

**NTEU** National Office



National Tertiary Education Union

# 2022-2023 Federal Budget Submission

An Alternative Future for Higher Education Policy

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## An Alternative Future for Australian Higher Education Policy

### Overview

The National Tertiary Education Union (NTEU) represents the industrial and professional rights of over 28,000 members working in Australian higher education and research.

### Higher Education at the tipping point

It is widely accepted that COVID 19 has exposed the underlying fault lines in Australia's tertiary education system. According to a review of the impact of COVID on higher education by the Australia Institute<sup>1</sup> released in September 2021:

- In the 2021 academic year, tertiary education has lost 40,000 jobs (almost one job in five).
- Most of those jobs (about 35,000) were lost from public universities. Universities suffered more job losses over the 12 months to September 2021 than any other non-agriculture sector in the economy.
- In the VET sector, more jobs were lost in TAFEs and other public vocational education institutions than private for-profit providers (who were able to apply for JobKeeper).
- Job losses are getting worse, not better, and mostly affect permanent and full-time positions (unlike the initial lockdowns, when casual workers suffered the largest job losses). The pandemic is thus reinforcing the trend of casualisation in universities.
- Women have experienced disproportionate job losses – more than their share of total employment.
- Reduced staffing and increased casualisation will hurt not only the quality of education and undermine the ability of Australian universities to support the national economic recovery and the long term interests of Australian society.

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<sup>1</sup> Littleton, E., Stanford, J., An Avoidable Catastrophe: Pandemic Job Losses in Higher Education and their Consequences, The Australia Institute/Centre for Future Work, September 2021.

While Government has raised the prospect of a 'bounce back' COVID recovery (despite the impact of the latest surge in infection numbers), the crisis continues to deepen for public universities. The sector has been projected to lose another \$2 billion<sup>2</sup> in 2021, on top on the loss of \$2.4 billion in real terms (a 6% decline<sup>3</sup>) from 2020. Furthermore, these losses are not going to be isolated, with the financial impact of the fall in international education numbers to be felt for many years to come.

Those employees that retained their jobs in amidst the mass redundancies of the last 2 years have been required to devote enormous amounts of time and energy to transition to online delivery of classes and to carry increasingly burdensome workloads, as universities try to do more with less resources.

The Commonwealth Government could have prevented these job losses by providing \$3.75 billion in additional funding to universities per year,<sup>4</sup> until normal teaching and international education can resume. Instead, despite spending hundreds of billions of dollars supporting private businesses and their employees in response to COVID19, the Government abandoned our public universities.

The direct funding for universities provided by the Government in its 2020 COVID19 rescue package amounted to an average of just over \$1m per university. More useful was the grant of \$1b for research to the sector, although this was once off and was of most benefit to the research elite institutions (which, according to sector estimates, were likely to receive almost two-thirds of the funds, at a total of \$660M).<sup>5</sup>

While the Government gave with one hand, it took away with the other, and more substantially so. The eligibility rules for the Government's JobKeeper program, which supported businesses impacted by COVID, were explicitly changed to exclude public universities and their employees. With the sector desperate for assistance, the Government instead chose to push through the JobsReady Graduate (JRG) package in 2020, effectively increasing the financial pressure on public universities instead of helping to alleviate it. While the Government tried to sell the JRG changes as a win for universities and students, in reality it was a cost saving measure, cutting real public investment per Commonwealth Supported Place (CSP) (which

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<sup>2</sup> Universities Australia Feb (2021) <https://www.universitiesaustralia.edu.au/media-item/17000-uni-jobs-lost-to-covid-19/>

<sup>3</sup> Hurley, P., Hoang, C., Hildebrandt, M. (2021). Australian investment in higher education. Mitchell Institute, Victoria University. Melbourne.

<sup>4</sup> The Australia Institute

<sup>5</sup> Mike Pepperell (2020) \$1B research support: who gets what? CIS <https://consultingis.com.au/news-1/1b-research-support-who-gets-what>

supports domestic students) by some 14%, increasing average student fees by about 8% and reducing the funding universities receive to educate each CSP student by about 5%.

As a result, universities are now required to enrol a significantly higher number of CSPs (domestic students) to maintain the 2019-2020 value of their Commonwealth Grants Scheme (CGS) funding. Even more concerning is that on average, students entering public places now contribute 51% of the total cost of the cost of their place, versus 25% in 1996.

We note that the JRG redistributed the savings it achieved through

- re-introduction of CPI indexation for CGS funding;
- the allocation of new growth places;
- the establishment of the Indigenous, Regional and Low SES Attainment Fund (IRLSAF) and National Priorities and Industry Linkage Fund (NPILF).

However, this did not account for all the savings achieved. The impact of the JRG changes were made clear in the 2021-22 Federal Budget, which saw a reduction of Government expenditure on higher education of 9.3% in real terms over forward estimates, despite the continuing crisis in the sector. Of the expenditure that was allocated, the Government prioritised initiatives that supported for-profit private higher education providers.

In summary, the 2021-22 budget papers showed that:

- There will be a decline in nominal HE expenditure from \$10.628bn in 2021-22, to \$10.2 billion in 23-24, before rising to \$10.339 billion in '24-25;
- In 24-25 universities will see a decline of 9.3% in funding in real terms - the Government has allocated A\$7.3 billion for CGS funding, which is almost 4 per cent less than the current financial year's nominal amount;
- Apart from the rising cost of writing off HECs-HELP student debts, no item in the higher education budget appeared to keep pace with inflation;
- \$9 million over five years was cut from to the Quality Learning for Teachers (QILT) surveys, which provide valuable information regarding student employment rates, student satisfaction, teacher quality, and other key factors;
- The Government also abandoned funding for the Australian Awards for University Education, and the Learning and Teaching Repository after 2021.

While the Government reduced funding for public higher education, it increased its support for for-profit private providers. This was primarily through a \$53m package for private providers (previously announced on April 30 - see [Budget 2021: \\$53 million lifeline for struggling international student sector \(smh.com.au\)](https://www.smh.com.au/budget-2021-53-million-lifeline-for-struggling-international-student-sector-20210430)) which included:

- \$26 million to fund 5000 course places for Australian students in “non-university higher education providers”, which typically enrol high numbers of international students.
- A further \$17.7 million to waive registration fees for colleges, English language schools and up to 3500 VET providers.
- Grants of up to \$150,000 for English language colleges to expand their delivery of online courses to grow their offshore enrolments as part of a new \$9.4 million fund.

