

# RESPONSE TO NATIONAL REGIONAL, RURAL AND REMOTE EDUCATION STRATEGY FRAMING PAPER

1 February 2019

## **Recommendations:**

Universities Australia calls on the Government to:

- restore the demand-driven system;
- support university participation programs through appropriate funding of HEPPP;
- review student income support;
- consider how to support universities' capital needs, especially around student accommodation;
- invest in VET to support regional access to tertiary education, including through various forms of university-VET partnerships; and
- consider options for investment in innovative online delivery of higher education.

As the peak body representing Australia's 39 comprehensive universities, Universities Australia welcomes the opportunity to respond to the Regional Education Expert Advisory Group's National Regional, Rural and Remote Education Strategy Framing Paper.

This submission represents a whole-of-sector view on the issues raised in the paper and complements those submissions which may be made by individual UA member universities and other mission groups.

## **DEMAND DRIVEN SYSTEM**

Since 2008 there has been a 43 per cent increase in domestic undergraduate enrolments. This has largely been due to the introduction of the demand-driven system in 2012. Over the same period undergraduate enrolments by regional and remote students increased by 50 per cent.

The demand-driven system was a historic policy commitment to increase participation in higher education. The Government of the day adopted the target of at least 40 per cent of 25- to 34-year-olds holding a Bachelors degree by 2025. The 40 per cent target was based on attainment rates and government targets in high-performing OECD countries.

Increased attainment was intended to secure the supply of graduate skills needed to meet demand from a labour market that increasingly prioritises higher level skills and adaptability. At the same time, the demand-driven system was intended to extend the opportunity of higher education to more students from

groups traditionally under-represented at university – people from low socio-economic status (low SES) backgrounds, people from the regions and Indigenous Australians.

After the move to a demand-driven system was announced in 2009, aggregate Government funding for university places increased significantly as universities absorbed unmet demand for higher education. This was the policy intent, supported by both sides of Government.

Following the initial expansion, higher education participation settled at a new, higher level. Increased participation is widely acknowledged as good for skills supply and economic growth, as well as for opportunity and social mobility.

The demand-driven system enabled thousands more regional people, who may not otherwise have had the opportunity, to participate in, and succeed at, higher education.

However, the demand-driven system was effectively abolished in the 2017-18 Mid-Year Economic and Fiscal Outlook, which froze funding at 2017 (nominal) levels, regardless of inflation or increases in student numbers. This is a cut of \$2.1 billion over forward estimates.

In fact, growth in the number of student places funded under the demand-driven system had plateaued in 2014. As a result, the level of Government expenditure on the demand-driven system was stable before the then-Turnbull Government froze funding in 2017. In the last three years of the demand-driven system (2015-2017), average annual growth in Government-funded places was only 1.4 per cent. In 2017, growth was down to 1.1 per cent.

UA strongly supports restoring the demand-driven system, on the grounds of equity and capacity for meeting future labour market needs – with particular emphasis on the benefits it brings to regional, rural and remote development.

While the funding freeze announced in 2017 hits all universities hard, some universities – particularly those in the regions – are affected especially badly. Estimates obtained from the Department of Education and Training by the ABC under Freedom of Information show that while the average cut to 'base funding' (CGS plus student contributions) over the period 2018 to 2021 is 4.5 per cent, some universities will lose a lot more. CQUniversity Australia stands to be cut by 15 per cent, the University of Tasmania by more than 11 per cent, the University of the Sunshine Coast by nearly 9 per cent, Southern Cross University by nearly 6 per cent and the University of Wollongong by 5 per cent.<sup>1</sup>

UA also advocates extending the demand-driven system to sub-bachelor courses. It was originally intended that these courses would be included in the demand-driven system.

Providing more Commonwealth-supported places in associate degree, advanced diploma and diploma courses will improve the availability and diversity of pathways into Bachelors degrees, especially for students who may not have had the opportunity to perform at school at an academic level that reflects their abilities.

