

Australian University Accord: response to Interim Report

Navitas submission

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Submitted on behalf of Navitas by:

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Introduction

Navitas appreciates the opportunity to respond to the University Accord Interim Report. The Interim Report articulates the components of a bold vision for Australia's higher education sector over the next 25 years that refresh the participation strategies set by the 2008 Bradley Review in the context of massive demand growth – an additional 900,000 students in 2050. The interim report envisages access to higher education as able to transform the lives of individuals and communities while ensuring students are best prepared for career and labour market success. These are key pillars of Navitas' purpose and strategy. The report also outlines a number of 'spiky ideas' for consideration by the sector, with a strong focus on how the system will and will need to change and shift over the next 10 to 20 years.

In our response, Navitas outlines the core areas of the Interim Report that we support. These provide a strong basis for the future direction of the Australian higher education system. In addition to these areas, we also propose four of our own 'spiky ideas'. Navitas believes that these four areas will be critical in supporting the broader principles that have been set out in the Interim Report. They also build on the eleven 'key ideas' set out by Minister Clare in his address to the National Press Club on 19 July 2023. Navitas' position on policy areas identified in the Interim Report is included in Appendix A.

At the heart of our response to this Interim Report is also a call for a more unified sector with greater recognition of the role that independent providers play in transforming lives through education in Australia, and for this to be reflected consistently in policy settings moving forward.

Navitas supports in principle almost all policy areas in the Interim Report

Navitas supports in principle most of the proposed changes outlined in the University Accord Interim Report, including:

- **The overall reform goal set out by the Interim Report**, which identifies that reforms to the higher education sector should support 'growth for skills through greater equity'. A focus on skills and supporting equity to education and equitable settings is appropriate and should be a priority of reform.
- **The five priority actions that have already been implemented**, in particular the immediate changes to remove the unfair 50% pass rule, and extending demand driven funding to First Nations students irrespective of where they live.
- **The recognition of the need to meet growing demand in the higher education system over the next 25 years**, which identifies the total number of domestic students may increase from 900,000 in 2022 to 1.8 million by 2050. This aligns with the insights from our Navitas Australian Higher Education Demand (NAHED) model (see Appendix B).
- **An ambitious attainment target for 55% Bachelor level attainment for 24–35-year-olds**, which recognises opportunities to increase participation and attainment levels and would position Australia as a global leader in higher education attainment.
- **The focus on supporting participation for underrepresented cohorts – especially First Nations and low SES students**, including establishing a stretch target for parity in participation rates by 2035 and the stated intention for key targets to break down to regional and institutional level targets and planning.
- **Consideration of a National Skills Passport**, which would support an innovative focus on micro-credentials and a 'system shift' towards 'modular, stackable qualifications as identified in the Interim Report.
- **Changes to improve access to work-integrated learning and placements**, including through providing better incentives and financial supports for participating students. Reform of placements, additional support for students and increased availability of work integrated learning were key priorities identified in Navitas' previous submission.
- **Supporting appropriate reform of pathways to registration, accreditation, and placement requirements**, in order to better support workforce supply. This acknowledges the existing 'bottleneck' in the system and opportunities to reconsider the role of industry and accreditation bodies, in line with Navitas' previous submission.
- **The establishment of a Tertiary Education Commission and regulatory reform**, which Navitas believes, if appropriately implemented, would effectively support the higher education sector in its entirety. This should include monitoring overall targets, including strategies to improve participation, ensuring diverse sector representation including pathway and independent providers, reducing regulatory burdens where possible and considering opportunities to leverage private sector investment going forward.

We note that the Interim Report does not recommend a detailed funding model to achieve the ideas for reform it contains, and that fiscal constraints will be a major consideration in the development and adoption of final recommendations. We welcome the advice of Professor O'Kane that the panel is undertaking detailed analysis of funding implications and that parameters of renewed HELP arrangements are under active consideration. Navitas looks forward to further consultation ahead of the release of the Final Report on proposed funding arrangements to manage the massive growth in higher education demand that the Interim Report identifies. Navitas believes that the forward funding model must support equitable HELP access, eligibility to participate in targeted funding programs for all providers and Commonwealth Supported Place (CSPs) for equity cohorts and/or aligned with government needs do not limit student choice on the basis of eligible provider type/s. Flexibility in fee settings for independent providers should remain a key part of the funding model. This ensures that programs can be differentiated to suit the distinct needs of different students.

Demand driven support for specific equity cohort should include pathway programs which will best support participation and success in university level study

Key 'system shift':

- There will be population parity in participation by 2035 supported by student centred, needs based funding, with all students from equity cohorts eligible for a funded place for university.

Navitas strongly supports the Interim Report's key priority of supporting the participation and success of equity cohorts. This is important to ensuring both equitable access for students from these backgrounds, and also for the broader contribution uplift in participation for these cohorts will mean for the skilled labour force. The report puts forward two key proposals which aim to support this objective. The first, the Universal Learning Entitlement places a specific emphasis on equity students, ensuring there is a place at university for those that meet the admission level. The second, consideration of a new 'needs-based funding model', acknowledges students from equity backgrounds often require additional levels of support.

It is also important to consider the supports these students may require to be successful at university. While the report identifies the effectiveness of Enabling programs, it under-represents the crucial role and effectiveness of higher education Diploma pathway programs. These pathway programs are highly effective, particularly for students with additional academic need. The academic research referenced in validation of the effectiveness of Enabling programs, actually demonstrates that **students who complete Diploma pathway programs have a higher success rate in subsequent university study than enabling students.**¹ Further evidence supporting the effectiveness of pathway programs is included in Appendix C.

Diploma pathways have other clear benefits over Enabling programs:

- **Time efficient**, with the student's overall degree timeframes not extended as students gain full credit for completion of a Diploma pathway program
- **Gain recognised qualification**, with students receiving a qualification on completion of the Diploma course, providing them with flexibility to re-engage in study at a time convenient to them whilst still holding an award level qualification that has value and recognition in the labour market
- **Minimises unproductive debt** for both students and government by providing exit options for students through a 'nested' model that aligns directly with key study areas, as opposed to requiring full-degree completion before receiving an award.²

These benefits support the direction of the Interim Report which states that there is a need to 'increase access to preparatory and enabling programs to provide more pathways into higher education' and that the system should support 'scaffolded learning supports to help students achieve their qualification in minimum time with minimum debt'.

Given the effectiveness of these programs, Navitas strongly recommends that a Universal Learning Entitlement include support for Diploma pathway programs that articulate into university degrees and that 'needs based funding' or 'loading' for equity students is available to support enrolment with a public and independent pathway provider of the student's choice.

Recommendation 1

- If implemented ensure that students can use their Universal Learner Entitlement to study in 'pathway' programs that best support them to prepare for university level study.
- Consider introducing a direct allocation of Commonwealth Supported Places (CSPs) specifically for 'pathway programs', administered through a competitive tender process with eligibility open to all higher education providers.
- In introducing 'needs based funding' ensure that funding is available to all higher education pathway providers that support equity student cohorts, enabling them to succeed in their university studies.

¹ Pitman et al (2016) 'Pathways to higher education: the efficacy of enabling and sub-bachelor pathways for disadvantaged students' finds that 'across all equity groups, students transitioning via the Associate Degree, Advanced Diploma and Diploma pathways generally experienced better success rates than those transitioning via Enabling programs'

² Productivity Commission (2023) '5 Year Productivity Inquiry: Advancing Prosperity' also identified the benefits of 'exit options' in higher education through 'nested qualification' should be expanded.

The Universal Learning Entitlement must be underpinned by equitable HELP access and support funding for study with non-university providers

Key 'system shift':

- There will systematic investment in student support and equitable, efficient HELP arrangements.

