



**Submission to the  
Education and Employment Legislation Committee**

**Inquiry into Higher Education Support Amendment (Job-Ready Graduates  
and Supporting Regional and Remote Students) Bill 2020**

**September 2020**

## Executive Summary

The University of Melbourne welcomes the opportunity to respond to the Education and Employment Legislation Committee's Inquiry into the *Higher Education Support Amendment (Job-Ready Graduates and Supporting Regional and Remote Students) Bill 2020*. The Amendment Bill proposes major structural changes to the funding framework of Australia's higher education system. It is important that the Senate review these changes to form a considered judgement on them. We commend the Senate for referring the Bill to an inquiry, which provides an opportunity to seek feedback from the higher education sector and other interested parties on these reforms and their potential impact.

The Job Ready Graduates Package contains a number of positive policy initiatives. The introduction of flexible funding envelopes for Commonwealth Grant Scheme (CGS) allocations made to universities is a clear improvement upon the current arrangements. This approach to CGS funding will encourage diversity and innovation in university teaching, expanding the study options available to students. The move to demand-driven funding for regional Indigenous students is also a welcome change, which will help to drive gains in participation and attainment among Indigenous Australians. We are also pleased that the Government has responded constructively to feedback on the draft version of the Bill released in August. The commitment to retaining a legislated funding floor in CGS allocations, and the re-classification of some social work and psychology units from the highest student contribution band of \$14,500 are both welcome changes in the Bill brought before the parliament.

While there are positive elements to the package, the University of Melbourne remains concerned about the details of some of the proposals. The Job Ready Graduates package proposes to cut funding for Commonwealth Supported Places (CSPs) by around six per cent. In addition to the implications for universities' capacity to support an excellent student experience, this cut has implications for university research, given the accepted practice of universities using a proportion of CSP revenue to support research activity. Greater clarity around the Government's plans for research funding is warranted, given the effective reduction in research support entailed in the proposed changes.

The Government has indicated that it intends to tackle research funding reform following the passage of the Job Ready Graduates package. Given that university research is impacted by the proposed legislative amendments, the university sector and the Senate need clarity around the Government's intentions for research funding in order to make an informed assessment on those amendments.

Beyond the lack of detail on research reform, the University of Melbourne argues that a number of the Bill's proposed changes to the *Higher Education Support Act* need to be reconsidered so that they better advance the aims underlying the Job Ready Graduates Package. We identify four areas where the Bill should be amended:

### **1. Redesign of funding clusters and student contribution bands**

The Bill proposes reforming funding cluster and student contribution bands. Any changes should be guided by the following broad principles:

- Changes should have a rationale supported by a clear evidence base
- Changes should not introduce perverse incentives
- Changes should be fair to students.

The proposed overhaul of funding clusters and student contribution bands fall short on each of these principles. The changes therefore should be reconsidered.

### **2. CGS funding envelopes**

The introduction of flexible funding envelopes is a substantial improvement on the current settings for allocating CGS funding, and the Government's commitment to maintaining the floor in CGS funding

is welcome. There are however changes to the design of CGS funding envelopes that would help ensure that the benefits of this approach to CGS funding are realised:

- Indexation of Maximum Basic Grant Amounts (MBGAs): The Government has committed to applying indexation annually on CGS funding. This should be included in the proposed amendments to the *Higher Education Support Act*.
- The Government's commitment to allocating additional funding to accommodate population growth is important. While the Government has claimed that the reform package will deliver an additional 39,000 places by 2023 and 100,000 by 2030, it has not provided detail on how these projections have been generated. The Senate should be provided with this detail so that it can assess whether this is adequate to meet expected growth in demand. The University also suggests other changes to the proposed approach to allocating growth funding:
  - The funding growth should be calculated on the entirety of an institution's CSP funding envelope, not just on bachelor-level funding.
  - The approach to growth classifications in metropolitan areas needs to be reconsidered to ensure that areas with strong population growth are not treated as low-growth areas. The University recommends calculating growth based on an adjusted absolute growth rate rather than a relative growth rate, which understates actual growth and will not provide sufficient new places for the imminent population spike in school leavers.

### **3. Demand-driven funding for regional Indigenous students**

The availability of CSPs for regional and remote Indigenous students on a demand-driven basis is a welcome initiative. This should be expanded to encompass all Indigenous students and should include access to a postgraduate place in a field where a graduate program represents the most direct pathway to entry to a profession.

