What is going on in Australian higher education? Andrew Norton, Grattan Institute's Higher Education Program Director, discussed the program's first report with Julie Hare, Higher Education editor at The Australian, at this public Grattan Institute event in Sydney.

The report, *Mapping Australian higher education*, puts in one place key facts and their context about a sector that every year educates 1.2 million students and attracts $23 billion of expenditure, almost 2% of Australia's GDP, yet attracts little public attention. The report examines the sector's strengths and weaknesses and how it is changing to meet Commonwealth policy imperatives.

Speakers: **Andrew Norton, Higher Education Program Director, Grattan Institute**
Julie Hare, Higher Education editor, The Australian

AUDIO: This is a podcast from Grattan Institute, www.grattan.edu.au.

JULIE: So the government's actually said it won't even consider teaching/learning universities, but there's got to be a strong economic argument. I can understand why Dawkins went that way, but it seems to me the old CAE system is a system that was massified. In fact we're universal now, so isn't there a good economic argument for that? Plus the fact that a lot of these low ATA students don't care about the teaching/research nexus and I'd argue most undergraduates don't understand it at all, especially someone with no time in the 60s.

ANDREW: I certainly wouldn't want to try and reclassify any existing university that has teaching only. I think that would create the biggest brawl in Australian higher education history. But I think there is room for expanding the higher education system for institutions which are not called universities, and there are lots of those. It's hard to work out exactly how many, but well over 100. The institution infrastructure can be expanded, and I think there are advantages for students: it can be cheaper because you don't have the combined research costs; and it allows the trimester system, which means they can complete their courses more quickly. If you look at the economics of human capital a lot of the cost is the time spent out of the labour force rather than the direct fees they pay. So if you can complete in three years rather than two (which is the model that Bond, Deakin and quite a number of the non-university providers now adopt) you can do three academic years in two calendar years. This means significant savings for students and presumably the government as well.

JULIE: So 2012 is basically continuing the Bradley reforms. This is where everything is supposed to fall into place. There are a lot more students going into the system. And there are students going in the system with ATAs as low as 53 or even 50. What can universities do to keep those kids in there, so that attrition rates aren't high, so that they're not disillusioned and damaged by the system, because universities aren't just big high schools.

ANDREW: This is getting into an area that I call the ethics of enrolment. In medical practice there are certain ethics. For example a doctor treats his or her patients and you have to be confident that the treatment is in the interests of the patient. In higher education I'm not sure that we have the evidence base to be able to give sensible advice along this line. What we do know, at the aggregate level, is that with declining ATAs, there is a significantly high risk of non-completion. Even though I wasn't a big fan of the Base Funding Report, which came out last year, it did have some rare, completions data. Since 2005, we've had a single student number that tracks students between institutions. Before that we couldn't follow people between institutions so we were counting people who had merely swapped universities as dropping out, when they hadn't. That was always overstating the drop-out rate. But now we can keep track of where they're going. But this data showed that for enter scores, or ATAs, that are now below 60, less than half of those who had started a degree in 2005 had completed a degree by 2010.

JULIE: Do we know how many people that is?

ANDREW: I'm not sure, but compared to everyone at the high ATAs, there is a significant increase in risk. What we know from other research is that, particularly below 80, ATAs is not very predictive of what grades a student will get. The kind of school results information we've got is not giving us the kind of information we need to say who won't complete or who will have a good chance of completing. We can say on average it's very high risk for them, but, at this stage, I don't think we can give them the advice they really should be getting.

JULIE: You seem to be very much in favour of the role of non-university higher education providers or NUHEPS. Do you think the government should okay calls for places to those institutions? And, if so, how do we justify the government subsidising a private, profit-making industry?

