

Election 2022

**Education policy brief:
Higher education**



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Higher education

After facing enormous difficulties during the pandemic, the higher education sector is in a slow but steady recovery mode. International students are returning to Australian universities and financial losses have been less than feared. There now exists a strong policy convergence between the Coalition and Labor, with both major parties presenting versions of support for domestic places in courses aligned to specific employment outcomes. Missing from the major party platforms are the reforms to both higher education and vocational education that would make the sector better able to meet the needs of the many different groups the sector serves.

Policy background: what is higher education and what are its functions?

Higher education in Australia consists of public and private institutions that usually offer qualifications ranging from undergraduate (such as a bachelor's degree) to postgraduate awards, and who enrol both domestic and international students. As Figure 1 below shows, universities are by far the largest providers in the sector.

Figure 1: Universities are the biggest providers in the higher education sector

Full time equivalent (EFTSL) students by provider type and citizenship



Research is also an important function of higher education, particularly for universities. Universities compete for research funding from government and industry, and the Australian government supplements this funding with grants. Universities have used income from students, particularly international students, to cross-subsidise research.

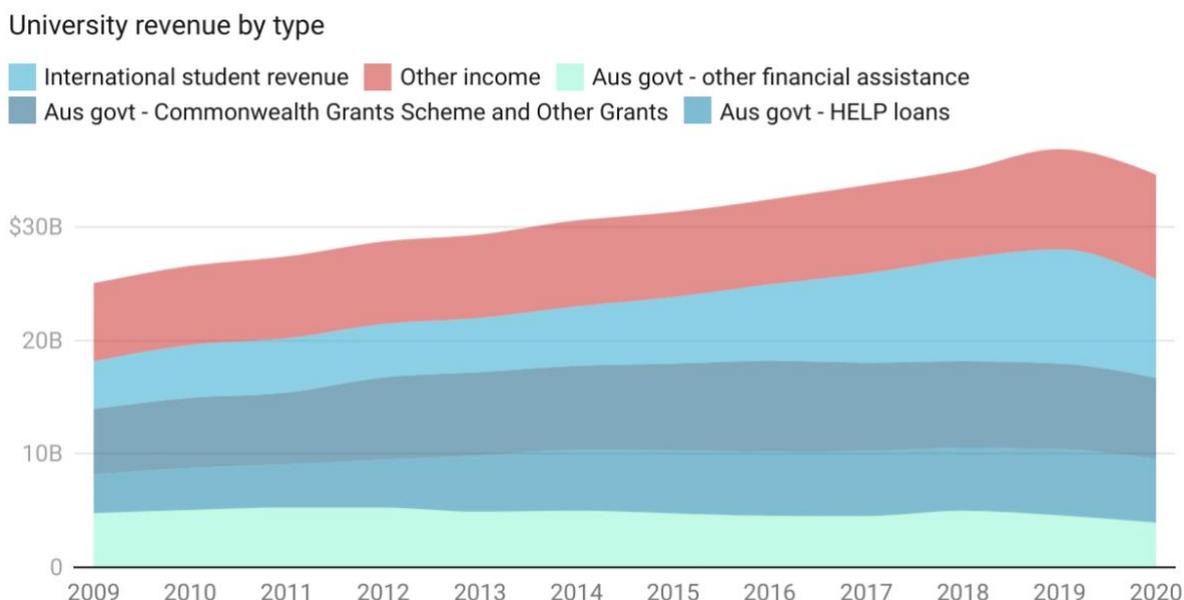
Unlike the school or vocational education and training (VET) sectors, higher education policy is largely directed by the federal government. States and territories do have important governance functions and contribute to funding, but the Australian government is the largest funder.

The Australian government funds domestic student places through two major routes. The first is the Commonwealth Government Grant Scheme which is provided to institutions based on enrolments up to a pre-defined maximum. The second is the Higher Education Loan

Programme (HELP), previously known as HECS, where the government provides funding to universities, and students become liable to repay this amount through an income-contingent loan.

Figure 2 below shows the different components of funding for universities. It shows that international students have been the fastest growing part of university revenue over the past decade.

Figure 2: International student revenue has grown the fastest over the past decade [1]



What has happened in higher education policy since the last election?

Dominating higher education since the last election has been the impact of the pandemic. Campus closures forced an immediate shift to online learning, a shift that caused the biggest fall in student satisfaction on record. Student ratings of the quality of their entire educational experience fell sharply from 78 per cent in 2019 to 69 per cent in 2020 [2].

