



**HIGHER EDUCATION SUPPORT
AMENDMENT (JOB-READY GRADUATES
AND SUPPORTING REGIONAL AND
REMOTE STUDENTS) BILL 2020
SUBMISSION**

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Submission focus

This submission suggests that:

- identifying areas of national priority for undergraduate study to improve employment outcomes for graduates is a positive and legitimate endeavour of government as most undergraduates want to obtain employment at the end of their studies;
- encouraging universities to build on their existing industry engagement activities to design courses that better equip students with the skills they require to thrive in the workplace is unlikely to be successful; and
- resourcing universities to improve the socio-economic composition of their students has not worked. Consider the billions spent on strategic adjustment funding and the minuscule outcomes. Other strategies should be followed.

Australia has seen unprecedented growth in the number of local students attending universities, with the rate of increase larger than the growth in Australia's population. This massive spike in student enrolments can be traced back to the 2008 Bradley Report into higher education. This report established the so-called "demand-driven" university system.¹

The demand-driven system sought to achieve two targets:

- 40 per cent of 25 to 30-year-olds would have a bachelor's degree by 2025; and
- 20 per cent of people in the lowest socio-economic quartiles would be participating in university education.

The arguments were that:

- Australia needed to increase its supply of graduates because they would be essential to the country's productivity and competitiveness; and
- mass higher education would provide a ladder of opportunity to students who had been previously denied access to higher education.²

¹ Bradley, D, Noonan, P, Nugent, H & Scales, B (2008) Review of Australian Higher Education: final report.

² IBID P9

The outcomes of the demand-driven system

Australia has never had more graduates. Some 51 per cent of 25 to 34-year-olds have a tertiary degree (the OECD average is 44 per cent), while 31 per cent of the adult cohort hold a bachelor's degree (OECD average 24 per cent).³

However, despite this massive growth in the number of undergraduates, productivity has declined, innovation has been stifled and equity has only marginally improved. Before the pandemic, wages growth was flat and productivity levels were below those of the 1980s.

Information and communications technology (ICT), engineering, manufacturing and construction are important sectors in fostering innovation and economic growth. Yet the number of graduates in these areas is gradually falling. In Australia, 12 per cent of adults have a degree in engineering, manufacturing and/or construction but only 8 per cent of students who graduated in 2017 studied in these fields.⁴

In 2018, 17 per cent of graduates were working in clerical, sales and labour occupations.⁵

Australia has the sixth highest level of qualifications mismatch in the OECD, with as many employees being underqualified as overqualified. The composition of Australia's workforce is out of balance, with exceptionally high levels of graduates, a large concentration of under-skilled workers and a dearth of workers with intermediate skills.⁶

While there remains a high demand for both intermediate and highly skilled workers, there is no demand in Australia for low-skilled workers. However, demand for highly skilled workers is below the OECD average, while the demand for intermediate skilled workers is above the OECD average.

This suggests two things:

- that Australia continues to pump out too many graduates and not enough workers with intermediate skills; and
- that continuing with the current arrangements regarding higher education settings is not working and therefore not in Australia's best interests.⁷

In summary, the demand-driven system, which was designed to increase productivity and competitiveness, has been a costly failure in terms of Australia's capacity to be a productive and competitive country. The system has contributed to an oversupply of graduates and a hollowing out of the workforce.

³ OECD. Education at a glance. Australia. 2019

⁴ The Centre for Future Work, Australia Institute. Pennington, A, Stanford, J, The Future of Work for Australian Graduates: The Changing Landscape of University-Employment Transitions in Australia, October 2019

⁵ IBID

⁶ Mauella B and Simona M, Social integration dynamics for migrants: PIACC to measure skill and qualification mismatch (Torina,) 2017

⁷ OECD skills. The jobs database (2018)

Equity in Australian universities

In terms of equity, there has been little to no change in the socio-economic backgrounds of students in Australia's universities. Providing access on the grounds of equity for disadvantaged students has not been a priority for universities even though they have been funded over the years to increase equity.

