

23 December 1997

The Review of Higher Education Financing and Policy  
Location Code 728  
GPO Box 9880  
Canberra ACT 2601

Dear Sirs

Please find enclosed the response of the Anglican Education Commission, Diocese of Sydney to the Review's policy discussion paper, *Learning for life*.

We regret that we have exceeded the time allocated for responses, but hope that the Review Panel is able to take note of the points we raise in their preparation of the final report to Government.

Yours faithfully

**Grant Maple**  
**Assistant Director**

**REVIEW OF HIGHER EDUCATION FINANCING  
AND POLICY**

**Submission to the Review Secretariat on the  
policy discussion paper *learning for life***

from the

**ANGLICAN EDUCATION COMMISSION  
DIOCESE OF SYDNEY**

**December 1997**

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The Anglican Education Commission, Diocese of Sydney is grateful for the opportunity to respond to the Review of Higher Education Financing and Policy Discussion Paper, *Learning for life*.

### **General comments:**

The Review panel is to be congratulated on the visionary quality of the report. While some have been critical of its idealism, we believe that this must be an ingredient in any attempt to guide Australia's development into the future. We consider that the philosophical foundations adopted by the committee should be clearly articulated in the final report.

The issues and options for the future are provocative and deserve much wider public debate than they have received to date. It is to the discredit of many education journalists, university administrators, teaching and research staff, and students that they have not presented the public with reasoned arguments about what they consider to be the role and function of the university, and about the options presented in the discussion paper. No doubt the complexity of many issues is partly responsible, but one has the impression that self-interest has produced a measure of special pleading.

The warnings about the impact on Australian universities of rapid advances in information technology are timely. The challenge of globalisation and a more competitive operating environment is well developed by the commissioned study by Global Alliance. However, we would question the assumptions in that study that the new technology will deliver as much as its purveyors claim. This has certainly not been the case with other media in the past, although the high level of uptake by Australians may indicate that this will be different. This in itself has important ramifications for equity of access for all students irrespective of their socio-economic background.

It is questionable that course delivery by IT will be of such a standard that it will (a) not be a further example of American cultural imperialism, (b) replace what is currently offered by interpersonal contacts, (c) not take us into unforeseen difficulties in the future, and (d) not simply be used by government to abrogate its university funding responsibilities. Our concern is that there may develop by default a cheap IT-based higher education for the masses, funded mainly by government, and an expensive interpersonal form of higher education for socio-economic elites, funded mainly by the student or his/her family. This could also lead to further stratification in employment with higher recognition and rewards being given to the graduates of the latter programs. In our view, parity of esteem between institutions and their courses, so far as possible, ought to be retained for the sake of equity.

Praiseworthy is the recognition that all Australians with the intellectual ability to succeed at university should be afforded access to higher education within a funding structure that allows them real choice.

The emphasis on learning for life and the desire to build increased flexibility into the higher education system is also commendable. The emphasis on the ability of graduates to master new bodies of knowledge and acquire new skills, to value scholarship and to play a productive, outwardly-orientated role in our society is particularly helpful.

The discussion paper challenges the community with the inexorable and urgent need to develop a world-competitive higher education sector that is vertically and horizontally integrated with other sectors allowing for smooth transitions from one to another. It also stresses the need to make optimum use of the human and economic resources. There appears to be a tacit recognition that the borders between higher education and vocational training are fluid and will be subject to change as society, employment needs and community expectations change over the next two decades. The concept of a seamless system which allows all students wishing to avail themselves of further education to participate is most commendable. The concept of an entitlement for all is to be applauded, although further consideration needs to be given to equity issues relating to this as well as to the practicalities of how the funding model will work.

It is also a welcome feature of the discussion paper that it avoids the use of concepts and language which invite reflex condemnation from special interest groups. Another worthy feature is the advocacy of a decade of managed reform to enable universities to adjust to the challenges of the future, rather than proposing wholesale deregulation.

One deficiency is the absence of quantitative analysis of impacts of policy options on the higher education sector and on the community. It is desirable that the final report should demonstrate how each of the funding options will work to show the impact of different options on different categories of students.

Inadequate attention has been given in the discussion paper to the means of regulating international providers. Recognition must be given to the variations that occur because accreditation of programs is a state, rather than a Commonwealth, responsibility. There could well be a case for introducing uniform registration requirements for the protection of students and of publicly-funded student places.