Freezing the demand-driven system does nothing to close the attainment gap between regional and metropolitan areas. In fact, it will work to widen the gap. Higher education attainment rates in metropolitan areas remain twice as high as in the regions. Across Australia attainment rate for 25- to 34-year-olds 39.7 per cent is fractionally below the 40 per cent attainment target. Major cities are already well in advance of this target at 44.6 per cent. Attainment in this age group in the regions is much lower, and declines with remoteness. In inner regional areas, attainment is 23.1 per cent, and slightly lower in outer regional areas (22.4 per cent). In remote areas, attainment is below 20 per cent (19.7 per cent).<sup>2</sup>

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<sup>1</sup> ABC (2018), 'University funding freeze hits regional campuses worst, with up to 15 per cent of expected money on ice', 14 June 2018, <https://www.abc.net.au/news/2018-06-14/university-funding-freeze-regional-campuses-worst-hit/9857532>

<sup>2</sup> ABS (2018), *Education and Work, May 2018*, Cat No. 6227.

Funding cuts have also made it harder for universities to offer support services for students who require academic and pastoral support. These vital services are already under strain as a consequence of earlier funding cuts.

## HIGHER EDUCATION PARTICIPATION AND PARTNERSHIP PROGRAM

The Higher Education Participation and Partnership Program (HEPPP) is a Commonwealth funding scheme that provides universities with additional resources for school and community outreach and for supporting students from low SES backgrounds succeed at their study.

HEPPP is aimed at low SES students which includes many regional and remote students. Some 16 per cent of all funding to-date has been used specifically to assist low SES regional students.<sup>3</sup> Regional universities use of HEPPP funding has been more heavily targeted at student support than for outreach<sup>4</sup>, which demonstrates the generally more fragile nature of regional student preparation for higher education.

HEPPP has already had cuts amounting to a quarter of a billion dollars in recent years. Having started at around 2 per cent of the main Government funding line for university places – the Commonwealth Grant Scheme (CGS) – on a trajectory towards 4 per cent of CGS, HEPPP has never come close to the target due to repeated cuts. HEPPP funding sits at just over 2 per cent of CGS in 2018-19.<sup>5</sup>

Despite its modest funding and repeated funding cuts, HEPPP has been tremendously successful, along with the demand-driven system, in creating aspiration, opening access, and supporting those from traditionally under-represented groups success at university. Reinstating HEPP funding to the levels which were originally intended would be a positive step in mobilising the transformative power of education for all Australians.

## STUDENT COSTS

The cost associated with attending university is a major barrier for people from rural areas accessing higher education. The annual living costs for regional/rural students living away from home in 2010 were estimated to be \$15,000 to \$20,000 plus relocation and establishment costs of \$3,000 to \$6,000.<sup>6</sup>

While most students seek to cover these expenses through paid employment, employment opportunities in regional areas, especially for young people, can be limited and are often seasonal in nature.

In general, student income support is well targeted. However, the proportion of regional students deferring tertiary study and undertaking gap years after completing high school is considerably higher than the proportion for their metropolitan counterparts.

Non-metropolitan applicants were more than twice as likely to defer compared with metropolitan applicants (17.7 per cent compared with 8.1 per cent respectively).<sup>7</sup> Research from the Longitudinal Surveys of Australian Youth found that students from regional and remote locations are also more likely to take a gap year.<sup>8</sup>

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<sup>3</sup> Acil Allen Consulting (2017) *Evaluation of the HEPPP*, p. 39.

<sup>4</sup> Acil Allen Consulting (2017) pp. 34-35.