### **4. Student protection measures**

While the University of Melbourne recognises the legitimate aim of ensuring that students in receipt of public support are genuine, the use of legislative measures is a heavy-handed approach to achieving this. The inclusion of these amendments in the Bill should be reconsidered.

Finally, the following comments address additional issues in the Job Ready Graduates Package that are not included in the proposed legislative amendments. The proposed Tertiary Access Payments are an important initiative that should act as an enabler of opportunity for regional and remote school-leavers. The payments should be available to all eligible students irrespective of study destination, to ensure that the measure supports choice for these students. Also, the Government's performance-based funding should assess outcomes of both undergraduate and postgraduate students, to ensure that assessments provide a full picture of an institution's teaching and learning performance.

For further information or to discuss this submission Professor Richard James, Deputy Vice-Chancellor (Academic) can be contacted on (03) 9035 4800 or [r.james@unimelb.edu.au](mailto:r.james@unimelb.edu.au).

## Recommendations

### Research funding and the Job Ready Graduates Package

The University of Melbourne recommends that:

- the Government’s intentions on research funding should be clear to enable the Senate to be well-informed to consider the Bill and to ensure that adequate provision is made to offset the impact on research funding through reduced funding under the JRG package.
- the CGS Guidelines should be released before a vote on the Bill to ensure the full extent of Ministerial discretion over funding is known and that adjustments can be made in the Bill (and the Guidelines) where that is prudent and reasonable.

### Redesign of funding clusters/student contribution bands

The University of Melbourne recommends that:

- any changes to funding clusters and student contributions should be reviewed to ensure they are equitable and based on evidence of their likely impact on enrolments.
- greater clarity should be provided on the proposed fields “Professional Pathway Psychology” and “Professional Pathway Social Work” and how they are to be operationalised.

### CGS Funding envelopes

The University of Melbourne recommends that:

- Annual indexation increases of the Maximum Basic Grant Amounts should be legislated (rather than set out in the Guidelines).
- The basis for the projected increases in student places of 39,000 by 2023 and 100,000 by 2030 should be made clear so that the Senate can assess whether the reform package will deliver additional places sufficient to meet the expected growth in demand.
- Growth in funding allocations to accommodate population growth should apply to the entire coursework funding envelope, not just to bachelor-level funding.
- For the purposes of allocating growth funding metropolitan areas should be classified based on absolute (rather than relative) population growth within the target population, adjusted for SA4 population size.

### Demand driven funding for Indigenous students

The University of Melbourne recommends that:

- the proposal to introduce demand driven CSP funding for regional and remote Indigenous students be supported and that it be extended to all qualified Indigenous students seeking a university place.

### Student protection measures

The University of Melbourne recommends that:

- the proposed amendments that make students who fail more than 50 per cent of their study load ineligible for public support should be removed from the Bill.

### Tertiary Access Payments

The University of Melbourne recommends that:

- Tertiary Access Payments should be implemented as initially announced, where payments are paid to students rather than universities, and where the payment is available to all eligible outer regional and remote school leavers relocating to study regardless of the study destination.

### National Priorities and Industry Linkage Fund

The University of Melbourne recommends that:

- the Bill should be amended to enshrine the funding mechanism for the National Priorities and Industry Linkages Fund (NPILF) in the legislation (rather than left to regulations).

### Performance-based funding

The University of Melbourne recommends that:

- both undergraduate and postgraduate outcomes should be assessed in the Government’s performance-based funding framework.

# General comment on the Job Ready Graduates reforms

## Research funding and JRG package

Australia's universities are, by definition, research-active institutions: the Higher Education Provider Category Standards limits the use of the title 'university' to institutions that conduct research across a number of fields. This feature of Australian universities is reflected in the funding arrangements for university teaching. Commonwealth Supported Places (CSPs) allocated to universities are intended to support teaching delivered within a research environment. Consequently, there has been an understanding that a proportion of this funding is appropriately used for university research.

