

THREE RECOMMENDATIONS FOR RENEWAL OF POST-COMPULSORY EDUCATION IN AUSTRALIA

THE REPORT OF THE 2018 MONASH COMMISSION

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About the Monash Commission

The Monash Commission was established by Monash University in 2018 to give expression to the expertise of thought leaders from Australia and overseas by undertaking independent, in-depth and comprehensive inquiries into priority issues facing our communities, business and government.

By establishing the Monash Commission, the University expects to:

- raise awareness of, and engagement in, important issues facing our communities, business and public policy, and contribute to the development of solutions to those issues for the public good;
- contribute as a thought leader to matters of public interest; and
- enhance the impact and contributions that universities are able to make for the benefit of their communities, nationally and internationally.

Monash University expects to host a commission every 12 to 18 months, with each inquiry to focus on a specific topic or question of public concern.

By gathering reliable evidence and facilitating informed expert debate, the University intends the Monash Commission to fairly represent an issue and to produce workable options for consideration by policy makers. Results, in the form of papers and other publishable artefacts, will be made public.

Further information, including background and reference materials, is available at the Monash Commission website: commission.monash.edu

Foreword by the President and Vice-Chancellor, Monash University

Australia's public universities serve the public good, and since its earliest years Monash University has sought to do so by being committed to education and research of the highest international quality that addresses the great challenges of the age.

This mission cannot be realised only on our campuses. Transformation of the kind to which we aspire requires the engagement and expertise of the community.

The Monash Commission is an extension of that mission, drawing the contributions of academics, industry and thought leaders from Australia and overseas to guide independent and comprehensive inquiries into significant issues facing our communities today.

By doing so, the University aspires to help shape for the better those communities that constitute Australia, and improve our connections with the region and the world, so we may strengthen our collective success in meeting the diverse challenges that confront us.

The Report that follows is a testament to those aspirations.

I am delighted to present this Report of the inaugural Monash Commission.

Professor Margaret Gardner AO
President and Vice-Chancellor, Monash University



Background

This inaugural Monash Commission was established in 2018 to help rethink the effectiveness of post-compulsory education and training in Australia. In doing so, the Commission has considered possible new models for the future of the post-compulsory system across vocational education and training (VET), higher education and learning throughout life.

In conducting its inquiry, the Monash Commission has canvassed research from scholars, conducted interviews with industry representatives, students, and leaders of educational institutions, and tested its recommendations with key individuals who have worked at the forefront of post-compulsory education.

The result is a proposal for a differently organised post-compulsory education system that is more attuned to the contemporary and future needs of Australia and its people – one that will prepare us with the knowledge, skills and confidence to plan a future for ourselves and give us the tools to realise it.

THE COMMISSION MEMBERS

- Elizabeth Proust AO (Chair) – Chair, Australian Institute of Company Directors (until November 2018), Nestle Australia and Bank of Melbourne, and Non-Executive Director, LendLease.
- Professor Ian Chubb AC – former Chief Scientist of Australia and former Vice-Chancellor, Australian National University and Flinders University.
- Professor Rory Hume – Associate Vice-President for Academic Affairs and Education, University of Utah, former Vice-Chancellor, University of NSW, and former Provost and Executive Vice-President for Academic and Health Affairs, University of California system.
- Marie Persson – Member and Chair of the NSW Skills Board Industry Reference Group, Senior Public Sector Executive and former Head of NSW TAFE and Community Education.
- Mette Schepers – Mercer Australia's Client Growth Leader for the Pacific market (until March 2019), and Senior Financial and professional services executive.
- Sir Nigel Thrift – former Vice-Chancellor, University of Warwick, former Executive Director of the Schwarzman Scholars international leadership program, Tsinghua University, and Chair, UK Committee on Radioactive Waste Management.

Executive summary

Next year, more than 1.4 million people are expected to enrol in some form of publicly funded, accredited vocational education and training (VET) or higher education in Australia¹. Many of these people will still be actively engaged members of society, working and making invaluable contributions to their communities, in 2070. This Report was developed to address the question: How do we make sure that Australia has a post-compulsory education system that best equips them to do so?

Since it was established in March 2018, the Monash Commission has combined the expertise of national and global leaders in academia, enterprise and government to explore potential future models for Australia's post-compulsory education system: vocational education, higher education, and learning throughout life.

WHAT IS POST-COMPULSORY EDUCATION?