The world has changed post-Covid, but this Government refuses to recognise that public universities must be part of the post-COVID recovery. Instead of taking the opportunity to put in place a higher education system that is ready and able to meet our future research, innovation and workforce needs, the Government has used COVID as an opportunity to further remove resourcing from our public higher education system.

From the NTEU’s perspective the policy approach to funding of higher education and our universities is fundamentally broken and unsustainable. The heavy reliance on casual and short-term contract employees by our universities is evidence of this and the NTEU believes it requires a major re-think.

### **Time to rethink higher education policy**

From the NTEU’s perspective a major re-think of higher education policy needs to:

- acknowledge the important and unique role of our public universities and promote and protect **institutional autonomy and academic freedom**;
- establish an **independent higher education agency** with funding and regulatory powers
- raise the level of **public investment** in our universities to **1% of GDP** while phasing out of tuition fees for government supported students;
- use **Public Accountability Agreements (PAA’s)** as a planning, accountability and funding framework that is a flexible yet managed way of allocating public funding to individual universities;
- reduce the influence of corporate governance and executive power in our universities by reverting to a more **collegial model of governance**;
- directly caps levels of **insecure employment** at our universities which is a direct threat to the to the quality of teaching and research and academic freedom.

The rationale for our position in relation to each of these points is outlined below.

# NTEU Federal Budget Submission 2022-2023

## Higher Education Funding to Today

Since the introduction of the Demand Driven System (DDS) by the Rudd/Gillard government, both sides of politics have tried to achieve substantial budgetary savings by targeting higher education. In 2013 (only one year after DDS was fully implemented) the ALP introduced an efficiency dividend on university teaching grants, effectively reclaiming over \$900m in public funding. However, the Coalition in Government has consistently targeted higher education for budgetary savings. It failed twice under former Education Minister Pyne in 2014 to introduce fee deregulation changes that would have saved \$5billion by slashing funding per student by 20% and allowing universities to charge students anything they liked (in excess of \$100,000 in some cases) for a degree. Former Education Minister Birmingham also failed in 2017 when he attempted to save \$2.8billion by imposing an efficiency dividend on university grants and slowly ratcheting up student fees.

Having failed on three occasions to get support for its attempts to slash public funding to higher education through the Parliament, the Coalition in December 2017 finally used what was meant to be a safety-net provision in the Higher Education Support Act to freeze the level of funding each university would receive for the education of CSPs at 2017 levels. This was estimated to save about \$2billion.

Then in 2020, despite the devastating impact of COVID on the sector, then Education Minister Tehan introduced the Jobs-Ready Graduate (JRG) package, which again delivered more substantial cuts in public investment - only this time, the 'savings' are on top of record funding losses in the sector, primarily driven by the collapse of international education following the closure of international borders due to COVID-19.

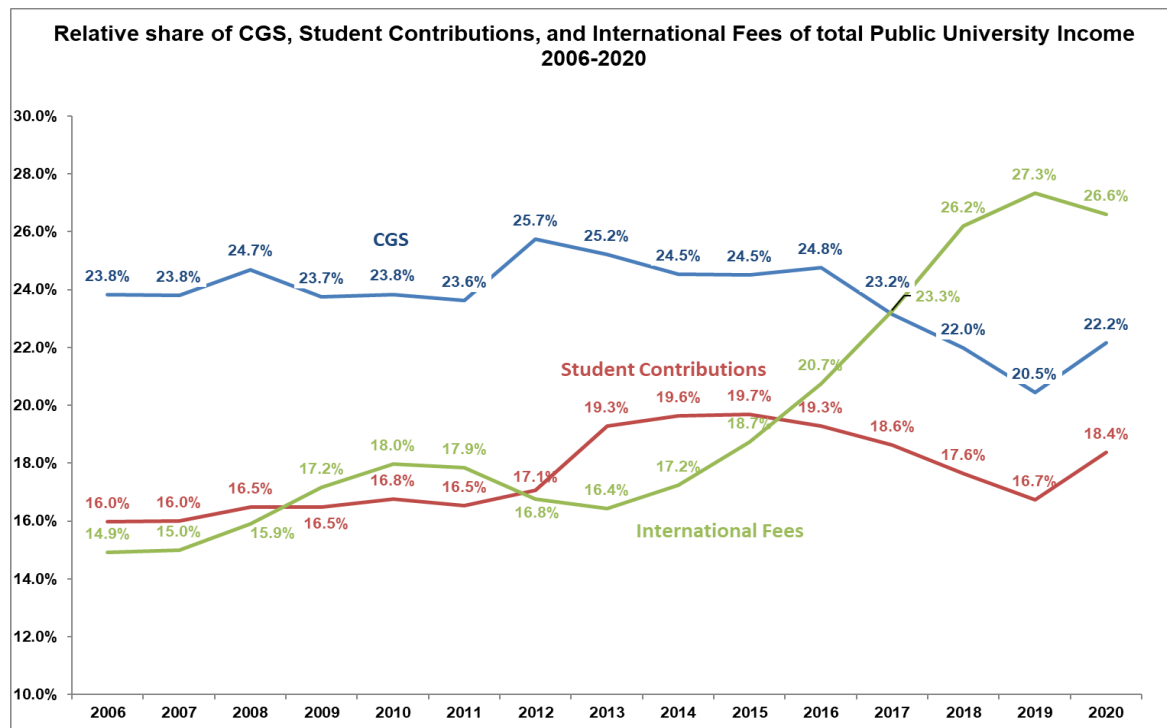
The targeting of public higher education by Government is part of a long term, ongoing pattern, whereby successive governments over time have cut public funding in repeated and persistent attempts to supposedly "reform" higher education, but in reality, has been a claw back of funding for budgetary 'savings'. The effect of this approach is that higher education is now hamstrung by a high degree of uncertainty, for both funding and regulation.

Australia has one of the lowest levels of public investment in tertiary education in the world and students attending public universities pay amongst the highest fees in the world. As a consequence, Australia's share public investment is amongst the lowest in the OECD. (see Appendix 1).