The Job Ready Graduates package proposes a reduction in funding for university teaching of around six per cent per Commonwealth Supported Place (CSP). In broad terms, this reduction aims to align the funding universities receive for teaching with the cost of delivery, using the average delivery costs estimated by Deloitte in its *Transparency in Higher Education Expenditure* report. This effectively seeks to de-couple teaching and research funding. The reduction in CSP funding effectively amounts to a cut in support for university research. Therefore, corresponding changes to research funding need to be addressed alongside the proposed reforms. The Productivity Commission, whose 2017 *Shifting the Dial* report provided policy support for aligning teaching funding with the cost of delivery, was very explicit this should only occur in conjunction with research reform:

Making payments to universities for Commonwealth-supported places more cost-reflective would be an option to address the problem [of teaching-research cross-subsidy]. However, it would have *undesirable flow-on effects to university research capacity unless offset by other funding initiatives*. (emphasis added)<sup>1</sup>

The Government has indicated that it intends to address research funding following the Job Ready Graduates reforms being legislated. While we welcome the commitment to tackling research funding reform, the direction of these reforms needs to be understood if the Senate and the university sector are to make an informed judgement on the impact and merits of the Job Ready Graduates reform package.

## Commonwealth Grant Scheme Guidelines

Much of the detail in the Job Ready Graduates Package is not included in the legislative amendments. The effect of this is to widen the scope of Ministerial discretion over sector funding without parliamentary scrutiny or approval. The following comments point to a number of elements in the reform package that are not included in the amendment Bill but that should be legislated, including the return to indexation of CGS funding, the allocation of additional growth funding to support population growth, and the new National Priorities and Industry Linkages Fund (NPILF).

Beyond these amendments, the University argues that the relevant Guidelines that contain the detail not included in the legislation should be made available so that the Senate can assess the reforms in their entirety. In the absence of an opportunity to review the Guidelines, the Senate and the university sector are unable to arrive at a fully informed judgement on the proposed funding changes.

### Recommendations

The University of Melbourne recommends that:

- the Government's intentions on research funding should be clear to enable the Senate to be well-informed to consider the Bill and to ensure that adequate provision is made to offset the impact on research funding through reduced funding under the JRG package.
- the CGS Guidelines should be released before a vote on the Bill to ensure the full extent of Ministerial discretion over funding is known and that adjustments can be made in the Bill (and the Guidelines) where that is prudent and reasonable.

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<sup>1</sup> Productivity Commission (2017), *Shifting the Dial – Supporting Paper 7: University Education*, p.2.

# Comment on proposed legislative amendments

## 1. Redesign of funding clusters/student contribution bands

The Bill proposes an overhaul of CGS funding clusters and student contribution bands, significantly increasing contribution levels for some students while decreasing them for others with a view to the Commonwealth seeking to tie funding to emerging labour market priorities, including nursing, health occupations, teaching and IT. As noted, this will lead to an average reduction of around six per cent in the funding universities receive per student.

It is altogether appropriate that our higher education system is responsive to Australia's labour market needs. There are, however, problems with the proposed approach to achieving this. There are well-documented methodological issues in the costing study that was used to inform the changes. There is also a lack of evidence that the changes will have the intended impact on enrolment decisions, and there are questions of fairness when significant increases in contributions for some students are used to explicitly offset reductions for others.

### ***Limitations of the Deloitte cost reflective funding assessment***

The changes to course funding are in part informed by Deloitte's *Transparency in Higher Education Expenditure* costings report, which sought to estimate the average cost of teaching delivery for Commonwealth Supported students for the 2018 academic year.<sup>2</sup> There are considerable limitations to the Deloitte's analysis, some of which were acknowledged in the report itself.

The diversity of operations across different universities significantly affects the way that costs are captured. The outcomes of the costing exercise are therefore skewed by factors that are independent of the actual cost of delivery. This is demonstrated in the wide array of margins for different institutions across the various fields of education. The variation in average costs reflects a range of contextual factors (such as differences arising from geography, scale, student mix, subject focus, and research intensity), as well as differences in strategic focus across institutions. Further, reverting to the mean for a discipline fails to accommodate variance between sub-fields within that discipline. For example, as Vin Massaro pointed out in his analysis of the Deloitte report, it cannot "be assumed that the *average* cost of teaching engineering is a good basis for funding *all* engineering (emphasis added). This would also apply to science, social work, allied health and even, to a lesser but significant extent, languages."<sup>3</sup> Delivery costs in these sub-fields inevitably differ due to the nature of the teaching involved. Some of these sub-fields are more infrastructure-intensive than others in the same broad field (e.g. engineering). Further, teaching is directly linked to research in some sub-fields more than others, making that teaching more expensive. The effect of treating average costs as representative across all sub-fields is that some of those sub-fields will be underfunded, making it harder for universities to offer places in them.