Also, insufficient consideration is given to the distinctive roles of higher education and vocational training, even though we recognise that this is fluid. This lack of clarity permits an overestimation of the likely size of the student body in the case of the former and perpetuates the unclear position of the latter, which produces incremental creep towards the duplication of university functions by TAFE colleges.

We would question whether an appropriate balance has been struck between the teaching and research functions of universities. Despite a growing body of literature on excellence in teaching at tertiary level, it is notoriously difficult to establish assessment measures for the very diverse group of disciplines and programs to be found in a university. The Review will need to give consideration to these issues as well as to the relationship between research and good teaching before it can recommend a program of rewards for good teaching.

There are a number of issues which the discussion paper has not seen fit to raise. Among them are:

- the small size of the Australian market and its geographical dispersion,
- the important role of some universities in serving specific communities,
- the number of high cost programs (such as dentistry, medicine, veterinary science and engineering) which require substantial complementary infrastructure (such as teaching hospitals, government research institutes, large scale manufacturing, mining and processing operations), the cost of which is not necessarily borne by the university,
- the mechanisms for accreditation of providers of higher education services to ensure quality control and the protection of student and community interests, and
- the possible alternative distribution of responsibility for student funding between the Commonwealth, the states and other beneficiaries of a better educated populace (business and industry, statutory authorities, community organisations, and non-profit bodies).

### **Specific comments:**

The Commission's detailed response is limited to four dimensions raised by the discussion paper and subsequent public debate. These are:

#### **1      *The nature of higher education***

The discussion paper disappointingly fails to state what the essence of higher education is and how it is to be differentiated from vocational training. This deficiency allows the authors to lapse quickly into economic jargon about the higher education industry, jobs, wealth creation, competitiveness and efficiency. This produces a false absolutising of the 'market' and the practice of viewing students as 'customers'. It also permits business concerns about the type

of graduates to predominate over consideration of what other functions a university education might serve for the community and for the individual. It also perpetuates the predominantly managerial concerns of university administrators and permits the excessive intervention and control by government previously experienced in the Dawkins 'reforms'. Only by appropriate definition of the purpose of universities can fitting accountability mechanisms be developed and appropriate stewardship be practised by university communities.

This situation might simply reflect the loss within universities of the democratic liberal concept of each being a community of scholars as the influence of the humanities wanes. Nevertheless, there is less of the quality of John Henry Newman about the discussion paper than that of Milton Friedman.

Whilst the discussion paper proposes a student-centred approach to reforming the sector, it is weak on how it will safeguard the rights of students with respect to quality and continuity of educational offerings. Reliance on the market alone can never protect the interests of a student that his or her personal development will be nurtured nor that the environment in which learning takes place will be one in which the conservation, transmission and renewal of culture are valued and supported by an appropriate level of research funding.

In its concern for rewarding good teaching, the paper fails to recognise explicitly that good teaching must be based on sound research as well as on time for reflection on the teaching/learning process and the different ways in which students learn effectively. In our view, there is the need for greater integration of learning and less market specialisation. Undue pressures for economies of scale will lead to poorer teaching of those least able to protect themselves.

No arguments are advanced for changing the present balance between higher education and vocational training sectors even though it is suggested that 80% or more will have access to higher education. If these are all to proceed to higher education, then there are clear quality implications for the present standards of higher education, particularly if the adage 'opportunity, not intelligence, is the key' is followed. It would appear that another alternative is an across the board redefinition of the standard of first degrees.

## **2 *Public education and government spending***

In our April 1997 submission to the Review, it was observed that, in recent times, the notion of the welfare state had been replaced by the competition state, with the resultant loss of the notion of public good. The lack of empirical techniques or data, which permit evaluations of the external benefits (externalities) that university education confers on a society, limits the way in which the public good is construed. The predilection for defining it in terms of employment and commercial outcomes enters into the discussion paper. Failure to address the significant benefits to the community from such externalities or spillovers as social cohesion, political stability from an informed electorate and competent political leadership, lawful behaviour, social responsibility for welfare activities, the stimulation of research and technology, and the benefits to future generations from having better educated forebears, will mean that the public good is underestimated. Moreover, there is no guarantee that the market mechanism will deliver these. In fact, history provides contrary evidence!