But it was problems with international students that raised the most concern in the sector. Closed borders meant many international students were unable to enter the country, and the number of new students dropped. For the first time in at least a decade, university revenue fell. Compounding the issues were the lack of certainty about when borders may reopen.

To support universities, the Australian government announced \$252 million to support the sector by allowing universities to offer short courses of 6 months duration, as well as guaranteeing the sector's existing \$18 billion funding regardless of changes in domestic enrolment. An extra \$1 billion in research support was also provided.

The pandemic overshadowed the major piece of policy reform over the past three years - the Job-ready Graduates Package. The Package, that passed parliament in 2020, broke a long-running policy deadlock by replacing the demand-driven system, which was effectively paused in 2017. Places were largely uncapped in the demand driven system and this resulted in an increase in domestic student enrolments in university – increasing by approximately 23%

between 2010 and 2016 [3]. The Job-ready Graduates Package re-introduced funding caps and aims to drive enrolments towards courses the government states have better graduate employment prospects. It changes the amount universities receive for courses, as well the amount that students are liable to repay through income-contingent loans. The Australian government claims the Package creates up to 30,000 new university places, although this claim has been the subject of contention.

There were several government reviews completed in the past three years. The Australian Qualification Framework Review examined the qualification architecture across Australia's education system and recommended formal recognition of micro-credentials and better pathways between VET and higher education courses. Two other higher education reviews examined industry-university collaboration, the first in research and the second, the Bean-Dawkins Review, in teaching and learning.

What are the major issues?

Funding

The impact of the pandemic has dominated recent debates on higher education funding. At the start of the pandemic, there were forecasts of annual losses between \$3 billion to \$5 billion for 2020 [4, 5]. There were also reports of thousands of jobs lost across the sector – ranging from 12,000 to 35,000 [6]. There was controversy around the decision to exclude universities from JobKeeper, the main wage subsidy program designed to keep people employed. The reopening of borders in December 2021 has relieved some of the revenue pressures experienced in the higher education sector.

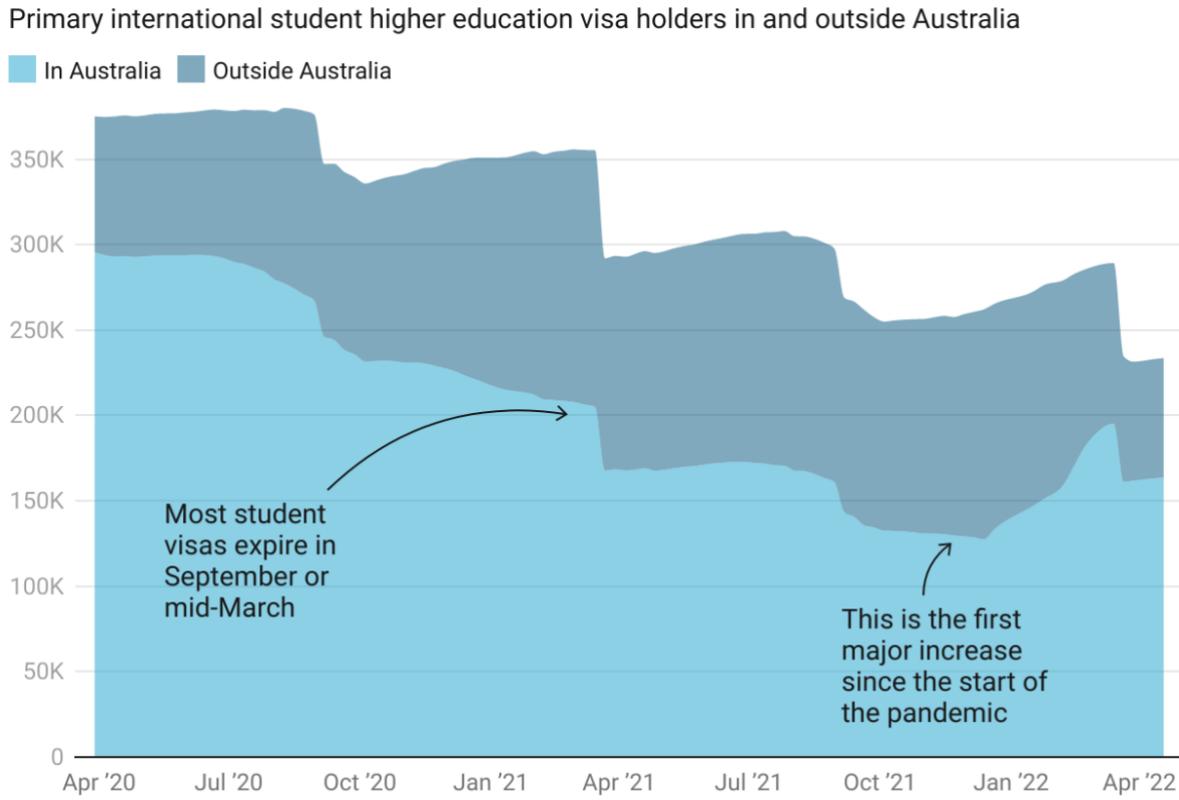
The potential value of Job-ready Graduates Package to aid in the recovery of university revenue is unclear. Claims of funding for extra places are hard to verify as funding is provided up to a cap instead of for a pre-defined number of places. There are criticisms that the Package encourages universities to enrol more students in the courses that the government is seeking discourage [7]. There are also reports that funding may not be sufficient to meet growth in the number of school leavers over the next decade caused by population increases [8].