ANDREW: My view is that a lot of this depends on why we are financially subsidising universities in the first place. I don't think the Base Funding Review clarified this well. If the subsidies which are driven through student numbers are there to support research and community engagement by academic staff, then a lot of the NUHEPS probably aren't eligible or not for very much. But if it is directed to the student to assist them to spread the benefits of higher education in order to produce more graduates than it otherwise would, I can't see that these historical distinctions between the public universities and the other universities should be so important. There's never been an in-principal decision to exclude them from the system. It's just that they weren't in it for various reasons. At this point I think we need to clarify why we are subsidising anyone, and then have consistent first principals. If these providers and their students actually fit within these first principals they should be eligible for subsidies.

JULIE: And the first principal is perhaps teaching to a degree level in areas of skill shortage? Should be the proviso?

ANDREW: That could be one of the arguments. The baseline of the report is clearly keen on general civic benefits of being a graduate. We're a little sceptical of those and planning to do more research on that. We're not sure if there's a difference between graduates and the upper level vocational people. There may be an argument for educational subsidy, but not higher education in particular. But at this stage, the government really needs to explain why the NUHEPS are out rather than in.

JULIE: I'd like to ask you about academic standards. There seems to be a view that is quite strong among the academic community that standards are dropping. What do you think? Do you think that's actually true? Also, one of the roles of TEQSA is to actually set standards – is that possible?

ANDREW: In the paper we report a survey of academics which found that about half of them thought that standards of their institution were declining. This may be true, but I suspect that if you had asked academics at any time in the past if standards are declining you would have had a large numbers saying the same. The core difficulty here is there are no common academic standards in Australia. There are no consistent standards to do with institutions over time. If they are declining, it is not self-evident that the standards of the past were necessarily the right standards. Academics probably want their students to be better than the student is ever going to be. But given we're moving into a very competitive market, we need more information for the students and their prospective employers about the quality of the content in the curriculum. TEQSA, in theory, is going to be in this space.

However, I'm probably the only person on the public record who is extremely nervous about TEQSA. I think there is a huge risk in the single government body having responsibility for all academic standards, or for setting a minimum level. I don't think people realise what a massive change this is from being a completely decentralised system where state ministers didn't have powers to set academic standards, to a system where effectively one minister, on the advice of a panel he appoints, gets to set these standards. The current minister says that he's not going to breech academic norms or anything like that – and I believe him – but who knows what a

future minister will do? As soon as you get a power like this, like the National Curriculum, you'll get every interest group saying "My fantastic ideas should be in the Curriculum that everyone does". We had an example of this a few weeks ago, which *The Australian* covered, where Universities Australia put out a paper saying that there should be Indigenous Cultural Competency put into every subject. I don't think this is a good idea because there are lots of subjects in which there is no Indigenous knowledge. But if it was included, I don't think there should be a single method of curriculum in that way. I think it's very dangerous. There are all sorts of political hobby horses. The Coalition senators, a few years ago, had what they called an Academic Freedom Enquiry that was really about saying something should be done about left wing academics in Arts faculties. These are just the kinds of things you're going to get once you create this political power over curriculum. So what we do need to think about are third parties, scrutinising what standards are, but not TEQSA.

JULIE: So who are those third parties? If they're setting minimum standards, isn't there a chance that they'll become so tokenistic as to be meaningless?

ANDREW: That was the criticism of the Australian Learning and Teaching Council, which came up with 'very high level' parenthood statements, which nobody could possibly disagree with, but didn't give very useful information either. If the student or employer read them they'd be none the wiser about what was actually being taught. So that's not useful. But you've already got professional bodies that effectively set standards. And in the research space, you've got a collective academic effort to set standards. I don't think it's impossible to do it, but you can do it in a decentralised way and, I would hope, without creating a monopoly institution like TEQSA, which simply sets what they will be and doesn't allow too much diversity from it.

JULIE: Let's talk about graduates. One of the pieces of research you site is from the Graduate Careers Australia. They found that graduates are likely to be less satisfied with their work than other people. Why?

ANDREW: That was a curious finding. You would have thought one of the reasons that you go to university is that you don't want to be stuck in some boring job! You want to do a stimulating job that will satisfy you and be meaningful. But this was from the Household Income/Labour in Dynamics Australia Survey, which is a very big survey. They found that, at least at the upper level, lower portions of graduates were expressing high levels of satisfaction with their work than people with lower level qualifications. We've puzzled over this a bit. Looking at some of the broken down questions, clearly there's an issue with the hours they are working. But we're also wondering whether there's a bit of inflated expectations…

JULIE: Gen Y?