### ***Lack of evidence that changes will influence enrolment choices***

There is little evidence that the proposed changes to student contribution levels are evidenced-based. Firstly, previous attempts at altering enrolment behaviour through price signals have proven ineffective, mostly due to domestic students having the option of deferring payments through the Higher Education Loan Program (HELP). The Final Report of the Base Funding Review noted that while

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<sup>2</sup> Deloitte Access Economics (2019), *Transparency in Higher Education Expenditure* (Australian Government, Department of Education and Training).

[https://docs.education.gov.au/system/files/doc/other/transparency\\_in\\_higher\\_education\\_expenditure\\_for\\_publication\\_1.pdf](https://docs.education.gov.au/system/files/doc/other/transparency_in_higher_education_expenditure_for_publication_1.pdf)

<sup>3</sup> Massaro, Vin (2020), "Funding model inadequate on teaching quality and standards", *Campus Morning Mail*. [https://campusmorningmail.com.au/news/funding-model-inadequate-on-teaching-quality-and-standards/?utm\\_campaign=website&utm\\_source=sendgrid.com&utm\\_medium=email](https://campusmorningmail.com.au/news/funding-model-inadequate-on-teaching-quality-and-standards/?utm_campaign=website&utm_source=sendgrid.com&utm_medium=email)

Governments have “at times sought to use targeted student contribution reductions to stimulate demand for certain courses”, this has had “limited effect”.<sup>4</sup> Moreover, the implication that courses for which student contributions have been increased (i.e. humanities and social sciences, management and commerce, and law) do not deliver job-relevant skills is incorrect. There is substantial evidence that the skills and capabilities acquired in these fields (e.g. creativity; analytical and original thinking; complex problem-solving; and emotional intelligence) will be in increasing demand in the coming years.<sup>5</sup> The recently released GOS-L report points to strong medium-term employment outcomes for ‘Humanities, culture and social sciences’ graduates. 87.0 per cent of these graduates were in full-time employment three years after completion. This is almost identical to fields that are included in the Government’s national priority areas, such as ‘Science and mathematics’ at 87.1.<sup>6</sup>

### ***Decrease in funding to universities for priority areas***

The proposed changes reduce per student funding provided in study areas the Government has designated as national priorities. Under these changes, universities will receive less funding per student in nursing, teaching, allied health, engineering, science and agriculture. This will make it more difficult for universities to offer additional places in these areas.

### ***Fairness***

The Bill proposes to increase contributions from students in the humanities (excluding English and Languages) and social sciences by 113 per cent to \$14,500. Contributions for Law, Economics and Commerce students will also be set at \$14,500, though the increased impact for students is smaller due to contributions already being relatively high for these fields. These increases will effectively help pay for the lowering of student contributions (and therefore the higher CGS subsidy levels) in other fields. There is a question of fairness of changes that fund a reduction in the cost of study for some students through a drastic increase to the cost for other students.

### ***Professional Pathway Social Work and Professional Pathway Psychology***

In response to sector feedback, the Government has re-classified some social work and psychology units from student contribution band 4 (\$14,500) to band 2 (\$7,950). The University welcomes this change. Given the public value of social work coupled with the modest returns in the form of income, it is appropriate that students in this field will not be charged the highest contribution rate.

While the change is welcome, there is a need for more detail on how this is to be re-classified. The Bill uses the terms “Professional Pathway Psychology” and “Professional Pathway Social Work” to identify the fields being reclassified. Presumably the point of this wording is to limit the units that get moved to the lower contribution band i.e. only units undertaken by students as part of a pathway into a career in social work or psychology will attract the lower contribution rate. There are significant questions as to how the Government plans to operationalise this. Making the funding cluster and student contribution band dependent upon a student’s career pathway rather than on the unit being undertaken will introduce a level of complexity in administering the changes that is undesirable.

#### **Recommendations**

The University of Melbourne recommends that:

- any changes to funding clusters and student contributions should be reviewed to ensure they are equitable and based on evidence of their likely impact on enrolments.
- greater clarity should be provided on the proposed fields “Professional Pathway Psychology” and “Professional Pathway Social Work” and how they are to be operationalised.

<sup>4</sup> Lomax-Smith, J., Watson, L., & Webster, B. (2011). Higher education base funding review, final report, p.100.

