build the evidence base on what future needs will be for students and their communities. This could bring together experts from the sector and act as an interim ‘think tank’ to provide published evidence.
2. ***Task ATEC with developing a long-term vision for a future “system architecture”:*** The sector has a collective action problem, with a need to think beyond the interests of any one institution. Addressing this requires a commitment by the sector and government to a new “system architecture”. To this end, government should task the ATEC with developing a long-term vision. It could do this in the first instance by establishing a dedicated ATEC subcommittee or equivalent that was able to draw on experts from higher education institutions, government, industry and the community. This should clarify governments’ and providers’ roles in facilitating and encouraging new forms of system diversity to meet student needs, including the role of regulation, funding and new higher education institutions.
3. ***Establish a dedicated program of work to foster public and political support and develop a narrative for change:*** There are compelling narratives about the value of diverse options for students. They should be used to drive public support for higher education. For example, Medicare and the NDIS gained political traction because politicians could tell a story about how these services mattered to everyone. Now, with higher education being so widespread and so important to the country's future, a similar story could be told. The sector and ATEC should commit to a dedicated program of work to develop and communicate a narrative for change.

INTRODUCTION

Australia has benefited from the growth of its post-secondary education ecosystem in recent decades. Currently, there are more than two million students enrolled in post-secondary education, and this number is expected to rise even further. The Australian Universities Accord Report recommended that by 2050, 55% of Australians aged 25-34 should hold a Bachelor's degree or higher. Achieving this target would require doubling the number of government-funded university students to over 1.8 million.

To achieve these aspirations, Australian higher education must increasingly support students with diverse characteristics. This includes adapting to the changing needs of recent school leavers, international students, and employed professionals seeking to upskill. Student preferences for their studies are constantly evolving, encompassing different types of qualifications and patterns of engagement and attendance. Different groups of students have distinct needs. Additionally, expectations regarding education may vary across different locations and delivery modes. It is crucial to consider the future needs of students and other stakeholders in higher education and determine the most effective ways to meet those needs.

This paper summarises an expert roundtable discussion hosted by the University of Melbourne and RMIT University in August 2024. Recommendations are provided at the end of this document.

Why is it time for a renewed conversation about system diversity right now? Discussions about the purposes and roles of higher education in Australia have been frequent in recent decades. Minister John Dawkins opened his 1987 *Higher Education: A Policy Discussion Paper* by stating the need for Australia to enrol more students from disadvantaged backgrounds. He argued that an evolving economy required a revised system capable of meeting diverse needs. Yet, his reforms achieved a convergence around a

homogeneous model of large, comprehensive universities and a proportionally small number of other higher education providers. It is time to ask whether the existing system can meet Australia's long-term needs.

Reorienting the system to be fit for future purposes will have implications for the shape of Australian higher education. This includes exploring new modes and options for study, as well as reconsidering institutional mission, type and focus. That is, it reopens the conversation about diversity within Australian higher education.

As it seems unlikely that either major political party will commit to the significant public investment required to keep expanding the present model, and considering that current funding rates often fall short, conversations about a future system state and funding arrangements aligned to diverse provider types are becoming increasingly urgent.

Using diversity to frame the discussion on long-term system reform, building on the Universities Accord. Questions about the appropriate size, shape, and focus of Australian higher education are not new, going back at least to the early 20th Century. Central to this has been a desire to grow access for special categories of students, support activities that require scale, such as research, or offer specialist education for certain professions.

Diversity is not necessarily desirable for its own sake. Instead, it serves as a helpful framework for thinking about the best ways to meet the needs of students, researchers, and communities. This framework also prompts us to reflect on the norms, practices, institutions, and public policies that can support these goals.

Diversity can manifest in many ways, from narrow disciplinary specialisation to breadth offerings to geographical focus. By emphasising diversity, we can explore new possibilities for higher education, such as those that support student outcomes and facilitate new forms of

access beyond traditional models. Including study hubs, networked campuses, and partnerships between education providers, industry, professional bodies and other organisations.

WHAT ARE MAJOR LONG-TERM CHALLENGES FOR AUSTRALIAN HIGHER EDUCATION?

Meeting changing student needs. The next phase of tertiary growth and diversity will require attracting and supporting students who may not have previously chosen to pursue higher education. This implies recognising that student support needs will evolve as individuals from underrepresented groups enter the system. However, the current system, which largely centres on public, comprehensive universities, means students cannot always access options appropriate for them. Significant differences in scale and domestic-international student mix across public universities, as well as differences in on or off-campus modes, do not necessarily guarantee appropriate options for students or forms of education and specialisation in research.

Supporting student agency. As the economy rapidly evolves, the education system needs to provide a range of options for mature workers who want to reskill and upskill. This will require a changing mix of providers, with some focused on offering education to complement that of universities and traditional VET providers, such as TAFE. To cater to the needs of these learners, flexible options are essential. This includes establishing better pathways and credit transfer mechanisms between programs and delivery modes. Recognising that most students must balance their studies with paid work, it is important to create educational opportunities that allow them to be active participants in crafting their learning journey.

Tendency to institutional uniformity. Powerful forces have driven both uniformity and disparities in the provision of education and research. While there has been substantial convergence in terms of mission and purpose due to regulations, including potentially for universities through the recent changes to the Provider Category Standards and the AQF, funding regimes have played a significant role in encouraging and discouraging divergence, especially among public providers. Specialisation has primarily been confined to smaller providers, such as the National Institute of Dramatic Art (NIDA) and the Australian College of Applied Professions (ACAP). This has been made possible by the creation and expansion of FEE-HELP and, until recently, broad access to the international student market.

