



# Response to the Australian Universities Accord Discussion Paper

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### Introduction

It is gratifying that the discussion paper acknowledges that there is a vocational education and training system as well as a higher education system, and one section (section 3.3) focuses on the connection between the vocational education and training and the higher education systems. However, the whole tone of the discussion paper treats the higher education system and the vocational education and training system as god given; all we need to do is to perfect the higher education sector, improve links with the vocational education and training sector, and we will be in Nirvana.

Surely it is time to take Mary O’Kane’s invitation to *be bold* and *think big*, and challenge the way we think about tertiary education, and how we structure, fund and regulate it.

### Sectoral boundaries

Why do we start with a supposition that we have higher education on one hand – focussing on advanced level knowledge and research as distinct from vocationally oriented and applied knowledge (lower education?) on the other? We use the label higher education despite the fact that much of what is taught in universities is vocational in nature – for example medicine, nursing, engineering, business to name a few of the vocational disciplines. It is not particularly sensible to make a distinction between higher education and vocational education, because much of higher education is vocational. So why don’t we start talking about Australia’s tertiary education sector as a whole?

In the same vein, the discussion paper privileges higher education. It appears to be arguing that the more degrees the better, presumably following the dictum that if one degree is good, more must be better, not recognising that the marginal benefit of education is different from the average benefit. Thus, on page 7 the discussion paper notes that Australia *lags behind the highest achieving countries such as the Netherlands, Switzerland and the UK in terms of the proportion of people aged 25 to 34 with a bachelor degree*. Do we really think that the ideal would be for everyone to have a bachelor’s degree?<sup>2</sup> Surely we should be after a balance of qualifications, and not just see lower level qualifications as a pathway to a degree.

The discussion paper also seems to have a Pollyana-ish view of Australia’s tertiary education sector. It argues that *‘both systems (ie higher education and VET) are vital to meeting Australia’s skill needs, and both offer students a pathway to meaningful careers and strong employment outcomes. How to enable them to work more effectively together, with parity of esteem and collaboration across governments, providers and industry partners, remains a complex challenge’*. We seek, presumably

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<sup>1</sup> I would like to thank the members of the Advisory Board of the Mackenzie Research Institute for comments on a draft. However, the submission reflects my views and not those necessarily of the Mackenzie Research Institute nor its Advisory Board.

<sup>2</sup> See Karmel (2013, 2014 and 2015) for a discussion of the implications of increasing qualification levels in the workforce. A key issue is whether the increasing qualification levels represents skills deepening or credentialism.

by administrative fiat, to impose parity of esteem, despite the blindingly obvious point that it is the prestige, status and incomes of occupations that drives esteem. We seem to accept that current institutional structures are broadly right, and we only have to fine tune them and improve linkages between them.

We argue that it is time to question the current structures that treat higher education so distinctly from vocational education and training. We should think boldly, and not take the current architecture as sacrosanct. The different funding and regulatory arrangements have given Australia an incoherent tertiary education system, and it is history rather than logic that has given us such different sectors.

### How should post-school education be funded?

Currently, we have an ad hoc approach to funding education. At the school level there is an expectation that education will be fully government funded (at least if you attend a government school). Post-school we have a mix of fee based courses and fully funded courses in Vocational Education and Training (VET), and Commonwealth Supported Places with a student contribution in higher education. In VET, there are considerable variations in the level and distribution of funds across states.<sup>3</sup> Fees also vary across states, with fee-free TAFE courses being a recent development. In higher education the student contribution is covered by an income contingent loan (such loans are also available for some diploma courses in VET). In higher education, almost all government support comes from the Commonwealth, while in VET the main government funding is allocated to providers by the separate States with the Commonwealth making a major contribution via grants to the States and some direct allocations. As I said, the current approach is ad hoc.

Over time, increasing levels of education have changed community expectations about the support for post-school education. It would be a great help if a set of principles could be developed to guide which parts of education should be fully government funded. For the remainder, it would be helpful to have some principles which would guide the extent of government subsidy.

