

Towards Opportunity and Prosperity

REFORMING THE HIGHER EDUCATION SYSTEM

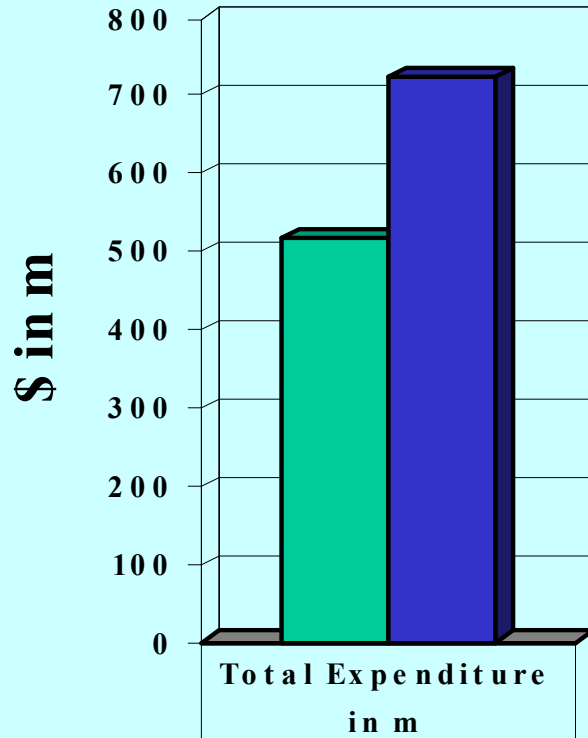
The Case for De-regulating Higher Education

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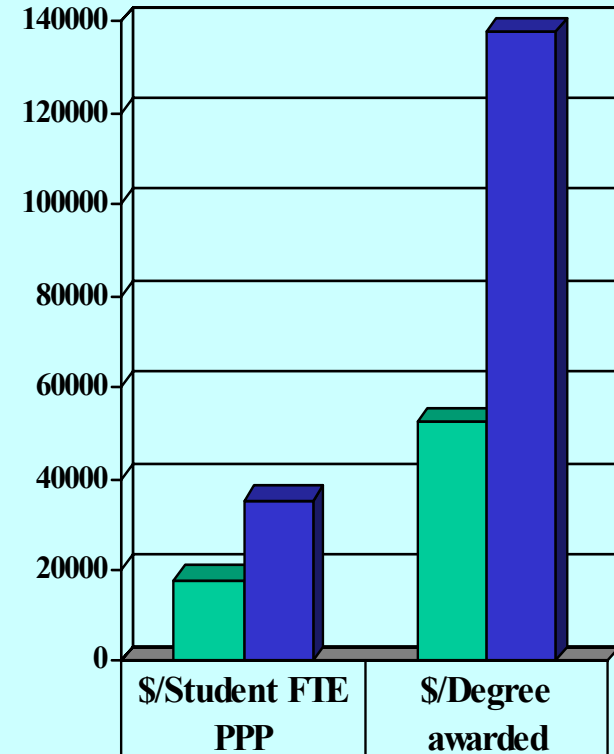
The Case for De-regulating Higher Education

- **The status quo in Australian higher education is unsustainable**
- **Australian universities are not sufficiently resourced to be internationally competitive at the highest level**

Comparison with the University of Virginia



■ UM PPP (OECD)	515
■ UVa (USD)	725



■ UM PPP (OECD)	17745	52287
■ UVa (USD)	35261	137527

The Case for De-regulating Higher Education

- **The status quo in Australian higher education is unsustainable**
- **Australian universities are not sufficiently resourced to be internationally competitive at the highest level**
- **Being internationally competitive matters in higher education**
- **Solutions to Australian higher education's current problems must secure genuine, sustained improvement in the quality of teaching, learning and educational outcomes in Australian universities**
- **Limited de-regulation offers the best opportunity to secure a competitive resource base and develop incentives for quality improvement in Australian higher education**

The Reform Imperatives

- **Sustained quality improvement** – A reformed system should provide powerful incentives for creating and maintaining world class learning environments, especially for undergraduate education; and
- **Sustained resource growth** – Australian higher education needs an operating environment in which dynamic institutions may access the resources necessary to make Australian universities internationally competitive
- **THE REFORM AGENDA = HOW BEST TO SECURE BOTH THESE RELATED IMPERATIVES?**

RECOMMENDATION 1.