Between 2010 and 2019 (prior to COVID-19) the total revenue for public universities rose from \$21.6b to \$36.5b, an increase of \$14.9B or 69%. Over this period Commonwealth Grants

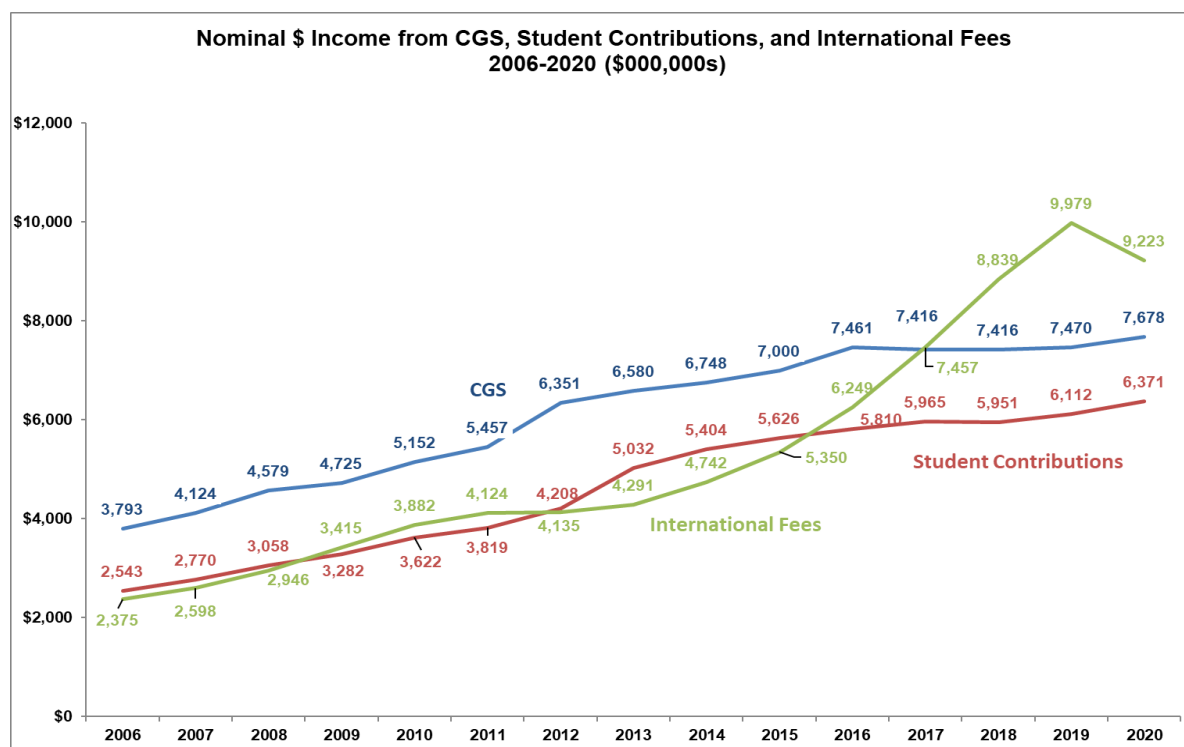
Scheme funding has fallen as a share of total university revenue since 2006, while student contributions have increased (Figure A1).

**Figure A1**



The majority of the total income increase was paid for by domestic students (via HECS-HELP) and international students, with the Government's own direct contribution (via Commonwealth Grants Scheme (CGS)) behind those two sources in the funding increase (Figure A2).

**Figure A2**



Broken down, three-quarters (75%) of the \$14.9b total increase in revenue from 2010 to 2019, is attributable to:

- an increase in overseas student fees of \$6.1b (41%)
- an increase of by \$2.7b in fees paid by Commonwealth supported students (domestic students) via HELP payments increased (18%), and
- an increase of \$2.3b in the Federal Government's direct contribution (public subsidy) for the education of domestic students, (Commonwealth supported places (CSPs)) via the Commonwealth Grants Scheme (CGS (16%).

*(Note: the rest of the funding increase comes from a number of other different sources, including other grants programs and university discretionary funding sources).*

This growth, however, is **\$10b less in govt contributions than what was originally projected** for the sector in 2010, with the Government reducing its contribution through a series of measures including (as noted) a temporary freeze on new places that clawed back funding from the sector.

This cut in funding is despite growth in student numbers over the last decade or more - overall, enrolments have increased 35 per cent between 2010 and 2019. During that time, domestic enrolments increased by 27 per cent while international enrolments rose by 57 per cent. Although numerically smaller in number than domestic student enrolments, the increase in international student numbers was driven largely by the need for universities to cross subsidise



their teaching and research with international student fee income, which is uncapped and falls under discretionary income for institutions.

## **The Impact of COVID-19 on higher education (2020)**

Due to the closure of international borders, higher education was particularly hard hit by COVID-19 in 2020 and this continues into 2021.

Universities Australia media release (3 February 2021) stated that:

- Australian universities lost \$1.8 billion in 2020 compared to 2019 and
- at least 17,300 jobs went in 2020, including permanent, limited term and casual employees.

Those employees that retained their jobs in 2020 were required to devote enormous amounts of time and energy to transition to online delivery of classes.

Despite the Government spending \$200b on COVID-19 stimulus and support in 2020, public universities were largely excluded from any kind of support; indeed, the Government instead implemented a policy agenda that created additional financial stress for the higher education sector.

## **Higher Education Policies 2020 - 2021**

In 2020 the then Minister for Education, Dan Tehan announced two sets of policies in relation to higher education:

- COVID19 Rescue Package, released in March (details contained in July 2020 Fiscal and Economic Outlook)
- Jobs Ready Graduate (JRG) and Regional Support Package, initially announced in June 2020 (details finalised in 2020-21 Budget).

The 2020-21 Budget also included, as a once-off, \$1b of additional research support funding in 2021.

### *COVID-19 Rescue Package and July 2020 Fiscal and Economic Outlook*

In April, Minister Tehan announced an \$84m higher education COVID19 rescue package which comprised of:

- up to 1,000 short courses at non-university providers
- \$48.9m in fee relief for university and private providers
- \$28.6m in delayed levies and introduction of cost recovery fees for TEQSA and ASQA.