One suggestion I would make is to provide an entitlement to a level of general education equivalent to the successful completion of school at a level which would make it possible to enter a degree program. Under such a principle, completion of year 12 in itself would not exhaust the entitlement – we know that many students who have attended school to year 12 have not achieved a satisfactory level of education. For these students, I suggest that the VET or the higher education sector offer a fully funded ‘diploma in general education’ the successful completion of which would enable the individual to enter a degree level program. The VET sector’s coverage of disadvantaged groups suggests that it would be well placed to offer such courses; we know that VET is the main provider for the disadvantaged in post-school education.<sup>4</sup>

A more radical suggestion acknowledging that post-secondary education is becoming close to universal (and therefore sensibly funded through general taxation- an education levy akin to the Medicare levy?) would be to fully fund an element of post-secondary education (we take diploma level qualifications as the first level of qualifications that is clearly higher than the senior secondary

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<sup>3</sup> For example, in 2021 average funding per hour of training in NSW was 50 per cent higher than in Victoria (Productivity Commission Report on Government Services, Section 5, VET data tables).

<sup>4</sup> For example, in 2021 there were around 140,000 Indigenous program enrolments in VET compared to around 24,000 Indigenous students in higher education (VOCSTATS TVA program enrolments, Higher Education Statistics 2021 Section 6).

certificate). A modest step in this direction would be to fund the first year of the post-secondary qualification (noting that diplomas and undergraduate degrees range in length from one to 4-5 years). Funding for the remaining years would then revert to the current mix of subsidy and student contribution, accompanied by income contingent loans to assist those who are financially constrained. The mix acknowledges that there may be some externalities that justify government funding, but that it is the private return that justifies most individuals undertaking further education.

It would be prudent to draw boundaries around courses to be publicly subsidised in order to prevent 'rorting' or unsustainable budgetary pressures: the rise in entitlements, in effect demand led government funding, in 2008 and its subsequent decline explains the bulge in government funded diplomas between 2008 and 2014, while VET FEE-HELP scheme -replaced in 2017 by VET Student Loans- spiralled out of control from 5000 students in 2009 to 270,000 students in 2015 (Australian Government 2016, 2020). We should also acknowledge that there are parts of the training system which have worked perfectly well in the absence of government intervention.

My overall point, though, is that we should establish some principles to underpin the way that the government subsidises courses.

The actual level of subsidy is inherently a political judgment. It may be attractive to have subsidy levels inversely related to the private return. However, this would mean that we more highly subsidise those courses which the labour market values less- so we would subsidise creative arts more heavily than, say, teaching. It does not seem sensible, though, to encourage students into courses with low returns.

It should also be noted that the absence of a real interest rate on income contingent loans automatically implies that those individuals who obtain a high private return receive a lower subsidy because they pay the loan back relatively quickly. Of course, the subsidy is greater for those who never repay the loan.

Should subsidy levels be related to the cost of delivery? – this is problematic because there is no objective cost of a course (how big should classes be? Does there have to be a practicum component? Is the course being delivered in a regional area?) and there are myriad ways of delivery (reading courses are cheap, small class teaching is expensive). That said, there is little doubt that law is cheaper to teach than veterinary science. Mathematics is relatively cheap to teach but should it be subsidised less than science? Or should it be subsidised at the same rate as other courses which are cheap to teach such as arts or law?

I would also argue that it is futile to try to establish an objective cost of a course. If the cost of delivery is to be a factor in the funding model then it would be more sensible to obtain a general consensus on what would be a reasonable cost of delivery. That is, leave it as a matter of judgment rather than seek some elusive 'objective truth'.

### **Choice between VET and higher education**

There seems to be a general presumption that VET loses out to higher education because of its lower status and because VET does not have income contingent loans (apart from some diplomas). There appears to be a view that VET could be made attractive in comparison to higher education if we could change public perceptions.

