



19 September 2014

Senate Education and Employment Committees
PO Box 6100
Parliament House
Canberra ACT 2600

**Re: Inquiry into the Higher Education and Research Reform Amendment Bill
2014**

Please find attached our submission to the committee's inquiry into the Higher Education Reform Bill currently before the Senate. This submission reflects the views of the executive of Holmesglen Institute and we would be pleased to provide further input into the inquiry through the hearing process.

We look forward to engaging with the committee in their deliberations and are confident that the final recommendations will make a positive impact in creating greater diversity and choice for students in higher education.

Please do not hesitate to contact me directly in relation to our submission

Yours sincerely

Mary Faraone
Chief Executive

INTRODUCTION

The executive of Holmesglen Institute welcome the opportunity to provide a submission to the Senate Committee on Education and Employment in its inquiry into the Higher Education and Research Reform Amendment Bill 2014. The proposed reform package is a timely and welcome step in addressing the institute's long-held belief that its higher education students should be afforded equitable support from the Commonwealth in their participation in and attainment of higher education qualifications. We hope this submission provides a valuable input and would welcome the opportunity to expand on these in any further consultations.

About Holmesglen

Since its establishment in 1982 as a college of technical and further education (TAFE), Holmesglen has significantly expanded its educational profile and diversified its operations nationally and internationally. It currently operates from five major campuses in Chadstone, Glen Waverley, Moorabbin and central Melbourne, its rural learning centre in north-east Victoria, numerous workplaces Australia-wide, international project postings and its off-shore partner institutions. In 2005, Holmesglen became one of the first TAFE institutes to offer and confer higher education awards in its own right, building on nearly two decades of partner-provider relationships with higher education institutions, including a range of Australian universities in delivery of degree and sub-degree pathway programs. It has gone on to establish a considerable footprint in the higher education sector among non-university Higher Education Providers. In 2013, Holmesglen delivered over 635 EFTSL across 12 bachelor degrees and three post graduate programs. Domestic load to international fee paying student load was 55:45. In addition, it delivered 10 bachelor degree programs under third party arrangements with the University of Canberra and two with Charles Sturt University at a total of 218 EFTSL.

Holmesglen has achieved a number of milestones in establishing its distinctive position in the sector, including:

- achieving accreditation by all relevant professional associations and regulatory bodies without condition for its 17 bachelor and associate degrees
- securing access to Commonwealth Grant Scheme places for its nursing and early childhood programs. In 2013, approximately one third of all delivery in Holmesglen bachelor degree programs was to Commonwealth supported students
- partnering with the University of Canberra in 2013 to co-locate the university on Holmesglen campuses and open up access to over 200 new students to Commonwealth supported higher education
- commencing delivery of the Bachelor of Oral Health on behalf of Charles Sturt in 2014
- extending its delivery to post graduate programs with the accreditation of graduate diploma programs in the built environment in 2012 and the Master of Professional Accounting in 2014.

Structure of this submission

As a non-university higher education provider, Holmesglen's submission presents our views and experiences in relation to the following schedules in the Bill:

- Schedule 1 – deregulation and expansion of demand driven system
- Schedule 2 – new Commonwealth scholarship scheme
- Schedule 3, 4, 6 and 7 – HELP scheme related measures

Key messages

Holmesglen welcomes the extension of the demand-driven system to non-university Higher Education Providers. A considerable period of time has elapsed between this policy reform being recommended in the *Review of Australian Higher Education* (Bradley et.al., 2008) and this Bill. There remains no logical reason to deny Australian's equitable access to undertake higher education at the provider of their choice with the support of the Commonwealth.

