Next Steps for a First-Class Higher Education System: Has Australia the imagination and will to create and maintain international pre-eminence in higher education?

Wednesday 28 May 2014

Seminar 1: Financing Higher Education – for whom?

The session was chaired by Professor Leo Goedegebuure, Director of the L.H Martin and Professor Hamish Coates, Chair in Higher Education CSHE.

Other members of the panel:

- Professor Bruce Chapman, Director Policy Impact Crawford School of Public Policy, ANU
- Professor Steven Schwartz, Council for the Humanities, Arts and Social Sciences

I begin by acknowledging people of the Kulin nations, the traditional custodians of the land on which we are gathered today. We pay our respects to them for their care of the land.

It’s been a long while since universities have received quite so much public attention, perhaps there are votes in universities after all; either way it makes a compelling backdrop for this evening’s discussion.

The issue for discussion this evening is financing education. Sometimes I do wonder who for? Everyone has a view.

Is it for those who fund us? A public good for the communities we serve and as a platform for our nation’s innovation and productivity? We know, despite anything the Minister might say, that Graduates mostly pay more in taxes than they receive from the Government in education subsidy and hence they are drivers of wealth and jobs. This is a good thing. Could it be better?

Or is it for our students? An essentially private good bestowed by the quality of their higher education. The data suggest an educated society is healthier, lives longer, uses hospitals less and can pay for their own death. So should they, could they, pay more? It’s a reasonable question.

Or is it, more broadly, to ensure that Brand Australia can maintain and grow reputation and rise up the global rankings, so that at least one Australian institution can aspire to the world’s top 20.

Before getting into the detail, I want to spend a brief moment on context. Australia does not exist in a bubble. The rate and pace of change has already caused profound upheaval for our sector as a consequence of things that have begun elsewhere. Does anyone remember where they were when they sent their first email? I was in Manchester and it seemed like magic.

In the week we celebrate the impact of Tim Berners Lee’s invention of the internet – and the subsequent launch of the World Wide Web in 1994 in Lucerne – we understand the impact of this initially simple idea, to communicate more quickly about data.
Twenty years on, a lifetime, we live in a digital, global, flat connected age, national economies - small and large - increasingly dependent on high level knowledge. Higher education, smart education is acknowledged globally as a key national resource for progress and growth.

China, Korea, Taiwan, Israel and the Scandinavians get this. What they invest in their knowledge economies is dauntingly impressive.

Governments and the corporate sector are increasingly looking to universities as an important source of intellectual capital. And it is interesting what the new Government thinks in this regard. Joe Hockey prefaced his budget comments last Tuesday with the supposition that universities are the key to Australia’s future economic prosperity – as providing the platform for the nation’s innovation, creativity and productivity.

In 2012 Tony Abbott said he would treat the sector with benign neglect – I see this as the first broken promise actually... and in an interview with Michelle Grattan just before last year’s election, Tony Abbott provided this wonderful description:

“Obviously the higher education sector is a contributor to GDP, and it is important for our economy, but in the end universities are there to pursue learning, they’re there to be the guardians of truth, they’re there to push the boundaries of knowledge”.

It is perhaps a little at odds with the rhetoric that has accompanied the 2014 budget but that’s politics for you.

So are we financing universities for the funder, for public good?

At its simplest, I think public good has two key drivers, firstly to reduce inequalities and secondly to produce benefits for others. Universities, especially regional ones like Deakin, produce tangible benefits for their communities, valued and beyond doubt if the myriad of economic assessments are to be believed.

If I could draw on some examples from my own university, Deakin, and its influence on its home town of Geelong, a region which has borne much of the brunt of the nation’s painful decline of the manufacturing base.

Through its Geelong Technology Precinct, Deakin has leveraged its research and development capability to directly benefit the Geelong economy and regional Australia more broadly. Research focussed on community needs and directions means we are modest performers in ERA but we are high impact performers when measured at the local level. The town and region cannot see a future without the University and are currently dumbstruck, seeking reassurance as to what the budget ‘really’ means for ‘us’ – and us means them – the wider Geelong community.

In a place where the auto industry has gone, Alcoa has gone, Shell has sold out and there are no icons left, the University, once the pimple of the side of the big players is now the Player... central to a future economy requiring education and skills.

It is now Deakin University ideas and initiatives that generate jobs, generate new business opportunities, and above all, generate optimism in a region where optimism is in short supply. But

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1 The Conversation. Interview with Michelle Grattan 2 September 2013: http://theconversation.com/tony-abbott-interview-the-prime-minister-is-probably-a-little-more-than-first-amongst-equals-17750
before you think we are just jolly nice people at Deakin, let’s remember that university engagement in their communities is a social good and it is enshrined in our Acts of Establishment and is at the heart of the missions of every Australian university.

Which brings me to another aspect of public good, reducing inequality. Are we financing education for students, for individual benefit or the collective embrace of a robust society?

There is no doubt a university degree confers considerable private benefit and it is therefore appropriate there be private contribution. In difficult economic times, when people think about the point of, the link between a university education and better employment prospects always comes to the fore. For most people, in the end, jobs will always trump learning.

And we know that mostly graduates will get jobs, even those in the performing and creative arts, despite what the Minister says. So students should contribute to their education through fees. It is probably not a bad thing, it holds them accountable and keeps them honest; their studies have value. I am not actually against fees and a fee rise can be argued to be sensible in the current climate.