At no point does the discussion paper examine the question of whether the present level of public spending on higher education is right. Instead, it is assumed that funding will contract. We would question whether, in the light of the fiscal parsimony of the last ten years, there is not a case for more investment in higher education, particularly in the light of the externalities it produces. It would appear that, using straight economic arguments, an industry that can generate the export earnings that higher education does, deserves investment up to a point where the diminishing return on investment indicates that it is better placed elsewhere.

Public spending is fundamental to tackling the powerful dynamics of risk in contemporary capitalism. If risk is best shared collectively, then there is no *a priori* reason for favouring market solutions. A strong case can therefore be made for the proposition that it is a central responsibility of government to invest on behalf of its citizens, particularly in capital works and infrastructure where the payoff will be over a much longer period than commercial terms will permit. This is all the more important where imperfect capital markets exist, as is the case where universities are forced to borrow for their own development against securities which may belong to other legal entities.

There is a further dimension to this. Inequalities demonstrably exist between universities in regional centres and those in capital cities with respect to their capacity to generate endowments and community support. In the context of the historical advantage that so-called sandstone universities have in terms of capital investment, public funding will continue to be important to sustain a healthy higher education sector, particularly those less well placed.

A case can be argued for the treatment of the core costs of infrastructure differently from recurrent costs and between institutions with differing levels of facilities. In this regard, there are important national collections housed in university libraries, galleries and museums. It is in the national interest that these not only be preserved but extended in the future. This will have particular funding implications where private sector financial support is unavailable.

Although the Whitlam government's assumption of responsibility by the Commonwealth for university funding has set the pattern for the last twenty years, it is questionable whether state governments should not have a significant part to play in university funding, particularly since they are one of the most significant beneficiaries as employers of large numbers of graduates. It would also appear reasonable that state governments, as part of encouraging decentralisation of industry, population and services, should contribute significantly to the cost of regional universities that serve those communities.

### **3 Regulation, market demand and efficiency**

At the heart of the discussion paper is the question of whether market-driven solutions are in the best interests of the student, the survival of higher education institutions and the community. A number of points can be made:

- Markets do not necessarily produce the best outcomes. It is instructive to look at the patterns of enrolments in undergraduate medicine courses to appreciate the extent to which distortion may occur. The market mechanism of TER (rather than price) stops some who have other personal qualities to become an effective GP from having the chance to qualify, while others who lack desirable personal qualities are admitted to medical courses purely on the strength of a high TER. Other external factors, such as the rewards paid to practitioners, may act as a deterrent to students seeking entry to courses like education or the caring professions.
- Contract and the price mechanism do not preserve markets from imperfections and failure. An equilibrium in market transactions exists in theory but not in practice simply because price is reflexive, becoming part of the buying and selling decisions. This leads to destabilising and spillover effects. In addition, unregulated markets are likely to give rise over time to private monopolies which are not necessarily in the public interest. These tendencies mean that, as the public safety net is reduced, the private substitute is very expensive and those least able to afford it are excluded (as is evidenced by trends in health care).
- A 'free' market for higher education services reinforces the problem of education as a consumer good where university places at 'elite' institutions become a mark of conspicuous consumption. Added to this will be the positional advantage these universities are able to confer. This can already be seen in the way in which some universities have gone about advertising fee-paying courses and attracting students away from other universities. It can be argued that this is neither in the best interests of universities, nor of their students. High

demand institutions have the remarkable capacity to become immured from the complaints of dissatisfied 'customers'. The impact on society can only be the reification of class divisions as has been the case in English society as a result of the social cache attaching to Oxbridge and in the United States to the Ivy League institutions.

