The Challenge for Higher Education in Australia

The Hon J S Dawkins MP
Minister for Employment, Education and Training
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In the 1987-88 Budget the Government announced that it would delay the start of the next funding triennium for higher education to 1989.

Today I want to explain more fully the reasons for that decision in the context of the Government's longer-term plans for development of the higher education system. Specifically, I wish to relate the Government's decisions on funding for higher education in 1988 to the strategy it intends to pursue in the 1988-89 Budget context and beyond.

In other Statements in the Budget context the Government has made clear its determination that our education and training system should play a central role in responding to the major economic challenges which still confront us.

The ongoing adjustments required in the structure of our economy will place a much greater premium on technical knowledge and labour force skills, and likewise on quality, innovation and technology. These attributes will also be a vital factor in our productivity performance and in the speed of our adaptation to future changes in economic circumstances.

We can no longer rely on established practices and institutional arrangements to meet these needs. Our traditional attitudes to education and skills formation in Australia have been conditioned by an economy which has been able to rely more on natural resources than on human skills to support our living standards and national development. Just as these circumstances have changed dramatically, so too must our attitudes and practices in education and training. This is not to dispute or belittle the achievements of the past, but rather to signal the need for further progress, at a rapid rate, beginning now.
While improvements will be needed in all aspects of our education and training arrangements, the performance of our higher education system is of particular importance to the Government's objectives.

Our universities and CAEs are the main source of the highly educated men and women so essential to our continued economic growth. They provide the scientists, engineers and technologists we need to develop and maintain a modern industrial structure, as well as the teachers needed to expand the skill base of the workforce and to educate the next generation. We must also recognise the crucial contribution made by our economists, historians, philosophers and others in the humanities as Australian society works its way through the complex range of issues arising from the shift in our national economic circumstances.

The research activities of higher education are also vital. Universities provide the bulk of basic research in Australia and together with advanced education make key contributions to applied research and development. Moreover, they train the young researchers who will be prime sources of the innovation and technological development needed for Australian industry to achieve and maintain greater international competitiveness.

For these reasons the Government is strongly committed to the further development of our national higher education system. Equally, however, it is determined that planning for such development should extend beyond the interests of individual institutions and their clients, and be consistent with broader national interests and objectives. Priorities will need to be set accordingly. Attitudes and some traditional arrangements will need to be changed.

For reasons I will discuss shortly, the Government is not convinced that a perpetuation of our current funding arrangements for higher education would be in the best long-term interests either of the higher education system itself or of the nation generally. Over the next 12 months, therefore, we will
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be embarking upon a process of policy development and consultation leading to the establishment of a new set of arrangements for Commonwealth support of higher education from the beginning of 1989.

In the meantime, the Government has decided to treat 1988 as a year outside the normal triennial funding process.

Overview of the Higher Education System

Our higher education system is a major national resource. Its component institutions - 19 universities and 46 colleges of advanced education across Australia - cater for a student population of 391,500, and employ a total of some 68,000 staff. Total expenditure on higher education exceeds $2,500 million per annum, while the replacement value of our public higher education facilities has been estimated at more than $5,000 million. Since 1974 the Commonwealth has invested over $31 billion in higher education on behalf of Australian taxpayers.

In the thirteen years since the Commonwealth assumed full financial responsibility for higher education in Australia we have seen the number of students grow from 249,500 to 391,500, an increase of 57 per cent. Although the evidence is not clear-cut I believe that we have also seen an improvement, over this time, in the socio-economic balance of the student body.

The unfortunate legacy that is disguised by these figures, however, is the sharp decline in youth participation in higher education which occurred under the Fraser Government. The policies of that era were dominated by cost-cutting considerations alone, and a notable absence of any vision of the future. As a result of those policies, participation in higher education by young people aged 17 to 19 fell from 11.0 per cent in 1975 to 9.6 per cent in 1982. Had the higher rate been maintained, an additional 11,000 young people would have been undertaking higher education at the time that this Government came to office.
By contrast, and despite continuing financial constraints, the Hawke Government has sought to increase youth participation in higher education through steady and sustained growth; to improve the opportunities for participation in higher education by disadvantaged groups; and to make higher education institutions more responsive to the needs of industry.

Substantial progress has already been made towards achieving these objectives:

- an extra 43,400 higher education places have been created in the four years since 1983, with a high priority given to strategic disciplines such as engineering, science, computer science and business studies;

- by 1985 we had restored youth participation rates in higher education to their 1975 levels, and this year some 120,000 17-19 year olds are undertaking higher education - a participation rate of over 11.5%, the highest level ever recorded in Australia;

- participation among groups traditionally under-represented in higher education has also been increased. An extra 1000 places for Aboriginal students have been provided since 1984, the proportion of women in higher education has continued to rise, and growth has been focussed on outer metropolitan and regional areas with low participation;

- links between higher education and industry have been strengthened both at the peak level and through initiatives involving particular institutions. There has been encouraging growth in the turnover of commercial research and consultancy arms of institutions, to around $100 million per annum.