Navitas strongly supports the identified 'system shift' in the Interim Report that 'there will need to be systematic investment in student support and equitable, efficient HELP arrangements'. The report also identifies that it 'will examine changes to HELP to make it fairer and support growth in participation', with that vision including that HELP should be 'fairer, simpler and more equitable'. One key area of complexity and inequity in HELP arrangements is the FEE-HELP loan fee that levies undergraduate students that attend a non-university provider an additional 20% of student loan debt as a 'loan fee' on top of their already non-subsidised course fees. **This fee is arbitrary, confusing, unfair and does not support increased participation.** It instead disincentivise students from studying with the provider most appropriate to them and may disincentivise further study at all. The detrimental impacts of the loan fee, particularly on women working part-time in key occupations, are outlined in Appendix D.

The Interim Report identifies that the Accord Panel will 'consider the rationale and continuing suitability of the loan fee'. **In line with the principles set out by the Interim Report, Navitas strongly recommends the loan fee is abolished or that equitable loan fees are levied across all domestic students. The current Loan Fee serves as a penalty for the non-university student who receives no Commonwealth subsidy for their tuition and must loan 120% of their tuition fees to pay the Loan Fee.**

The Interim Report identifies that independent providers make a substantial contribution to access for equity cohorts, with Table 2.3-1 of the report showing that non-university providers have outperformed a number of university groups in supporting students from low SES backgrounds, regional and remote students and First Nations students access higher education. This contribution should be recognised in future funding arrangements. **Specially we recommend that the government should consider extending the 'needs based funding model', if implemented, to be extended to independent providers.** This could be achieved either in full through a genuine demand driven system or in part, through 'loading' based on the participation of equity students.

Recommendation 2

- Ensure equity in HELP support levies through permanent abolition of the 20% FEE-HELP Loan Fee OR application of an equitable, and lower, loan fee applied to all students accessing HELP support.
- Consider extending 'needs based funding', if implemented, to be equally available for students studying with independent providers given the significant contribution of these providers to supporting students from equity cohorts.

University Colleges provide important institutional diversity within the Australian higher education sector through greater focus on teaching excellence

Key 'system shift':

- A new approach to mission-based compacts will address future planning, distinctive place-based impact and institutional governance responsibilities.

Navitas strongly supports the view set out in the Interim Report that 'Australian higher education would benefit from having a wider range of complementary institutions differentiated by their unique missions'. The report outlines that there may be benefits in 'exploring revisions to the Provider Category Standards to remove requirements that universities carry out research' to support a 'wider mix of institutions'. Navitas' view is that the findings of the 'Higher Education Provider Category Standards' in 2019 and subsequent amendment of the TEQSA Act already provides an appropriate existing architecture for institutional diversity in a teaching focussed Category. A great strength of the 2019 reforms was the reduction in the number and complexity of the Categories, and to remove the transitional nature of the previous University College category. The remaining challenge however is to remove the prevailing hierarchical interpretation of the Category structure. The current University College category effectively facilitates the emergence of institutions that specialise in teaching and serves an important marker for teaching excellence.

There are opportunities for further utilisation of this category by government to address major economic and social challenges. This may include through extending mission-based funding to University Colleges where appropriate, extending

CSPs in skills shortage areas to University Colleges which are proven leading institutions (as the report proposes for TAFE), and supporting targeted investment to support regional skills needs. More information on these proposals is included in Appendix E.

Government should also consider investment in funding and recognition mechanisms that build the prestige and desirability of a teaching focussed University College category for current universities best placed to lift participation rates, rather than compete for research funding and profile.

Recommendation 3

- **Grow the opportunity provided by the existing University College Category to support institutional diversity and recognition of teaching excellence.**
- **Implement policy settings that realise the capacity of the University College category including through amending the Higher Education Support Act 2003, enabling students who are studying with University Colleges in areas of skills shortage to access CSP funding.**
- **Consider implementing mission-based compacts with University Colleges, acknowledging the distinct role they can play in supporting government, economic and social outcomes.**
- **Consider supporting existing universities to refocus their mission as University Colleges of teaching excellence through reward and recognition of the University College category.**

The sustainability of the international education sector is critical, but the proposed international education levy must deliver benefits for all international students

International education is not identified as a key 'system shift' in the University Accord Interim Report.

Navitas supports the importance that the University Accord Interim Report places on international education, identifying that it is not only Australia's fourth largest export industry, it is also 'a crucial element' of Australia's soft diplomacy, regional prosperity and development'.

However, Navitas believes that the introduction of a levy on international student revenue risks higher costs flowing to students, undermining Australia's competitive advantage as an international education destination and diminishing the broader foreign policy and soft diplomacy objectives the Interim Report identifies as critical.

While the paper identifies a range of areas the levy could be used, including infrastructure, research, student housing or a 'sovereign wealth fund' type mechanism, it does not clearly outline the basis for this change in line with the broad objectives international education supports. Navitas believes that the introduction of an international student levy risks undermining these important policy objectives.

Recommendation 4

- **Do not proceed with introducing the international student levy given the potential for this to undermine sector and government objectives.**

Appendix A. Navitas position on proposed policy areas

This appendix identifies Navitas broad response to the policy areas identified in the University Accord Interim Report. Navitas is supportive in principle of almost all policy ideas raised in the report, with the cautionary note that we look forward to engaging further on the detail and application of ideas adopted for recommendation in the final report.

Table 1 | Navitas' position on policy areas for further consideration raised in the Interim Report

Proposed policy areas	Navitas view
Evolving the mission for higher education	
A. Putting First Nations at the heart of Australia's higher education system	
a. creating a new First Nations Higher Education Council to give voice to the needs, aspirations and know-how of community	Support in Principle
b. moving towards a self-determined approach to national funding and policy settings in relation to First Nations students, employment, teaching, research and engagement, with universities mirroring this approach within their institutions, as is the case in some institutions today	Support in Principle
c. supporting a First Nations-led review of access, participation and outcomes for First Nations students and staff, research, teaching, use of First Nations knowledges, and First Nations governance and leadership within universities	Support in Principle
d. enhancing research capability for First Nations knowledges and for collaboration and partnerships between First Nations communities, governments, universities and industry.	Support in Principle
B. More students enrolled in higher education, a fair system that ensures access and attainment, and a larger system that better meets national jobs and skills needs	
a. setting targets for tertiary education participation and attainment, including for higher education, through consultation with Jobs and Skills Australia (JSA) and the VET sector	Support in Principle
b. setting targets to raise First Nations participation and completion rates in higher education	Support in Principle
c. creating specific higher education participation targets for students from underrepresented backgrounds and equity groups to achieve parity by 2035. These groups will include students from low socio-economic, regional, rural and remote backgrounds and students with a disability	Support in Principle
d. developing a universal learning entitlement to ensure Australians can gain the qualifications and credentials as they need or desire	Support in Principle
e. as a priority element of the universal learning entitlement, ensuring that all students from equity cohorts are eligible for a funded place at university.	Support in Principle , with the 'universal' entitlement for equity students able to be used for study in pathway programs (see Recommendation 1)
C. Meeting Australia's future skills needs	
a. new policy levers to enhance capability across the tertiary education sector, enabling it to respond rapidly to Australia's skills needs and deliver the necessary numbers of graduates with professional, disciplinary and high order generic skills	Support in Principle , with detailed consultation required to ensure the value and recognition of all fields of study and the full suite of skills developed through higher education participation is not undermined.
b. the creation of a universal learning entitlement that helps all Australians access high-quality tertiary education and makes lifelong learning a reality	Support in Principle , with further consideration required for inclusion of microcredentials and use for study with all provider types
c. examining new and effective mechanisms for rapid reskilling, including microcredentials	Support in Principle
d. improving the integration of higher education and VET to create new types of qualifications –starting in areas of national priority – like clean energy, the care economy, and defence	Support in Principle
e. improving skills pathways by creating qualifications that are more modular, stackable and transferable between institutions and institution types	Support in Principle , with Navitas' recommendation on HE Diploma pathway programs supporting this policy direction (see Recommendation 1)
f. addressing barriers that prevent VET and higher education working together, especially in courses and institutions that involve both sectors	Support in Principle , with opportunities to enhance alignment through the Tertiary Education Commission in relation to streamlining registrations, financial, governance and dual sector accreditations.