ANDREW: They think that everything is going to be interesting and always interesting and there are no boring jobs that have to be done, which, of course, is a delusional belief! There are always boring things needing to be done! And this is actually supported by other research that Mike Dockery has done at Curtin University, which is using longitudinal surveys to track people from their school years up to about the age 25. And what you see is with the people who are academically bright are very happy through their school years, and very happy through their university years but then go to work and their self-reported happiness goes down. They're no longer in an environment that is rewarding them for their brilliance. You get the reverse with people who weren't good at school and very unhappy at school, who finally get a job and their happiness goes way up. All of a sudden, they're doing something that matches their skills, people appreciate them and they're being paid to do it. Life is much better for them. So maybe the real world can't match the expectations that university creates?

JULIE: Oh dear! We'll talk about government funding for a moment. There is ongoing discussion about whether the government will be able to afford the increase in the number of students coming into the sector; they're having to foot a much bigger HECS bill as the number of students goes up. There's currently a lot of debate about the amount of foregone interest in HECS. Is it going to be affordable? We're talking about 2012 being a downturn year. We have a government obsessed with being in surplus. What are they going to do?

ANDREW: There are a few people like myself and Bruce Chapman who are worried about the interest bill on the loan scheme. What's happening here is that, in recent data, there is about $23 billion owed by students and ex-students at the moment. The government is borrowing at the bottom market for 5% and relending to students at the inflation rate of about 3%. So that small gap is what we're calling the 'carrying cost'; we think it is approximately $5-600 million per year. But that will keep going up over time as the number of loans increases. The other big cost is the debt not expected to be repaid. That's about $5-6 billion out of the $23 billion, so also a very significant expense. This is largely people who are not earning above the threshold for repayment. So we have to guess that as the system expands and takes the weaker ATAs students, there might be more people who don't actually get particularly high incomes and therefore this might go up. Put them all together, the annualised cost of running the Help scheme is well over a billion dollars. This is rising as a percentage of the total tuition spent, if you add together the total tuition subsidies and HELP. It was about 7% in the late 1990s but heading towards 20% now. So this has turned into a very big component of the total cost of running the higher education system. One of the things that Grattan will be doing further in our programme is looking at ways possibly of reducing this expenditure while still keeping the underlying objectives of the HELP loan scheme.

Yesterday Julie ran a list of the 50 most influential people in Australian higher education. I was only 37 but (laughs) Bruce Chapman, who was one of the instigators of the loan scheme, was number one. And I think that was a fair call. This was a genuinely innovative idea that facilitated students making a contribution without actually creating barriers to entering high education. The basic idea is a really good one, but the question is can we keep doing this, but at lower cost to taxpayers?

JULIE: We are in 2012. I'm just wondering whether you're a supporter of the Bradley Report and whether things are tracking as they should be or whether time has passed so much (she wrote it in 2008) that it's a little outdated…?

ANDREW: I think it's been a pretty successful report in the sense that most of its major recommendations were adopted. Presumably Denise was carefully consulting with the Minister's office to make sure it was plausible. Unlike the Nelson years. When Brendan Nelson was Education Minister we had long consultations processes, multiple discussion papers which we all submitted and then they came up with a policy that had no resemblance to anything we'd discussed in the whole process! That was a very different kind of policy process. Where I think Bradley was weak (and it is still a weakness despite the Base Funding Review last year) is on the pricing of student places. To explain how the system used to work and how it's theoretically going to work up until now there have been funding agreements between the Federal Government and the universities which broadly set out how many students would be funded in each class of disciplines. So effectively this created a break on universities making radical shifts in or out of particular disciplines. And even if the funding was not right, i.e., the costs were too high for a particular discipline, it was effectively working as a block grant. It was taken as an average and you'd work out your own internal funding.