<sup>5</sup> DET (2018), *Portfolio Budget Statement*

<sup>6</sup> National Rural Health Alliance 2010. Fact Sheet 6 – Further Education and Health: <http://bit.ly/2x7rQ2Y>

<sup>7</sup> DET (2018), *Undergraduate Applications, Offers and Acceptances 2018*, p.25

<sup>8</sup> Curtis, D., Mlotkowski, P. and Lumsden, M. (2012), *Bridging the gap: who takes a gap year and why?*, NCVER research report, Adelaide

It has been suggested that many students are taking gap years in order to meet the independence criterion for access to income support payments (currently set at 14 months). This suggests that for many regional students gaining access to student income support is a precondition for access to university study.

Maximum student income support payments for single adults are lower than budget standards—the income levels required to achieve a minimally adequate standard of living—calculated by the Social Policy Research Centre at UNSW and the Henderson poverty line maintained by the Melbourne Institute of Applied Economic and Social Research.<sup>9</sup>

Youth Allowance/Austudy rate for students aged 18 and older—both living at or away from home—are between 36 and 69 per cent of these benchmark, so are ABSTUDY rates for students aged 18 to 21—living at or away from home. ABSTUDY rates for students aged 22 and older and living away from home are between 44 and 81 per cent of these benchmarks, while for students living at home ABSTUDY rates are between 79 to 126 per cent of these benchmarks.<sup>10</sup>

More students—especially those with no family support—have to work long hours to make ends meet which negatively affects their academic performance. Universities have also continued to provide financial assistance to students in need. Since 2008, scholarships, grants and prizes offered by universities to their students have increased by 43 per cent in real terms from around \$1.2 billion in 2008 to \$1.7 billion in 2016.<sup>11</sup>

Universities Australia encourages the Government to regularly review of student income support arrangements and consider an increase in student income support payments.

Social and pastoral support have also been mentioned by regional students as a gap, although universities offer a variety of support services to assist. Figures from the recent report on the mental health of university students<sup>12</sup> suggest that rural and remote students have a higher prevalence of psychological distress at university than those from metropolitan areas often due to issues of social dislocation and cost.

## SCHOLARSHIPS

The Student Start Up Scholarship ended for all students on 1 July 2017. It was replaced by a loan that is added to a student's HELP debt. The scholarship was initially a top-up payment available to students on income support, who by definition were financially in-need. These students will now exit study with higher debts, effectively paying more for their study as a penalty for needing additional support. The policy intent here appears unfair and regressive.

UA supports the ongoing provision of Relocation Scholarships to regional students (and to other students planning on studying in the regions) who are in receipt of Youth Allowance and ABSTUDY. For many students this scholarship would make the difference in deciding whether or not they can afford to undertake tertiary study.

UA also supports Rural and Regional Enterprise Scholarships for regional students studying STEM subjects, a discipline area in which regional students are traditionally underrepresented.

The value of these scholarships is appropriate at \$18,000, but UA notes that the number of students that benefit will be small and the resources available for the scholarships will be exhausted after only two funding rounds.

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<sup>9</sup> <https://www.universitiesaustralia.edu.au/Media-and-Events/submissions-and-reports/Students-Finances-Survey-2017>

<sup>10</sup> UA 2018 unpublished report commissioned to PhillipsKPA on student income support.

<sup>11</sup> DET, *Financial Reports of Higher Education Providers*, various years.

<sup>12</sup> Orygen, 2017. Under the radar: the mental health of Australian University Students: <http://bit.ly/2x7E4bX>

## REGIONAL LOADING

The Commonwealth provides additional funding to universities operating regional campuses. This regional loading is intended to offset costs of regional operations compared to metropolitan providers.

Approximately \$70 million of regional loading was provided in 2017. The purpose and level of regional loading was last reviewed in 2011. That review found that the level of funding was insufficient to offset the disparity in costs and revenue between regional and metropolitan campuses. However, it was not possible to identify the precise disparity in costs on a campus by campus basis “as well managed universities kept their costs within their budget.”<sup>13</sup>

UA supports the policy intent behind the regional loading. There are genuine disparities between the costs and revenues of regional universities and their metropolitan-based counterparts. These include the increased costs involved in operating a number of campuses separated by long distances versus one-site campuses in major cities.