g. using arrangements between industry, unions and governments to progress the recommendations of the <i>Review of the Australian Qualifications Framework (AQF)</i> – this should be a matter of priority	Support in Principle
h. extending CSPs at some AQF levels to the TAFE sector in areas of crucial skill need	Requires further consideration , with appropriate consideration given to extending CSPs to University Colleges on the same basis as TAFE (see Recommendation 3).
i. improving the Recognition of Prior Learning (RPL) ³ and relevant work experience through a national skills passport or similar mechanism	Support in Principle , with the introduction of the National Passport providing increased support for microcredentials
j. increasing the absorptive capacity of new knowledge by Australian employers through greater collaboration with universities	Support in Principle
k. improving Work Integrated Learning (WIL) and placements by providing participating students with better incentives and financial support	Support in Principle , with Navitas identifying 'placement poverty' as a key area of concern in the system in our previous submission.
l. establishing a national jobs broker system, to assist students to find work placements and part-time jobs in their fields of study.	Support in Principle , noting this should be accessible to students studying at all providers
D. Equity in participation, access and opportunity	
a. encouraging students from underrepresented groups to aspire to higher education and fulfil their potential	Support in Principle
b. making it easier for students to enter, exit and return to higher education through a consistent national approach to tertiary education admission and the recognition of existing learning experience and credentials	Support in Principle , with Navitas' recommendation on HE Diploma pathways supporting this policy direction (see Recommendation 1)
c. increasing access to preparatory and enabling programs to provide more pathways into higher education	Support in Principle , noting this should include HE Diploma pathway programs. The Interim Report did not acknowledge the strong outcomes delivered by HE Diploma outcome programs. This was identified in Pitman et al (2016) which was reference in the Interim Report (see page 3 and Appendix C).
d. providing scaffolded learning support to help students achieve their qualification in minimum time and with minimum debt	Support in Principle , with Diploma pathway programs delivered through a 'scaffolded model', supporting qualification completion in minimum time (due to no additional units and full credit recognition) and results in minimal non-useful debt *due to exit award at Diploma level).
e. through a national jobs broker system, helping students find part-time work in their areas of study	Support in Principle
f. exploring the potential for a student-centred, needs-based funding model (similar to that used for determining school funding) that recognises the additional costs involved in teaching students from equity groups and underrepresented communities	Support in Principle , noting that if implemented this should be available for all students irrespective of provider type acknowledging the role both pathway programs and non-university providers play in supporting equity students (Recommendation 1 and 3).
g. reducing the cost of living barriers to higher education through improved income support measures and more opportunities for part-time study	Support in Principle
h. revising student contribution amounts and HELP repayment arrangements to ensure students are not being overly burdened with debt and that repayment arrangements are fair and integrate more effectively with the wider tax and social security system.	Support in Principle , with permanent abolition of the FEEL-HELP Loan Fee a key change required to support equitable student financing arrangements and reduced debt burden for students (see Recommendation 2 and Appendix D).
E. Excellence in learning, teaching and student experience	
a. encouraging and rewarding effective learning and teaching practices, including best practice for digital and hybrid delivery modes and use of new technologies and structures, particularly artificial intelligence and knowledge repositories	Support in Principle
b. enhancing the professional development of academic staff in teaching, especially for those newly employed to teach	Support in Principle

³ Recognition of prior learning (RPL) is when an individual's previous training, work experience and/or study is recognised and counted toward their qualification as credit.

c. promoting collaboration and shared best practice in learning and teaching	Support in Principle
d. ensuring the system encourages improvements in quality learning and teaching, responds to new curriculum approaches that take account of the pace of new knowledge production, and provides for appropriate teaching infrastructure	Support in Principle , with opportunities through the Tertiary Education Commission to reduce regulatory burden for new course accreditation and sector innovation.
F. Fostering international engagement	
a. ensuring that international education supports broader Australian foreign policy objectives, for example, strengthening relationships with India and the Pacific	Support in Principle
b. making international education more embedded within the mission of the Australian tertiary education system and to the mission and purpose of individual institutions	Support in Principle
c. ensuring the integrity and accessibility of visa pathways for international students	Support in Principle , noting this is being further considered in the response to the Migration Review.
d. promoting flexibility and innovation in international education, including digital and offshore delivery options	Support in Principle
e. providing a high-quality university experience for international students	Support in Principle
f. improving overseas skills and qualification recognition and expanding international professional qualification accords	Support in Principle
g. promoting international commercial use of Australian research capability	Support in Principle
h. building closer connections between institutions and their international alumni.	Support in Principle
G. Serving our communities	
a. recognising and formalising the crucial role institutions play in their communities through the Accord process and mission-based compacts	Support in Principle , with opportunities to further consider the use of mission-based compacts and funding with University Colleges (see Recommendation 3) and specialist providers delivering across the country.
b. the creation of stronger links between industry and education, particularly in regional areas and other areas with low participation and attainment rates	Support in Principle
c. encouraging institutions to draw on the strengths of their alumni communities.	Support in Principle
H. Research, innovation and research training	
<i>To protect research basics, the Review is giving further consideration to the following policy areas:</i>	
a. developing a funding mechanism that explicitly recognises the importance of research, innovation and scholarship	Support in Principle
b. how best to ensure sufficient funding for the Australian university research sector to meet national research priorities	Support in Principle
c. moving over time to ensure National Competitive Grants cover the full cost of undertaking research	Support in Principle
d. developing a national, holistic policy for research training	Support in Principle
e. improving the measurement of the quality and impact of Australian research, including by deploying advances in data science to develop a 'light touch' automated metrics-based research quality assessment system	Support in Principle
f. making the cost of university R&D, innovation and scholarship activities across all universities transparent	Support in Principle
g. ensuring ongoing investment in critical research infrastructure and its maintenance.	Support in Principle
<i>To share and translate university research more effectively, the Review is giving further consideration to the following policy areas:</i>	
a. developing metrics to understand industry/university and government/university research collaboration and translation	Support in Principle
b. encouraging government to become an exemplary user of university research, using it to address nationally significant complex problems and enhance sovereign capabilities and becoming an example to industry on how to use university research capability	Support in Principle
c. exploring mechanisms that keep universities, industry and government informed of nationally significant research problems, and of nationally significant research capabilities in the higher education system	Support in Principle
d. extending the use of research brokers and research challenge mechanisms and bodies	Support in Principle

