

TRANSCRIPT

LEGISLATIVE ASSEMBLY ECONOMY AND INFRASTRUCTURE COMMITTEE

Inquiry into Victorian universities' investment in skills

Melbourne—Tuesday, 28 June 2022

MEMBERS

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Mr Gary Blackwood—Deputy Chair

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WITNESSES (*via videoconference*)

Dr Jim Stanford, Economist and Director, and

Ms Eliza Littleton, Research Economist, Centre for Future Work.

The CHAIR: Welcome to the public hearings for the Legislative Assembly Economy and Infrastructure Committee's Inquiry into Victorian universities' investment in skills. All mobile telephones should now be turned to silent.

All evidence taken by this Committee is protected by parliamentary privilege. Therefore you are protected against any action for what you say here today, but if you repeat the same things outside this hearing, including on social media, those comments may not be protected by this privilege.

All evidence given today is being recorded by Hansard. You will be provided with a proof version of the transcript for you to check. Verified transcripts, PowerPoint presentations and handouts will be placed on the Committee's website as soon as possible. Can I please remind members and witnesses to mute their microphones when not speaking, to minimise interference.

I invite you to make a brief opening statement to the Committee, which will be followed by questions from the Committee. Thank you for being with us today, Jim and Eliza.

Dr STANFORD: Thank you so much, Chair and members of the Committee, for the invitation to meet with you, and thank you for undertaking this important and timely Inquiry.

I am Jim Stanford. I am the Economist and Director of the Centre for Future Work, which is a labour economics research institute housed at the Australia Institute, which you will be familiar with. In our submission we have focused on the highlights from two recent in-depth reports that we have written that we thought were relevant to your Inquiry. One of them, published just a couple of months ago, is on the future of Australia's university system after the COVID pandemic and all the disruptions that it entailed. It was authored by Eliza Littleton, my colleague who is joining us today. The second report was published two years ago, just before the pandemic hit, by myself and our colleague Alison Pennington. It looks in detail at the issue of transitions for university graduates from university training into paid employment and the strengths and weaknesses of Australia's existing pathways and pipelines for connecting graduates with work that is relevant to their studies.

Our submission highlighted the main findings of the two studies. What I would like to do, since one of the them is the more recent one, is pass the baton now to Eliza, who will quickly summarise the findings of her most recent report. Then we stand by for any of your questions, including on anything related to the earlier report. Thank you again for having us.

The CHAIR: Thank you, Jim.

Ms LITTLETON: Thanks so much, Jim. As Jim said, thank you so much for inviting us to participate in this Inquiry. As Jim mentioned, in partnership with the National Tertiary Education Union, the Centre for Future Work released a report in April this year on the current state of Australia's public university sector. It analyses funding and policy, and it outlines an ambitious national vision to realign the sector with its public service mission. I will use the next couple of minutes just to highlight some of the relevant findings from that report, starting with of course the pandemic, which exposed a myriad of issues in the public higher education sector, including decades of declining public funding, an over-reliance on international student fees and the prevalence of insecure work.

These structural issues of course had been building long before COVID. They are a product of decades of higher education reform influenced by an economic and political agenda of commercialisation, deregulation and privatisation. We see this in the declining role of public funding in university revenue. Federal government funding as a proportion of university revenue has dropped from about 80 per cent in 1989 all the way down to 33 per cent of university revenue in 2019. In the most recent federal budget, matters were made worse as the government dealt a 3.4 per cent cut to real university funding over the forward estimates. So the decline in public funding has set universities on this path of corporatisation, which has shaped the approach to teaching. It has shaped the approach to research, employment and governance in the sector as well.

So for workers, employment arrangements are characterised by rampant casualisation, short-term contract use, excessive workloads and wage theft, and for students, qualifications are increasingly unaffordable. Students now take, on average, 9.4 years to pay off their degrees compared to 7.7 years in 2009—so a huge difference over a really short period of time. This price of university of education is a barrier to access. Then the job-ready

graduate reforms, which came into effect in 2021, have made matters worse. The reforms obviously had a couple of objectives, including to incentivise enrolment in areas of employment growth and to balance public funding with the cost of teaching.

Under these reforms, on average, student tuition increases by 8 per cent, so students are paying more; federal commonwealth grants scheme funding declines by 15 per cent, so the government pays less; and universities lose 5.9 per cent of funding per student, so universities are receiving a reduced rate of funding, even for priority courses, and they are expected to expand domestic enrolment. This is likely to affect both the supply and the demand for courses in a perverse way, and of course it is compounding decades of public funding cuts.