In Australia, school education is compulsory across all states and territories. Students must complete Year 10 and participate full-time in education, training or employment, until they are at least 17 years old.² The post-compulsory education environment is characterised by two primary pathways for further learning:

Vocational education and training (VET), delivering workplace-specific skills and knowledge to enable students to gain qualifications for all types of employment. VET courses are provided by registered training organisations (RTOs), including technical and further education (TAFE) institutes, community education centres, dual-sector institutions and private providers. Of the 1874 RTOs that delivered government-funded accredited VET education and training in Australia in 2017, 1530 of them were private providers.³ However, more than half of total VET students are enrolled in public institutions, e.g. TAFE and dual-sector universities.⁴

Higher education, requiring intensive study over a number of years to achieve a recognised higher-level qualification. More than 90 per cent of higher education students enrol in one of the 42 universities operating in Australia, 37 of which are public institutions.^{5,6} However, there are nearly 130 smaller non-university higher education providers (NUHEPs) that also offer higher education qualifications (including 105 private providers).⁷

While post-compulsory education providers may be public or privately funded, the recommendations in this Report focus on VET and higher education that is subsidised by government funding.

No endeavour to rethink Australia's post-compulsory system can be successful without articulating the value of post-compulsory education itself. This Report therefore opens with a summary of post-compulsory education's contributions, including not only its direct economic benefits, but the wider advantages it affords through increased civic participation, and by advancing a culture of discovery and innovation.

Next, the Report sets out four core goals the Monash Commission has identified as being essential for Australia to sustain in order to maintain its position as a healthy and prosperous society. These are contained under the section *The context for change*.

The next section explores the five most significant challenges faced by the post-compulsory system in Australia today. It is argued that each of these challenges need to be addressed in order to realise the prosperous and cohesive society to which Australia aspires (*The five challenges facing post-compulsory education and training*).

The core of this Report, developed by the Monash Commission after consideration of the goals and challenges to post-compulsory education and training, comprises **three recommendations** to reposition the system for Australia's future. The three recommendations are as follows:

1. Establish a statutory agency for post-compulsory education and training
2. Introduce a universal learning entitlement and a lifetime learning account
3. Design a coherent, sustainable model of financing public providers.

The result of this inquiry puts forward the idea of a differently organised post-compulsory education system that has the clear purpose of benefiting Australia and its people. It is a system designed to prepare people with the knowledge and skills and confidence to plan a future for all Australians, together with the tools to realise it.

Education is of crucial importance to all Australians

Education is an essential foundation for individual success and national strength. This is increasingly true for post-compulsory education – in a world of rapid change and disruption, it must prepare and inspire new generations of active citizens, giving them the capabilities to shape a better future for themselves and the world.

The direct economic benefits of post-compulsory education to Australia are well-known. Workforce participation and income correlate clearly and strongly with educational attainment.⁸ Around three-quarters or more of Australia’s managers (73.5 per cent), professionals (91.5 per cent), and technicians and trade workers (74.5 per cent) are educated in Australia’s post-compulsory system.⁹

Education exports brought \$34.9 billion into the Australian economy last year, with the overwhelming majority of enrolments being in VET and higher education.^{10,11} But these benefits are only a portion of the advantages our post-compulsory education system provides.

Higher levels of education and training also promote active participation in society and cultural life. Graduates of post-compulsory education “have better health, participate more in civic activities, volunteer more for community activities, and generally have higher social capital” than people who have not undertaken such an education.¹²

The great majority of higher education students in Australia enrol in universities, which conduct research as well as teaching.¹³ Through the research and teaching nexus that embeds learners in an environment of discovery and innovation, post-compulsory education advances our understanding about the human condition and creates scientific, technical and social capacities to grasp opportunities and meet challenges faced by Australians and the world we share.

Public investment in post-compulsory education supports the public good. Institutions that support that good are woven into the fabric of their places, bringing together industry, not-for-profits, government, and individuals to work together and make a transformative impact socially, economically, environmentally and culturally on the diverse communities they serve.