<sup>5</sup> World Economic Forum 2018; Korbel 2018

<sup>6</sup> Social Research Centre (2020), *2020 Graduate Outcomes Survey – Longitudinal* (pp.7-8 [Table 8]).

[https://www.qilt.edu.au/docs/default-source/gos-reports/2020-gos-l/2020-gos-l-national-report.pdf?sfvrsn=954ec3c\\_2](https://www.qilt.edu.au/docs/default-source/gos-reports/2020-gos-l/2020-gos-l-national-report.pdf?sfvrsn=954ec3c_2)

## **2. CGS funding envelopes (MBGAs)**

The proposed amendments would introduce CGS funding envelopes, allowing institutions autonomy in determining how the funding they receive is to be allocated across course levels. Currently, universities are allocated separate amounts of CGS funding for bachelor, sub-bachelor and postgraduate courses, and are not permitted to transfer allocated funding between course levels. The proposed changes will see universities provided with a Maximum Basic Grant Amount (MBGA) for all “higher education courses”, which cover almost all undergraduate and postgraduate programs.

The University of Melbourne commends the Government for adopting this reform. The primary benefit of flexible funding envelopes is that it will encourage specialisation and innovation in Australia’s university system, where course offerings are shaped by a view of student interests and learning outcomes rather than by funding settings that bias some course types over others. Greater institutional diversity will provide students with a wider set of study options and drive improvements in teaching and learning outcomes.

We also welcome the Government’s commitment to maintaining a floor in the amount of CGS funding allocated to a given institution, ensuring that this cannot be lower than the amount allocated in the preceding year. We are pleased that the Government has responded to sector feedback, and that the amendment Bill proposes to retain this funding protection.

While the introduction of funding envelopes is welcome, we argue that further refining this policy would help ensure that the benefits of this approach are realised. These relate to the arrangements for applying indexation to grant amounts, and to the arrangements for allocating additional growth funding to accommodate population increases.

### ***Legislated indexation of MBGAs***

The Job Ready Graduates Package commits to annual indexation increases on an institution’s MBGA, such that an institution’s funding envelope maintains its value in real terms. This is an important commitment. The failure to apply indexation on MBGAs from between 2017 and 2019 entailed year-on-year funding reductions, in effect reducing the number of university funded places.

While the Job Ready Graduates package includes a commitment to indexing MBGAs, this commitment is not part of the proposed legislative amendments. The University of Melbourne argues that indexation increases should be legislated to give certainty. Under the proposed amendments, following through on this commitment will be left to the discretion of future Education Ministers. If a Minister seeks to withhold indexation increases at some point, then this should only occur with Parliamentary approval.

### ***Growth funding for population increases***

Central to the rationale for the proposed reduction in CGS funding is that this will allow for growth in the number of student places. The argument has been presented that since the amount of funding provided per student is to decrease, more places can be delivered from within the same amount of funding provided to the higher education sector.

The Government has stated that its reforms will result in 39,000 additional student places by 2023, and in 100,000 additional places by 2030. These growth numbers are modest. For context, the number of CSPs grew by 183,835 between 2008 and 2018; a 42 per cent increase.<sup>7</sup> The promised 100,000 additional places by 2030 is far below this and would represent only a 16 per cent increase on the current number. It may be that the promised 100,000 additional places refers not to growth in total student numbers, but to the additional individuals who will access a place compared to the number that would under the current funding settings. Either way, this will likely fall short of meeting

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<sup>7</sup> Department of Education, Skills and Employment (2020), ‘Higher Education Statistics’ (U-Cube), <http://highereducationstatistics.education.gov.au/>

the expected growth in demand in the coming decade driven by population growth and by the economic downturn. The number of 20-24 year-olds alone is projected to grow by more than 200,000 between 2020 and 2030, and added demand will inevitably come from mature-aged students.<sup>8</sup> Where capable students are locked out of the university system as a result of inadequate funding, this should be seen as a missed opportunity both for those students and for the Australian economy.