Universities were also guaranteed that all *Higher Education Loan Program* (HELP) payments (including student contribution amounts) would be maintained at 2020 levels, regardless of any fall in student enrolments.

While universities account for around 90% of all higher education students, private providers disproportionately benefitted from the measures announced. Assuming public universities received about half of the total \$84m, when this is spread out over 38 universities and averaged over five years, we estimate the value of the COVID19 rescue package amounted to an average of only \$220,000 per university per year over forward estimates, which fell far short of what was needed. Private providers however – many of which were able to access JobKeeper – were far better supported through the package through the short course funding and fee relief and delays.

## Jobs-Ready Graduate (JRG) Policies

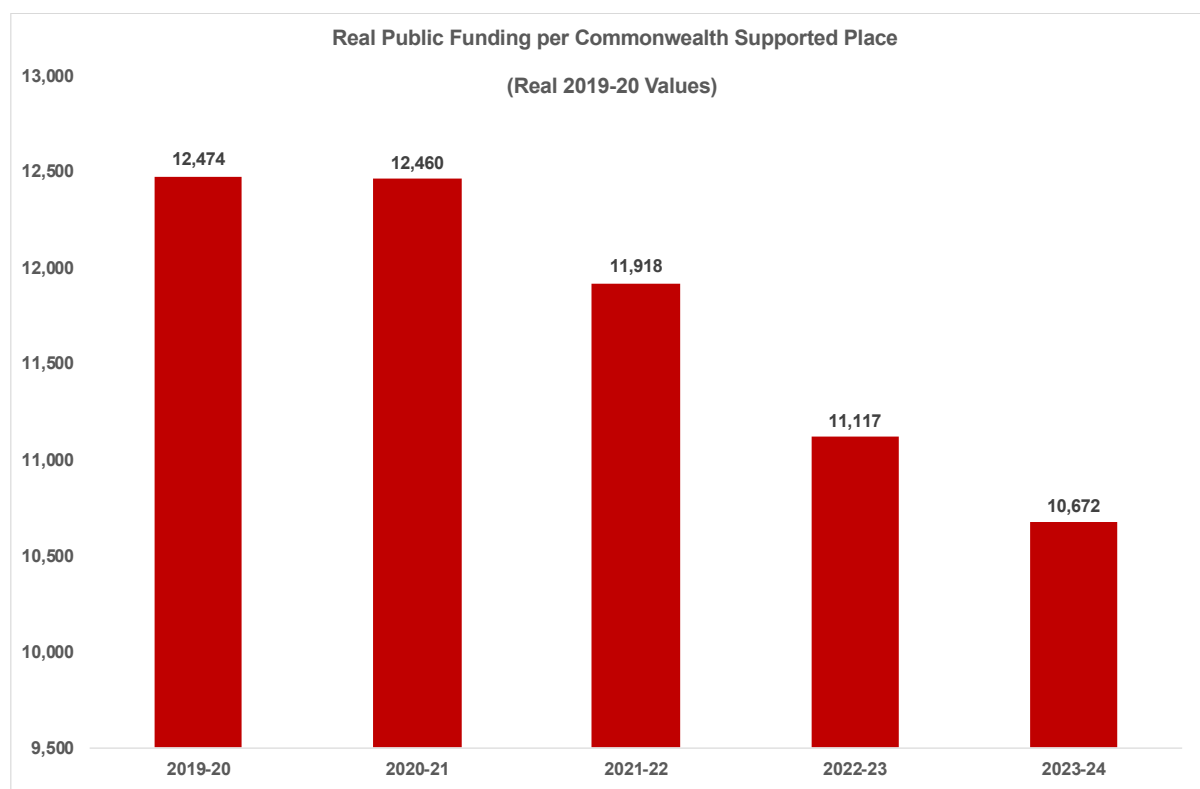
As stated in the 2021-22 Budget papers:

*“The subsequent decrease in expenses over the forward estimates primarily reflects lower costs under the Commonwealth Grant Scheme as a result of the Job-ready Graduates higher education reform package”<sup>6</sup>*

The Jobs Ready Graduate changes were not about providing funding certainty to the sector, nor was it about structural reform to better assist higher education to ‘bounce back’ from COVID-19. Instead, the JRG was aimed primarily at making changes to CGS funding which would increase costs for students while decreasing public investment in the sector, as reflected by the cut to the real spending discussed above.

Under the JRG changes, the real public investment per CSP is shown in Figure B1 which shows that in real terms the level of public investment per CSP would fall from \$12,474 to \$10,672, a decline of \$1,802 or 14.4% per student.

**Figure B1**



Source: Derived from Department of Education Portfolio Budget Statements Outcome 2, 2020-21.

This decline in the proportion of Government funding, and the increase in student contributions, was clearly defined in the 2021-2022 Federal Budget papers.

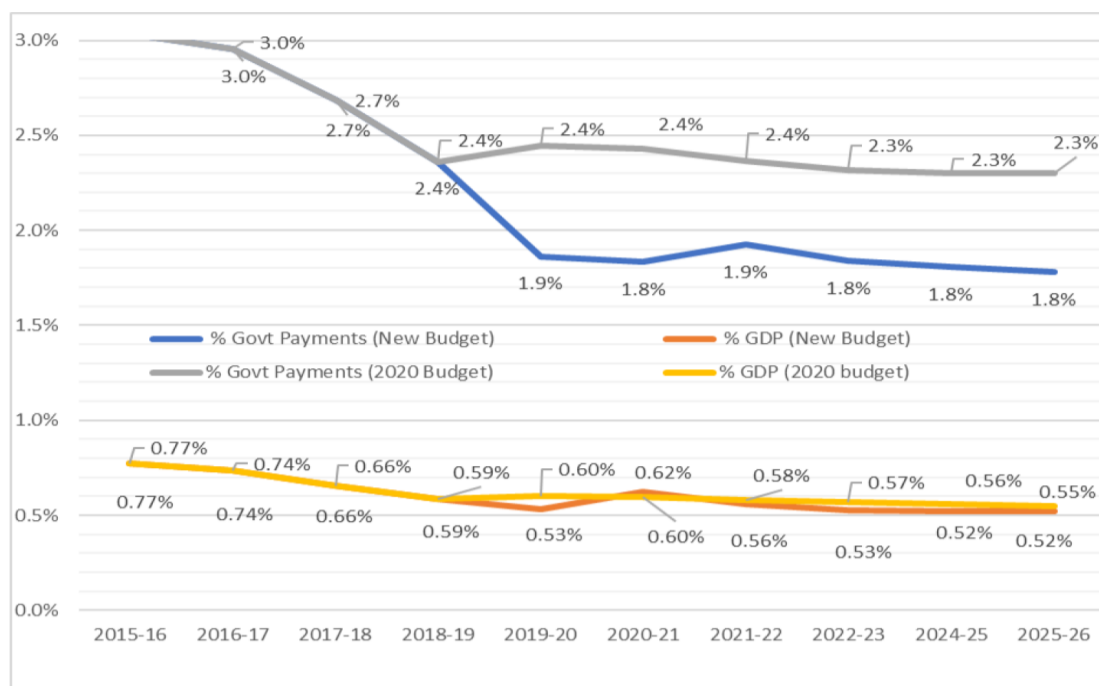
<sup>6</sup> Budget Papers, Statement no 6. 2021-22, p. 170.