HUMAN CAPABILITIES AND THE VALUE OF EDUCATION

In work undertaken for the Commission, Gavin Moodie and Leesa Wheelahan suggest that post-compulsory education in Australia has been informed for decades on the basis that it raises human capital – that is, education increases the productivity and hence economic value of individuals, groups, and ultimately whole economies.¹⁴ Moodie and Wheelahan contend this “human capital theory” is inadequate to convey the true value of the system. This is because there are “manifest and manifold benefits” post-compulsory education delivers to students beyond the workplace (e.g. creativity, agency, health and social capital), not accounted for by the human capital theory.¹⁵ It also does not account for the broader role post-compulsory education providers fulfil in developing communities, occupations, and industries.¹⁶

Moodie and Wheelahan argue that a better basis for post-compulsory education is developing “the capability of people to be and do what they have reason to value”, focusing on their development as a person, as a citizen, and as a worker.¹⁷ This “human capability approach” has implications for how we evaluate the success of a post-compulsory education system.

Our post-compulsory education and training system has changed considerably in recent decades, but confidence in its quality is strong in Australia and overseas:

- More than 90 per cent of professionals and around three-quarters of managers, technicians and trade workers in Australia have a post-compulsory qualification.¹⁸
- Education is Australia's third-largest export and largest services export, and Australia has overtaken the UK as the second-highest destination for international students.
- In vocational education and training, 90 per cent of apprentice and trainee graduates reported being satisfied with the quality of their training.¹⁹
- Australian academics are significantly over-represented in the global top one per cent of academic papers cited by other researchers.²⁰
- Australians trust university experts as a source of facts and evidence in public debates more than any other profession.²¹

But despite this confidence, is our system as strong as it can be? Is it capable of contributing even more to our people, our nation and the world by creating yet more capabilities and knowledge?

The world has changed considerably since the present post-compulsory education system was designed more than 30 years ago. It is no longer sufficient to argue that because it has functioned well in the past it will continue to do so in the future.

New and profound issues confront the nation that higher education and training have to address. We believe our post-compulsory education system has even greater potential to contribute to individuals, our country and our world, but only if it is organised differently.

Why renew now?

Major and rapid increases in human knowledge and skills are required to meet the technological, economic, environmental and cultural transformations currently taking shape across the world. Australia must be positioned to respond and thrive by becoming a more intellectually, technically and culturally sophisticated society. Our public debates will need to become better informed, with more light and less heat, more knowledge and less opinion, more science and less surmise. Post-compulsory education is a major part of the solution.

It is crucial that no one is left behind. Despite the major gains in participation made since the 1980s, too many Australians still miss out on post-compulsory education. And while considerable improvements in the equity of the system have taken place, much remains to be done. For example:

- Among young Australians who have neither a degree nor other qualification, more than half of them come from lower socioeconomic backgrounds.²²
- Completion rates for Indigenous learners continue to lag behind non-Indigenous learners in both VET and higher education.^{23,24}
- Completion rates for higher-level qualifications (diploma and above) are lower in regional, rural and areas than in the major cities.²⁵

While 56 per cent of Australians aged 15 years and older hold some sort of post-school qualification, 90 per cent of new jobs created by 2023 are expected to require a Certificate II or higher, which will leave many working Australians with poor employment prospects unless they gain the level of qualifications the economy needs.^{26,27}

The imperative of getting more Australians into post-compulsory education is heightened by demographic factors. These include a rise in the dependency ratio – that is, the proportion of people not in the workforce relative to those in the workforce – caused by the ageing of our population. Work undertaken by Peter Noonan for the Monash Commission suggests participation levels in post-compulsory education in Australia are likely to decline over the next decade despite the need for more tertiary qualified people.²⁸

THE DEMOGRAPHIC IMPERATIVE

As the Report to the Commission by Peter Noonan details, over the next decade demographic changes will see a rise in the dependency ratio – the proportion of the population outside the workforce relative to those in the workforce – necessitating an increase in the workforce participation rate.²⁹ Given that people with higher qualifications have higher workforce participation rates, and that the proportion of jobs requiring higher qualifications is projected to rise, increasing post-compulsory education and training levels will be crucial to maintaining our standard of living. A comprehensive, sustainable and long-term funding framework for VET and higher education is needed to address this crucial issue.

Notwithstanding the gains of the past, pressures are mounting and strains in the system are showing. It is time to reimagine our post-compulsory education system to make it again fit for purpose.