The trends I have outlined have implications for the capacity of universities to maintain high-quality teaching programs and implications for being able to prepare students for future labour markets, to provide secure employment to the workforce and to undertake internationally competitive research. It is time for a plan to rebuild universities in Australia that reunites these institutions with their public service mission of delivering education. Our report makes seven recommendations to start this process. Most of these are federally targeted, but there are of course things that states can do, and I will just quickly mention them. The first is to provide adequate public funding for universities. The second is to make undergraduate education free for domestic students. The third is to restore research funding. The fourth is to improve the security of employment at universities. The fifth one is to restore democratic process to governance. The sixth is to cap vice-chancellor salaries, and the seventh is to increase the transparency of data collection around universities. The report we wrote estimates that the major reforms on this list would cost \$6.9 billion per year in additional higher education funding across Australia.

Those are just the CliffsNotes. Happy to answer any other questions that you might have.

The CHAIR: I might kick it off. Obviously the effects of COVID-19 have had a dramatic impact not only on our economy and the labour market but indeed nationally and internationally as well. There have been issues in relation to new recruitment, retention and training challenges, and I am just wondering: what are the challenges and in what sectors and occupations are these challenges most acute? What role could universities play in addressing these training challenges? And what role could the Victorian Government play in addressing these recruitment, retention and training challenges? Obviously the health sector particularly has had a traumatic time over the past 2½ years, and there are certainly lots of challenges there and not only with retention and recruitment. So if you can answer that. I know that you have sort of touched on it through your submission, but it would be great if you could answer some of those questions.

Ms LITTLETON: Jim, did you want to take the first part of this?

Dr STANFORD: Okay. Sure. Thank you. Thank you, Chair. Well, clearly the pandemic disrupted labour force pathways in all kinds of ways in terms of affecting the stability of employment for people when the pandemic hit, and now after the reopening, combined with, I will point out, the effective closure of Australia's national borders to both permanent immigration and temporary migrant labour supply, which had played a critical role in some industries before the pandemic, that has created unprecedented turmoil in terms of recruitment and retention challenges, as you point out. Now, some of the most intense challenges are experienced in areas which you might expect: specialised, technology-intensive or knowledge-intensive occupations, and you mentioned health care is one of them. Of course there are other occupations, say in the innovation or technology industries, which face similar challenges, and I think that is kind of to be expected in industries that are growing and which have specialised skills.

On the other hand, some of the greatest reported recruitment and retention challenges are not in knowledge-intensive or technology-intensive fields. Rather they tend to be in what I would consider relatively low-quality jobs in the private services sector of the economy, including hospitality and retail. Some of the highest vacancy rates in fact are reported in those sectors, and those vacancy rates were there before the pandemic hit. They tend to reflect the relatively poor quality of the jobs and the fact that people, if they have a choice, will look to other fields, and also the resulting very rapid turnover of employment in those sectors. So if you have any given sector with a higher rate of turnover, at any given point in time you are going to have a higher number of vacancies. So we have to be, I think, exercising some caution in looking at those numbers around vacancy rates and retention.

In terms of what I would consider more genuine skills challenges in those technology-intensive or knowledge-intensive industries, the Victorian Government could take significant measures. We have been very impressed with the Victorian Government's approach on TAFE and investing strongly in TAFE and recognising the importance of vocational education pathways, which are often underestimated or underappreciated, if you like, both in policy but also in popular culture. Lots of families think if you do not send your kids to university, then somehow they have not succeeded, and that is just wrong on so many levels given the economic value and, by the way, the compensation that many vocational areas can have. So I think Victoria's approach to making TAFE more accessible to people, including the extensive Free TAFE program and the reinvestment in TAFEs by the State Government in Victoria, is a good example of how vocational education can be supported to fulfil that role.

We would also like to see stronger pathways for graduates from universities into careers. Now, we emphasise getting a job is not the only value of going to university and that universities do, as Eliza mentioned, fulfil a broader public service function, including equipping our citizens to be members of society and strengthening our democracy. On the other hand, both individually and from a social cost-benefit perspective, making sure that people who are trained at university have jobs that utilise that training makes a lot of sense. Our previous research, the earlier of the two studies that I referenced, saw that the job placement rate for university graduates was strongest in vocational degrees, and that would be occupations that are often regulated, where you have to have a certain on-the-job practicum period or training or some other formal qualification in order to get the job. That includes many healthcare professions but also engineering and many other regulated professions. To us that suggests the value of strengthening the level of regulation over occupations and ensuring that a greater range of occupations, including some of the new careers that are opening up with new types of technology—say, some of the careers in digital technology, for example—are recognised and certified as recognised occupations. Have a qualification requirement for them, and then you have got in a way an opening to create stronger links between university education and those types of occupation. Again, I think Victoria's approach to regulating occupations, ensuring higher quality qualification standards for them, not just for vocational careers but also university-educated careers, is a good model for how to move forward—

The CHAIR: Jim, what about the health professionals that are currently here that have qualifications overseas? Some of them are doctors but are not practising here because they do not qualify under our stringent, strict criteria for becoming a doctor. Do you think that there is an opportunity there?