## The 2021-22 Budget

Under the 2020-21 Federal Budget, Government spending on higher education was set to fall to a multi-decade low as a proportion of GDP – from 0.77% in 2015-16 to only 0.52% in 2024-25, close to half the OECD average (Figure C1) - and it set to lose pace with inflation, suffering a 9.3% reduction in real terms over the forward estimates (Figure C2).<sup>7</sup>

**Figure C1**

### Projected Total Government Spending (top) and Higher Education Spending (bottom) as a proportion of GDP

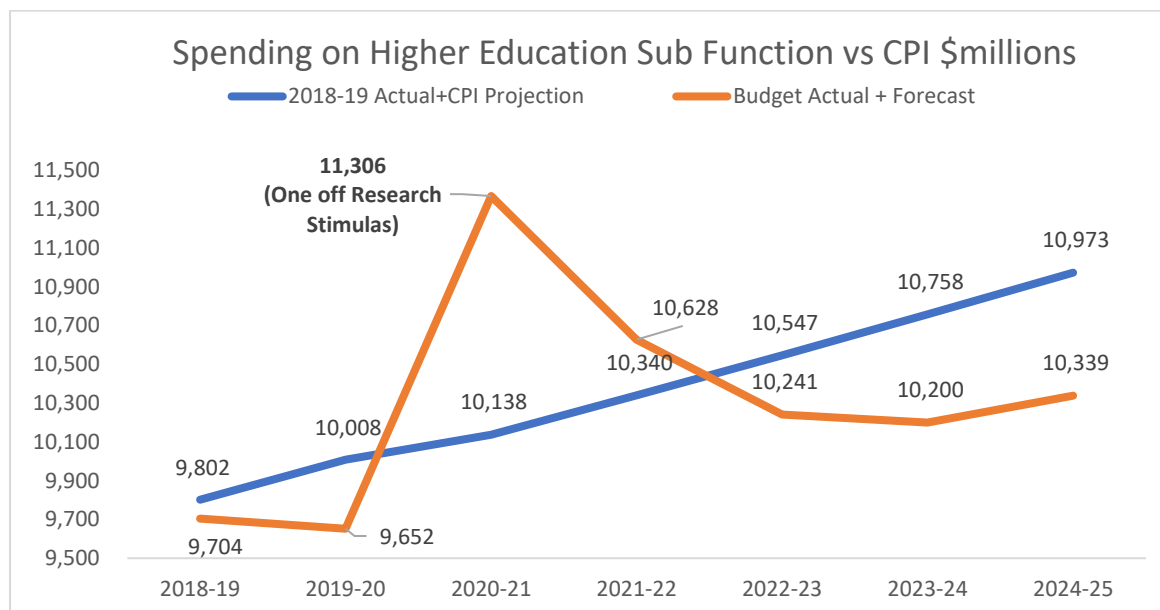


Source: Department of Education and Training 2021-22 Budget Portfolio Statements (Outcome 2- Table 2.2.1) and 2021-22 Budget Papers Statement 10 Historical Australian Government Data (Table 1).

The budget papers showed that, by 2024, public spending on higher education will be \$634 million behind where it would have been if it had kept pace with inflation from 2018 (assuming inflation of 2 percent per year from 2021-22). Importantly however, over this period student numbers are set to continue increasing with annual new places planned under the CGS. The result is that, unless full indexation of funding is restored, real public funding per student is expected to decline – or put simply, despite there being *more* students over time, universities will continue to see *less* public funding allocated per student.

<sup>7</sup> Budget Papers, Statement no 6. 2021-22, p. 170.

**Figure C2**



Source: NTEU projections and Higher Education sub Function Spending from 2018-19 – 2021-22 Budget Papers. Inflation figures: RBA, projected at 2% pa from 2021-22 onwards.

To reduce public funding for one of Australia’s largest and most vital export industries, as well as one vital to our post-COVID recovery, goes against all logic, even if higher education had not been adversely impacted by COVID. The fact that the sector has lost billions in funding, shed tens of thousands of jobs, and seen public universities drop hundreds of degree programs, makes the decision to further reduce public alarming.

Given the changes in policy settings set out within the 2021-22 Budget papers, whereby private providers are being clearly given preference by the Government in terms of funding and regulation relief, it is difficult to avoid the assumption that there isn’t an ideological motive for the targeting of public universities underpinning the reductions in the proportion of public funding by Government.

Thus, in order to depoliticise higher education funding, the NTEU is not only calling for a long-term commitment by Government to set the level of public expenditure at 1% of GDP (see appendix 1) but also to establish an independent higher education agency or commission which would have both regulatory and funding powers. We believe that this agency or commission should operate at arms-length from the Government of the day and, in much the same way as research funding was previously allocated, have a reporting line to Government but be otherwise politically independent (noting, however, that the current controversy with Ministerial interference in the operations, activities and structure of the Australian Research Council has identified where there are flaws that need addressing within this model). The NTEU initially proposed this model in our 2015 Federal Budget Submission; the recent crisis in the higher education sector has only served to reaffirm the need for substantial and fundamental change to Australia’s funding and regulation of public higher education.