Moreover, there is a lack of detail as to how the Government's projections for the additional places have been generated. The University understands that the vast bulk of the projected additional places are to come from the growth allocations on CGS funding. Growth funding to accommodate population growth and to increase attainment levels in regional areas will be allocated based on campus location, with increases on commencing bachelor places of 3.5 per cent per year to be provided to regional campuses, 2.5 per cent to high-growth metropolitan campuses and 1 per cent to low-growth metropolitan campuses. To date, the Government has not released its modelling to show how these funding increases will lead to its projected additional places. Analysis conducted by Mark Warburton, Senior Fellow at the Melbourne Centre for the Study of Higher Education, indicates that, on a best-case scenario, growth funding and other initiatives in the Job Ready Graduates Package will deliver only around 26,000 by 2023; well short of the projected 39,000.<sup>9</sup>

In the absence of further detail, key questions about the Government's projections remain unanswered. It is not clear whether the 23,000 and 100,000 projections refer to the expected increase in the total number of places, or whether these are the product of aggregating the difference between 2020 and each of the subsequent years. It is not clear whether the projected figures include expected enrolment growth in courses shorter than a bachelor degree. It is not clear whether the Government's projections assume that universities will increase over-enrolments beyond their CGS funding cap (MBGA). The answers to these questions make a big difference to the actual growth we can expect to see, and whether this is enough to meet the expected increase in demand.

Providing scope for growth in domestic enrolments is a primary aim of the reform package. As noted, this is central to the rationale for other changes in the Job Ready Graduates Package: the Government's justification for the cuts to CSP funding is that this will give more Australians the opportunity to undertake a university qualification. While we know what the funding cuts look like, there is no clarity around how the enrolment growth is to be achieved. The Senate should have the modelling available to it to be able to verify that the arrangements for growth places are sufficient to meet coming growth in demand.

Beyond the need for more detail on the Government's accounting of future increases in enrolments, there are issues specific to the proposed arrangements for growth funding. As proposed, additional growth places will be limited to bachelor-level funding, with the increased funding amount to be calculated based on existing funding for commencing bachelor students. Limiting growth funding in this way undermines the core benefits of using flexible funding envelopes to allocate CGS funding. The major advantage of this approach is its neutrality between course levels. This enables institutions to develop program offerings with a view to the educational needs and aspirations of their students, rather than on the basis of funding settings that are biased towards a given course level. The University of Melbourne's graduate curriculum model (the Melbourne Model) is an example of teaching innovation that will be better supported through the flexible approach to CGS funding. Other universities may seek to expand sub-bachelor offerings, noting that increasing the number of students undertaking a sub-bachelor qualification has been a longstanding policy aim of the Australian

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<sup>8</sup> Australian Institute of Health and Welfare (2019), "Population projections, 2017 (base) to 2032 for all states and territories at Statistical Area Level 2 (SA2) by sex and age".

[https://www.gen-agedcaredata.gov.au/Resources/Access-data/2019/September/Population-projections,-2017-\(base\)-to-2032-for-a](https://www.gen-agedcaredata.gov.au/Resources/Access-data/2019/September/Population-projections,-2017-(base)-to-2032-for-a)

<sup>9</sup> Warburton, M. "Unravelling the Tehan vision for higher education", Melbourne Centre for the Study of Higher Education.

Government.<sup>10</sup> The proposal to limit growth funding to bachelor courses will effectively reinforce the funding bias towards bachelor-level study, thereby diminishing one of the key advantages of flexible funding envelopes.

There is also a problem with the proposed approach to assigning growth classifications to metro campuses. As proposed, these classifications are to be based on relative growth in the relevant metro area (i.e. percentage increase in the number of 15-29-year-olds between 2020 and 2023). Areas with above average relative growth are deemed high-growth; Statistical Area 4s (SA4s) with below average relative growth are deemed low-growth.

The use of relative or percentage growth in the number of 15-29-year-olds understates the level of growth in areas that are starting from a high base of 15-29-year-olds. This problem disadvantages those universities in areas with already very high numbers of 15-29-year-olds. For example, for Statistical Area 4 Melbourne – Inner, 31 per cent of the total population falls in that age bracket, compared to an average of only 21 per cent for all metro SA4s across Australia. Given this high starting point, the seemingly modest 4.7 per cent increase in that area of 15-29-year-olds between 2020 and 2023 corresponds to a very large increase in the raw number of 15-29-year-olds. There is projected to be 10,380 more 15-29-year-olds in Melbourne – Inner in 2023 than in 2020 (the third highest increase of all metro SA4s across Australia).