Table 1

Low SES enrolment proportion by institutional groupings, 2012-2017

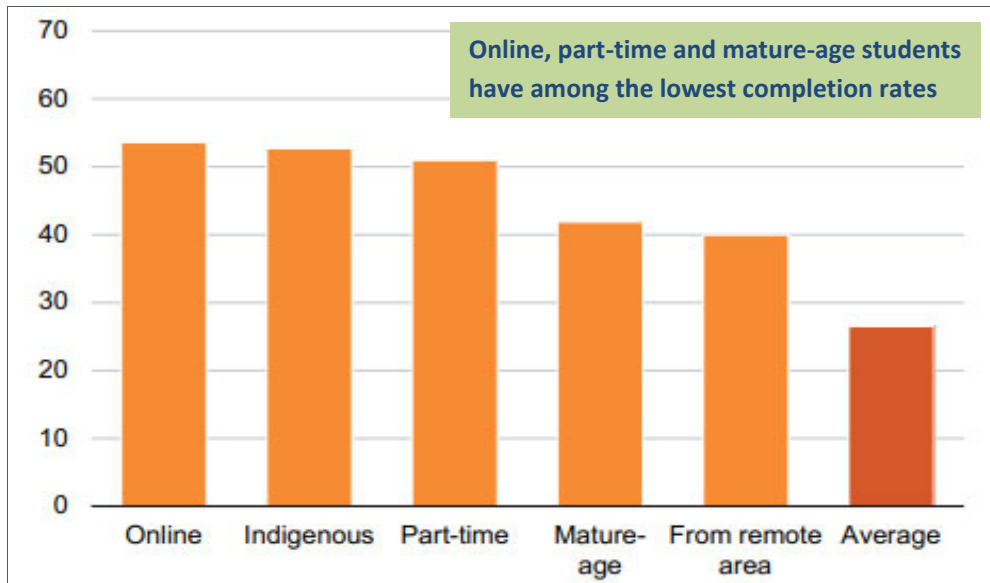
	2012	2013	2014	2015	2016	2017
Group of Eight	8.8%	9.1%	8.9%	8.9%	10.0%	9.8%
Australian Technology Network of Universities	13.9%	14.0%	13.9%	14.2%	15.6%	15.4%
Innovative Research Universities	19.3%	19.8%	19.8%	20.2%	21.8%	21.9%
Regional Universities Network	27.6%	27.4%	26.8%	26.8%	27.5%	27.6%
Unaligned Group	16.7%	16.9%	17.0%	17.0%	17.5%	17.6%

Source: Australian Government Department of Education and Training (2018). In *Equity Student Participation in Australian Higher Education* (p.8), National Centre for Student Equity in Higher Education (NCSEHE), Curtin University.

In addition, only the traditional students, notably those aged between 18 and 24, have been able to easily navigate the demand-driven system. Navigating the system has proven to be extraordinarily difficult for other cohorts of students, with completion rates for online, Indigenous, mature age and part-time students less than 50 per cent.

Table 2

Percentage of 2006 domestic commencing students who did not complete a course within nine years



Source: Cherastidham, I., Norton, A., and Mackey, W. (2018). *University attrition: what helps and what hinders university completion?* (p.10), Grattan Institute.

Overwhelmingly, disadvantaged students and those at high risk are more likely to be found in the vocational education and training (VET) sector and are more likely to successfully complete their courses. This suggests that non-university higher education providers (NUHEP) have the right skills and support mechanisms to meet targets around equity.

Table 3

Student characteristics by tertiary institute

VET		University	
Highest commencing age as % of all commencers, 2016, 30-39 years	18%	Highest commencing age as % of all commencers, 2016, 18 years	17%
Low SES % all students 2016	41%	Low SES % all students 2016	18%
NESB	20%	NESB	4%
Regional/Remote 2016	36%	Regional/Remote 2016	20%

Source: Strategic Intelligence and Insights Unit, 2018. Monash Commission.

Some suggested amendments to the Bill

It is unlikely that increasing the financial contributions from students for university courses with relatively poor employment outcomes will reduce demand for such courses. This is because families and students, especially from middle-class Australia, aspire to go to university. So while employment outcomes are important, so too is middle-class aspiration and the desire to obtain a degree. It is therefore unlikely that fees will be a deterrent.