In evaluating the case for renewal, the Commission has asked some critical questions:

- **Does the system produce the right learning and skills in the right balance?**
- **Does it discover new knowledge and new ways of doing things, uncover new ways of interpreting what we think we already know, and encourage us to get better?**
- **Is it equitable enough so that it can be accessed by anybody, no matter where they were born and whatever circumstances they were born into, at any stage of life?**
- **Is the system agile enough to adapt to rapid economic and social change, and flexible enough to allow learners to start in one place and transfer to another without penalty when their interests or employment needs change?**
- **Is there coherence in policymaking that reflects the importance of post-compulsory education to the future of this country?**

The context for change

As they contemplate the future, many nations including Australia are trying to solve a common problem: how to produce the sort of broad and continually evolving set of skills needed to maintain a healthy and prosperous society. Their post-compulsory education and training strategies tend to pursue common themes:

- **A seamless post-secondary system** – to ensure people can, if necessary, move between institutions to obtain the right mix of knowledge and skills they need.
- **Lifelong learning** – to allow people to gain additional knowledge and skills that equip them for new jobs, new responsibilities, new careers and new phases of their lives.
- **Innovation through research** – to create opportunities to learn more about ourselves, the world we live in and the planet we live on – and gain economic and other benefits from that new knowledge.

The Monash Commission supports this broad approach. The Commission has also identified four core goals, on the realisation of which Australia's continued prosperity relies:

1. **A workforce that is able to respond to the needs of, and to shape, the future** – so individuals and communities can benefit socially, culturally and economically from a nation that is more competitive, more productive, and that demonstrates a high degree of social and cultural sophistication and technological advancement.
2. **A nation that advances and employs knowledge and skills** – so Australia can adapt, manage and mitigate the unpredictability of the future and improve the lives of its people.
3. **A cohesive and socially mobile nation** – so all Australians have the opportunity to participate fully and productively in the building of our country, regardless of where they were born or the circumstances into which they were born.
4. **An internationally connected country** – because Australia cannot do it alone. Stronger international links in research, exchange and other areas will strengthen our country and allow it to play its role as a responsible global citizen through its contribution to making a better world.

CREATING GLOBAL CONNECTEDNESS

In 2018, 399,000 international students enrolled in Australian higher education, and a further 244,000 international students enrolled in VET – putting us on track to become the second-largest destination in the world for international students.^{30,31} Australian university students are among the most internationally mobile in the world, with one in five domestic undergraduates participating in some form of overseas study as part of their degree.³² In an age of globalisation, especially in the “Asian Century”, such contacts and widening perspectives are invaluable to graduates and to Australia.

Our success in the global post-compulsory education market also raises important issues. Work by Christopher Ziguras for the Monash Commission noted that the financial importance of international students – they are now the highest single source of funding for Australian universities – makes them increasingly vulnerable to diplomatic tensions.^{33,34}

There is a need to discuss how Australia can maintain this education and training market without ceding sovereignty in areas such as freedom of expression, academic freedom, and the protection of intellectual property. This internationalisation also raises the need for serious thought over more positive issues, such as how we can globalise our approach to promote the vision of a globally engaged future, one the whole Australian community can relate to – as a counter to the rise of damaging nativist sentiment.³⁵

No single institution or single part of our post-compulsory system can meet all these objectives on its own. We need to enable each institution to make its own contribution, particular to its community and expertise, towards the greater whole. To deliver on this need, our system and individual institutions will need to leverage historical strengths while they invent new ways of working and work together with better coordination.

The five challenges facing post-compulsory education and training

The Commission has identified five challenges that need to be addressed to ensure our post-compulsory education and training system can better serve our people and nation into the future.

1. The system needs a unified and overarching direction

Australia's system of post-compulsory education and training lacks a shared sense of purpose and direction in a time when it needs it badly. It has been nearly three decades since any major changes were made to the system's basic structure and direction. Despite the growing economic, social and environmental importance of education, training and research in that time, attempts at reform have been short-term-focused, piecemeal, and have delivered nationally inconsistent outcomes.

Vocational education and training, for example, which is the responsibility of the states, has become uneven in funding levels, policy direction and quality. This is evidenced by the tarnished history of the VET FEE-HELP scheme, by a 15 per cent decline in funding provided per hour of vocational training between 2007 and 2016, by the slump in enrolments over the same period, and perceptions of "a race to the bottom in quality".³⁶

In higher education, the past decade has seen the introduction of the demand-driven system in 2009 and its rescission with the capping of Commonwealth Supported Places in 2017, repeated cuts to the Higher Education Participation and Partnerships Program since 2012, and the 2015 suspension of the \$3.7 billion Education Investment Fund.

