

## With tighter budgets, universities must change course

*Published at Crikey, Monday 15 April 2013*

*The federal government's university cuts will hit staff and students hard. And the lobbying effort will need to change course, writes **Andrew Norton***

The federal government's decision to slash university funding to help pay for its Gonski school reforms will hit institutions, staff and students. But also consider what it means for university political strategies.

Universities face an "efficiency dividend" reduction in core teaching, research training and equity support grants – 2% on previously announced levels in 2014 and 1.25% in 2015. It applies only to Commonwealth subsidies and not to student contributions, so for Commonwealth-supported students the total funding rate will decline by a lower amount – exactly how much depends on discipline. It will impact high-subsidy disciplines like medicine or science more than low-subsidy disciplines like business or law.

Ironically, the "efficiency dividend" could delay some genuine efficiencies. Some great new educational technology is coming onto the market, especially "adaptive learning" software that can respond to student errors with appropriate corrective materials. An Australian start-up company, Smart Sparrow, has been recording excellent results at the University of New South Wales, bringing very high fail rates for a first-year mechanical engineering course down to 6-7% annually while increasing the proportion of students getting high grades. That's a big increase in educational productivity. But new technology costs money, and as a discretionary item is likely to be a candidate for cuts.

Though the universities are rightly critical of the efficiency dividend, it also highlights the risks they are taking with their political strategy. Unis are running a \$5 million campaign for more public funding. Despite earlier leaks revealing that some vice-chancellors wanted to also push for more flexibility on student contributions, that position was defeated within Universities Australia. They were left only with plan A – more public funding – with no plan B of also pursuing more private funding.

This was always a dangerous strategy. Historically, real increases in per-student public funding are very rare. Even the goal of maintaining the real value of per-student grants has often proved elusive, as it will be again over the next couple of years. The higher education sector has not obviously ever grasped the deep political reasons why this has happened, or at least not carried these insights through into their political strategy.

Put simply, government cannot possibly meet all the financial demands put on it, and this forces trade-offs between competing objectives. Within higher education, the current government has chosen increased student numbers over increased per student spending. Between higher education and schools, they have chosen schools. Given the political constituency for schools is massively greater than the political constituency for higher education, it's hardly surprising. Similarly, health programs have always been more protected than higher education policies. The higher education electoral numbers will never exceed the schools or health numbers.

These numbers are more important than any ideological differences between the major parties. Despite differences in their rhetoric around higher education, both behave similarly when in office – with occasional bursts of total funding increases, but quick targeting for cuts when budgets are tight.

This means that in focusing on public funding, Universities Australia is putting itself into a race it can expect to lose most of the time. Advertising campaigns cannot change the political realities. When polled, most people will say higher education is important (which, of course, it is). But it never appears on the list of top issues in the routine way of schools and health.

In this political context, the prudent and responsible political strategy for universities is to look for alternative ways of protecting their overall funding. Some added flexibility on student contributions is an essential part of ensuring ongoing per student funding is maintained or increased.

If universities had this flexibility today they would be faced with a choice: look for genuine efficiencies and if savings can be found, student contributions would remain the same; if not student contributions could be increased to cover the shortfall. As it is, most universities will have no option but to reduce spending, even if that is counter-productive to educational objectives.

Neither political party is keen on the controversies surrounding student contribution levels. But with the support of universities it would be more likely to occur. More flexibility on student contributions would create a reliable, long-term source of funding from the people with the strongest interest in educational quality – students.

Andrew Norton is the higher education program director at [Grattan Institute](#).