Create a New Incentive-dynamic for Australian Higher Education

- **Each university is authorized to set a specific *higher education charge* for each course of study that it offers;**
- **The Commonwealth pays institutions the full *higher education charge* for each student enrolling;**
- **Students repay to the Commonwealth via the income tax system, on a deferred, interest free, income-contingent basis, 50 per cent of their accrued *higher education charges* in relation to undergraduate degrees and first professional qualifications, and 100 per cent in relation to other courses,**
- **The Commonwealth reserves the right to encourage students to study at particular universities through a system of bursaries reducing the deferred cost-per-student; and**
- **The Commonwealth provides students from low socio-economic backgrounds with financial assistance through ‘Equity Scholarships’.**

FEATURES OF RECOMMENDATION 1

- (i) Because it would provide for variable higher education charges, and would fund institutions only for actual enrolments, the proposed funding regime creates an incentive for universities to give higher priority to the quality of teaching and learning and to lift the quality of the student experience overall**

- (ii) The proposed equity and access scholarships would allow a targeting of Commonwealth assistance to low socio-economic and other equity groups on a scale not possible under present arrangements.**

- (iii) The funding regime would be dynamic in the sense that it would create tax revenue growth to match growth in the national higher education system, albeit on a deferred basis.**

FEATURES OF RECOMMENDATION 1

- (iv) The funding regime would allow for a differentiation of teaching costs and quality through the proposed variable higher education charges, permitting universities able to sustain higher charges to cover the costs of more expensive teaching and research infrastructure and/or academic staff costs.**

- (v) The open-ended nature of the Commonwealth's commitment to meet 50% of the higher education charge set by the universities would be limited by (i) consumer resistance to inappropriately high charges; and (ii) the right of the Commonwealth to vary the 50% public subsidy downwards (in the case of high cost courses with high private benefit characteristics, e.g., medicine, veterinary science) and upwards (in the case of courses with high social value and/or workforce planning significance, e.g., nursing, teacher education.)**

RECOMMENDATION 2.

Amend the Taxation System to Make Human Capital Development Tax Deductible

Unlike other capital development costs, the development of human capital is not tax deductible in Australia. This is an increasingly regressive reality in an emerging knowledge economy. Consideration should therefore be given to:

- Providing tax incentives for private and especially corporate funding of research and teaching infrastructure in universities.**
- Introducing the interest free deferred loan covering the proposed higher education charge (proposed in 1, above).**
- Introducing a 125% taxation incentive for corporate investment in certified professional training and R & D conducted in collaboration with universities.**

RECOMMENDATION 3.

Immigration Policy

Changing immigration policy to facilitate study in Australia by international students, both in terms of entry and patterns of study. Visas should become easier to process, and overseas students should be freer than at present to combine study with employment. Student facing academic and/or financial difficulties should be allowed much greater flexibility than at present to vary course loads and extend the length of time required in Australia. International students wishing to work in Australia after graduation should be welcome.

RECOMMENDATION 5.
Research Infrastructure Support

Reducing the formulaic complexity of funding for indirect research costs and research infrastructure and allocating such funding wholly in relation to total external institutional income received specifically for research.

RECOMMENDATION 6.

Encouraging Institutional Diversity

Reviewing current MCEETYA Protocols that militate against the diversification of the higher education system in Australia, particularly in relation to research criteria and breadth of disciplinary profile.

INTRODUCED WITH THE VERY BEST INTENT, THE *MCEETYA PROTOCOLS* THREATEN TO FOSSILISE AN ALREADY MONOLITHIC SYSTEM