- Demand-driven funding, as advocated by the discussion paper, assumes that the demand is informed and is realistic with respect to the benefits conferred by a particular course of study. It has already been pointed out that the range of courses presently on offer is already larger than the demand. This has been achieved by cross-subsidisation of courses within departments, faculties or universities. A strong case can be made for choice becoming more restricted if deregulated market solutions are introduced across the board. We would argue that progressive narrowing of choices of courses and the contents within them, which is a likely product of market-driven decisions is anti-educational.
- Another effect of demand-driven funding will be that students will inevitably demand courses and degrees with a more vocational emphasis to increase their employability. This will have further implications for disciplines whose viability is threatened.
- Tuition fee flexibility will put at risk universities without large capital endowments, particularly if used by 'elite' institutions to attract high quality later year students away from other universities which do not have the same market power.
- Globalisation will inevitably reduce the number of policy options. In many cases we have seen Australia's competitive advantage wasted by insufficient private investment to sustain further research and development, resulting in loss of industries and inventions to overseas venture capital. The same will apply to universities if total deregulation is permitted. Any assumption that Australian industry will step in to replace lost government funding is unsupported by the evidence from past investment practices by Australian companies.
- Efficiency is more complex than simple cost minimisation. In the higher education sector, 'efficiencies' can only come from cutting capital and maintenance costs; cutting wages and other employment costs; cutting unprofitable courses; increasing teaching loads of some or all academic staff (with negative implications for research and effective administration); or increasing fees or charges for courses or services. How relative efficiencies are to be measured in the context of the present over-valuation of law and MBA courses and undervaluing of foundational sciences such as physics, is highly problematic.
- It can be argued that *trust* is equally important as efficiency in society. Australians would appear to have a low level of trust in governments but a high level of trust in public institutions including universities. The effect of government efficiency drives over the last ten years has been to reduce the morale of university staff and students. This, if prosecuted further, will inevitably affect the regard in which universities are held by the community.
- Market solutions have implications for a wide range of disciplines in a geographically dispersed market such as Australia. The user-pays philosophy precludes desirable cross-subsidisation to maintain the viability of low-demand courses at least in one Australian university.
- There remains the question of research appointments and schools which have no undergraduate teaching base, but which may be vital for Australia's future and which may currently support world-class specialist research. Governments have not always been adept at picking winners and research funding often goes to those most practised at submitting grant applications.
- There is a case for a measure of continuing regulation for the protection of consumer rights, to ensure the educational content and quality of courses, and to maintain the global standing and competence of Australian universities.
- Accreditation of courses and universities at which student entitlements can be exercised should be on the basis of all lecturers having completed courses on adult learning and the presentation of materials.
- Good teaching, if it is to be rewarded, should be on the basis of peer review, student evaluation and self assessment.
- Similarly, cases may arise which call for government intervention to create new incentives and to fund innovations.

#### **4 Globalisation and social equity**

The discussion paper does not appear to address the extent to which Australian students should be publicly assisted or restrained by regulation from taking courses from overseas providers during the decade of managed reform. Allied to this is the question of the extent to which local providers must be shielded from global competition in order to maximise their competitiveness, if it is intended to have a fully deregulated higher education sector at the end of the decade.

There are no guidelines proposed for raising premier local universities to global status. Nor is consideration given to the number of these which it is reasonable for a nation with an 18 to 20 million population to sustain.

The use of increased private contributions in order to reduce public support for universities will reduce the social equity of higher education policies and impact adversely on those most deserving of assistance. Participation rates among the less well-off will decline as costs rise. The Review panel will need to examine ways of modifying these inequities and ensuring that disadvantage is not perpetuated, if the targeted 80%+ of the population is to benefit from university education.

The high cost of participation in higher education should not be underestimated, particularly for rural and isolated families. These include living costs, income foregone, lack of family support, emotional as well as financial, and of access to a capital market from which to borrow to sustain studies. Loans, charges and top-up fees will deter children from poorer schools and families from attending university.

There is also a need to examine the assumptions underlying the present tiered HECS system. There is a marked disparity between the way some courses are charged and the actual earning capacity of graduates. Some of the medical science courses are a case in point. This produces further inequities.

The increasing incidence of full fee charging for courses required for professional qualifications has regressive effects on those in the lower socio-economic groups.

A case can be made for the reintroduction of means-tested scholarships to enable those from low socio-economic backgrounds to participate in high cost and long duration courses. Alternatively, the student entitlement should be set at say four and a half years with the possibility that those completing professional degrees such as medicine, veterinary science, architecture and double degree combinations who have maintained a certain pass rate may apply for extension of entitlement. This would lift participation rates from students from disadvantaged backgrounds.

In our view, it would also be worth the Review panel's time to consider an entitlement for semester-hours of tuition rather than so many years or a specified money value. This could increase the flexibility of the system.

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