However, the reality is that the only area where there is real competition between the sectors is at the diploma level (AQF 5), and only in certain fields. Overall, it is clear the degrees are supplanting VET diplomas, especially in the natural and physical sciences, information technology, engineering and related technologies, agriculture, environmental and related studies, health, society and culture and the creative arts. These are fields where the higher education sector over a period of time has expanded at the same time VET has contracted, and fields where governments have contracted VET diploma provision (see Karmel 2022). Two areas worth particular discussion are education and health. In the former VET diplomas have grown very substantially since 2013 and this is associated with changes to childcare and early education. Essentially it is the regulations that have been the force behind the growth. In the future it is not hard to envisage a degree becoming the desired qualification, and this would impact immediately on the demand for VET diplomas. In respect of health there has been modest growth in VET diplomas, associated with enrolled nursing and some non-mainstream health therapies, including massage. However, VET provision in health is very much at the margin with government undergraduate provision six times government funded VET diplomas (see Karmel 2022, Figure 3.6). We also note that the ATAR scores needed to enter higher education have been declining over the last 20 years suggesting that policy settings have been favouring higher education over VET. The provision of diplomas and advanced diplomas is one area where governments should ensure that policy settings do not favour one sector over the other - we are talking here about level of subsidy, the distribution of government supported places and the provision of income contingent loans.

The idea that students choose between undertaking a certificate III/IV and an undergraduate degree is very questionable. They are not substitutes and lead to very different career paths. The main issue with the low status of VET is not that the community thinks it is inferior but more that VET, especially at the certificate level, leads to lower status occupations. Income contingent loans for certificates III/IV, or an advertising campaign extolling the virtues of VET, will not address the disadvantages that VET has in competing with higher education.

In an uncertain world, with a pressing need for an adaptable workforce, we have a VET system that prepares people for narrowly based specific jobs with an emphasis on immediate job tasks. We know that many VET graduates do not work in an occupation that matches the training (Karmel et al. 2008). We also know that substantial numbers of graduates report that their training is relevant despite the occupation not matching the training. Thus, it is clear that the training has a role as general education not just preparation for specific jobs. Surely it would be preferable to have a broad based curriculum underpinned by core skills that would prepare individuals for the vagaries of the future. Perhaps it is timely to question the concept of training packages with their narrow occupational specificity and weak assessment strategies.

One of the key differences currently between higher education and vocational education and training is the 'industry leadership' that occurs in VET. This has resulted in diminishing the role of educators in VET, with the pedagogy dominated by training packages and their narrow focus on tasks in a job. The importance of general education within VET has been downplayed, despite the fact that many VET graduates do not end up in jobs related to their training and despite the argument that general education provides a good foundation for responding to an uncertain and unknowable future.

We should be wary, though, of flirting with the idea that government support for tertiary education should be universal. There are parts of the education market that work very effectively without government support. A good example is the provision of management and commerce diplomas in

VET where the numbers of diploma commencements with no government funding are double the number with government funding (2020 data, see Karmel 2022 page 31).

### We need a new institutional model.

The discussion paper talks about better alignment and connection across Australia's tertiary education. This is a very static view of the two systems and appears to take as given the role of the current universities. One 'stylised fact' that has emerged over recent decades is that the universities are largely driven by research success with its impact on university rankings (and consequent positive influence on the number of international students). The teaching aspect of universities has been overshadowed by the research endeavour, and the so called unified national system has resulted in large comprehensive universities all trying to be larger, more comprehensive and research driven.

This raises the question as to whether this is a good outcome in terms of meeting the needs of students and the labour market. The Productivity Commission (2022, page 79)- notes that 'recent regulatory changes allowing teaching-only 'university colleges' have opened the door to higher education providers that distinguish themselves on the basis of teaching excellence'. This regulatory change provides an opportunity for some radical thinking on regulatory frameworks and funding structures. In particular, it could allow VET to reinvent itself, and offer a genuine alternative to the current set of universities.

Bruce Mackenzie and I have argued for a high level vocational approach as a genuine alternative to the more academic approach (with its emphasis on research) of universities (Karmel and Mackenzie 2022). If current trends continue, VET will be left as a provider of lower level training to meet short term industry needs. University education, with its emphasis on research and theory, will be the only game in town in the delivery of training for professional occupations.

This is in contrast with international practice where there is diversity in terms of the delivery of higher level education, with many examples of specialised, professional or practice orientated institutions which complement the research based universities. The grandes ecole in France, university colleges in Scandinavia, colleges of higher education in the UK and polytechnic universities in Italy and Spain come to mind.

If we wish to emulate these models, and to address the decline in Australia of practice based education, we need a new type of tertiary education institution which straddles the VET and higher education worlds. We are envisaging a tertiary institution- which we provisionally would label as a 'professional university', focused on teaching and practice, delivering VET certificates, diplomas and bachelor degrees. Ideally, there would be pathways from certificates to diplomas to degrees.