Dr STANFORD: Well, I believe there are certainly opportunities with international qualifications to ensure that they are given their legitimate credit, but that does not mean obviously that we should just throw the door open in the guise of trying to meet a labour shortage in particular occupations. I think that some of those review processes of qualifications could certainly be streamlined and made more accessible to newcomers to Australia, but I would be very careful about making sure that the stringency of those reviews was not sacrificed in the process of trying to accelerate the speed or the accessibility of those reviews.

The CHAIR: Thank you. Okay, Eliza, did you want to add to that?

Ms LITTLETON: I would just say, to kind of highlight some of the key things that Jim has said, that two things play a really big role in trying to retain people in fields but also entice them towards them. There is the quality of conditions in those working environments, and I am specifically referring to health care and other care-related industries like aged care and child care. Of course those are low-paid industries where people tend to work really long hours and it is very exhausting, so obviously there is that component of retention and attraction. But of course making learning those skills affordable is really key to attracting people to those industries as well. Just to go back to the Job-ready Graduates reforms, the reforms change both the student fee contribution and also the government contribution. If you combine those, we then get a sense of what universities are receiving per student, per course, and actually for some of these fields that the reforms are aimed at increasing enrolment in—things like nursing, teaching, agriculture, engineering and science—universities under these reforms receive less funding, both from the student fees and the government contribution. So the outcome as a result of these reforms is not clear, and it is unlikely to produce the objective of the reforms, which is to increase enrolment in these fields.

The CHAIR: Thanks very much, Eliza. Chris, did you have a question?

Ms COUZENS: Thanks, Chair. Thanks, Eliza and Jim, for your time and contribution today. Your submission suggests that Australia could learn a lot from European countries about skills forecasting and higher education planning. Can you tell the Committee about one or two successful models for skills forecasting and higher education planning in other jurisdictions and what aspects of these approaches should be adopted in Australia? What role can the Victorian Government play in supporting these new approaches?

Dr STANFORD: That is a really, really important question, and I am really glad you asked it. Thank you. I often invoke the German experience. I do stress that Germany is not unique in this regard. Some other European countries have, I think, implemented many of the things that are successful in the German case, but I do think that Germany provides a benchmark, really, for the rest of the world to aim for in terms of the detail and the success of their labour market and skills planning capacity.

In Germany the reality is that a smaller proportion of people go to universities than is true in Australia. A larger proportion go through vocational education streams that are very fiscally supported and reinforced through a wide set of occupational regulations and qualification requirements. There are over 1,000 legally recognised trade-type professions in Germany, and it is not just the things that we would be familiar with as skilled trade occupations, like being a carpenter or a pipefitter or a machinist or something like that. They include a whole range of occupations that we would consider just to be jobs in the Australian case, such as hospitality management, for example, or a whole range of occupations in retail and logistics services and so on. So instead of treating them like jobs, they actually define them and support them as careers.

There is a very close process of information gathering through a very sophisticated labour market information service that is integrated between the states and the federal government and captures fine-grain detail from different regions and industries within Germany. This is fed in as data to the college system, which is very well developed, and universities as well. Then the thing that I think is the strongest in the German case is that pipeline that connects the education at both the vocational and the university levels to on-the-job placements and experience. Most people who go through college to learn one of those 1,000-plus recognised and regulated occupations in the final stages of their training are placed with a workplace to gather experience and show their capacities, and more often than not they end up working there afterwards. So the job placement success rate is higher than we are experiencing, and the youth unemployment rate as a result in Germany is lower. Even though the overall rate of unemployment in Germany is kind of average for an OECD country, the youth unemployment rate stands out as being relatively low.

Other countries—Switzerland, for example, some of the Benelux countries and some of the Nordic countries—have got different aspects of that. But I think the key feature that is successful is the ability to bring together different stakeholders within the whole supply chain, if I can use that term to refer to human beings, of trained graduates from the point of information up-front to guide institutions and their course offerings but also to guide students in terms of their course interests all the way through to coming out of that pipeline and being supported in placement into an actual job. That kind of national labour market planning capacity is one of our key recommendations from that earlier report that I mentioned about university graduates.

The CHAIR: Thank you. We have run out of time. Eliza, did you want to just add quickly to that?

Ms LITTLETON: Thank you. No, I am satisfied with Jim's answer. I think he covered quite a few countries there.

The CHAIR: Thank you very much. Thank you for being with us today. It is very valuable. We really appreciate it. Thank you both.

Dr STANFORD: Good luck with your Inquiry. Thank you for having us.

Ms LITTLETON: Yes, thank you.

Witnesses withdrew.