## ACCOMMODATION

Finding accommodation for rural students in metropolitan areas can be as problematic as finding accommodation in rural areas for metropolitan students who undertake rural rotations for health or other courses. Some universities have overcome the latter issue by securing accommodation in rural areas expressly for such purposes.

This is a challenge that universities cannot face without Government support. There is no longer any dedicated Government capital funding for universities. This means that universities have no alternative to funding capital works – as well as maintenance – from operating margins. Despite some public claims, university operating margins have – on average – fallen significantly over recent years. Since 2009, university operating margins have declined by 25 per cent in real terms. In 2009, 24 universities had an operating margin of more than 8 per cent. By 2016 (still the latest year of available data), this number had fallen to three.<sup>14</sup> As a result, universities are limited in their capacity to respond to the need – and demand – for student accommodation. This applies in particular to regional universities, where operating margins tend to be smaller and alternative sources of capital investment more limited.

## HIGHER EDUCATION AND VET

Australia’s VET sector is a vital component of the nation’s education system. VET is particularly important in the regions, as a path to tertiary education and employment, as well as a pathway into higher education for many students.

VET has been subject to funding cuts – especially at the State/Territory level – and a range of policy experiments.

At the same time, declines in quality and capacity and increases in reportedly unethical behaviour by private providers has damaged the reputation and position of the VET sector as a whole.

Universities Australia calls on the Government to improve policy frameworks and funding for vocational education and training.

Universities work with VET institutions to offer a broad range of pathway courses. Funding cuts in both higher education and VET put limits on this activity. This makes it unnecessarily hard to increase the number and variety of pathways available, and to innovate to offer the new opportunities that students need.

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<sup>13</sup> Review of Regional Loading Final Report, p. vii

<sup>14</sup> DET, various years, *Higher Education Finance Statistics*

Effective pathways assume a particular – and pressing – importance in the regions. Joint delivery of programs, articulation arrangements and recognition of prior learning are especially important where stand-alone higher education delivery is limited. Such partnerships are vital to making opportunity available to regional students.

Leveraging the presence, effectiveness and position within the community of regional TAFE providers brings opportunity to the regions and makes the most effective use of regional tertiary education facilities.

UA will engage with the review of the Australian Qualifications Framework (AQF) currently underway to enhance opportunities for effective collaboration between higher education and VET.

## **REGIONAL HUBS**

Regional Study Hubs are a proven way to make higher education more accessible to regional students.

However, the Regional Study Hubs program is relatively modest in size. It does not offset the disproportionate impact on regional institutions and students caused by the freeze of the demand-driven system.

Regional Study Hubs are a useful addition to higher education delivery; they are not – and cannot be – a solution on their own to the problem of the accessibility of higher education in the regions.

This underlines the need to restore demand-driven funding to secure access to a broad range of higher education opportunities for regional students – including opportunities available both in the regions and elsewhere.

## **ONLINE PROVISION**

Online and distance provision of higher education is particularly important in the regions. Distance education is a powerful and necessary way to make university accessible to regional and remote students. It is also an important element in the business model of many regional universities, enabling them to offer high quality higher education beyond their immediate geographical area to a larger and more diverse student body, both in the regions and in the cities.

The freeze on demand-driven funding restricts universities' capacity to meet the demand. The impact of the freeze – and other funding cuts – on university budgets makes it hard – and unnecessarily risky – to develop new courses, programs and ways of delivery. Increased investment in innovative online delivery at significant scale is one key element of improving access for regional students. This is not possible under current funding arrangements.

The abolition of the Office of Learning and Teaching (OLT) has had a negative impact on innovation and sharing of good practice in online learning and in higher education more generally. For a modest public investment, the OLT made a major contribution to quality and innovation in teaching, including in developing effective ways of engaging an ever more diverse student body. Abolishing the OLT is a false economy.