

## **The Higher Education Reform Agenda - Strong on Competition, Weaker on National Interest**

The federal government's higher education reform agenda contains policy measures to promote three worthy objectives – participation, diversity and quality. The fundamental proposition behind most reform measures is that the best way to make progress is through competition. In what is arguably the most dramatic policy move since the end of the binary divide in the 1980s, the government is about to launch demand-driven funding by uncapping the number of student places available to universities. Under the policy, there is an added financial incentive to choose in favour of low SES students because universities will be rewarded according to their share of the low SES pool participating in higher education. It is abundantly clear that the government will succeed in its objective of increasing participation rates; universities began over-enrolling as soon as the policy was announced in anticipation of the pipeline funding that will flow when the caps come off. From the government's viewpoint, this is great news – its demand-driven policy is doing precisely what it is supposed to do. But there are downsides to the government's participation programs.

The first is that the abandonment of centralised planning in favour of the marketplace is likely to perpetuate national skills shortages associated with high cost, low demand courses. I have not yet seen any systematic national data on this issue but in NSW almost half of the growth that has occurred since demand-driven funding was announced has been in the field of society and culture, mainly in the Bachelor of Arts. Although the number of engineering students has grown, there have been six overenrolments in the field of society and culture for every one overenrolment in engineering, and the critical skills shortage in agriculture is worsening as the number of NSW school-leavers entering that field is actually declining. Given patterns such as these, we can expect increases in unemployment despite continuing national skills shortages. Similarly, the financial incentive under the low SES funding formula is for each university to increase its share of the national pool without increasing the pool itself – to grow the numerator without growing the denominator. At least one university I know of is adopting precisely this strategy by offering incentives for low SES students to transfer to that university. The end result of such a strategy would be to shift the distribution of low SES students without improving low SES participation rates nationally.

The solution to both of these unintended consequences would be to promote co-operation within the sector. Consider first the problem of national skill shortages. Instead of squabbling over small markets or exiting high cost courses in areas of national skills shortage, universities could be encouraged to share markets and infrastructure. Indeed, this university's rural medical program is the product of just such a

partnership. In our Joint Medical Program with the University of Newcastle, UNE teaches Newcastle University's curriculum under Newcastle's supervision and with Newcastle's invaluable collaboration in various academic and clinical programs. It is in the national interest to provide start-up grants and/or recurrent funding incentives to universities to collaborate in this way in areas of national skills shortage.

Similarly in the case of low SES students, an alternative policy would be to incentivize universities to cooperate in the way that UNE and the University of Sydney will trial in 2012. Under this arrangement, the University of Sydney will offer a limited number of places in the second year of selected courses to low SES schools subject to satisfactory completion of the first year in those courses at UNE. The schools chosen by the University of Sydney are both under-represented at that university and not ones that UNE has traditionally targeted. If successful, then, this arrangement will grow the number of low SES students participating in higher education and will be of particular benefit to the University Sydney as it tops up first year attrition with low SES students who have proven they can succeed at university. But to the extent that the partnership opens new markets in low SES areas, it will expand both the numerator and denominator in the calculation of each university's share of low SES funding. This will be a particular problem for the University of New England which already educates well above the national average of low SES students and will transfer most of the value of the new arrangement to Sydney University.

The federal government's mechanism for promoting diversity in higher education is the mission-based compact, which is intended to be an invitation to universities to identify what is distinctive about them and to express that in a service level agreement with the Commonwealth. The mission based compact is a welcome initiative that recognizes that not all Australian universities are or should be alike and that the nation benefits when universities pursue complementary missions. In compacts, then, we see the germ of a policy idea that values co-operation, at least in this limited sense of complementarity.

The problem with compacts, however, is that they incorporate incentives to compete in ways that drive universities towards uniformity. In 2012 DEEWR will promulgate a uniform set of indicators against which every university's performance will be assessed. Among those indicators will be standardized measures of the student experience, teaching quality, academic attainment, and student satisfaction. Results on these tests will be published on the *My University* website for all the world to see and until the Treasurer's recent budget announcement were also to be used in performance funding. Now that performance funding for these measures has been discontinued, the stakes have been lowered on compacts but the fact remains that mission based compacts advocate diversity while simultaneously insisting that universities compete according to a uniform set of measures. You can't have it both ways.

We can't go forth and diversify while also trying to excel in precisely the same things. The rhetoric may be about difference but competition policy is driving us towards uniformity. If we are serious about diversifying our universities, why not allow them to negotiate distinctive performance measures aligned with their Mission Statements?

In short, it is in the national interest to moderate competition policy with incentives for universities to diversify rather than standardize their missions and to collaborate both in addressing skill shortages, and in growing the national pool of low SES students.

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