This problem can be addressed by measuring population growth in absolute rather than relative terms, while adjusting for the total population size. This involves assessment based on the total increase in the number of 15-29-year-olds between 2020 and 2023 (i.e. instead of the percentage increase). Absolute growth is a more appropriate indicator of likely demand for higher education: what matters is the additional number of people who are in the 15-29 age bracket and who are therefore likely to be seeking entry to university. Similarly, measuring by absolute growth avoids understating the level of growth in areas that start from a high base of 15-29-year-olds.

The University of Melbourne therefore argues that metropolitan areas should be classified based on absolute growth, adjusted for the total population size of the SA4. This involves measuring the increase in the number of 15-29-year-olds between 2020 and 2023 per 10,000 total population (all ages) in 2020. This approach delivers broadly similar outcomes to the Government’s approach. Only four SA4s would need to be re-classified under this approach from low-growth metro to high-growth metro: Melbourne – Inner, Brisbane – West, Brisbane – South, and Perth – Inner.

#### **Recommendations**

The University of Melbourne recommends that:

- Annual indexation increases of the Maximum Basic Grant Amounts should be legislated (rather than set out in the Guidelines).
- The basis for the projected increases in student places of 39,000 by 2023 and 100,000 by 2030 should be made clear so that the Senate can assess whether the reform package will deliver the additional places sufficient to meet the expected growth in demand.
- Growth in funding allocations to accommodate population growth should apply to the entire coursework funding envelope, not just to bachelor-level funding.
- For the purposes of allocating growth funding metropolitan areas should be classified based on absolute (rather than relative) population growth within the target population, adjusted for SA4 population size.

### **3. Demand driven funding for regional Indigenous students**

The proposed HESA amendments will remove any funding cap for CSPs provided to Indigenous regional and remote students, making the supply of CSPs to these students demand driven. Under

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<sup>10</sup> The Government proposed to introduce demand-driven funding for sub-bachelor CSPs in 2014 and 2017.

this proposal, CGS funding allocated for Indigenous regional and remote students will be provided over and above that provided for other 'higher education courses' and 'designated courses'.

This initiative is strongly supported as it will provide further scope for universities to build pathways and grow places for Indigenous students. This will help to drive growth in participation of Indigenous regional and remote students, ensuring that funding constraints do not act as a barrier to access for members of the Indigenous community. If anything, the measures do not go far enough to support growth in Indigenous student participation in higher education. Ideally, demand driven places should be available to any qualified Indigenous student and should also apply to access to CSPs at graduate level where the qualification is the most direct pathway to professional entry.

#### **Recommendation**

The University of Melbourne recommends that the proposal to introduce demand driven CSP funding for regional and remote Indigenous students be supported and that it be extended to all qualified Indigenous students seeking a university place.

#### **4. Student protection and provider integrity measures**

The draft amendments propose to enact a series of measures that ensure that students enrolled in higher education programs are "genuine" in the sense they are properly engaged with their course of study and that they are progressing successfully through their studies. These measures include:

- Prohibiting unscrupulous marketing and enrolment practices.
- Imposing a limit on concurrent study for a given student of 2.0 EFTSL per academic year.
- Imposing a 50 per cent pass rule in order for students to be eligible for a CSP or for FEE-HELP.

The University of Melbourne supports the basic intent of the proposed changes but not the method suggested for addressing it. Universities have a responsibility both to students and to the public to ensure as best they can that those enrolled in their courses are genuinely engaged in their studies and are supported in making positive learning progress.

It is important therefore that the measures to support retention and progression are properly targeted, and that there is a level of flexibility in the arrangements that will allow them to be applied with sensitivity to the student's circumstances. We have concerns that the proposed provisions within HESA will represent a blunt instrument that will not allow for this, while also overlooking TEQSA's existing remit to oversight this area.

The Higher Education Standards Panel provided an extensive report to the Government on improving retention, completion and success in higher education.<sup>11</sup> It did not recommend the approach now adopted in the legislation. Inevitably, some students fail units for a number of reasons, such as the difficulty in making the transition to university study or to factors beyond their control. There is evidence that health issues and financial hardship are among the common reasons for students to discontinue their studies.<sup>12</sup> In many cases, these students, given the necessary support, will 'recover' to successfully complete their studies. It would be a perverse outcome if the proposed changes resulted in such students being prevented from continuing their studies due to early underperformance, especially as the pandemic has created unprecedented learning, social and financial challenges for many students.