## **The impact of the Government's mishandling of public higher education**

In this submission, the NTEU has clearly demonstrated there has been a long running trend which has seen the proportion of public funding for public higher education providers decline, with students – both domestic and international – carrying more of the funding burden. We have also shown that instead of responding positively to the crisis imposed on public universities by COVID-19 pandemic, the Government has instead used the pandemic as an opportunity to further cut public funding and increase student contributions overall.

Even more concerningly, the Government has cemented this decline in public funding support over the forward estimates through its policy settings. It has only provided support and relief in any meaningful sense to the private sector, increasing the level of public funding available to for profit providers.

Below is analysis by the NTEU on the impact of the Government's current policy settings for public universities, their staff and students.

### *Students are now paying more*

Analysis presented in the NTEU's submission to the Senate inquiry into the JRG Bill showed that as result of the new funding rates for different disciplines, average student fees increased from around \$8,800 to \$9,530 per student per year in 2021 values. This was an increase of some \$730 or 8%. The inherent inequity of the JRG revealed with the analysis also showed the average fees for Aboriginal and Torres Strait Islander students increased by 15% and for women students by 10%.

### *Universities are getting less*

The NTEU's analysis found that the increases in average fees (\$730) was not enough to offset the reduction in average public funding per student (\$1,800). Taken together, the result is that, as a result of the Government's policy settings in 2020-2021, public universities on average have suffered a loss in resourcing of more than \$1,000 or approximately 6% per CSP.

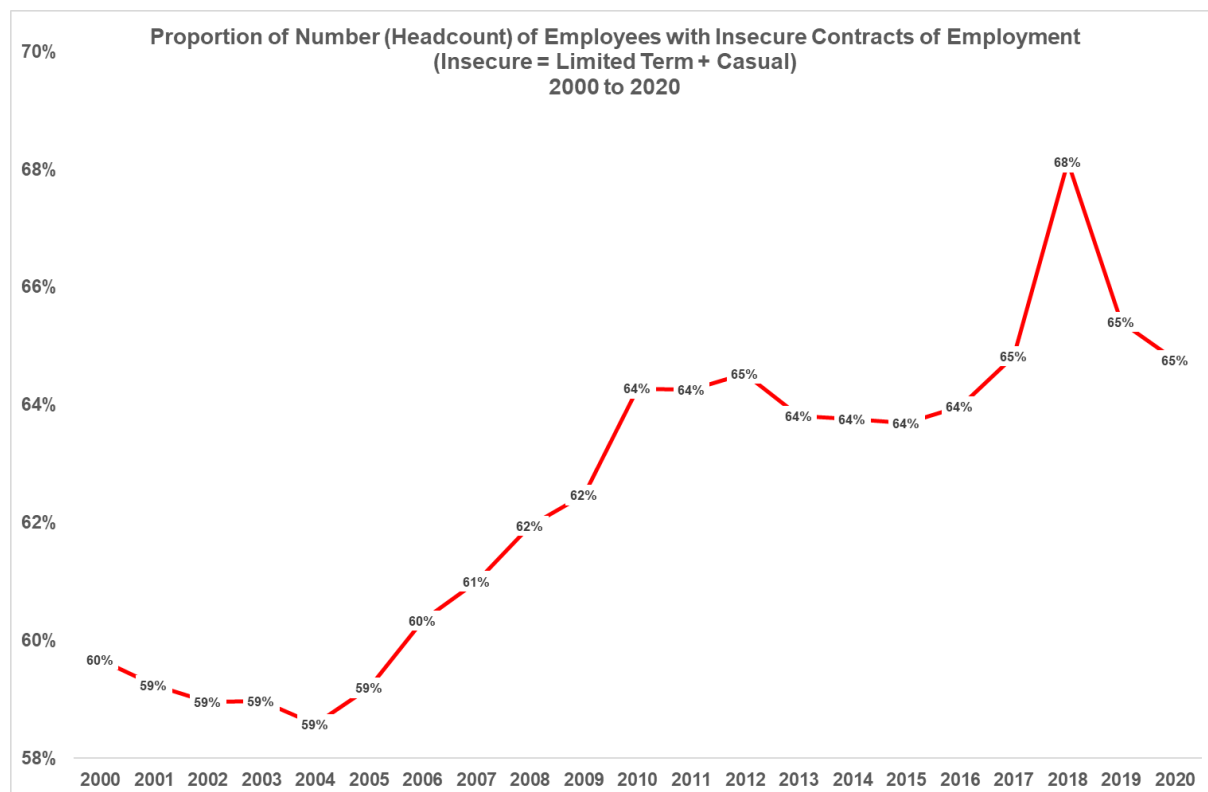
This loss of real funding per student means universities have fewer resources to educate students which will ultimately be borne by students and staff. It also means that universities will, once again, be driven to pursue international student funding to prop up domestic teaching and research costs.

For students more broadly, the impact of the Government's policy setting means the universities will be looking at basing teaching pedagogy around costs of delivery than on best practice for that discipline; already we have seen fewer or larger face-to-face classes and less comprehensive student support. For staff, who are already under strain following the loss of around 40,000 jobs in the tertiary education sector, there will be pressure to shoulder even

heavier workloads and the already excessive reliance on insecurely employed workers is set to increase.

This situation will exacerbate the insecure employment crisis in the sector, as shown below (Figure D1), insecure employment is rising, even using a conservative assumption of 4 casual staff per FTE.

**Figure D1**



Source: Department of Education Higher Education Staff Statistics, 2000-2020. Assumes 1 FTE = 4 casual staff.

### *Increased Commonwealth Supported Places – without additional public investment*

One of the primary objectives of the JRG has been to increase the number of CSPs universities offer, without (as shown above) spending an extra cent. The original government rhetoric around the JRG promised 39,000 new places by 2023 and 100,000 new places by 2030<sup>8</sup>. The question is, how will this be achieved without any additional public investment?