But at the 1st of January this year we're moving to this demand driven system. In theory universities can now do almost whatever they like: increase student places in some areas, take them out, move out of fields if they want to do that. What I'm concerned about is that we're going into this new system with the old per-student funding system. So what this does is create incentives for universities to move out of areas of study where they're losing money. This is the difficulty in combining two very different systems: a deregulation of the supply of places while still regulating the prices. In this new system prices are actually the incentive that drives universities that supposedly meet demand. But if the prices are wrong, we could get some unanticipated consequences. I hoped the Base Funding Review report which was out last December, would deal with this either through a more market based mechanism or actually having a professional price regulator, i,e., some government body that would actually seriously examine what the likely costs were and periodically update those costs to make sure there were no perverse results. In fact, they didn't recommend either of those things. Just a few fiddles at the margins on current funding rates. I think this is a bandaid approach that still leaves us vulnerable to potentially perverse behaviours. This Base Funding Report did actually have some cost data from eight universities and Health was one of the areas where costs were

exceeding revenues for Commonwealth supported places. Yet, this has been the area of greatest skill shortage over the last decade or so. This could be due to particular Health fields like medicine being particularly expensive, but nevertheless I think this is a concern. This is exactly the area where we need to expand, yet the incentives may be to contract out of it.

JULIE: On that issue, where do you stand on deregulating student fees? I know Glyn Davis used to argue that they should be deregulated but with a cap on top – kind of a partial deregulation. We have this quasi-market where supply is completely freed but we haven't freed up price. What's your opinion on that?

ANDREW: In principle I'm in favour of more deregulation because I think it's important to diversify innovation in higher education. Currently it's a 'one size fits all' model: you can't buy a better form or different form of education, you have to work within the government funding amount. But there is no science. This amount is a product of history and politics, with few options for students. If you want diversity with small classes, you can't have it. None of the universities can deliver that model on the level of funding they actually receive. So even though I think this is a good idea, I have some nervousness about it. A lot of this is to do with the interaction of deregulating fees and the loan scheme. The loan scheme can facilitate fee inflation. If we look into the deregulated markets we have got in international student arena, you see some extremely high fees.

JULIE: Melbourne.

ANDREW: Yes Melbourne is an example where they're charging internationals sometimes 200% more than they're getting for a Commonwealth supported place. I would be concerned about fee inflation at that level. Particularly as most of the analysis that's been done on this suggests that a lot of this money is in fact going into research and not teaching. So even though I want to head down towards a more flexible system on the pricing side, I'm also aware that there are cogent critiques of this that have to be dealt with in designing the system.

JULIE: It's almost sacrosanct, the idea of not deregulating fees for undergraduates. If you look at any other market in higher education, post grads or internationals, they're all free markets. Universities set their own prices. So in fact, it's undergraduates that are the oddity.

ANDREW: One of the huge changes in higher education over the last 20 years is what I call the commercialisation of it. Part of this is the actual for-profit high education sector, but mostly it is the public universities offering full-fee places. We think about 40% of places are now full-fee if you count the international students, domestic post-graduates and the private higher education sector. Coming from a system that was entirely public in the late 90s, this is a very radical change. And it shows there is a very big market prepared to pay these fees. But we haven't got the kind of response from the Commonwealth supported students, who are still by far the biggest single group in the system.

JULIE: I think we should throw it over to the audience.

AUDIENCE: Marie Carol, Sydney University. Just on the matter of fees, you said a post-graduate course is effectively deregulated now. The new AQF might change the landscape somewhat. That is, if you've got to do a full two year Masters, and you're coming from another discipline, people may not be prepared to pay for that. That market you talked about may not be there in the future. The AQF will change things considerably. Do you have a view on that?

ANDREW: Yes, I think it quite possibly will. Whether there will be a shift into non-Masters, post graduate qualifications, I'm not sure, but the whole two year business is not just the total fees, it's the total time being demanded of people who have already got jobs and kids and all the other constraints. I think that is a potential issue. I don't know if universities feel that this needs to be cracked down on or not.