Knowledge creation and innovation are vital for Australia's prosperity, but support for research to advance these priorities is also inadequate. Research funding has been the subject of numerous government inquiries over the past two decades, resulting in multiple changes to policy settings – some of which (for example, the Watt review of university research funding) are still being implemented years after they were first recommended and accepted.³⁷ Uncertainty of this kind hampers long-term research planning.

These issues have also been further compounded in the past decade by high turnover in ministerial leadership, amplifying the absence of a stable policy framework.

In his paper for the Commission, John Halsey observes "a front and centre priority" of Australia's post-compulsory system must be to assure appropriate rigour and standards for a future where there is "greater diversity and blending of post-compulsory options than ever before, [as well as] greater competition from overseas players".³⁸ A system capable of generating new ideas and fully executing a comprehensive strategy is a matter of urgency.

A new approach is needed to provide stable and non-partisan policy direction, pursue the key and diverse missions of post-compulsory education and training institutions, and align resource allocation to achieve those missions.

TOWARDS A NEW GOVERNANCE SYSTEM

Work undertaken for the Commission by Michael Mintrom and Andrew Gunn suggests it's time for a new post-compulsory education governance system, several examples of which currently exist in other countries. The type of governing body – an overarching body or one that coordinates across separate governance structures – and its exact powers need to be defined through public consultation and debate. As a starting point, Mintrom and Gunn suggest such a body should: operate at arm's length from government ministers; monitor key developments in the sector; and promote long-term strategic thinking for all post-compulsory education.³⁹

2. Structural impediments to wider participation need to be removed

While a far higher proportion of Australians undertake post-compulsory education and training than ever before, many Australians remain under-represented, particularly those from low socioeconomic status backgrounds, Indigenous backgrounds, and rural and remote areas. Too many talented Australians of all ages are being denied important economic and cultural opportunities. We are a stronger and better nation when every citizen has the opportunity to succeed.

RURAL, REGIONAL AND REMOTE STUDENTS NEED SUPPORT

The Independent Review into Regional, Rural and Remote Education by Emeritus Professor John Halsey outlined the issues to be addressed in order to lift rural regional and remote student participation in post-compulsory education. His Report found that in addition to financial support, what is needed is sharper focus on students' academic and vocational aspirations, relationships and networks.⁴⁰

The Commission also surveyed high school principals across Australia to seek their views on post-compulsory education opportunities for students in their local district. The responses supported the view that in rural and remote areas, there is overall less support and diminished opportunity to access post-compulsory education. Transport and accommodation costs for those aspiring to study were commonly cited as obstacles.

We need a new system – including new approaches to entitlement to further education and new means of support for learners – that delivers equal access for all, irrespective of a potential learner's geographical location, financial circumstance, cultural background, gender or other factors. The goal must be to promote equal opportunities to participate in higher education and vocational education.

SUPPORT NEEDED FOR VET

As the Report to the Commission by Gerald Burke shows, support for the VET sector – from Commonwealth and state grants, and other forms of student support – has been in decline over recent years.⁴¹ Total real government funds for VET providers fell by 20 per cent from 2012 to 2016, with total public VET funding in constant prices now below 2001-02 levels.⁴² This decline reflects in part the fall in student numbers in government-funded education since 2012. Given that VET educates a higher proportion of students across all disadvantaged categories, this has major implications for educational equity in Australia.⁴³

3. The system needs to become more flexible, permeable and agile to meet the demands of rapid economic and social change

Australia needs to encourage and act on lifelong learning. While the changing nature of work means individuals today must learn and apply new skills throughout their lifetime – often several times over – our current system of post-compulsory education and training still seems funded and equipped to educate people only once.

For a system of post-compulsory education that truly enables lifelong learning, there needs to be:

- a range of institutions with sufficient spread of capabilities and strengths to support the expected needs of the Australian community – diversity rather than conformity;
- pathways for learners to move readily between vocational education and training and higher education
- qualifications that meet the current and future demands of industry, the community and individual learners
- course offerings that are flexible, affordable and time-saving to meet people's specific and rapidly changing needs.