In answer to a question on notice<sup>9</sup> from Senator Mehreen Faruqi (The Greens) about the composition of the original 15,000 new growth places in 2021, the Department of Education Skills and Employment provided the following breakdown:

- 4,000 new allocated growth places
- 1,000 designated national priority and Indigenous student places

<sup>8</sup> An additional 12,000 CSPs in 2021 where added in the Budget

<sup>9</sup> Senate Education and Employment Legislation Committee Answers to Question IQ20-000216

- 3,000 additional places delivered due to CPI indexation, and
- 7,000 from increased flexibility and the introduction of new funding envelope.

Only one-in-three (5,000) of the additional 15,000 places are newly funded growth or national priority places. The other 10,000 come from changes to the funding arrangements. The additional 3,000 places delivered as result of indexation are in fact places that otherwise would have been lost due to declining real funding levels.

Almost half (7,000) of the new places are a result of what is referred to as “increased flexibility within the funding envelope”. What this really means is that, if universities want to maintain their maximum grant allocations for CSPs, the reduction of the level of funding per CSP leaves them with no other option but to increase the number of CSP enrolments.

In other words, NTEU’s analysis has found that, based on the data provided by the Government, only one third of the expected rise in CSP enrolments would come from additional newly funded places. Two out of three places are those rescued from the destructive policy of removing indexation and those generated by cutting public investment per student and reprioritising those funds to induce universities to enrol more students to maintain their overall level of funding.

Thus, the stated objective of increasing CSP places is being met, but not adequately resourced by the Government.

### *Research*

Under current government funding arrangements university research is primarily funded via short term competitive grants through applications made to the Australian Research Council (ARC) or the National Health and Medical Research Council (NHMRC). These grants apply to specific approved projects for specific periods of time. A large portion of time and energy is expended by university academics on long, detailed, grant applications, the vast majority of which are unsuccessful. In 2021 only 18 per cent of applications were accepted.<sup>10</sup> Not only is this system inefficient, it has led to endemic precarious employment in the research sector – which largely operates on fixed term employment contracts linked to the duration of specific grants. This level of precarity is unnecessary given that research work is consistently ongoing in Australian universities (see figure D1 above).

While there is a role for research grants in the public system, there needs to be room in university budgets for base level green-fields research directed by local university departments and individual researchers. This base level funding is also needed to support research training. This type of research builds the teaching research nexus, strengthening teaching and research output simultaneously. It is also immune from political interference, an

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<sup>10</sup> <https://www.arc.gov.au/grants-and-funding/apply-funding/grants-dataset/trend-visualisation/ncgp-trends-success-rates#:~:text=Since%202002%2C%20the%20ARC%20has,of%20around%2025%20per%20cent.>



issue that has been deeply felt by the sector with recent politically motivated cancellation of ARC approved grants by the Minister. Indeed, the need for this kind of research was previously acknowledged in CGS funding, which was set at a level that was supposed to support some research from teaching staff. Under the government's JRGP policies this research funding component was explicitly removed from CGS funding, further emphasising ad hoc single project funding.

The NTEU notes that there has been calls from the sector for substantial increases to the funding of research by Government; including a pre-budget submission by Science and Technology Australia for Safeguard the ARC and NHMRC research grants budgets to be increased to \$1 billion/year for each agency.<sup>11</sup> The NTEU supports these calls for increased investment in research and in particular, for improved support in fundamental/basic research. While we acknowledge the recent focus by Government on supporting applied and commercial/transitional research, it cannot be at the expense of pure research. We also believe there is an urgent need for a broader review of Australia's research framework and processes; we agree with the STA's recommendation that there is a need to shift to longer-term grants, researchers should be employed on longer-term contracts (we would advocate for access to permanent employment), that timelines for grant applications and announcements be fixed and that red tape in grant applications be cut back considerably.

### *International Education*

The NTEU's Budget submission has clearly shown that prior to COVID-19, Australia's higher education sector was heavily reliant on international student fee income to subsidise domestic teaching and, in particular, research. This is due in part to the pattern of reduced contribution of public investment by the Government and the increasing numbers of domestic students (driven in no small part by the need to maintain current levels of public funding received by individual institutions).

The impact of COVID-19 has been to expose the fault lines in the higher education system. The NTEU has called on Government and the sector to learn from what has been revealed, and to look at ways to improve Australia's public higher education sector. Decreasing the reliance by public higher education providers on international education revenue would be a core objective if we were to learn the lessons of COVID.

However, under the Government's recently announced strategy for the return of international students to Australia, it would appear that the financial reliance on international fee income is set to return, even increased. While the international sector contributed [A\\$37.6 billion to the](#)

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<sup>11</sup> Science and Technology Australia 2022-23 Pre Budget Submission  
<https://scienceandtechnologyaustralia.org.au/wp-content/uploads/2022/01/STA-Submission-2022-23-Pre-Budget.docx.pdf>

[economy](#) in the financial year before the pandemic, it was almost halved to [\\$26.7 billion](#) in 2020-21. We agree that rebuilding international education is a critical part of Australia's economic recovery, but to reinstitute the structural reliance on international student fee income – which at times resulted in exploitation – would be to repeat our previous mistakes.

The NTEU's proposal for an increase in research funding and to lift Australia's investment in higher education to 1% of GDP (in line with the OECD average) would considerably alleviate much of the financial reliance on international student fee income by public providers, including universities. We also believe there is an argument to review Australia's approach to international education, and move away from treating international students as a source of income (and labour) and viewing them in relation to being a future source of skilled, professional immigrants, and as advocates for the advantages of Australia's higher education system in their own countries.

#### *HELP Debit Increases*

According to Australian Bureau of Statistics' (ABS) data, in 2021, 27,238 people had loans in excess of \$100,000 – including two with debts over \$400,000. In fact, in the 15 years to 2021, the average in Higher Education Loans Program (HELP) student loans almost tripled – in 2020-21, the average student debt was \$23,685, up from \$8500 in 2005. For comparison, average mortgages, meanwhile, doubled from \$246,000 to \$497,000 over the same period – making student loans more inflationary than Australia's housing market.