AUDIENCE: Marie Carol. I think the horse has bolted.

ANDREW: Yes. The criticism was that a lot of Masters degrees were quite short and often really undergraduate courses that had been rebadged as Masters, maybe with a longer essay attached to it. So now, effectively, the legal definitions of the qualifications have now been changed so that a Masters has to be more demanding so we may see a reduction in Masters full fee.

AUDIENCE: Tim, University Of Sydney: You talked about the demands in the system at undergraduate level but you didn't mention the restrictions that have been placed on CSV places at the post-graduate Level. I'm interested in your views about the anomalies that this sets up. And also how long can we expect the government to stick with the (unclear) system given the cost of the budget. Is this something that's going to be around for a few years and then, with a change of government, restrictions will (unclear)

ANDREW: What's happening here is that the demand driven system applies to Undergraduates at public universities. But some of these Commonwealth supported places they are receiving are being allocated by these funding agreements to post-graduate courses. The history of this is that these places took the brunt of the Howard government's cuts to higher education funding in the 1990's. So by the middle of the last decade it was largely down to Education and Nursing Post-Graduates and almost everyone else was full fee. Over the last few years, they've started creeping back into other fields, partly driven by the Melbourne model, which has moved a lot of professional degrees to Masters level. But also across a lot of other universities as well.

Now the government has this dilemma: should it extend post-graduate CSPs further into the demand driven system? My general view is that they shouldn't and the reason is we've got a perfectly functioning full fee market. So effectively, why should the tax payer pay when these students are quite happy to pay and we're getting a lot of the diversity in the market. We're not seeing that at the undergraduate level, but there are obvious exceptions. I think the Teaching and Nursing was a good call. Traditionally salaries for teachers and nurses are much lower than for other post-graduates so it makes sense for the government to support those at a higher level. But what does it mean for the Melbourne model or the UWA model? This is a very tough call.

As to your question whether it can last, nothing is ever certain in higher education politics. In some ways I'd be disappointed if we hauled it back. There are two kinds of demand driven systems. One that has been traditionally favoured was a more traditional voucher system: everyone above a certain ATA will be entitled to a place and then you can take your voucher to whichever provider you liked. What we've got is an uncapped one, and that system enables the government to roughly control the numbers. They can't tell exactly how many people will use their voucher but they can roughly know what the parameters are. I'm still not in favour of that system simply because I don't think we know enough about these marginal students. If we set a single ATA there will be a lot of injustices at the margin. For people who have tried really hard in Year 12 but didn't quite make the ATA, this is a completely life changing block for them. They can't even try to go to university. I've never liked the capped system for that reason. I don't think the government has the information it needs to state the cut-off point. Fiscally I think there are other ways of controlling it. You can fiddle with how much you actually give each student. That way, if cuts have to occur, the pain of it is spread across all students rather than being concentrated on a few tens of thousands who now miss out completely (which is going back to unmet demand that we've historically had). It may not last but if we could fix the pricing side of it, I think it's an improvement on the current system.

AUDIENCE: (name unclear) I'm an Engineer but I've worked in industry as well as UWA and Curtin. I found sympathy in your claim that one has come through school and been a great student and then come to the workplace and found that satisfaction levels drop. I came from India to Australia in 1968 with Engineering qualifications from one of the IITs. I started doing tender specification work. After that I joined the Main Roads Department and asked myself "What's this? I'm in Engineering." So I went to Imperial College in London and did my Masters in Nuclear Engineering. Then, for the first time I was seeing differential equations again. From there I went to a research establishment for UK Atomic Energy and I was using the stuff over there. I came back to Australia to do a PhD at the University of New South Wales but I didn't complete it because I asked someone what was the purpose of doing a PhD in Australia. This

fellow said "There is no purpose other than joining CSIRO or the University." That was in 1973 and today we've still got a very unbalanced industrial system. Very little research is done at the Monsantos and the GEs and that kind of thing. Instead we're doing Mining Engineering. In India, when I studied Mechanical Engineering, mining was the last choice! Nobody wanted to do that. Today we have imbalance in the whole economy. You shouldn't run a portfolio like this. You've got all your pegs in the mining basket. But what do you do? You add more mining to it. Instead of that we need to have a more balanced economy. A more balanced portfolio!