Another major concern with the Package is the direct economic impact on students. ABS statistics show that the cost of tertiary education rose by 6.3% in the March 2022 [9]. Fees for existing students were 'grandfathered', allowing them to pay either the same or lower fees, depending on the course they were doing. However, as students graduate, proportionately fewer are covered by the grandfathering arrangements, meaning that fees have increased on average.

International students

The closure of international borders caused massive disruption to universities and their ability to enrol international students. Universities have been able to continue enrolling students online. But the number of higher education student visa holders are still well below pre-pandemic levels, dropping from above 350,000 to under 250,000. While the opening of borders seems to have stopped the decline, as Figure 3 shows, there is still a long way to go to recover the lost enrolments.

Figure 3: The number of higher education international student visa holders has steadily declined



While international students are a big concern for the sector, their importance to election issues is not as great. International students are not eligible to vote, so it's their impact on institutions and the interaction with migration policy (such as working rights) that have the most relevance to the election campaign.

The pandemic did accentuate concerns about an over reliance on international students in higher education. As part of this, the government has begun work to encourage a diversification of student cohorts and source countries.

Research commercialisation

During the past three years, the Australian government has attempted to increase the commercialisation of research. In February 2022, the Australian government announced a University Research Commercialisation Action Plan. The \$2.2 billion investment emphasises university innovation and industry collaboration and the value of research assessed on its industry/economic worthiness.

The overarching theme centres on a university research funding tied more explicitly to specific industry-based projects. The recent controversy over the rejection of humanities proposals for ARC grants as failing the "national interest test" points to a further desire to link higher education funding to a notion of improving productivity and meeting the needs of industry [10].

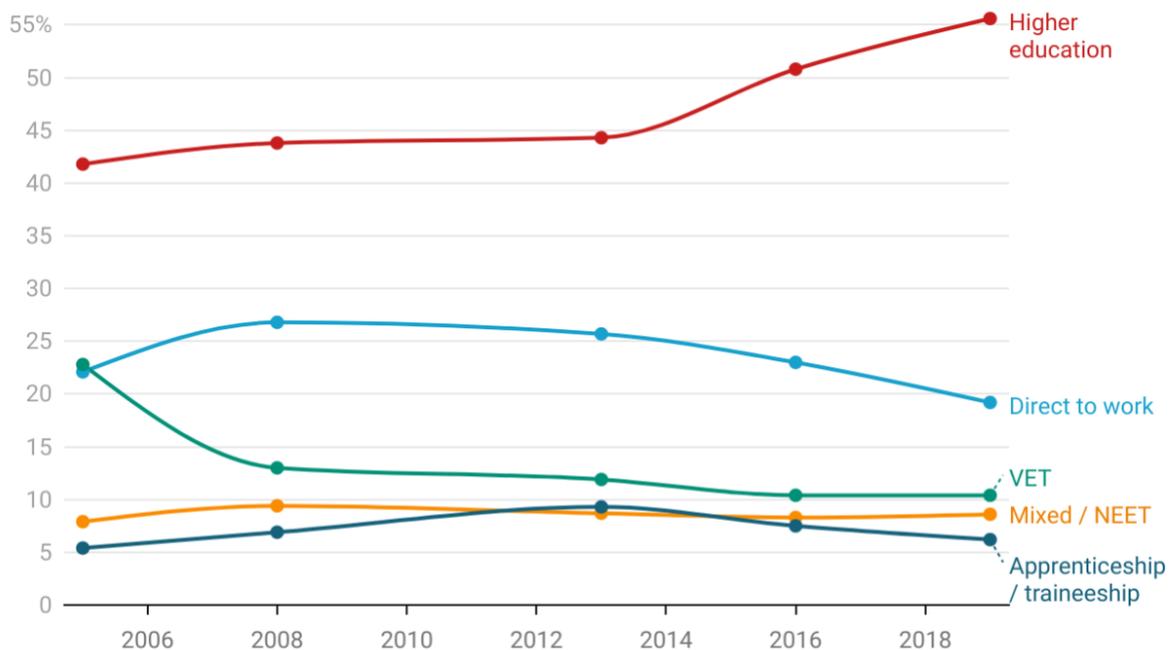
School to work transitions and system reform

Young people follow different pathways into the workforce and higher education has always played an important role in school to work transitions. As Figure 4 shows, most young people will undertake some form of tertiary education following school, with higher education being the most popular pathway.