MORE SUPPORT IS NEEDED FOR LIFELONG LEARNING

The importance of building a system of post-compulsory education that advances lifelong learning in Australia has been acknowledged and advocated by governments, industry and the education sector for decades. Yet despite near-universal recognition of its importance, the obstacles many learners continue to face when trying to access or return to further study throughout their lives demonstrate there is still work to be done. Research by Moodie and Wheelahan shows Australia has one of the most inequitable “upward transfer” student admission ratios from VET into higher education out of five comparable systems internationally.⁴⁴ Overall, more support is needed to help people balance education and training with work and family commitments, as well as to help them fund their education or training when they’re not working.

Overall, our institutions need to become more diverse and more flexible and responsive to student and employer demand. New and innovative approaches – such as modular learning, crediting and credentialing – will advance the aspirations of industry if leveraged at scale, and can position individuals and the workforce to succeed. Greater diversity between institutions, including greater specialisation of missions, may provide appropriate outcomes.

New settings are needed to ensure post-compulsory education and training grows sustainably so it encourages and delivers equal opportunities for lifetime learning and credentials, and helps institutions transform themselves to pursue more diverse missions.

INDUSTRY AND THE FUTURE OF POST-COMPULSORY EDUCATION

The Commission conducted extensive consultations with leaders of major companies across several industry sectors. Participants reported that the pace of technological and organisational change summed up by the term “the Fourth Industrial Revolution” is profoundly changing the global labour market, leading to skills shortages in Australia and across the world. As well as identifying specific occupational shortages, the industry representatives reported a need for workforces with improved capacities in areas such as digital fluency, data analytics, project management, creativity, design thinking, teamwork, leadership and entrepreneurialism. In many areas where such skills are being developed, it was felt they were lagging some years behind industry’s needs. In response, it was suggested that industry should work more closely and directly with post-compulsory education providers to introduce new modes of learning and delivery, with an emphasis on creating a more flexible system than currently exists. Ideas canvassed included micro-credits, nanodegrees, in-house and other more modular forms of delivery.

4. The system must have the capacity to respond to societal disruption

Demand for the human capabilities that post-compulsory education and training foster – most notably, critical and analytical thinking, higher-order skills and global connectedness – is higher than ever before in the face of disruptive changes now underway. Effective responses are needed to challenges such as climate change, the Fourth Industrial Revolution, the rise of the Asian Century and transformation of the established geopolitical order, population ageing and issues of inequality.

Meeting these challenges effectively requires institutions to have sufficient capacity and responsiveness through their people, processes, strategies and culture to deliver the business of education, training and research – not only for today, but for tomorrow.

A new system is needed to:

- *advance Australians' participation in the workforce and in broader society by encouraging the use of new innovation and technology*
- *ensure Australia remains well-connected to the international community*
- *improve the competitiveness of Australian business*
- *deliver transformational innovations for society and help Australians adapt to disruption.*

5. The system needs a transformed funding model

The present funding model for post-compulsory education and training lacks the necessary strategic coherence and ambition for the times in which we live. It discourages the sort of diversity within and between institutions needed to make our system agile and flexible enough to serve our needs.

The gradual decline in total public funding (Commonwealth and state) for VET providers has affected the quality of training provided, as well as participation rates.⁴⁵ If this decline is unchecked, Peter Noonan warns there is a risk VET will “become essentially a residual sector by the end of the next decade”.⁴⁶

The lack of coherent funding to meet present and future needs extends to higher education. For example, Commonwealth-supported places in higher education remain capped at 2017 levels, despite 2018 forecasts from the Commonwealth Department of Jobs and Small Business that almost half of new jobs created over the five years to 2023 require a bachelor degree or higher qualification.⁴⁷

Funding for research also continues to be eroded, despite seemingly universal recognition that knowledge creation and innovation is core to future prosperity. Government research and development spending is projected at 0.5 per cent of GDP in 2019 – the lowest level in four decades.⁴⁸ Funding from competitive grants and block grants through the Research Training Program and the Research Support Program finances only part of total university research activity.⁴⁹ Competitive grants specifically do not cover indirect costs of research – for example, utilities, research management and accounting expenses, and maintenance and infrastructure.⁵⁰ This is unsustainable, and forces universities to draw funding from other areas to finance the research essential to Australia's future prosperity.

The reliance on international student income to make up for the erosion of Australian governments' education and research funding noted above leaves VET and higher education sensitive to external geopolitical matters.