However, current structures are very unhelpful. The main problem is that Australia's tertiary education space is a dog's breakfast. It's as if VET comes from Mars and higher education from Venus. We have a fundamental confusion between qualifications and the institutions which deliver them. We have a qualification classification that separates VET and higher education. We have two regulatory bodies, with quite different ways of operating. We have funding arrangements which reflect history rather than logic. We have fee and loan arrangements which are all over the place.

So when we argue a new type of tertiary institution, we are really arguing for a system to provide foundations for a variety of tertiary institutions. Reforms needed include:

- changes to the AQF so that it is agnostic in respect to whether a bachelors degree is VET or higher education;
- an amalgamation of TEQSA and ASQA so that accreditation and regulatory oversight of a tertiary provider is the responsibility of one body;
- a rebalancing of government funding such that the Commonwealth is responsible for supporting tertiary education at levels five and above (that is, diplomas and above) with States being responsible for Certificates I-IV. No new institutional model will emerge without Commonwealth funding;
- an emphasis within VET on general education so that a student had multiple options to both acquire technical skills and leave open the possibility of higher level study; the VET competency model needs to be reinterpreted in a broader manner and become less task focussed.

Thus, it would need a fundamental shift in philosophy and serious institutional reform to create an environment in which there is a genuine alternative to current university education.

There are a number of reasons why this is worth arguing for.

The first is an educational one; there are numerous fields where a practice based training philosophy (as distinct from a theory based approach) is a good one and, arguably, will meet the needs of the labour market more effectively.

The second is a diversity argument. The so-called unified system in which colleges of advanced education morphed into universities, has led to a system where all universities aspire to become comprehensive research universities. Surely, some diversity, with strong institutions with a different focus, would be of benefit to the nation – and it would bring Australia in line with the practice in many countries.

The third is an efficiency argument. Teaching only institutions do not have the option of cross subsidising research with funds notionally allocated to teaching.

The fourth is an equity argument. While there is much rhetoric from the universities concerning equity, it is unarguable that VET has a broader reach than universities in terms of students' age, educational background, social and cultural backgrounds. And it would be VET, with its emphasis on training for the labour market, which would underpin the new type of tertiary institution.

Thus, there are very good reasons for VET to embrace bachelor degrees as a key element of vocational education, so that we can create a genuine competitor for the current universities. We need to rejuvenate vocational education so that there is a direct pathway into higher education. We need professional universities, with a clear applied and practical approach, that offer qualifications from lower level VET qualifications to bachelors and applied masters degrees.

The long term implications for such a development would be profound. In effect, we would be creating a genuine binary higher education system. One branch would be the research universities, with the roles of teaching, research training and research. The other would be the professional universities with a practically inspired teaching orientation, and an emphasis on meeting the needs of a diverse student body and providing pathways from the lowest qualification to the bachelor and

professional master degrees. It would be a different sort of institution to current universities; while it should as well funded as current universities in terms of 'wrap around services' (for example, counselling, advice, staff development and teacher/trainer support), and high standard infrastructure (building and ICT), it would differ significantly in terms of client groups, markets and the nature of delivery.

We need to sound a note of caution here. We are advocating a genuine vocational alternative to the current universities, not a watered down one. We are not advocating for the higher education sector to swallow the VET sector. And there are good reasons to be wary given two historical precedents. The first is the abolition of technical high schools, for example in South Australia in the 1970s and in Victoria in the late 1980s. There were very good reasons for the abolition, notably that young people going to such schools were precluded from aspiring to higher education. However, rather than have the best features of the technical schools adopted by the comprehensive system, the academic approach totally dominated. The second example is the creation of the colleges of advanced education (CAE) as an alternative to comprehensive universities in the 1970s and 1980s. These disappeared under the Dawkins reform. Their demise can be attributed to two main factors. First, the CAEs began to hire staff with PhDs who wished to replicate the higher education they had been through. Second, the federal bureaucracy found it much easier to deal with a modest number of universities compared to the much larger number of CAEs and teacher colleges.

We are optimistic, though, that a new institutional model could emerge, building on the foundations of some of the large VET providers. Such a model would broaden Australia's tertiary education sector considerably and provide a genuine alternative to the research focused comprehensive universities.



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