

Media release

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Expansion for university places major step ahead, says IRU – but watch out for the unintended consequences

The Innovative Research Universities (IRU) group has supported the Government's plan to meet growing demand for university education through additional university places.

Responding to changes outlined by Minister for Education Dan Tehan at a Press Club speech on Friday (19 June 2020), the IRU said Australia needs its higher education system to be working to best effect over the coming years as we seek to emerge economically and socially strong from the COVID-19 pandemic.

The Government plan addresses some but not all the COVID-19 consequences.

The changes force universities to provide courses with less revenue per student than currently. Each university will have to look carefully at how it can continue such courses.

The big risk of these reforms is that the conflict between student incentives and university incentives could lead to a mismatch. The combined revenue from Government and student for some courses the Government wants to expand, such as engineering and maths, will fall. The revenue for others targeted for big increases in student charges will rise – making these more attractive to universities.

It is a rare person who switches from accounting to social work for the money.

Previous experiments with lower charges have not been successful in generating a change in demand. Nor have similar structures in VET funding always worked as expected. These changes are larger and thus may have greater impact.

The Package includes notable elements to stimulate university education in the IRU heartland outside the major inner-city centres. This will be enabled through a renewed funding system that targets growth at regions least well supported with university places. The revamp to the main equity program, and the scholarship for outer regional students should further encourage take up. These are welcome initiatives following the work of the Napthine review and showing the Minister's deep commitment to improvement.

The focus on education further cuts the link with research despite the sector's commitment to both and the Government's strengthened requirement that a university must involve high levels of both. The research systems are also under pressure due to loss of revenue to support them. They require financial support to ensure future capability across the breadth of human knowledge.

iru.edu.au

IRU Executive Director Conor King said:

“The IRU supports the Government’s effort to meet the growth in future demand. We have long pointed to the coming rise in the school leaver cohort, and now we have COVID-19 created demand for education. Opening up growth is a major step forward.

“The problem is the unintended consequences from the needed revamp of the funding and charging rates for different courses. There is a risk that it will become uneconomical for universities to provide some reduced-price courses that are currently run on small margins and we may have more students applying for courses that are being cut back.

“The IRU is concerned the changes were designed for universities in good financial health. The package does not recognise the multi-billion dollar hit to universities caused by COVID-19. The capacity to respond to the incentives the package creates will be limited through the drag of COVID deficits into future years.”

IRU contacts

IRU Executive Director, Conor King (BA Medieval Studies and History) **M:** 0434 601 691

IRU Marketing and Media Advisor, William Summers **M:** 0434 275 792

About the IRU

The IRU is a network of seven comprehensive universities committed to inclusive excellence in teaching and research in Australia. Its members are Charles Darwin University, Flinders University, Griffith University, James Cook University, La Trobe University, Murdoch University and Western Sydney University.

What is the financial effect overall and by discipline?

The following tables set out basic information about the changes to assist in assessing their likely impact. IRU estimates are slightly different from the Government's few released figures. Release of the fiscal impact of each element of the Government plan would allow a proper assessment.

1. Comparison of current and proposed funding and charging rates: overall impact

Using the universities' 2018 enrolments we can compare the two sets of Government funding through the Commonwealth Grant Scheme (CGS) and student charges. Overall universities would have 6% less revenue to educate the same set of students, with Government contributing 15% less and the students 7% more.

Students and universities will respond to the proposed rates leading to some changes in the mix of subjects studied. There will be more students. But the funds available per student will be lower.

Current rates	CGS	Student	Total
total \$\$	\$7,467.4 m	\$5,515.4 m	\$12,982.8 m
\$\$ per EFTSL	\$11,954	\$8,829	\$20,782

Proposed rates	CGS	Student	Total
total \$\$	\$6,313.4 m	\$5,916.4 m	\$12,229.9 m
\$\$ per EFTSL	\$10,106	\$9,471	\$19,577

Difference	CGS	Student	Total
total \$\$	-\$1,154.0 m	\$401.1 m	-\$752.9 m
\$\$ per EFTSL	-\$1,847	\$642	-\$1,205
% \$\$	-15%	7%	-6%
% EFTSL	-15%	7%	-6%

2. Student places: does funding, charges, and total revenue rise, stay stable or fall?

Based on 2018 distribution of students. It shows that

- Government funding would be better for 36% of units and worse for 55%,
- students would pay more for 42% of units and less for 55%; and
- revenue would increase for 39% of units and reduce for 60%.

Amount Type	Change	EFTSL (2018)	% of Total EFTSL
CGS	% Up	226,578	36%
	% Stable	51,883	8%
	% Down	346,242	55%
SC	% Up	261,604	42%
	% Stable	22,214	4%
	% Down	340,885	55%
Total	% Up	244,544	39%
	% Stable	7,114	1%
	% Down	373,045	60%

3. Difference between current rates and proposed

The new rates the Government proposes are set out in the table.

Disciplines	CGS Cluster	Student Band	CGS_Rate	Student Rate	University Revenue
Management & Commerce, Law & Economics, Humanities, Society & Culture, Communications	1	4	\$ 1,100	\$14,500	\$15,600
English, Mathematics, Education, Clinical Psychology	2	1	\$13,500	\$ 3,700	\$17,200
Architecture & Building, IT, Health, Allied health, Creative Arts	2	2	\$13,500	\$ 7,700	\$21,200
Languages, Nursing	3	1	\$16,500	\$ 3,700	\$20,200
Engineering, Science, Environmental Studies, Medical sciences	3	2	\$16,500	\$ 7,700	\$24,200
Agriculture	4	1	\$27,000	\$ 3,700	\$30,700
Dental, Medicine, Vet Science	4	3	\$27,000	\$11,300	\$38,300

The table below shows where the revenue for a discipline has increased or reduced, from the Government, from the student, and overall.

University revenue increases for the business, law and humanities, the creative arts, and the high cost health disciplines of medicine, dentistry and veterinary science. It reduces for many science subjects, notably mathematics and agriculture, social sciences and education.

Field of education	Difference in Government funding	Difference in student charge	Difference in university revenue
Management & Commerce	-\$1,137	\$3,145	\$2,008
Law & Economics	-\$1,137	\$3,145	\$2,008
Humanities	-\$5,126	\$7,696	\$2,570
Society & Culture	-\$9,915	\$7,696	-\$2,219
English	\$7,274	-\$3,104	\$4,170
Mathematics	\$2,485	-\$5,998	-\$3,513
Education	\$2,038	-\$3,104	-\$1,066
Clinical Psychology	-\$47	-\$3,104	-\$3,151
Languages	\$2,953	-\$3,104	-\$151
Nursing	\$1,375	-\$3,104	-\$1,729
Architecture & building	\$2,485	-\$1,998	\$487
IT	\$2,485	-\$1,998	\$487
Health	\$2,485	-\$1,998	\$487
Allied health	-\$47	-\$1,998	-\$2,045
Engineering	-\$2,760	-\$1,998	-\$4,758
Science	-\$2,760	-\$1,998	-\$4,758
Environmental Studies	-\$7,946	-\$1,998	-\$9,944
Medical Science	-\$7,946	-\$3,655	-\$11,601
Creative Arts	-\$47	\$896	\$849
Agriculture	\$2,554	-\$5,998	-\$3,444
Dental	\$2,554	-\$55	\$2,499
Medicine	\$2,554	-\$55	\$2,499
Veterinary Science	\$2,554	-\$55	\$2,499

Figures as at 19 June 2020 in lieu of published data on student numbers by funding and charging cluster.