ANDREW: But we do have an educationally balanced portfolio. One of the things that we did was look at the trends in Arts and Science over the years and we reckon over 50 years the domestic undergrads are roughly the same proportion they had in the 60s. A lot of change within them – there are lots of fields which didn't exist in the 60s – but surprising stability. People still have a very broad range of interests which they're pursuing. But the danger, particularly in say the Humanities and Social Sciences, there aren't that many stimulating jobs at the end for them. So what you find is a lot of them end up in occupations which are not a good match for their level of ability and education. And that's one thing we talked about here: it's one of the difficulties for people who are over-educated.

AUDIENCE: Andy Vann, Charles Sturt University: I wanted to go back to the teaching only question. It struck me that the US system is different (I think) in that people exist in teaching only institutions but they also spend time in research institutions so they get leavened a bit by that. Even if you take the private providers in Australia, typically people would have come through universities. It's not as if there's a separate eco-system – it's all part of the whole higher education eco-system. I wonder if you deliberately move to re-establish teaching only institutions how would you get the intellectual sparkle?

ANDREW: I think this is a challenge. At Phoenix University in the US, you've got no input into curriculum or anything like that. It's all standardised. Maybe it's not intellectual spark, but a lot of these colleges emphasise to start having practical experience in the real world. So they're getting people the stimulation and updating through their other professional lives, which may not be research in the university sense that is aimed at research publications, but nevertheless it does provide some stimulation. I think a key point though is the argument for the teaching/research link may lay in the nature of the academic labour market. It's about the kinds of people you want to attract to teach people at the higher education level. That is often going to be people who are not satisfied simply with taking the same course year after year. So even though there is a positive relationship between teaching and research, the research is the incentive that brings people into the institution.

AUDIENCE: Andy Vann cont'd. A further point: I pulled the LH Martin Report that you referred to and that research was quite old – it was back to the 90s. And it struck me that the things that have happened in the higher education sector have actually moved sentiment quite a lot. So the ALTC particularly, I think, moved the perception of the importance of teaching for the universities. I'd be surprised if people reported quite the same feeling.

ANDREW: I think the latest LH Martin stuff was 2007.

AUDIENCE: Andy Vann cont'd. It could be.

ANDREW: We had 18 countries in this international survey. All academics were asked to give a ranking of 0 to 4 of their preference for teaching or research. And Australia had the 4th lowest preference for teaching out of the 18 countries. The US had the first.

JULIE: But couldn't it reflect a cultural belief within the universities? There may be a momentum where people think research is better, so everyone believes that. It's a group think.

AUDIENCE: (no name given) I've got a reflection on that. I'm a new PhD and I've been a casual academic at Sydney University and UWS. I've been speaking to colleagues in the US and one, in the field I study in (media studies) complained at MIT that he couldn't teach. He didn't have a PhD course. He moved to southern California because he wanted that type of teaching. You don't hear that in Australia. I was wondering maybe if you could share

reflections you have on the casualisation of the teaching load of the universities. It seems to me that that's one way that research and teaching is becoming more separate. Obviously casual academics don't get paid to do research as part of their casual load. And those who are doing research often use their research funds to buy out their teaching time.

ANDREW: What I think is, over the last 15-20 years in higher education, the whole teaching research model is coming under incredible strain. Student numbers have grown in ways that can't possibly be accommodated in the traditional funding model. We've seen two things: to employ a whole lot of casuals to keep up with the teaching and to take international students whose fees help maintain some of the research. But this is very bad for some of the people caught in the casual cycle, where they go from one short term deal to another, never getting the start in an academic career that they need. Casualisation is not all bad though. I was at an ACFET (Australian Council for Education and Training) thing last Friday. For them it's an opportunity to bring in industry professionals who are never going to work for them full time but who can bring in extra skills. So it goes two ways. But how we keep this teaching research employment model viable is the key issue to which we do not have a solution. It's not just that universities are being bastards and not giving you a job. It is that the system makes it very difficult to sustain that model.