The institute recognises that such a change brings significant budget implications for the government and accepts that fee deregulation is likely to be the most efficient mechanism to ensure sustainability of an open demand-driven system. However it has major concerns with some elements of the proposed mechanisms to achieve the policy intention of expanding choice and opportunity for students. Most notable issues include:

- Funding non-university providers at a lower rate preserves the inequity in the current system, albeit in a different way. This decision signals to the community that the value of a higher education qualification delivered in an environment such as a TAFE institute is lower to those offered in a university context. It continues to act against expanded choice and opportunity to undertake higher education. The funding of research should be seen as a separate funding mechanism. CSP funding for teaching and learning should be at the same level for university and non-university providers.
- The differential funding rates proposed will have particular impact in situations where Commonwealth support was equally distributed in the past (in Holmesglen's case in nursing and early childhood education). If the Bill is passed in its current form, Holmesglen would receive a funding cut of 36 per cent from programs it currently delivers with Commonwealth supported places. It would need to increase student tuition fees by \$3,700 for early childhood and \$4,800 for nursing to maintain its 2015 contribution rates. It is unclear, how the government can justify to students who elect to study at Holmesglen, why their fees should be raised far in excess of their peers studying at a university. CSP funding needs to remain the same university and non-university providers. If not, arrangements for these programs should continue to be funded at the same level as currently received (ie 100 per cent of the relevant cluster) and be part of the demand-driven system.
- The removal of funding from existing Commonwealth supported places becomes contentious in the establishment of the scholarship fund. In this case, increased revenue is being driven by the need to offset funding decreases. How the scholarship scheme will operate is not clear in the case of real reductions in Commonwealth contributions or where places were previously offered on a full fee paying basis to domestic students. We are concerned that the Bill lacks the necessary detail to determine how any increases might be quantified at a provider such as Holmesglen and transparency achieved across the system.

- The extension of the demand-driven system to sub-degree places (particularly as universities would be funded at 100 per cent of the bachelor degree rate) has the potential to do irrevocable damage to the vocational sector. The Bill's impact statements and its analysis of compatibility with human rights are silent on the impact of this measure on VET, but could conceivably include the creation of skills shortages as occupational outcomes become devalued over educational ones, cost shifting to the Commonwealth as states and territories cease to fund vocational diploma and advanced diploma programs and further erode the viability of public vocational providers (ie TAFE institutes) if they do not convert their higher vocational programs to higher education qualifications. The funding of sub-degree places should be the same for university and non-university providers.
- The redesign of the HELP scheme in the manner proposed by the Bill will fundamentally change the affordability and equity of the program's architecture. Holmesglen does not support the proposed indexation rate or the lowered threshold for repayment. Fee deregulation should only occur if the system remains fair to all students, regardless of their access to financial resources to quickly repay higher debts incurred.

SCHEDULE 1 - DEREGULATION, EXPANSION OF DEMAND DRIVEN SYSTEM AND OTHER MEASURES

With some limited exceptions for students undertaking priority occupational programs, currently higher education students studying at a TAFE institute fund their participation without any direct government support. Hence, there is currently a financial incentive for students to opt for a degree delivered by a university over a TAFE provider, even though they may be better suited to an applied learning environment and, typically, more personalised learning. Extending the demand driven funding system to providers such as TAFE institutes will, among other things, enable greater and more equitable access to higher education. This may include students completing diploma and advanced diploma programs at TAFE, who did not consider undertaking further study due to a lack of aspiration and confidence to complete higher education in a university setting. The provision of access to Commonwealth supported places (CSPs) for non-university providers opens another pathway to higher education for these students, where they can continue their studies in a familiar environment, under the encouragement of familiar teachers and with access to relevant support services, without having to pay full fees. It is therefore extremely pleasing that CSPs will be extended to all TEQSA registered providers. This is a policy position that Holmesglen has argued for in its submissions to a range of government reviews over the last decade or more. However, some elements of the package are concerning and will limit Holmesglen's ability to attract students not only to participate in higher education, but to ensure their attainment of higher qualifications.