This dominance has occurred at a cost to other pathways to employment, creating an imbalance in the post-secondary education system. Outside of apprentices and trainees, the VET sector continues its long decline as a pathway. In 1986 there were roughly the same number of young people aged 15 to 24 enrolled at VET institutions as there were at higher education institutions. By 2016, the split was 78% higher education and 22% VET [11, 12].

Most forecasts show that job growth will be in areas aligned to the skills, knowledge and capabilities produced by the tertiary education sector [13, 14]. But the linkages between higher education and the VET sector remain underdeveloped. Aiding the transitions of young people would be a focus on the whole post-secondary education system. This would mean that students could mix and match a range of opportunities from both VET and higher education to obtain the right blend of skills, capabilities and knowledge [15].

Figure 4: Higher education has grown to become the main pathway young people follow from school to work [16]



What are the parties offering?

The Coalition and Labor took very different higher education policies to the 2019 federal election. The contest was between tightly capped total spending under the Coalition and a restored demand-driven system under Labor, allowing universities to enrol unlimited domestic students in undergraduate degrees [6].

In the 2022 election, Labor policy has shifted closer to the approach of the Coalition with a focus on set funding for places in high-demand courses. Labor has promised extra university

places, more money and slightly changed criteria for distributing funding among universities. Unlike in 2019, it is not a radically different alternative to the Coalition's policies. Labor is also promising to establish an "Australian Universities Accord" to drive lasting reform, though details are scant.

The Greens are sticking with their more radical promise to guarantee a free place at university or TAFE (or an apprenticeship or traineeship) to enable them to pursue their passion and obtain a qualification in an area they are committed to, "without incurring massive debt" [17].

The Coalition has focused its post-secondary education policies on skills and apprentices, areas traditionally associated with VET. As their main student related policy passed parliament in 2020, the Coalition's major higher education election policies relate to research. The research commercialisation package, announced just before the election was called, targets projects in resources and critical minerals, food and beverages, medical products, recycling and clean energy, defence and space. The single largest initiative will be a \$1.6 billion "Australia's Economic Accelerator", a three-stage program designed to attract projects at proof of concept, or proof of scale level of commercial readiness. The Coalition also pledged \$296 million more to fund 1800 PhDs and fellowships in industry-focused disciplines.

While there is reference made to promoting excellence in research and increasing the spending on research as a proportion of GDP in Labor's National Platform document, there is to date no related detailed plan for comparison.

What are the likely battlegrounds?

Of the four different education sectors (the others are early childhood, schools, and VET), higher education seems to be the sector least likely to be a major election focus. This is because there is a strong policy convergence, though with some important differences.

The main source of tension may arise from competing claims about extra places. The Coalition and Labor are both stating that their policies will result in about 20,000 to 30,000 extra places. But the Coalition's claim of extra places was the subject of some controversy – leading Jacqui Lambie to ask, "did they just pluck that out of their clacker, mate?" [18]

The March 2022 inflation figures did make it possible that higher education will become a more prominent election issue. By noting the increase in the price of tertiary education, which the ABS attributes to the Job-ready Graduates Package, higher education funding is now linked to cost-of-living pressures. This has made it easier to identify how students from many courses will have higher income contingent loans upon graduation.

Aside from the fight over the number of places offered and funding, the election battleground in tertiary education will most likely occur in VET policy because of a renewed political focus on skills and jobs. Missing in the campaign is a commitment to broader system reform that might better integrate higher education and VET so the tertiary education system can more effectively function as an optimal pathway for young people.

About us

The Mitchell Institute for Education and Health Policy at Victoria University is one of the country's leading education and health policy think tanks and trusted thought leaders. Our focus is on improving our education and health systems so more Australians can engage with and benefit from these services, supporting a healthier, fairer and more productive society.

About this document

This document aims to provide a concise overview of the major policy issues in the 2022 Australian federal election. It is a part of a series outlining policy issues across the education sector. All dollar amounts have been adjusted for inflation.

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