

2025-26 Pre-Budget Submission

January 2025

The Innovative Research Universities (IRU) welcomes the opportunity to provide input to the 2025–26 Federal Budget. This year’s Budget is another critical step in implementing the long-term policy reform agenda set out in the final Australian Universities Accord report, released in February 2024.

The IRU strongly supports the vision of the Universities Accord for a bigger and fairer higher education system, and the government’s commitment to increasing participation in tertiary education and training (to 80% of all working age Australians by 2050) to meet the future needs of our economy and society.

There is unfinished business for equity in higher education and the IRU welcomes the Accord’s focus on increasing tertiary participation by students from under-represented backgrounds, and the government’s commitment to population parity for these groups by 2050.

Investing now for sustainable growth and equity in our university system will boost productivity and support inclusive economic growth and social cohesion. Strong and innovative universities ensure that Australians have the skills to meet current workforce needs and the new knowledge to create the jobs of the future.

The IRU acknowledges the significant progress already made on implementing major reforms recommended in the Universities Accord. Through the 2024-25 Federal Budget and Mid-Year Economic and Fiscal Outlook (MYEFO) update, the government has allocated new funding for key measures in line with IRU recommendations to the Accord, including:

- Supporting students with cost-of-living pressures (initially through reform of HELP loans and student debt).
- Financial support for students undertaking mandatory work placements as part of their studies.
- An expansion of fee-free “enabling” programs to provide more pathways into university.
- An independent Australian Tertiary Education Commission to oversee the long-term reform agenda and negotiate enhanced mission-based compact agreements with each university.
- Funding for a new Managed Growth Funding System for universities, incorporating Needs-Based Funding (to be fully implemented by 2027).

The 2024-25 Budget also included the announcement of a *Strategic Examination of Research and Development* – a major review of the R&D system that has been charged with taking forward the recommendations on research from the Universities Accord.

In this submission, we focus on four key actions that cannot wait for the new university funding model or the outcomes of the R&D review. These four recommendations for the 2025-26 Budget are essential to support students and to deliver on the government’s own priorities. Targeted action in these four areas in 2025-26 will support the ongoing implementation of remaining Accord recommendations and the goal of a fairer higher education system that puts students first.

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1. Reform the Job-Ready Graduates (JRG) policy

Reform of the Job-Ready Graduates (JRG) policy remains the most significant piece of unfinished business in the Accord agenda. The 2021 JRG package shifted more of the cost of higher education onto students, and made student contributions more unequal, complex and socially regressive.

The IRU supports targeted measures to help students with cost-of-living pressures and to reduce student debt, but the biggest driver of student debt is the cost of doing a degree, and these costs are still rising. The longer JRG reform takes, the more difficult and expensive it will be.

Total domestic undergraduate student enrolments have declined since 2021, with steeper declines among students from key equity groups, including students from low-SES backgrounds, regional and remote students and first in family students. Meeting the government's future targets for participation and equity will not be possible without JRG reform.

The Accord final report recommended “urgent remediation” of the JRG package. It recommended reducing student contribution rates in the highest charging fields, progressively moving towards a simpler student contribution system aligned with lifetime earnings, and increasing government funding in STEM fields to reduce the negative impacts of the JRG package.

In September 2024, the IRU released [updated modelling of options for JRG reform](#). Our modelling set out a step-by-step approach to JRG reform in line with Accord recommendations, with the first step (to reduce the highest student contributions) benefitting 300,000 students.

The IRU recommends that government funding for JRG reform should be a priority for the 2025–26 Federal Budget. Beyond the issue of the cost to students of their degree, the final Accord report also made broader recommendations on student income support to address cost-of-living issues and to “remove the financial barriers to commencing study”. The Accord recommended that further work on student income support payments should be undertaken with a report back to Ministers by early 2025. The IRU supports this recommendation and agrees that this should also be a priority this year.

2. Increase support for PhD students

The IRU supports the recommendations made by Universities Australia and the Australian Council of Graduate Research to increase stipends for domestic PhD candidates and to ensure that they are able to access other government support such as paid parental leave.

A sustainable pipeline of PhD research candidates is key to the government delivering on its updated National Science and Research Priorities and on the Future Made in Australia agenda and the National Reconstruction Fund.

However, cost-of-living pressures and inadequate financial support have contributed to a decline in PhD commencements between 2018 and 2023. For the first time, in 2023 commencing international PhD students outnumbered domestic PhD students in Australian universities.

The Accord final report found that the current PhD stipend is too low and not globally competitive. The low base stipend rate of \$32,192 in 2024 is at the poverty line and remains a significant obstacle for potential candidates.

The Accord also recommended immediate action on anomalies such as stipends being treated as taxable income for students studying part-time, whereas for full-time students stipends are not

taxable. This also has important implications for equity and participation – for example, the Accord found that less than 10% of domestic PhD students are from low-SES backgrounds, with these students more likely to study part-time.

The IRU also supports the Accord recommendation for a new National Research Workforce Development Strategy by the end of 2026 – this should be included as a key aspect of the broader R&D review. However more immediate action is required to support PhD students now. We welcome the support provided by government through 2024 to assist undergraduate students with cost-of-living pressures, but this must be extended to PhD students to help maintain our pipeline of home-grown research talent, sustain our competitiveness, and enable the innovations and technologies that will deliver the jobs and industries of the future.

3. Support Indigenous-led research

The Accord also recommended that additional support be provided for Indigenous PhD scholarships and post-doctoral fellowships to grow the pipeline of Indigenous researchers at our universities in support of the larger goal of Indigenous self-determination. The IRU supports increased focus on Indigenous knowledges to open the door for new ways of thinking about innovation and better support Indigenous communities across the country.

This would also support the delivery of the new National Science and Research Priorities – with their focus on elevating Indigenous knowledge systems – and the recommendations of the independent Review of the Australian Research Council, all of which were accepted by government in 2023.

The IRU recommends that 5% of total funding through the ARC’s National Competitive Grants Program be committed to go to Indigenous researchers, to match the target already set for the Medical Research Endowment Account.

4. Targeted relief for international students

International education is an Australian success story – it has become one of Australia’s largest exports and delivered significant social and cultural benefits to students and the nation over decades. Internationalisation increases the quality of our education and research, yet decisions taken over the last twelve months to change visa processing and policy for international education have undermined Australia’s success and damaged our reputation as a welcoming country for international students.

Two tranches of student visa fee increases — the first in the 2024–25 Budget and the latest in MYEFO in December 2024 — have exacerbated the damage to our international reputation and competitiveness.

Universities in key international partner countries (eg. Japan) have already indicated that high visa fees mean they may no longer be able to send exchange students to Australia, and will have to look for alternative exchange destinations. This will further undermine the diversity of our international student cohort and reduce opportunities for Australian students to study abroad.

In 2024, the government implemented exemptions from international student caps for certain priority groups of students including exchange, PhD and transnational education students, along with students from the Pacific region. This provides a good model for addressing visa fee issues.

The IRU recommends that exchange and other priority groups of students are immediately exempted from the visa fee increases announced in 2024. Government has already decided that Pacific students should be exempt from visa fee increases, but these students are still having to pay the full amount up front and then seek a refund. There should be a more systematic approach to exemptions that supports more students, without the upfront cost.

This measure should be prioritised in the 2025-26 Budget while a longer-term strategy for sustainable and equitable growth in international education is developed in genuine partnership between government and universities.