Resource constraints. Under the current system, support for new educational approaches has been patchy and inconsistent. There has been policy paralysis around the funding and pricing of courses, which has reinforced the primacy of traditional offerings, such as the three-year bachelor's degree. Australia currently lacks a coherent approach to setting student contributions, which has changed periodically. Higher education financing does not have an evidence-based approach that reflects the costs of sustainable delivery for a range of courses, from sub-bachelor to post-graduate. For the better part of a decade, there has not been a consistent, predictable and long-term approach that would guide behaviour. Where government has sent signals and offered incentives to promote diversity through adjusting funding and regulatory settings, these have been inconsistent and often short-lived. With the fear of rules changing frequently, providers have sought to minimise risk by providing options that can be offered at scale. Arguably, there has also been a near collapse, at times, of transparent 'rules-based' policy, with settings changed by ministerial whim. This challenge is made all the more difficult as public funding scarcely covers the costs of educating students and falls well below the total cost of operating most

universities. Public providers are frequently caught between the pressures of the market and the requirements of the State.

Gaps between higher education and vocational education. There continues to be a need for more flexibility in the delivery of higher education in terms of volume and level of learning outside the conventional 3–4-year degree. Currently, there are gaps in provision at the sub-bachelor and upper VET levels. Additionally, there is a lack of consistent pathways and support for students to transition between higher education and VET offerings.

Barriers to establishing new institutions. Recent policy settings arguably limit the scope for new specialist providers. For example, there are requirements to be registered for three years to be eligible for FEE-HELP. Proposed legislation requiring providers to deliver to domestic students for two years before registration under the *Education Services for Overseas Students Act* (ESOS) may exacerbate this. Notably, no new major public higher education institutions have been established in decades, and the most recent truly ‘greenfield’ university, Deakin University, was established in 1974. Since then, higher education enrolments in Australia have more than quadrupled.

Contending with changing technologies. Technological change will continue to have creative and disruptive impacts on institutional offerings, and the sector must be prepared for that conversation. While the rise of AI and the automation of white-collar is the latest challenge to the changing value propositions for higher education, it will not be the last.

Taken together, these challenges put pressure on the current system architecture. Individual institutions are constrained from adequately responding to these challenges by the current legislative, regulatory and financing structure. Australia needs a long-term reform program to address these pressures.

FUTURE “SYSTEM ARCHITECTURE” TO ADDRESS THESE CHALLENGES

Australian higher education needs a new “architecture” and “town planning” to make the system fit for future purposes and to effectively address the challenges it faces. This needs to include a realistic estimation of how large and diverse the system needs to be and how best to fund it.

Building on the Australian Universities Accord Report and the Government’s response, Australia has an opportunity to develop a shared vision for the future of higher education that is sensitive to the needs of diverse students and larger numbers of upskilling students and that offers better articulation across the post-secondary system.

Developing a vision for the system could adopt what is sometimes called a “both/and” approach. This vision could recognise the need for both strong public institutions and innovative private-sector delivery to meet economic goals. It should identify barriers like recent policies disincentivising private provision while conforming to fundamental system norms around quality control and accreditation. This must involve a tertiary systemwide view that better links higher education and vocational education.

Such a vision could provide greater clarity around collective aspirations. This includes identifying the educational offerings needed to match skills needs and cater to the diverse needs of students, many of whom may need additional support to succeed in their chosen course. Additionally, a well-defined vision can help identify new types of organisations that are best suited to deliver the desired future state, as well as their geographical dispersion and the relationships between them.

RECOMMENDATIONS FOR IMMEDIATE STEPS

There are three key actions the higher education sector and the Commonwealth government should take:

1. *Establish a joint ATEC-sector project to build an evidence base:*

A challenge is to create a space for higher education providers, government and other stakeholders to have brave conversations about the future of the sector. To support the development of a long-term vision, higher education providers and the ATEC should collectively establish a dedicated project to build the evidence base on what future needs will be for students and their communities. This could bring together experts from the sector and act as an interim ‘think tank’. This would provide published advice to inform both a plan for a future “system architecture” and to develop a narrative for change.

2. *Task ATEC with developing a long-term vision for a future “system architecture”:*

The sector has a collective action problem, with a need to think beyond the interests of any one institution. Addressing this requires a commitment by the sector and government to a new “system architecture”. To this end, government should task the ATEC with developing a long-term vision for Australian higher education that draws on relevant expertise. It could do this in the first instance by establishing a dedicated ATEC subcommittee or equivalent that was able to draw on experts from higher education

institutions, government, industry and the community. This should clarify governments’ and providers’ roles in facilitating and encouraging new forms of system diversity to meet student needs, including the role of regulation, funding and new higher education institutions. This will need to consider where Commonwealth funding will need to be more flexible to support diverse student options and different institutional forms. It will also need to consider where harmonisation of the funding system is required through a federal-state compact. For example, institutional purpose might be driven through state-based legislation (which is more enduring) or mission-based compacts (which might be quicker).

3. *Establish a dedicated program of work to foster public and political support and develop a narrative for change:*

There are compelling narratives about the value of diverse options for students. They should be used to drive public support for higher education. For example, Medicare and the NDIS gained political traction because politicians could tell a story about how these services mattered to everyone. Now, with higher education being so widespread and so important to the country's future, a similar story could be told. The sector and ATEC should commit to a dedicated program of work to develop and communicate a narrative for change.



THE UNIVERSITY OF
MELBOURNE

Melbourne Centre for the Study of Higher Education

Level 1, Elisabeth Murdoch Building, Spencer Road

The University of Melbourne

Victoria 3010 Australia

melbourne-cshe@unimelb.edu.au

 melbourne-cshe.unimelb.edu.au