We should also note the existing measures that address the issue of student progression. Universities are required to monitor student progression under the *Higher Education Standards Framework* and

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<sup>11</sup> [https://docs.education.gov.au/system/files/doc/other/final\\_report\\_for\\_publishing.pdf](https://docs.education.gov.au/system/files/doc/other/final_report_for_publishing.pdf)

<sup>12</sup> Norton, Andrew and Ittima Cherastidtham (2018), *Dropping Out: the benefits and costs of trying university* (Melbourne: Grattan Institute), p.57.

are subject to regulatory oversight from TEQSA to ensure they meet these requirements. The performance-based funding scheme includes a measure of student retention, and therefore ties some CGS funding to performance relating to student progression. It would be open to the Minister to increase the weighting of this measure when assessing university performance. In addition, universities have institutional policies for monitoring academic progress which, among other things, require students to enter into a performance improvement plan where progress has been inadequate. With these measures in place, the focus should be on mechanisms for collecting robust data that enables timely monitoring of outcomes, and that will help inform targeted interventions to student cohorts identified as being at-risk.

Legislation is a heavy-handed instrument to encourage retention and student success and any legislative arrangements should enable universities to manage case-by-case assessments of students to ensure against unintended consequences. This could be achieved by allowing a student to be exempt where they have entered into a performance improvement plan with the host institution. Further, there is no need for a legislated mechanism, given the oversight mechanisms outlined above.

**Recommendation**

The University of Melbourne recommends that the proposed amendments that make students who fail more than 50 per cent of their study load ineligible for public support should be removed from the Bill.

## Comment on other matters not addressed in Bill

### Tertiary Access Payments

Tertiary Access Payments should be available to all students from eligible areas, whether relocating to study at a metropolitan or a regional campus. This is necessary to advance the key aim of broadening the study aspiration and options for regional students who should be supported to exercise their choice in course selection and educational provider.

The proposal to allocate the payments in the form of a scholarship to universities based on a university's historical enrolments undermines student choice and will deny some rural students the benefits of the program.

**Recommendation**

The University of Melbourne recommends that Tertiary Access Payments should be implemented as initially announced, where payments are paid to students rather than universities, and where the payment is available to all eligible outer regional and remote school leavers relocating to study regardless of the study destination.

### National Priorities and Industry Linkages Fund (NPILF)

The National Priorities and Industry Linkages Fund (NPILF) will allocate grants to universities to support an increase in the number of students undertaking internships and to encourage deeper partnerships between universities and industry, with a focus on improving graduate outcomes for STEM students. The NPILF has been funded by the cuts to per student funding announced as part of the Job Ready Graduates Package.

While the University of Melbourne supports the basic intent of the NPILF, we argue that this measure should be legislated rather than left to regulations. Since the funding has been drawn from a legislated reduction in CSP funding, it makes sense that the NPILF should also be legislated. Certainty around allocations coming out of the Fund would also best advance the aims of the program.

**Recommendation**

The University of Melbourne recommends that the Bill should be amended to enshrine the funding mechanism for the National Priorities and Industry Linkages Fund (NPILF) in the legislation (rather than left to regulations).

**Performance-based funding**

An example of why the Guidelines must be released, to ensure the Senate is well informed prior to a decision on the Bill, are the provisions for performance-based funding.

The University of Melbourne understands that performance-based funding allocations will now be administered through the indexation increases on CGS funding announced as part of the JRG package i.e. the receipt of indexation increases will be made contingent upon university performance relating to teaching and learning outcomes.

It is important that the measures used in the performance-based funding framework are properly reflective of a university's total performance, rather than on the outcomes of specific cohorts of students. For example, in relation to the graduate outcomes metric, performance assessments should be based on the outcomes of both undergraduate and postgraduate students, rather than being based on undergraduate outcomes as occurred in the first iteration of performance-based funding this year. Limiting assessments to undergraduate students specifically disadvantages the University of Melbourne's model, as it excludes the positive employment outcomes of students completing a professional-entry Masters program within the Melbourne Model (Melbourne's engineers, teachers and nurses, for example, are not counted in employment outcomes measures under the scheme). With the move to funding envelopes, there is greater policy coherence in measuring all graduate outcomes and not just a segment of the graduating cohort. Also, the use of both undergraduate and postgraduate outcomes is appropriate if the intention is to make CPI increases on the entirety of an institution's CGS funding envelope contingent upon performance.

**Recommendation**

The University of Melbourne recommends that both undergraduate and postgraduate outcomes should be assessed in the Government's performance-based funding framework.