Funding rates for non-university providers

The proposal to fund non-university providers at a different rate, however, creates an unequal playing field and will reinforce or create a perception in the community that non-university degrees are inferior to the equivalent university programs. It suggests that, despite providers having demonstrated they equally meet the necessary higher education regulatory quality standards, university teaching and learning is to be valued over non-university provision with higher rates of investment from the Commonwealth. While Holmesglen recognises that public institutions service a community obligation and that universities have a research mission, it is unclear why students should be disadvantaged by selecting a provider that in the Commonwealth's view do not conduct such activities to the same extent or nature. Holmesglen suggests that this measure will lead to further stratification of the system and create a situation where students from more disadvantaged backgrounds are diverted into lower status settings, despite the Bill being positioned as an instrument of expanded choice and opportunity

and rectifying a past injustice that “discriminate[s] against people who seek to enrol in private higher education providers, including TAFEs” (*Explanatory Memorandum*, p. 6). Clearly the potential exists for universities to apply some or all of the additional 30 percent received to compete against non-university providers on price.

The Explanatory Memorandum to the Bill (p.16) identifies that seven non-university providers already receive an allocation of CSPs. Holmesglen is one such provider, who has a capped number of places for its Bachelor of Nursing and Bachelor of Early Childhood Education. These places are funded at 100 per cent of the relevant funding cluster rate applied through the HESA. The 70 per cent funding rate now potentially puts at risk the sustainability of these programs without student fees rising above current rates to make up the shortfall. Potentially student fees for these programs at Holmesglen will be above those at universities, despite Holmesglen’s students accessing the same qualification as they did in the past. Holmesglen will experience a funding loss of 36 per cent in Commonwealth contributions currently used to deliver these programs. Again, it is highly unfair for one provider of nursing and early childhood education to sustain a loss of 36 per cent, when a different provider experiences a 9 to 10 per cent decrease, despite both continuing to provide exactly the same qualification as in 2015.

Holmesglen is most concerned about how the government will communicate to the community the rationale for the difference in funding rates and how it will ensure that all universities (private and public and in some cases overseas institutions) meet their obligations to the Australian public. It is our experience in the demand-driven VET sector that these obligations are difficult to articulate, specify and deliver through an open market or competitive policy position. Should a differentiated rate be applied, these additional activities should be clearly specified, communicated to the public and monitored appropriately.

The rationale that the higher funding rate for universities also recognises the requirement to sustain a different “kind of research” (*Explanatory Memorandum*, p. 5) is also questionable as a universal statement. Research assessment such as ERA clearly demonstrates the wide range of research activity and intensity occurring across the university sector and yet the proposal here is that all universities should receive additional funds at the same rate. Holmesglen would argue that there is a very fine line between some providers nominally categorised in the private sector and those as a university in relation to some research activity. For example, regulatory and professional accreditation requirements for staff to be engaged in scholarly practice manifests in some providers in applied research activity that is rightly indistinguishable from the same activity conducted in a university context. The Office of Teaching and Learning recognises this in funding research activity in non-university and university providers. For example, Holmesglen was awarded an OLT grant to conduct a research project to develop, trial and validate assessment tools of nursing undergraduates’ integration of theory and practice within the clinical environment. Holmesglen was also the only TAFE participant in the national Achievement Matters project, which seeks to create an assessment framework that meets the Learning and Teaching Academic Standards for graduate outcomes in the accounting profession. As public providers, TAFE institutes also have essentially different characteristics and commitments to local communities than privately owned and operated providers.

Holmesglen encourages the Senate Committee to fully explore and test the implications of the proposed funding differentials. Explicit accountability requirements should be in place for these differentiated activities. Indeed the most transparent way to do this may be to fund these activities outside the contribution that is essentially made to conduct teaching and learning. We hold the strong view that CSP funding should be at the same rate to support teaching and learning at university and non-university providers. Any additional obligations that universities are required to sustain, such as research, should be funded through a separate negotiated schedule.

Extending demand-driven funding system to sub-bachelor places

Holmesglen views the expansion of the demand-driven funding system to sub-bachelor places with some trepidation. The *Review of the Demand-Driven Funding System* (Kemp & Norton, 2014) highlighted sub-bachelor programs as the fastest growing level of higher education award. If universities are able to access unlimited Commonwealth funding at the same rate as bachelor degrees, it may have significant and detrimental effects on existing pathway programs from VET higher qualifications (diplomas and advanced diplomas). During the introduction of the demand driven system in 2011 the Labor government recognised the need to restrict university expansion into the vocational market by implementing quotas on the number of funded sub-bachelor places available. If the proposed CSP funding rate remains at 70 per cent for non-university providers, the institute would need to consider the financial viability of opting into CSPs at sub-bachelor level. This has the potential to allow universities to maintain their monopoly on the CSP sub-bachelor market.