e. encouraging academic consulting, and improving university capability to do such work	Support in Principle
f. establishing a target for the number of PhD candidates employed in industry undertaking a PhD relevant to their firm.	Support in Principle
Creating the foundations for a high functioning national system	
A. A coherent national tertiary system	
a. the benefits of establishing a new national body, a Tertiary Education Commission, working with the Minister and Department, which could:	Support in Principle
i. be based on the principles of independence and expert decision-making to provide oversight, coordination and expert advice to the higher education sector	Support in Principle
ii. lead relevant analysis, including with other agencies, to provide advice to government on policy and funding settings to enhance student, teaching and research outcomes	Support in Principle
iii. function as a pricing authority for Commonwealth higher education funding for the purposes of a potential student-centred, needs-based funding model	Support in Principle
iv. negotiate new mission-based compacts with institutions to deliver against local, regional and national priorities and needs	Support in Principle
v. over time, and in partnership with the states and territories, be expanded from higher education to encompass the whole tertiary education system to pursue greater opportunities for alignment and collaboration between the higher education and VET sectors.	Support in Principle
b. how to facilitate and encourage change and evolution in the type, diversity, size and number of tertiary education institutions, including:	Support in Principle
i. the merits of a new National Regional University as Australia's second national university	Support in Principle
ii. encouraging and incentivising new models of delivery and collaboration to increase tertiary education and research provision, particularly in regional and under-served areas	Support in Principle
iii. facilitating the emergence of institutions specialising to a greater or lesser extent in teaching or research	Support in Principle , greater utilisation of the University College category for teaching specialism and excellence (see Recommendation 2)
c. ensuring tertiary education regulation, including the role of the Tertiary Education Quality and Standards Agency (TEQSA), enables innovation in the tertiary education system	Support in Principle
d. continually working towards an aligned tertiary education system, including encouraging parity of esteem between the VET and higher education sectors.	Support in Principle
B. Strengthening institutional governance	
a. improving student wellbeing and safety, including empowering students on matters that affect them	Support in Principle
b. improving operational practices and supporting governing bodies to improve their effectiveness	Support in Principle
c. enhancing wellbeing for staff, and appropriate workforce arrangements	Support in Principle
d. ensuring higher education institutions develop appropriate governance frameworks to avoid underpayment of staff	Support in Principle
e. through an ongoing Accord process, bringing together staff, unions, institutions and governments to consider policy settings, awards and institutional workforce structures	Support in Principle
f. providing explicit support for tutors, research trainees and others on the boundary between student and staff status, and enhancing career stability for early career academic staff	Support in Principle
g. considering improvements to the voluntary national code of practice and governance for university councils, and council composition to recognise the importance of expertise and leadership in teaching and research	Support in Principle
h. examining whether current reporting arrangements demonstrate effective and efficient use of government funds by higher education institutions	Support in Principle , with focus on competitive neutrality and whether some government objectives would be better delivered by independent providers.
i. considering development of a national student charter to ensure a consistent national approach to the welfare, safety and wellbeing of all students.	Support in Principle
C. Sustainable funding and financing	
a. establishing a framework of strong values and clear principles for public and private investment that underpins the higher education funding system	Support in Principle , with need for further consideration of how to leverage and incentivise private sector investment in Australian higher education.

b. how best to design a funding model which provides longer-term stability, that is dynamic in responding to changes in student mix and demand, and that protects against rapid shifts in funding that are beyond the capacity of institutions to adapt	Support in Principle
c. how to establish a new funding model for higher education, that: d. is student-centred, needs-based, ensuring the funding available is sufficient to provide access to high-quality higher education for students from equity backgrounds and from different locations e. helps achieve attainment and equity targets, and recognises the different costs of delivery in regional Australia f. strengthens Australia's higher education research capacity	Support in Principle
g. developing a stronger understanding of the true costs of the core activities in higher education, increasing transparency and improving pricing, quality, performance and efficiency	Support in Principle
h. ensuring the ongoing affordability of higher education for students, including adjusting student contributions instituted by the JRG package	Support in Principle , noting the detrimental impact the 20% FEE-HELP Loan Fee has on affordability for students studying with non-university providers (see Recommendation 2)
i. examining changes to HELP to make it fairer and support growth in participation	Support in Principle , noting the need to remove the 20% FEE-HELP Loan Fee given it disincentivises further study and is not fair to students that choose to study at non-university providers.
j. identifying ways to support and maintain critical teaching and research infrastructure	Support in Principle
k. reducing the extent to which core higher education functions rely on funding from insecure income streams, and decreasing the extent of cross-subsidisation throughout the system	Support in Principle , noting introduction of international student levy does not support this objective and increases (not decreases) cross subsidisation.
l. examining a funding mechanism such as a levy on international student fee income. Such a mechanism could provide insurance against future economic, policy or other shocks, or fund national and sector priorities such as infrastructure and research.	Do not support , given the potential to undermine sector and government objectives.

Appendix B. Navitas' Australian Higher Education Demand (NAHED) Model

This appendix outlines some supporting analysis from Navitas' Australian Higher Education Demand (NAHED) model. These findings are in line with the demand analysis presented in the Interim Report. Navitas would like to extend our offer to work with the University Accord panel and Department of Education to undertake further research and analysis work to support the Accord. This may include through focusing on understanding specific regional demand through the NAHED model.

This is revised from the initial analysis and commentary presented in our previous submission.

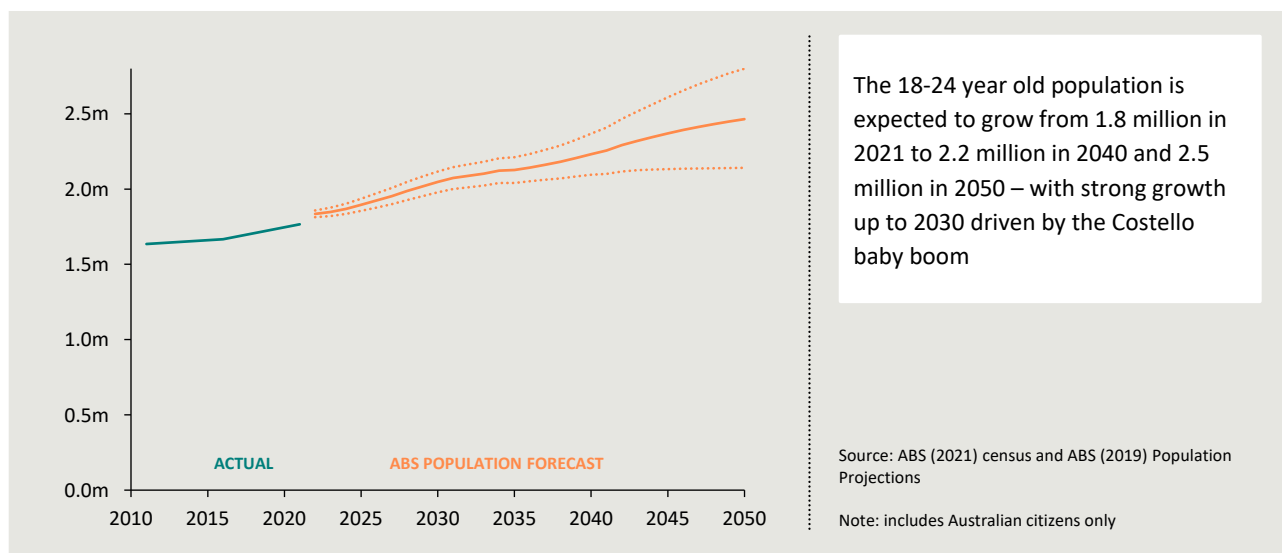
Summary of issues on increasing domestic demand for higher education to 2040:

- The University Accord Interim Report has set out an objective for the proportion of 55% higher education attainment by 2050
- This would result in round an additional 300,000 students in 2035 and an additional 900,000 students by 2050.
- Much of this growth is driven by demographic growth demographic growth in the medium-term with the 'Costello baby boom' cohort coming through from the mid-2020s
- Growth in participation levels have slowed from 2016 to 2021, but increases in participation rates are still expected in the system through to 2040
- Increases in attainment outlined in the Interim Report would require increased of participation achieved during 2011 to 2016, where the demand driven system was in place, over an extended twenty-year period.

The 'Costello baby boom' and consequent demographic growth will result in increased demand for higher education

Demographic changes will result in increasing numbers of students over the next twenty years. An overview of the change in the number of 18–24-year-olds is shown in the figure below.

Figure 1 | Total number of 18–24-year-olds forecast across Australia, 2010-2040 (actual and forecast)



This population growth will also differ between regions. Population growth will be most significant in outer suburb regions with a significant increase in populations of young people in these regions – for example Logan and Ipswich in metropolitan Queensland and Western Sydney suburbs – as shown in the figure below.