But Fairness is everything. To dump higher fees on students with 4 hours’ notice is rude; our international students get 18 months. To fiddle with funding clusters with little to no consultation seems rash. If I did not know better I would say the current Government has an aversion to science, especially environmental science (all those climate scientists we produce no doubt) and they are definitely not fond of any journalists, or PR wannabe’s, even though they employ them in the hundreds.

The evidence from other jurisdictions around the world is that fees can increase from where we have them albeit bearing in mind that our fees are already 6th highest in the world. Students will complain but fees and quality do appear to be linked, at least in the consumers’ perception and that is real. The UK case suggests this.

The saving grace is of course HECS HELP - the great protector. HECS deferment with payment related to subsequent income is one of the great Australian innovations, copied by others.

But besides reducing the Government funding contribution and introducing a so called simpler set of clusters, the Government has also decided to fiddle with a system that has served us brilliantly. I am sure you know the detail of the real interest rate. But what were they thinking?

Sure we have those who abscond to the UK, sure some annoyingly die before they pay back, and sure women are less likely to pay back due to low pay or excellent marriages, but all of this could be attended to and the recent Norton paper on this was very good in my view. A bit of softening, some socialisation and most would have seen the merit of getting some of the debt back.

The current proposition feels unfair. It no longer affords confidence or protection. I believe a real interest rate even when you are not working, or while you are a researcher getting a PhD is scary territory and brings the question of public good to the fore. It must surely be a deterrent for many. I am downcast that we must argue about this when it has enabled this country to soar well beyond expectations.

The benefits of education go far beyond economics. Did you know that the greatest protector against death is education? Those who are educated live longer and are less likely to die from smoking related disease or obesity or other non-communicable diseases.
So, have we reached the nadir? What is the obligation of governments to consider Higher Education as an investment and not a cost that needs to be so ruthlessly constrained? What is the social benefit of what we do and why is it not revered as precious future proofing for the nation?

At the heart of all of this is, it seems to me is the vexed issue of funding for research.

Research produces the ideas of the future and is certainly integral to achieving this Government’s vision of a stronger and fairer Australia. It has fuelled economic development, productivity and innovation, and it supports Australia’s role as a middle power and leader in the region.

Our regional neighbours have similar views. India and China have invested heavily in higher education and it shows. Asian countries outperformed the rest of the world in the PISA (Program for International Student Assessment) survey evaluating the skills of the world’s 15 year olds.

One of the reasons why Asian universities have been successful in improving their rankings is because they have realized the importance of internationalization. Asian countries are investing strongly in higher education and are attracting the smart talent – both students and staff – from around the world.

Countries that were once our major markets are now our competitors. As of 2013 China was the most popular country in Asia for international students2. At the very moment we need to compete and ensure our position, we find ourselves ranked near the bottom of the OECD countries for public investment in research and education.

One of the concerns from this is whether Brand Australia can get a university into the top 20. Many think not. University of Melbourne Provost Margaret Shiel was eloquent on the matter in the press this week. Our Education Minister Christopher Pyne is determined and was quoted as saying there are lessons for Australian universities to learn from the United States.

Indeed there are lessons. Comparing expenditure across countries, Australia’s expenditure was 2.20 per cent of its GDP, less than the 2.38 per cent for the OECD as a whole. All up, in 2013, the Australian Government spent $8,934.7m on research in universities.

International research competition is fierce, and internationally, the big contributors are a mixture of government investment and philanthropy. BUT one thing I have noted is that No jurisdiction appears to focus on students fees as a driver of funding to attain ranking excellence.

I want to make this point by way of example.

The Wellcome Trust in the UK, a global charitable foundation which funds scientists, clinicians and public health researchers, stands at approximately $29 billion and in 2013 it distributed over $1.3 billion in research funding and direct charitable activities.

So the $20 billion by 2020 Medical Research Future Fund is interesting but does not stack up against private funding and government funding internationally. The United States government gave its National Institutes of Health $30 billion in annual funding in 20133! Really!

Scrutiny of the US provides further insight. The major funders of the top universities are firstly, primarily and consistently - phenomenal Government investment and, secondly, astounding

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2 International Mobility of Students in Asia and the Pacific. UNESCO 2013
Philanthropy. Student Revenue has not been recorded as a way to get to the top of the system and we know the higher you go the more exponential it becomes.

Warren Buffett and Bill Gates are donating the majority of their riches to charity and turning themselves into the Rockefellers and Carnegies of our age.

There are also excellent examples of great Australian philanthropists in our history. There’s much we can learn both from the US and the UK on how to encourage our wealthiest Australians to commit some of their dollars to Australian research and education.

But on a smaller scale, philanthropy has been affected in various ways by technological and cultural change ... most “giving” now happens by internet. Crowdfunding websites have undergone considerable growth in the last couple of years – $2.7 billion raised globally.

Crowdfunding platforms such as Pozible are particularly suited to education because it is often about more than money; it is about using the power and reach of digital platforms to exchange great ideas for the benefit of our society – the public good.

So in conclusion, self-interest is assumed to be the main driver for Higher Education funding:

- Governments are looking for return on their investment dollar
- Students are perceived as savvy consumers with eventual debt justified in terms of long term individual benefit.
- Universities are looking to maintain reputation and rise up the global rankings in an increasingly crowded and complex global market

If the reasoning behind university funding hangs in the balance of a conflict between public good and individual reward, there is an important opportunity for us to make a much stronger case for the ‘public’ bit of public universities.

Jane den Hollander
Vice Chancellor, Deakin University