Australia needs a transformed and more transparent post-compulsory education and training funding model, capable of:

- *delivering the full opportunities of education, enabling learners to realise their potential and contribute to a prosperous society throughout their lives*
- *driving research, knowledge creation and innovation to meet the full scope of opportunities and challenges facing Australia and communities worldwide*
- *facilitating more diverse and specialist institutional missions*
- *engaging learners, industry and society more generally*
- *addressing inequities in access.*

Transformations for the future – three recommendations

The Commission has engaged extensively with experts, industry and institutional leaders and students to examine ways to address the five challenges facing post-compulsory education and training in Australia.

The Commission believes changes to current policy arrangements, to learning entitlements and funding for Australia's post-compulsory education and training system need to be made.

The Monash Commission proposes the following three recommendations to begin the needed transformation.

RECOMMENDATION 1: ESTABLISH A STATUTORY AGENCY FOR POST-COMPULSORY EDUCATION AND TRAINING

The Commission recommends that a single, independent statutory agency be established to provide strategic advice to federal and state governments and industry on the structure and function of post-compulsory education and training.

The Commission recommends the agency will:

- advise federal and state governments on all matters related to post-compulsory education and training
- devise strategic development plans for post-compulsory education, aligned to Australia's needs, while respecting and encouraging institutional autonomy and differentiation
- be the single funding authority distributing the allocated budget for all state, territory and Commonwealth subsidised post-compulsory education
- engage industry, relevant state and territory agencies, and providers of post-compulsory education and training to better align future workforce education and training needs with demands.

The agency will conduct its work through a formal Letter of Expectation from the relevant minister(s) that will include the global budget allocation for the sector (determined after negotiation between state and federal governments). The agency will also prepare and provide reports to the governments, and publish works of significance that advance post-compulsory education and training for Australia.

The agency will include expertise from the post-compulsory education and training sector, and from industry.

RECOMMENDATION 2: INTRODUCE A UNIVERSAL LEARNING ENTITLEMENT AND A LIFETIME LEARNING ACCOUNT

Universal entitlement to post-compulsory education and training, and the introduction of a Lifetime Learning Account to track, credit and verify learning, will enable all Australians to learn, train and re-skill as their needs and circumstances change.

The Commission proposes the following three measures be implemented for this recommendation:

- i. Income-contingent loans should be made available for all students who enrol in accredited learning and skill-building programs offered by quality registered providers that are approved to receive public funds to deliver post-compulsory education and training. These loans should be available throughout a learning lifetime and not be restricted to first-job qualifications.

An institution would receive both the loaned component of the student contribution as well as the government subsidy agreed for the course.

No student would be required to pay an upfront fee under this proposal.

The Commission is aware that successful implementation of this proposal would need significant overview and care. The registration and monitoring of providers will be important, as will steps to minimise cost-shifting to students or between levels of government.

The Commission also notes that the repayment threshold for income-contingent loans may need to be changed from the current settings, and that clear eligibility criteria need to be established for providers and accredited learning, as well as micro-credentials and microcredits.

- ii. The introduction of a universal student number that covers all publicly subsidised education and training, to enable the development of a lifetime learning account to track and monitor acquired skills and qualifications, including micro-credits and micro-credentials.
- iii. The provision of comprehensive independent advice for current and prospective learners about courses and pathways, and additional incentives for key student cohorts as support measures to facilitate equitable access to post-compulsory education and training (e.g. bursaries for students from disadvantaged backgrounds).

RECOMMENDATION 3: DESIGN A COHERENT, SUSTAINABLE MODEL OF FINANCING PUBLIC PROVIDERS

Australia needs to make major changes to the financing model to realise the diverse missions of post-compulsory education and strengthen the resilience of the sector. The Commission recommends that the current funding model be reformed in the following ways:

- i. Government funding for research and funding for education will be demarcated and become non-fungible. Federal and state governments will fund the full costs of conducting research, including time-fraction linked investigator salaries and benefits, attributable utility costs and the true costs of all physical infrastructure dedicated to research, including depreciation. The costs of education, including support services for students, will be funded separately.

Greater transparency will be required from providers of post-compulsory education that engage in publicly funded research to demonstrate that the funding they receive for research pays for research, and education funding pays for education and related services. Implementing and monitoring this reporting would be the task of the new independent post-compulsory education statutory agency also recommended in this Report.

- ii. The establishment of an Innovation Fund to foster institutional innovation, diversity and continuous renewal in post-compulsory education and training. Such a fund would encourage the emergence of new providers and assist existing providers to refocus their missions and course offerings.