Figure 2 | Net change in 18–24-year-olds, by SA4, 2040⁴



Three scenarios can be considered the understand the extent of change required to achieve attainment targets

In understanding the future demand for higher education, assumptions will need to be made on the expected increase in participation rates (both at a national, state / territory and regional level). Work undertaken by Navitas on this has modelled three different sets of assumptions on participation growth:

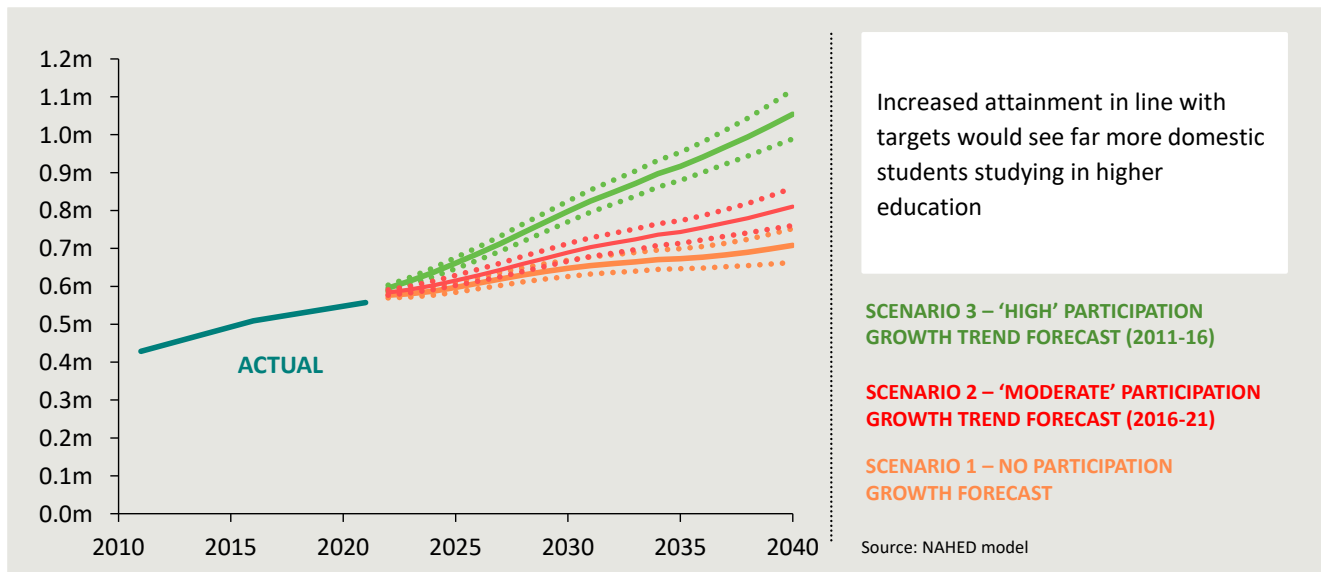
- A **'no participation rate growth' scenario**, which assumes no growth in participation levels for each state and territory above 2021 recorded levels. While we do not believe this is a likely scenario, it provides a comparison point for higher education demand to 2040.
- A **'moderate' participation rate growth scenario, with increase in participation levels in line with five-year trend (from 2016 to 2021)**, with the national aggregate participation rates for 18–24-year-olds forecast to rise approximately 36.3% by 2040 (from 31.6% in 2024). This most recent period saw lower growth in participation rates than the period prior and, as such, this represents a 'moderate' growth scenario.
- A **'high' participation rate growth scenario, with increase in participation levels in line with five-year trend (from 2011 to 2016)**, with the national aggregate participation rates for 18–24-year-olds forecast to rise approximately 47.2% by 2040 (from 31.6% in 2024). This rate of growth mirrors the participation rate growth seen between 2011 and 2016 which corresponded with the demand driven system. This scenario aligns broadly with the 55% attainment target set out in the Interim Report. Extension of the same rate of growth would result in a 55% participation level for 2050 (which broadly corresponds to a 55% attainment level if subsequent years).

Three scenarios show the extent of change required to achieve attainment targets

These three sets of results are summarised in the figure below. As shown by Scenario 1, population growth alone will contribute an additional 710,000 18–24-year-old students by 2041. Moving towards the 55% target set out in the Interim Report will require substantially higher capacity in the system. As outlined prior it would also require ongoing growth in participation rates over a twenty-year period, which is in line with what was experienced during a five-year period the demand driven system was largely in place, 2011 to 2016.

⁴ Note: information is not included for South Australia, Tasmania and the Northern Territory as source data was not available for these state / territories at the time the analysis was conducted.

Figure 3 | Forecast total higher education student numbers, 2010 to 2040 (scenarios forecast and actual)

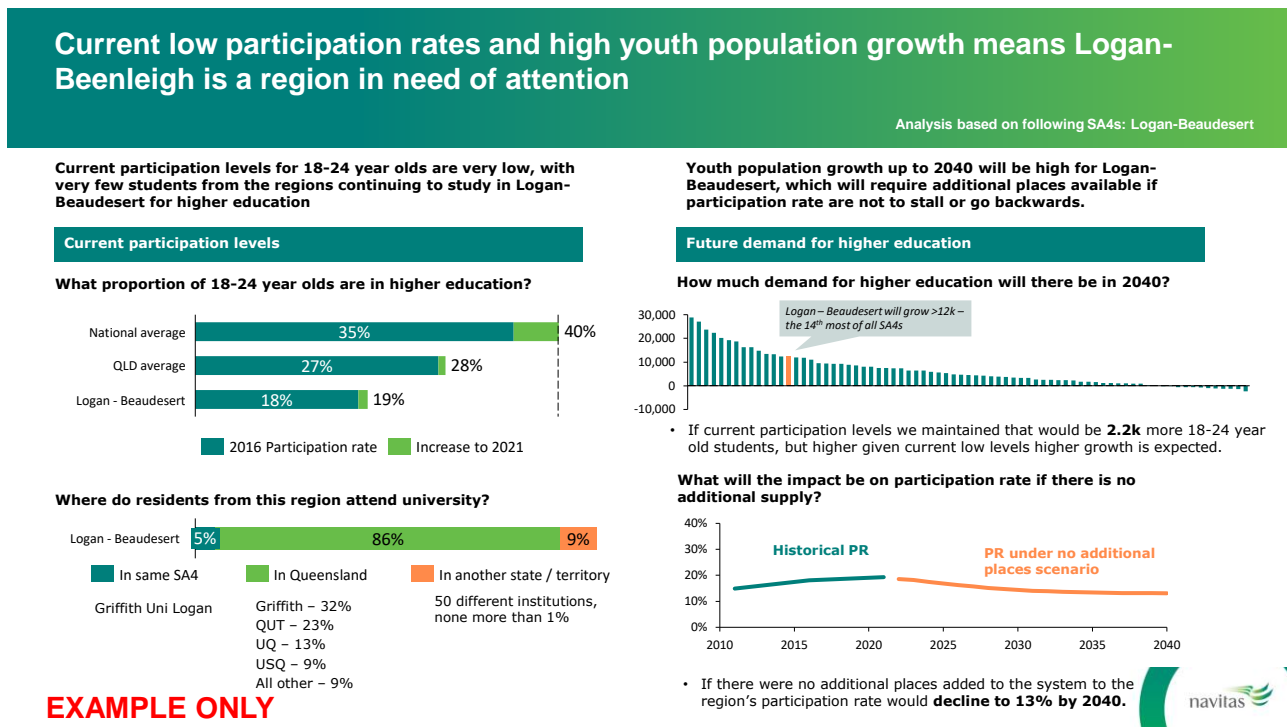


Further insights at the sub-regional level will support planning, target setting and provider accountability

It will be important to consider the insight on the demand modelling on specific states, regions, communities, and providers. This will support planning within the system to ensure capacity is appropriate to meet demand. It will also be important in order to set targets specifically for regions and for providers – as set out in the Interim Report which outlines the importance of ‘step-change targets’ and targets that are ‘disaggregated by state, region, provider and other relevant criteria’.

An example of key considerations for a specific region is provided below.

Figure 4 | Example regional impact of additional demand for higher education study



Appendix C. Pathway programs to support access, participation and success for domestic equity students

This appendix presents information on the evidence base for pathway programs. This is an abridged version of the analysis and commentary presented in our previous submission.