As sub-bachelor places would attract the same funding as bachelor programs, it is not unreasonable to anticipate that some universities will move away from offering the first year or two of a bachelor degree and instead contract a private provider to deliver this in the form of a diploma, advanced diploma or associate degree. Even if the provider was recompensed at the full rate that would be available to them (ie 70 per cent), the university would have 30 per cent without having to expend a cent on student support, academic development, facilities or staffing. Without additional resources to direct to regulatory oversight of such third party arrangements, quality issues could emerge at the system level and present similar reputational issues as has been experienced in other educational markets. As non-self accrediting providers, organisations such as Holmesglen rely on the timely processing of applications for accreditation by the TEQSA. It may well lose further market share should universities rapidly expand their programming at sub-bachelor level simply due to the flexibility offered by self-accrediting status.

This component of the Bill also raises the issue of jurisdictional boundaries over the delivery of diplomas and advanced diplomas. It is not unreasonable to foresee a situation where the states would remove funding entirely for vocational diplomas and advanced diplomas and some providers would seek to cash in on much higher subsidies offered for higher education qualifications at this level. While the expense and time to have such programs accredited by the TEQSA may restrain some market behaviours, in time it could create a similar situation that was experienced in Victoria when it introduced its open VET market. Such a retraction of funding and an essential re-definition of the role of diploma and advanced diplomas in an open market may also ultimately lead to skills shortages at sub-degree levels within para-professional occupations. There is little to guarantee that requirements within the AQF for occupational outcomes to be delivered will ensure supply of graduates into occupations such as those listed in the impact statement. Holmesglen contends that rapid expansion will occur at the expense of quality vocational delivery that currently serves the dual outcomes of pathways to higher education and work. While some level of state funding would remain for vocational diplomas where a licencing requirement exists, a shift in industry support to the higher education diploma or an associate degree would spur rapid expansion of this market and create an excessive budgetary burden and liability for the Commonwealth.

If the cap on sub-degree places is lifted, the only equitable solution is to fund all university and non-university providers at the same level.

SCHEDULE 2 – NEW COMMONWEALTH SCHOLARSHIP FUND

Holmesglen supports the proposed scholarship fund as a mechanism to balance affordability for disadvantaged students with the need to deregulate fee structures. Under the proposed design of the Commonwealth Scholarship Scheme, Holmesglen would be committed to contribute to the scholarship fund as it would have over 500 EFTSL if it converted all domestic student load to CSPs. The Bill in its current form provides for the Commonwealth Grant Scheme Guidelines to prescribe the calculation for the amount to be directed to a scholarship scheme. However, it is apparent from discussion with department representatives that considerable uncertainty exists in how the additional total revenue would be calculated for private providers with no (ie all full fee paying) or a minority load currently attracting Commonwealth Grants. In addition, as the 70 per cent funding differential would apply from 2016 to programs that currently attract 100 per cent subsidy rates, the increase in tuition revenue for students already accessing a CSP would essentially be covering the funding shortfall and not represent a real revenue increase to the institute.

From Holmesglen's perspective, levels of socio-economic disadvantage among domestic undergraduate students is already higher in non-university providers in Victoria compared to all universities combined within the state. In 2013, between 17.9 and 20.1 per cent of commencing domestic students were classified as low SES depending on the measure used. This compares to between 15.3 and 16.7 per cent across the state's universities using the same measures (Department of Education, 2014). This is despite most commencing students accessing higher education at non-university providers in full-fee paying places. The danger with the proposed scholarship fund structure is that providers which are in a position to maximise fees under deregulation will have at their disposal a greater fund to offer fee concessions and bursaries etc. Arguably, providers such as TAFE institutes, regional universities and 'recruiter' universities in urban centres will have to set fees at a lower price point to remain attractive and therefore have a smaller fund at their disposal, despite disadvantaged and non-traditional student cohorts being concentrated in these institutions in the first place. For providers such as Holmesglen, which would receive lower Commonwealth contributions as a result of the 70 per cent funding rate, resourcing the necessary services to support these students becomes even more problematic. Therefore, Holmesglen suggests that substantial work will need to occur to ensure that:

- amounts required to be diverted to a scholarship fund do not disadvantage further students who are already relatively socio-economically disadvantaged
- appropriate weightings are applied to ensure that the real increase in revenue be assessed taking into account any funding reductions as a result of shifting to the proposed differential funding model
- transparency be assured in determining revenue assessments for providers who have no prior load that attracts a Commonwealth contribution.

SCHEDULES 3, 4, 6 AND 7 – HELP RELATED MEASURES

Holmesglen welcomes the removal of loan fees that currently apply to FEE-HELP and VET FEE-HELP and to create a single higher education loan scheme. It also concurs that HECS-HELP benefit uptake has been low by its current Commonwealth supported students undertaking nursing and early childhood and could, therefore, be repealed. However, it has substantial concerns that the proposal to increase the indexation rate and reduce the minimum repayment threshold, coupled with fee deregulation, has the potential to significantly increase the cost of tertiary education for students and saddle them with crippling debt levels. In 2013, more than 70 per cent of commencing domestic higher education students at Holmesglen were employed and almost half were 25 years or older at commencement. The institute's research into the pressures faced by its students and their ability to continue their studies shows the sizable burden faced by students to balance work and study commitments. Of the domestic students who commenced in 2013 and have since discontinued their studies, over 46 per cent cite the need to increase their work commitment or seek work as one of the contributing factors to their decision to cease studying. The institute is concerned that students who already work and earn above the \$50,000 threshold will need to commence repaying their loan while studying, this will place additional pressure on Holmesglen's predominately mature age students and could act as a deterrent to ongoing study. Overall, any measure that discourages non-traditional students to participate in higher education will work against the Bill's aim to "expand choice and opportunity" (*Explanatory Memorandum*, p. 5).

Furthermore, compounding interest rates of up to 6 per cent on the original loan and the interest applicable to the loan will result in the size of the debt escalating rapidly for those unable to quickly repay the loan. Women are most likely to be negatively affected by this change as a result of taking time out from the workforce to raise a family but also due to the gender wage gap. Those who are absent from the workforce and/or lack of income parity, will accrue debts significantly higher than the amount originally borrowed. This is of particular concern in programs traditionally dominated by women and/or linked to professions in the lower to middle income bands, such as Holmesglen's Bachelor of Nursing and Bachelor of Early Childhood.

In line with national trends, over 80 per cent of commencing domestic students entering nursing and early childhood programs at Holmesglen were women. However, like the Holmesglen student population in general they are more likely to be working and mature aged - over a third were aged over 25 compared to 22 per cent nationally in bachelor programs (Department of Education, 2014). Given the potential increase in student fees for these courses above those experienced by their peers studying at university to recoup the additional reduction in government contributions, these students face a substantial increase in the cost of acquiring a tertiary qualification both in the short term and in across their working lives. It is difficult to reconcile how this will facilitate expanded opportunity and choice for students to undertake higher education. Holmesglen is of the view that any fee deregulation should only occur if the HELP scheme remains fair to all students and, therefore, retain the link to CPI to prevent student debt increasing in real terms.

CONCLUSION

This concludes our submission to the Senate Committee on Education and Employment into its inquiry into the Higher Education and Research Reform Amendment Bill 2014. The proposed reforms will change the higher education landscape with the intent to provide greater choice for students and greater diversity of providers. It is essential that the reform is equitable and understandable from the student's perspective. Currently, the reform funding will not provide the diversity and choice for students that are necessary to drive real change in higher education.

CONTACT

We would welcome the opportunity to provide further information or appear before the committee.
Please direct all enquiries to:

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REFERENCES

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