Now is the time to act

Calls for change in Australia's post-compulsory education system are getting louder. A consensus is forming around what needs to be done, but timely action is essential to realise those changes successfully. For this, greater awareness of the need for renewal and engagement among policy makers in state and federal governments, from industry, from providers of post-compulsory education and from the broader community are needed.

A better system of post-compulsory education and training will:

- give Australians lifelong access to more and better-paid careers
- make our economy more internationally competitive
- advance our understanding of key societal changes like climate change, automation and artificial intelligence, social equality and population ageing
- increase social equity by giving more people opportunities to get ahead, leading to improved social cohesion
- strengthen our ties with the international community.

The recommendations the Commission has developed in this Report will help to advance each of those benefits. Adoption of the Commission's three recommendations will substantially strengthen post-compulsory education and training, to the long-term benefit of Australia and all Australians.

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President and Vice-Chancellor, Monash University

Professor Margaret Gardner AO

Monash Commission Workshop (11 May, 2018)

Dr Arnaldo Barone	Mr John Bishop
Ms Debby Chaves	Mr Anoop Chaudhuri
Ms Inala Cooper	Mr Sean Duivenvoorden
Ms Sophie Fenton	Mr Amadeo Ferra
Ms Elisabeth (Libby) Harris	Mr Justin Healy
Ms Huong Hubbard	Ms Jacqueline Kyle
Ms Laura McArthur	Ms George McEncroe
Ms Baneen Ommel Saberi	Mr David Sacks

Designing the Future Seminar (26 September, 2018)

Voices

Ms Aretha Brown	Ms Leanne Cover
Mr Robert Griew	Emeritus Professor John Halsey
Mr John Marsden	Mr Brendan Moore
Dr Jan Owen AM	Mr Craig Robertson
Mr Innes Wilcox	

Designing the Future Seminar (26 September, 2018) cont.

Participants

Ms Jen Bahen	Dr Karen Barker
Dr Arnaldo Barone	Professor Helen Bartlett
Mr Mark Burford	Professor Gerald Burke
Dr John Byron	Professor Anne Cummins
Professor Peter Dawkins	Mr Tim Dodd
Ms Adele Drago-Stevens	Professor Annabelle Duncan
Professor Carolyn Evans	Ms Mary Faraone
Mr Sean Gallagher	Mr Robert Griew
Emeritus Professor John Halsey	Mr Andrew Harvey
Dr Behrooz Hassani-Mahmooei	Mr Chris Hennessy
Mr Phil Honeywood	Ms Catriona Jackson
Mr Conor King	Ms Megan Kirchner
Professor Kerri-Lee Krause	Mr Oscar Lane
Emeritus Professor Kwong Lee-Dow	Dr Linley Martin
Mr Anthony McClaran	Dr Jane McLennan
Dr Travers McLeod	Ms Fiona McQueen
Professor Michael Mintrom	Dr Christine Nixon
Professor Peter Noonan	Ms Jennifer Oliver
Professor Pip Pattison	Dr Caroline Perkins
Ms Jeannie Rea	Mr David Sacks
Professor Margaret Sheil	Mr Robin Shreeve
Professor Gary Smith	Mr Mike Teece
Ms Vicki Thomson	Ms Kate Torii
Professor Sue Webb	Professor Christopher Ziguras

Contributors

Professor Gerald Burke

Emeritus Professor John Halsey

Professor Gavin Moodie

Professor Leesa Wheelahan

Dr Andrew Gunn

Professor Michael Mintrom

Professor Peter Noonan

Professor Christopher
Ziguras

Secretariat

Mr Minto Felix

Ms Vanessa Pearce

Ms Emily Spencer

Mr Felix Gedye

Dr Geoff Sharrock

Consultants

Ms Jane Betts

Professor Bruce Chapman AM

Ms Adele Drago-Stevens

Mr Mike Rausa

Mr Mark Burford

Professor Glyn Davis AC

Professor Peter Noonan

Mr David Sacks

Mr Philip Binns

Mr Scott Charlton

Ms Michelle Mahoney

Mr Gavin Smith

Ms Jo-Anne Bloch

Mr Daryl Mahon

Ms Rachael Neumann

Dr Kathryn van der Merwe

The Australian Secondary Principals Association

Endnotes

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Further information, including commissioned works, is available at the Monash Commission website: commission.monash.edu