Summary of **issues on the role of pathway programs in Australian higher education:**

- While access rates have improved for most equity cohorts, improvement has not been as strong on student retention and success measures.
- Pathways programs are distinct specialist programs that aim to facilitate the transition of students into university level study.
- These programs deliver positive student outcomes – with pathway students achieving comparable outcomes to direct-entry students during subsequent university level study – and better outcomes when other relevant factors, such as ATAR, are controlled for.
- Academic research has found that Diploma (and other HE sub-bachelor) pathway programs are as effective as Enabling programs in supporting university success during studies.
- There is limited funding available for pathway programs – with enabling programs accounting less than 2% of all Bachelor funding – and specialist non-university providers ineligible for Commonwealth Supported Place (CSP) funding.
- Navitas recommends targeted investment in pathway programs to ensure equitable access and success for students from disadvantaged backgrounds
- These issues underscore importance of continued attention and investment in pathway programs to promote academic excellence and social mobility among diverse student populations in Australian higher education.

In the context of this submission pathway programs refer to all programs that are designed and delivered with the aim of supporting transition to a university learning environment. This includes both non-award programs (such as enabling programs) as well as award-level programs (including Diploma programs).⁵

Pathway programs are specialist programs that aim to support less academically prepared students to transition to a higher education environment

Pathway programs are specialist programs that aim to support a student's successful transition to a university learning environment. As outlined, these programs can include diploma level programs or non-award enabling courses. Pathway programs aim to bridge the gap between a high school learning environment and university level study. These programs are a valuable option for students that may be less academically prepared to commence their university studies, providing them with a structured and supportive pathway to success.

These programs have been shown to effectively support successful student outcomes during subsequent university study

Evidence for the efficacy of pathway programs is very strong. Analysis of the Department of Education's data on attrition and retention indicates that students undertaking (sub-bachelor) pathway programs on average have lower attrition rates and higher retention rates than their counterparts undertaking first year studies in a bachelor program. These findings hold true even when considering the relatively lower levels of academic preparedness of pathway program students at the commencement of their studies.

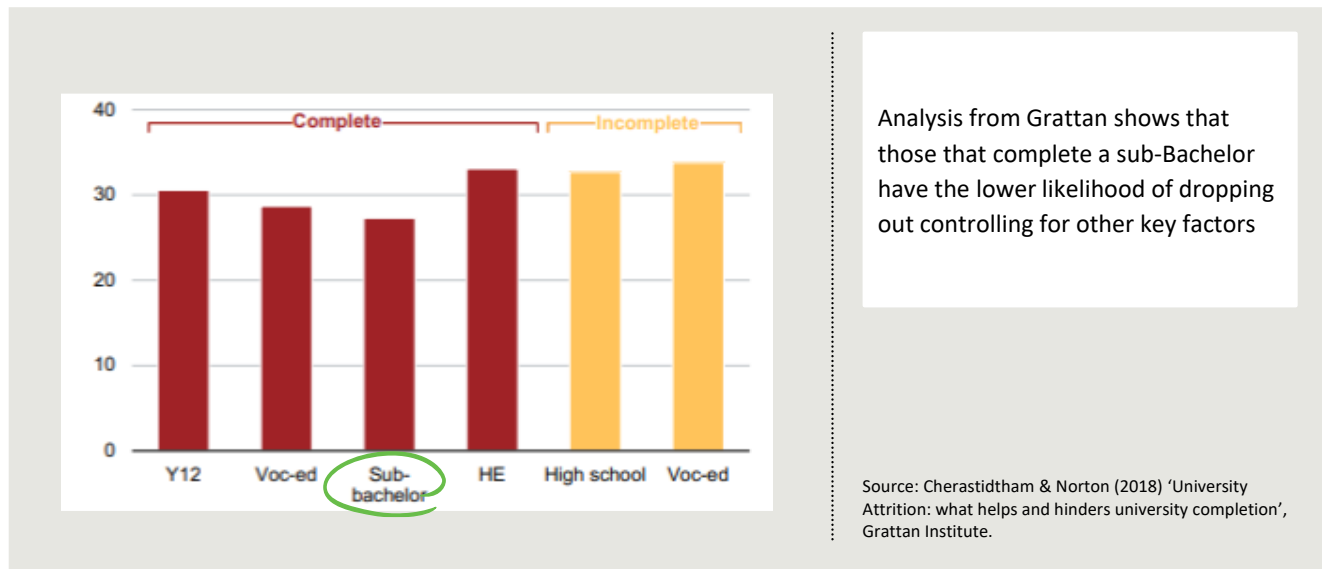
There is also strong evidence that students who complete a pathway program and transition into university-level study often perform as well, if not better than, their direct entry peers – despite having no ATAR or not being admitted based on ATAR. Kemp & Norton in their review of the DDS found evidence 'that students who entered

⁵ See National Association of Enabling Educators of Australia (2019) 'Declaration on Enabling Education in Higher Education'

via a pathway course often did better than might have been expected given their original level of academic preparation'.⁶

Comprehensive sector-wide analysis undertaken by Grattan Institute also identifies that students who possess a post-secondary qualification have a much lower risk of dropping out of university – and that students with a sub-Bachelor program (mostly Diplomas) were the least likely to drop out – when other relevant factors were controlled for. The report identified that pathways programs can serve to 'help identify people with attributes related to academic success and may remedy academic weakness'.

Figure 5 | Risk of not completing in eight years, controlling for other factors, by qualification



Baik et al's research on international students also found that 'international students entering university via a secondary school pathway had significantly lower mean weighted average marks (WAMs) than those entering from post-secondary pathways'.⁷

A number of evaluations of individual institution programs has also found very positive results. This includes evaluations of:

- Murdoch University's enabling program 'OnTrack', which found that participants have similar or better retention rate than students admitted from all other retention pathways⁸
- Enabling program delivery at a regional Australian university, which found that the GPA for higher education pathway students was higher than Year 12 direct-entry students and that attrition rates were lower⁹
- Enabling program delivery at a specific de-identified Australian university, which found that the on-campus enabling program participants were 1.7 times less likely to discontinue their studies than students admitted on the basis of Year 12 completion with the same GPA and there were only minimal differences in GPA (0.21 lower than direct entry students). GPA and attrition were both better than for VET pathway students.¹⁰
- Pathway program delivery at a de-identified Australian university, which found that students with an ATAR lower than 70 that took a pathways programs had WAMs in their commencing year that were as good or better than direction entry students with ATARs below mid-80s – as shown in the figure below.

⁶ Kemp & Norton (2014) 'Review of the demand driven system'

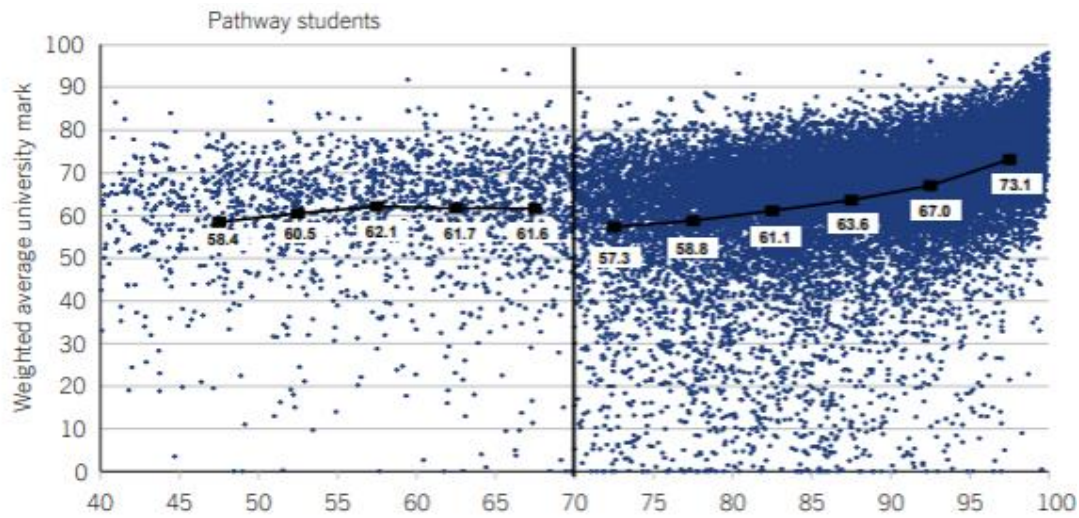
⁷ Baik et al (2020) 'Pathways to Success in International Education'

⁸ Lisciandro (2022) 'First-year university retention and academic performance of non-traditional students entering via an Australian pre-university enabling program'

⁹ Chesters et al. (2018) 'Alternative entry into university programs: are preparatory programs a viable option'.