The areas predicted to have the highest jobs growth in Australia are in the intermediate/higher-related skills; notably health, construction, education and training.

Under the demand-driven system, it is unlikely that too few undergraduate places have been offered in the key areas noted above - ICT, construction, engineering and medicine. It is more likely that students have not met the entry requirements.

Table 4

Projected Highest Job Growth Industries to 2023

Industry	Percentage of total employment (Feb 2019)	Projected new jobs 5 yrs. to 2023	Top hiring occupations*
Health care & social assistance	13%	250,300	Aged & disabled carers; registered nurses; child carers
Construction	9%	119,000	Construction managers
Education & training	8%	113,000	Education aides; primary school teachers
Professional, scientific & technical services	9%	107,000	Software & applications programmers
<i>Data: Authors' calculations from Department of Employment, Skills, Small and Family Business (2018) employment projections from May 2018 to May 2023. * Top hiring occupations are those projected to experience strongest growth within highest employment growth industries.</i>			

Most of the courses that prepare students for jobs in these industries are usually found in the applied vocational education or applied higher education sector, including in NUHEPs.

The pandemic has highlighted the importance of, and the shortage of, middle-level supervisory skills, especially in aged care and health care. The government has significant control, and oversight, of these industries. As these industries mature, higher-level applied education, rather than theoretical education, will be vital to improving productivity and safety.

Much of the growth in the professional scientific and technical services area is in medically related industries that depend to a large extent on intermediate skilled personnel working alongside professionals. Again, this is the province of applied education.

In 1989, the philosophy of Australia's university system changed fundamentally, with the introduction of new objectives of improving the quality, diversity and equity of access within the university sector.

This agenda saw colleges of advanced education either collapsed into existing universities or "promoted" and called a university. The new system was designed to create a sector that was more responsive to the needs of industry and better linked to the national interest. It was called a "unified system".

However, what has happened instead is that higher education has been stripped of its much-needed diversity, while the sole focus on university education has diminished student choice of subject areas.

This Bill seeks to do exactly the same thing as the "unified system" was supposed to achieve. That is, make the system more equitable and responsive to the national interest and the needs of industry.

This Bill is simply providing more funds to universities to do what they were supposed to from 1989.

New thinking required

If the Australian government is serious about a higher education system that is fit for purpose, is responsive to industry, and produces the mix of skills that all the research says is required, a "binary system" needs to be created.

A binary system includes applied technical universities as well as the current research-based universities. The two types of universities play different but complementary roles. The applied technical university better caters for part-time, mature-age and disadvantaged students.

A binary system preferences teaching over research (but does not exclude research) as a fundamental precondition to improving access to disadvantaged groups. It also ensures industry has a pipeline of so-called "job ready" graduates. They are job ready because applied vocational universities have experience in working with industry to combine institutional learning with work-based learning.

If the Bill cannot be amended to provide funding for the development of a binary system of higher education in Australia then, at a minimum, the Bill should be amended to allow non-university higher education providers (NUHEPs) to be able to access government funding in the priority areas identified. Such a strategy is unlikely to require much more money but it will almost certainly improve equity and responsiveness to national priorities.

Furthermore, as has occurred in the United Kingdom, when the government identifies strategically important industry growth areas that require higher level skills training, such as high speed rail and digital skills, then NUHEPs become an important resource to support the strategic focus of industry and government.

We have seen in this submission that vocational education and training is far more likely to cater for a diverse range of students. TAFE, in particular, is more likely to ensure that students, both the

young and the mature age, with their different learning styles and different backgrounds, will be successful in their tertiary endeavours.

Australia's higher education policy is based upon arbitrary demarcations and has only a residual connection to the needs of the wider economy and the community. It benefits a few and disappoints many. On almost any measure, the education system is falling behind comparative countries in the OECD. This Bill simply fiddles at the edges of reform. Fundamental changes to higher education arrangements are desperately required. Australia's international competitiveness is at stake.

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