AUDIENCE: Ian Tudor, Whitehouse Institute: You were expressing concern about the $5-6 billion in loans which may never be repaid. Are there different groups within that sector? Couldn't there be a large group within that who have received the benefit of education but have gone into professions which don't pay very well, have got very satisfactory work experience and in fact, if they had not done that, that $5-6 billion may have come of some other social equity programme.

ANDREW: There is probably some of that. One of Bruce Chapman's pet grievances is about theological colleges: clergy don't earn very much therefore they never repay their debts. But the colleges presumably think there are people who are off to do good things. I'm not saying it's wasted, but I suspect there are obvious loopholes which should be plugged. Currently if you go overseas you don't have to repay. That seems to be an obvious loophole that needs to be plugged. One of the implicit themes of all of this is that to understand Australian higher education you've got to look at the history of it. Part of the history of HECS is that when HECS started it was a flat $1,800 regardless of which course you did. The average person would leave with a debt of maybe $6 or $8,000 if they did Honours. They went overseas owing $8,000 and that's not going to bankrupt the country. But if you leave owing $20,000 or $50,000, that's an entirely different proposition. Now we've got a system which is not designed for the amounts of money that it's going through at the moment.

AUDIENCE: (no name given) I was going to talk about the teaching/research nexus. Barely a day goes by at the moment where we don't see some companies laying off staff because of the cost of labour and it's moving offshore. And Julia Gillard is saying we can't compete on the cost, we have to compete on quality. The Opposition is saying the only alternative is to take away penalty rates for the lowest paid workers in our society. But others are saying the kinds of workers that we need are those that can solve problems and have those higher order skills. That's the kind of process that occurs in a research intensive institution. So I'd like to argue that we need more institutions that combine research and teaching because we need to shift what it is that students are learning. And that can be part of a research culture. And it's the process of research that is important. I think we should be increasing the research component rather than decreasing it.

ANDREW: I think it depends on the discipline how much scope there is for integrating teaching and research. For some of the professional disciplines there is a lot of stuff that you have to know which is largely set by the professional admissions requirements and there's not much scope for including original research in that. But if the really important conduits are the Honours and above students, the ones who are engaged with research, I expect that the most important channels of innovative thinking from universities to the broader community is not direct engagement with academics, but the students who are taking their experience out. I'm certainly not arguing against it but I'm saying I think there is room for more providers in the system.

Particularly in the largely vocational courses which do not have a large research input because it's largely standard material which they need to learn to do the job they're aiming for.

AUDIENCE: But the problem is that they are just reproducing what's already happening. We can see that that's not good enough. We have to keep moving those areas on. And it's through participation and the kinds of processes of research that those kinds of things might happen.

ANDREW: Maybe.

AUDIENCE: I'm sure that in Education, people misunderstand the great strength of the management skills of the Vice-Chancellors and the people on the Councils who advise them, in getting the business risks sorted for the autonomy – the very vulnerable nature of the business tasks they have, and getting it right. I think, although I'm not across all questions of autonomy and the way they're resolved, there is a deep seated concern in the community that the research capacity of the nation isn't lost. I see it from the perspective of a long term Public Servant and Consultant, those skills were actively fostered in the traditional models of public thinking and everybody had them or wanted to do them from a desk to help others, especially Ministers, make sensible decisions. You see most of these skills are now focussed in the tertiary institutions, principally universities. If they lost the capacity we would be terribly backward and negligent. So I think you'd have to value whatever capacity we've got as really important. And you may not see how significant it is in the flow-on to the rest of us without significant recognition.