¹⁰ Chesters and Watson (2016) 'Staying power: The effect of pathway into university on student achievement and attrition' [EJ1107585.pdf \(ed.gov\)](https://www.ed.gov/ej1107585.pdf)

Figure 6 | Relationship between ATAR and WAM, by pathway participation, for de-identified university¹¹



Navitas' has conducted tracer studies that support these findings for many of its university partnerships. These studies indicate that Navitas pathway students achieve comparable or better attrition and completion rate than students who are admitted to university through direct entry.

Finally, research has been conducted on the effectiveness of pathway programs for students from equity backgrounds. Firstly, analysis of attrition rates for students from a low SES background found that students studying in Diploma programs have comparable or lower dropout rates compared to those students studying at Bachelor level. Results are similar for other equity cohorts, including Indigenous students, students with disabilities and students from regional and remote locations. This is despite these cohorts on average having lower ATAR scores and using non-ATAR basis for admission more often.

Secondly, analysis undertaken by the National Centre for Student Equity in Higher Education in 2016 demonstrated that both Enabling and award-level pathway programs delivered strong outcomes for equity cohorts in subsequent university level study. The study (as shown below) found that both retention rates and success rates were higher for students that had undertaken enabling programs and some sub-bachelor programs (including Advanced Diploma) than for other direct-entry students. The same finding applies for other equity cohorts also.

Figure 7 | Retention rates and success rates for low SES students, by pathway



¹¹ Reproduced from Norton & Kemp (2014) 'Review of the Demand Driven System

This academic work by NCSEHE was referenced in the Interim Report. While the report does identify the effectiveness of Enabling programs, it under-represents the importance and effectiveness of higher education Diploma pathway programs. These pathway programs are highly effective, particularly for students with additional academic need. The analysis by NCSEHE referenced in validation of the effectiveness of Enabling programs, actually finds that **students who complete Diploma pathway programs have a higher success rate in subsequent university study than enabling students.**¹²

This evidence shows that pathway programs are effective and enable students to successfully prepare for university level study. Notably these programs serve as a vital intervention to improve academic outcomes for students from underrepresented and marginalised backgrounds.

Diploma pathways (or short courses) provide an attractive option for students as they offer an ‘exit qualification’ which can mitigate non useful debt

Many existing programs that are aimed at supporting disadvantaged students are enabling programs. These programs are typically targeted to students from disadvantaged backgrounds. Whilst these programs are usually offered at no cost to the students, they are non-award programs and do not result in a direct qualification

NCSEHE has identified that ‘lack of transparency, transferability and information about enabling programs’ can hinder student take up’. In addition, students who complete an enabling program must then complete a full bachelor’s degree, which typically spans three years, in order to gain a qualification. As a result, this creates multiple points where a student may discontinue their studies and drop out.

Navitas believes there are compelling advantages in incentivising study in award-level pathway programs (such as Diploma pathways) and other models that adopt ‘nested’ approaches. This approach offers students multiple points of exit and enables disengagement and reengagement with studies attaining award-level qualification along the student’s journey. This should be a particularly effective model for students from disadvantaged backgrounds, who may have competing priorities – such as employment, caregiving responsibilities and family commitments, or other considerations.

In line with Navitas’ position, the Productivity Commission are also supportive of this direction recommending that the Australian Government expand alternative exit opportunities through the provision of nested qualifications, enabling withdrawal from the full degree without exiting with no qualification. This would in effect ‘lower the cost of an early exit’ from a degree level course through reducing non-useful HECS-HELP loans held by those not completing their full degree.¹³ The Review of the DDS also proposed inclusion of sub-bachelor programs into the DDS for similar reasons as ‘improving the efficiency by better matching students with appropriate courses’ and ‘provide a lower risk entry point for low SES students.’¹⁴

¹² Pitman et al (2016) ‘Pathways to higher education: the efficacy of enabling and sub-bachelor pathways for disadvantaged students’ finds that ‘across all equity groups, students transitioning via the Associate Degree, Advanced Diploma and Diploma pathways generally experienced better success rates than those transitioning via Enabling programs’

¹³ Productivity Commission (2023) ‘5 Year Productivity Inquiry: Advancing Prosperity’

¹⁴ Kemp & Norton (2014) ‘Review of the Demand Driven System’

Appendix D. Equitable HELP access for all students

This appendix presents information on the FEE-HELP Loan Fee on students studying in the non-university sector. This is an abridged version of the analysis and commentary presented in our previous submission.

Summary of issues on removing disincentives for studying with independent providers:

- The Bradley review recognised the important role the private sector needs to play – recommending that they be included in the demand driven system once regulatory reforms had been established.
- For students there are currently significant disincentives to study with a private provider – including paying a 20% Loan Fee on your student loan, no access to Commonwealth subsidised places and more limited access to support funding than if you attended a university.
- The existence of the 20% FEE HELP Loan Fee results in higher levels of debt and longer repayment timeframes – an additional 3 years of repayments for the average female Psychology and IT graduate – and is inequitable, particularly for students from low SES backgrounds that have chosen to study with independent providers.
- There are opportunities to better leverage the independent sector in delivering CSPs in key areas of skills shortage. This would maximise supply across the system where there are identified shortages.

The 20% FEE-HELP Loan Fee is a significant disincentive to studying with a non-university provider

Students studying with non-university providers do have access to FEE-HELP, so are able to take out a loan to undertake their higher education studies. However, a 20% Loan Fee is applied to students that study with an independent non-university provider and utilise FEE-HELP. The inequity is perhaps best illustrated by the Loan Fee being levied exclusively on a student population with the with least demand on the Commonwealth, with these students themselves paying the full cost of their course.

The requirements for some students to pay the loan fee is arbitrary. Currently, only UG students enrolled in foreign universities and independent non-university providers are required to pay the loan fee – as shown below. PG students (at all institutions) and UG university students are not required to pay the fee. The rationale for this is not clear. It is also inconsistent and inequitable.

Figure 8 | Application of HELP Loan Fee by student and provider type, as at April 2023

Student type	Provider type	Loan fee	Loan scheme
UG degree	Public university	0%	HECS-HELP
PG degree		0%	FEE-HELP
UG degree	Private university	0%	FEE-HELP
PG degree		0%	FEE-HELP
UG degree	Foreign university	20%	FEE-HELP
PG degree		0%	FEE-HELP
UG degree	Independent provider	20%	FEE-HELP
PG degree		0%	FEE-HELP

There are several policy reasons why the 20% FEE-HELP Loan Fee should be removed.

Firstly, **the loan fee substantially increases the debt burden of study, particularly impacting women students** and negatively reinforces low levels of economic participation. While access rates for women in higher education have increased, there are still differences in labour market outcomes compared to men. Female participation levels in the workforce remain lower than males. A gender pay gap continues to persist for a range of reasons, including division of childcare responsibilities. The Australian Human Rights Commission identifies that this results in female students taking longer to re-pay their students debts.

For female students in the independent higher education sector, this issue is compounded. First, by the lack of access to government subsidised places (resulting in higher fees) and secondly due to the additional 20% FEE-HELP Loan Fee. Navitas has undertaken indicative analysis of the impact on women studying in two program

areas – Psychology and Information Technology. In both study areas – the 20% FEE-HELP Loan Fee results in longer repayment and lower post-tax income of graduates of independent higher education providers.