The ABS data reveals that \$6.3 billion in new debt was added in the past year, with \$4.3 billion being repaid. It also predicts that over 15 per cent of the total \$96 billion loaned under the will be written off, for a total of around \$14.4 billion. While this is a considerable sum, the 2021-22 Budget papers have shown that unpaid HELP debt is set to escalate dramatically in the coming years, as the impact of the JRG policies are felt by future students. While new JRG rules capped the amount that students could borrow and set the repayment threshold lower, the system is fundamentally flawed in that universities need to find more students (who are on average, paying more for their studies) in order to maintain their existing levels of public funding. It's worth noting that under last year's Budget, the only increased allocation was to the expected costs of writing off HECs-HELP student debts.

Under the NTEU's 2015 Federal Budget proposal, the increase in public funding of public higher education providers to 1% of GDP could be used to relieve tuition fee levels for domestic students, thus reducing current HELP debt (and in turn, unpaid HELP debt) in the future. There are many other arguments for the reduction or even abolishment of tuition fees for domestic students, including on equity and access grounds, but from a purely economic

standpoint, the economic cost of unpaid HELP debt, which is set to increase considerably into the future, is one of the greatest arguments for a review of the system.

## **NTEU's proposal for Higher Education reform**

The NTEU believes there needs to be urgent, major reform to our HE system – both in funding and in regulation. Our position is based on the view that Australia's world class public university system must be underpinned by:

- secure employment,
- a level of public investment that ensures public universities can deal with unexpected external shocks (as was seen by COVID, and was a direct result of over reliance on international student fee income), and
- appropriate regulatory and governance frameworks that are transparent and ensure university autonomy
- In rethinking higher education policy, we recommend that:
  - the tertiary education regulatory framework should continue to recognise the distinction between HE and VET but also the important and unique role played by our public universities, including the need to promote and protect academic freedom and institutional autonomy.
  - An independent higher education agency or commission with regulatory and funding responsibilities be established (this ensures regulation *and* funding are at arms length to political structures)
  - The level of public investment on Australian universities be increased to 1% of GDP and that tuition fees for government supported student be eliminated.
  - That the government introduce a Public Accountability Agreement (PAA) framework (supercharged individualised COMPACTS that tie institutional funding to performance/planning) as the primary or the planning/funding/accountability framework to replace existing strategic plans, funding and performance mechanisms (as proposed in our 2015 Budget recommendation – see the note below).

Government should use its funding and regulatory powers to ensure that universities and other higher education providers:

- develop open and transparent mechanisms and structures that incorporate staff, students and local communities into their decision-making processes,
- transparently report the level of total remuneration received by vice-chancellors and other members of the senior as well as the key performance indicators attached to those positions

- reduce their reliance on insecurely employed staff by capping levels of precarious employment.

#### Note: NTEU's proposal on Public Accountability Agreements

Since 2015, the NTEU has been advocating for the creation of what we have termed Public Accountability Agreements (PAA) as part of an overhaul of the regulation and funding of the higher education sector. Our 2021-22 Federal Budget described the PAA in detail:

*The PAA framework, as proposed by the NTEU, is seen as a way of having a well-planned and managed distribution of government-supported places while giving individual universities the flexibility to pursue their own missions. Rather than being a demand driven model, it might be described as a more managed (and constrained) version of the demand driven system, which incorporates funding and accountability mechanisms.*

*A PAA would be a comprehensive individual (rolling 3-year) agreement between each university and (a yet to be established) independent higher education commission. Each PAA would include a university's (negotiated/moderated) plans, a funding agreement as well as accountability/performance criteria, against which the negotiation of subsequent PAAs would be informed. PAAs would not increase overall compliance costs because they would replace a number of existing arrangements including institutional strategic plans, funding agreements, mission-based compacts, and institutional performance portfolios.*

*The PAA framework is not unlike that which is being proposed in relation to the National Priorities Industry Linkage Fund (NPILF) [Consultation Paper](#). While the NTEU did not support the proposed model in relation to the NPILF given the high costs relative to modest (\$220m per year) funding and its highly targeted objectives, we believe such a framework would have some merit in relation to whole of institutional funding.*

*Like the proposed NPILF framework, the NTEU anticipates that the proposed accountability / performance criteria would not be restricted to a pre-determined set of industry wide indicators (one-size-fits-all model) such as that which is typically used in performance based funding framework, but instead provide a framework that gives each university the capacity to negotiate a set of criteria that aligns with its own objectives. These might include (as NPILF proposal outlines) a variety/mix of:*

- sector wide metrics;
- university specific qualitative or quantitative information; and
- new commitments or innovative plans.

*From the NTEU perspective PAA should not only cover each university's core teaching / research / community service obligations but would act as the primary mechanism to administer the allocation of government-supported student places. For example, where a university is seeking a substantial increase in enrolments, the PAA would importantly require the university to demonstrate it has the necessary physical and staffing resources to ensure each student it intends to enrol has a genuine opportunity to successfully complete their studies. The independent higher education Commission could also use the information it collects from all universities to better manage the total number of enrolments in particular disciplines. It could negotiate/moderate individual university plans or encourage cooperation between universities if it believes there to many or too few enrolments in certain areas.*

*Other than these core areas the NTEU is also suggesting that PAAs could be used to help address two of the other issues that need to be addressed in relation to higher, namely university governance and employment security.*

The PAA's are an important part of what needs to be a complete overhaul of higher education funding, regulation and structure. As noted COVID-19 has exposed the rifts that have underpinned our sector for years, but these rifts are now chasms that threaten to engulf public higher education. If we are to ensure the future of Australia's universities and TAFEs, we need to act now. Government must invest in teaching and research and we must stop relying upon students, both domestic and international, to increasingly shoulder the debt burden. We need to better support those who work in our higher education institutions and stem the reliance on precarious, insecure employment which is now the main form of employment for our hardworking academics and professional staff, and our internationally respected researchers.

## **Conclusion**

As noted in this submission, we are at a crossroads for higher education. The NTEU has put forward recommendations that provide an alternative pathway for public higher education – one that is well funded and safeguards quality teaching and research, and ensures Australia's well founded reputation international education is maintained.

However, if we are to continue on our current path, whereby public funding of higher education continues to be eroded and universities continue to cut resources and support for teaching and research, whereby student debt increases and a career in academia or research is akin to working in the gig economy, then the future looks far more bleak. We are urging Government to consider a better future for our higher education sector.

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## Appendix 1