ANDREW: The conclusion we came to is that we think they are doing a reasonably good job. There are lots of areas where we could do better. Academics like to say they're in a crisis. I wrote a book about ten years ago on higher education. I'd gone to the library and searched on the books and articles about universities and there were endless crises! This goes back decades and decades. I really don't think that is the case. Australian Universities have responded pretty well to the kinds of challenges they faced. Improved teaching, improved research, productivity… Twenty-five years ago, if you were told that universities would create a massive export market in twenty years, you would have thought that was ridiculous. But that's exactly what they did. So there are a lot of strengths there. What we're trying to do is build on them rather than knock them down or replace them with other things.

AUDIENCE: But we do have a crisis. And that is the demographics. The future of higher education really depends on the workforce. And that workforce is not replacing itself. We were talking about casualisation just before. You've seen Hamish Coates talk about it. We have to take casual staff more seriously. We need a different model for casual staff for the professional skills they bring and to use them more effectively. We're very dependant now for our research productivity on international higher degree by research students and that's increasing. Our domestics are staying the same – they're strong, but not building. So the research capacity of this country needs to rely on something. And it probably needs a new model for the workforce.

ANDREW: We've got a huge pool of PhDs so we've got the people with the basic qualification but they're being lost. Too many of them are saying they can't get a job so they're doing something else. I've seen the demographic figures so I realise it is a problem

AUDIENCE: With growing industry and meeting these targets of 40%, and attracting people from overseas, is there a way to add more universities into the mix, looking at the TEQSA guidelines etc. – it looks like it's a very hard thing to do.

ANDREW: Yes, the threshold standards, which are what you need to meet to become a university are probably a defacto ban on new universities establishing in Australia. It's a little bit vague what the research requirement is but you've got to be research active in at least three broad fields of study, which is presumably quite an expensive thing to do. It's now mandatory to engage with your local and regional communities, which it wasn't before. It's a little bit unclear how that will be operationalised. But nevertheless that's another element you've got to meet. I think it's really tough. Possibly the only way that I could see it being done is a foreign university moving into Australia, which already has the research capacity from its international operations and can use that to get registered in Australia. There are intermediate steps: you can be at

university college on less than the three broad fields of study. But it's making it extremely difficult. And one of the points we make is that before these rules, which came into effect in 2000, there had been a very large number of universities created in the public sector as a result of the Dawkins reforms. And there'd been Bond and Melbourne University private which didn't survive in the end. There'd been this flurry of creation of universities in the 80s and 90s. In the 2000s, nothing happened. And I think that's because the barriers of getting into the market were so high. Just last year, the Torrens University, which is owned by Laureate International for profit, did set up in South Australia, just ahead of TEQSA, so it remains to be seen if they all survive. But that could be the only viable model for the future: an international organisation with experience and deep pockets.

JULIE: But I'd also like to point out that one of the world's great universities, UCL, set up in Adelaide. They have research active staff here but they can't apply for research funding so in order to get ARC grants, they have to get a lead researcher from the University of Adelaide or the University of Sydney or somewhere else, even though it might be their lead research. It's these silly rules. They can't get UK research funding either because you've got to do the research in the UK or you have to be based in the UK. And it is one of the world's great universities.

ANDREW: And they're not actually registered as a university. They're registered as a non-university, higher education provider. One last question…

AUDIENCE: Leading on from that, we seem to have talked about universities in a very non-traditional way with students in classrooms. And I can't help thinking that technology is going to change that very quickly. I've got students now who can't see the point in being in class. What's your thinking on how technology is going to change students' access to universities, both here and overseas.

ANDREW: There is an interesting debate going on about this, particularly in the U.S.: why have hundreds of mediocre lecturers across many universities teaching Economics 101, when you can have one brilliant lecturer delivering it by video and then devote the staff time to small group interaction with the students, actually working with them on the points they did not understand in the lecture? Yes, technology can have a huge impact on the way we deliver higher education.

That's a very good point on which to finish. I would like to thank Julie for quizzing me and hope that she gives me a higher rank than 37 next year! And thank you all for attending.

AUDIO: This has been a podcast from Grattan Institute. Want to hear more? Check out our website, www.grattan.edu.au.

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