Figure 9 | Additional repayments and loan duration due to the 20% FEE-HELP Loan Fee

Example student	Duration of loan	Additional repayments due to loan fee	Additional weekly repayments due to loan fee
Female Psychology student	28 years (with additional 3 years due to loan fee)	+\$30,000 in repayments over life of the loan	Additional \$130 weekly repayments in final 3 years of loan (7% of post-tax income)
Female IT student	25 years (with additional 3 years due to loan fee)	+\$30,000 in repayments over life of the loan	Additional \$85 weekly repayments in final 3 years of loan (5% of post-tax income)

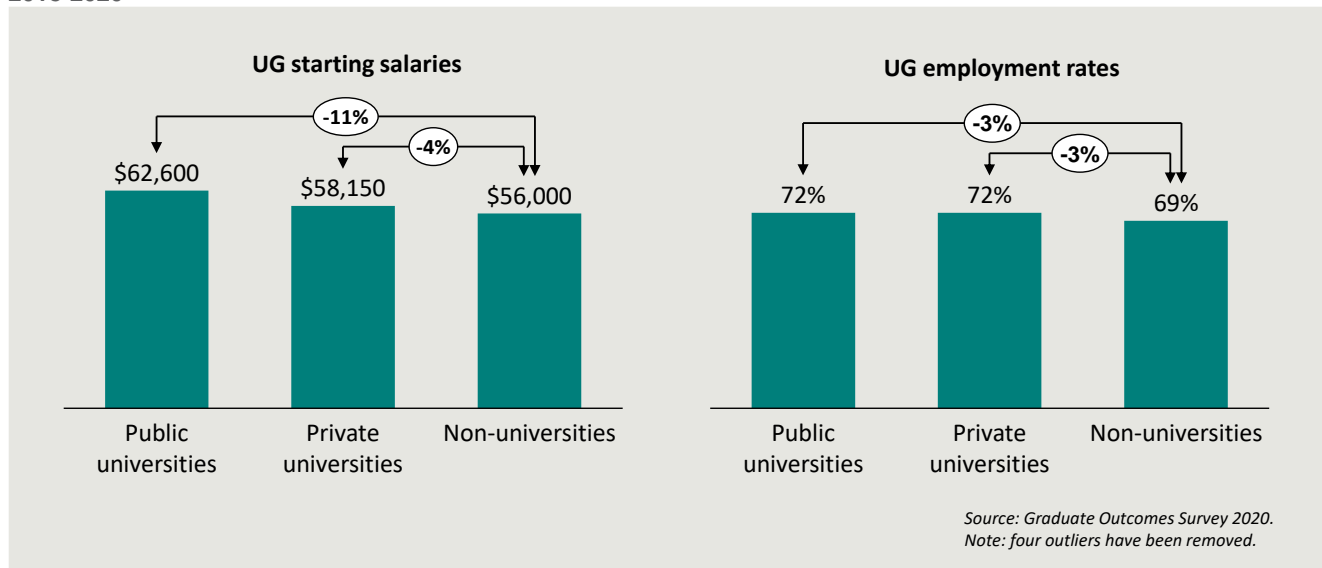
Secondly, the loan fee is an **unfair charge for students from low SES backgrounds that are studying in the independent sector** and represents an additional burden for graduates with low lifetime earnings. The independent sector supports access to low SES students, enrolling a comparable proportion of students from the lowest and second lowest quartile as the university sector. Despite being from low-income backgrounds, these students are required to pay an additional 20% FEE-HELP Loan Fee that is not levied in the university sector. This, combined with the higher costs for non-CSP higher education places, means that they take on higher levels of debt than a young person from a wealthier background who accesses university. This is inequitable when HELP scheme settings should support equal access for all students. Students that do not achieve high earnings following study are also further disadvantaged by the 20% FEE-HELP Loan Fee. For lower income earners, the 20% FEE-HELP Loan Fee can increase repayment years by up to 6.5 years, further perpetuating the equity gap. The current financial environment with high inflationary impacts on indexed student debts further extends repayment timeframes.

Thirdly, despite having to pay the Loan Fee, there is **no clear evidence that students that study at independent higher education providers represent a greater risk of not repaying their student loan debts**. Starting salaries and employment rates are comparable for the independent and university sectors, which makes the rationale for the loan fee particularly unclear. The rationale at introduction of the loan fee for independent higher education providers was that it would offset a perceived increased risk of ‘doubtful debt’ from students studying in the independent sector. The fee originally applied to independent non-university providers and private universities, however, now only applies to students studying with non-university higher education institutes after the loan fee was removed for students studying in private universities from 2019. While the appropriateness of a loan fee to repay ‘doubtful debts’ is contested,¹⁵ there is also no evidence that graduates from independent higher education providers represent a significantly higher risk than university graduates (both public and private).

Loan repayment is the product of both graduate’s salaries and employment rates. The lower the salary, or the worse the employment rates, the higher the probability of doubtful debt. The independent sector’s performance is shown in the figure below. While longer term employment figures are not publicly available there is not clear evidence that students at independent providers provide a greater risk. Norton also identifies there are a range of factors that contribute to ‘doubtful debt’ – including differences between disciplines, female participation levels and incomplete higher education programs. Significantly these are not unique to the independent higher education sector.

¹⁵ See Norton (2018) ‘Mapping Australian Higher Education 2018’, Grattan Institute

Figure 10 | Employment rates and starting salaries for university and non-university graduates, 2018-2020



There are also a range of broader arguments that support the abolition of the loan fee, including:

- The FEE-HELP Loan Fee has contributed less than 1% to the overall 'doubtful debt' and the exemption of the Loan Fee since 2020 has shown it is not a necessary source of government revenue.
- The exemption in response to the pandemic also recognises the barrier it creates to participation, with the removal seen as a stimulus measure to support additional demand for study.
- In effect the Loan Fee means that independent higher education students are currently covering the interest costs for university students to take out an interest free loan, with interest of government borrowing essentially subsidised the same amount that is realised through the FEE-HELP Loan Fee.
- The Loan Fee is one of many policy settings that undermines the competitive neutrality of the Australian higher education sector.

Navitas notes also that the Productivity Commission has recently recommended that 'loan fee arrangements should be equalised across the tertiary sector' and 'levied on all students regardless of type'.¹⁶ While the preference would be for the removal of the loan fee, an equitable Loan Fee across the sector would also be supported by Navitas. With the need to encourage more students into higher education, Navitas believes it is critical that the Loan Fee is removed or equitably applied to all students as an ongoing part of the system.

Additional barriers exist for students studying with non-university providers – with support funding restricted as they are not studying at universities

The diversity of Australian higher education providers, which includes large comprehensive universities with urban and regional footprints, pathway colleges, teaching-focused independent institutions, faith based and secular providers, and smaller, niche providers bring opportunity to meet the diverse educational needs the Australian society. Despite this, many students that choose to study at non-university providers are also not eligible to receive funding for different forms of support that they would receive if they attended a university. This disadvantages only the student, who has made a choice that the non-university institution is most appropriate for them, considering their educational goals, learning needs and personal circumstances.

There are a range of contexts this applies to. For example, funding arrangements targeted to equity group participation and support are often limited to Table A (university) providers. This includes the Disability Support Program (DSP), Indigenous Support Program, Higher Education Participation and Partnership Program (HEPPP) and OS-HELP. Despite not receiving funding in these areas, the independent sector makes comparable contributions to supporting student equity. As noted in a study from NCSEHE by Brett et al., in 2016 the participation rate for low SES students was higher in non-university higher education providers than universities (16.8% compared to 16.1%).¹⁷

¹⁶ Productivity Commission (2023) '5 Year Productivity Inquiry: Advancing Prosperity'

¹⁷ Brett et al. (2018) 'Equity at and beyond the boundary of Australian higher education', NCSEHE