While the Government is justly proud of these achievements, it recognises that a great deal more remains to be done. We continue to lag behind our international competitors on a range of significant measures of education and training performance,
including the rate of retention to the end of secondary education, the level of youth participation in higher education, and the proportion of the workforce holding post-school qualifications. Historically, also, we have given insufficient attention to the composition of our national skill base, and to the need for skills which directly contribute to the productive capacity of our economy. The Government has already begun to act upon these matters, but the recent sharp shift in our economic circumstances demands that the pace of change be quickened.

A prime objective must be to achieve substantial increases in higher education participation, especially by our young people. The need to rectify the neglect of the late 1970's and early 1980's has left us now only slightly advanced on where we were in the mid-1970's in relation to youth participation in higher education. Many other countries, in the meantime, have passed us by, or have widened their previously existing advantage. We now languish towards the bottom of the league of OECD countries in this aspect of our educational performance.

We need to recognise the potential costs of this situation to our national economic performance. It is more than coincidence that the world's most successful economies over recent years have given a high priority to basic education and vocational preparation of their young people. Australia has not seen this relationship so clearly, but the time has come to do so, and to act accordingly.

There is a growing realisation on the part of young people themselves of the benefits to them of further education and training. In labour market terms, for example, the unemployment rate for persons holding degree-level qualifications stood at only 3.1% in February 1987, compared with 11.6% for those without any form of post-school qualification. The average duration of unemployment is also substantially less for those holding formal qualifications, while incomes and occupational status are significantly above the norm.
In the face of these realities it comes as no surprise that there is a resurgence of interest by young people in furthering their education. Retention rates to Year 12 at school have increased dramatically and are continuing to rise, while the number of young people transferring from Year 12 to universities, CAEs and TAFE colleges is increasing. Some 61 per cent of Year 12 students now proceed directly from school to further studies, while a further 14 per cent defer for twelve months before resuming their studies.

This resurgence of interest in education has coincided with a demographic bulge in the youth age group, which will have its peak impact on demand for higher education in the period to 1990. Taken together, the effect of these school retention and demographic pressures has been to create unprecedented demand for higher education places.

Despite the substantial growth in places made possible by the Hawke Government's policies since 1983, our higher education system has still not been able to respond fully to this increase in demand. In 1987, for example, between 13,000 and 20,000 qualified applicants were unable to secure places in our universities and colleges of advanced education. This shortfall persists at a time when there are significant shortages of graduates in a range of key higher education disciplines. There is an urgent need to remedy this situation.

Looking to the longer term, we need to consider also the further growth required in our higher education system to satisfy our future economic and social objectives. A plausible projection for the end of the century, if we are to close the gap on our international competitors, would see retention rates to Year 12 rising to around 80%, with appropriate provision being made in the higher education and TAFE systems for this expanded pool of school leavers to proceed to further post-school study. This
would require a major expansion of higher education places for youth, possibly of the order of 75,000 places by the turn of the century. At present average values, this would entail an additional commitment of community resources of around $750 million per annum by the year 2000.

In current budgetary and economic circumstances, however, it is simply not feasible to achieve quantum leaps in participation in higher education by providing quantum leaps in public expenditure. Indeed, past increases in resources, seen as Government buying additional places at marginal cost, may have had the perverse effect of removing motivation for higher education institutions to consider how they might best employ all the resources actually or potentially at their disposal to meet demand. The problem was seen as one for Governments alone rather than for the institutions.

It is not. The Government is prepared to play its part in the process of growth and improvement, but so also must the other key parties in our higher education system - the institutions themselves, State Governments, the private sector, staff and students. Significant improvements will be needed in the effectiveness and productivity of our current stock of resources for higher education. To the extent that further additions to resources will be necessary, the funding base for higher education will need to be considerably broadened. The implementation of these and other measures will require changes in at least three important areas:

- changes in attitudes, to reflect national imperatives and to ensure that the education system is more flexible and capable of responding quickly and positively to national needs;

- changes in processes, in the way of doing things, to enhance our ability to produce quality graduates utilising necessarily limited resources;
changes in structures, to remove impediments to change and barriers that dampen innovative approaches.

As part of this process of change we will need to give much closer attention also to the issues of quality of output and distribution of effort in our higher education system.

Even with the best information on likely technological and structural change, we cannot confidently predict the types and mixtures of skills that will be needed in the future. The emphasis, rather, must be on broad and transferable skills, and attitudes which equip the workforce to adapt to and influence change. This applies both to 'generalist' courses in the humanities and social sciences, and to more directly vocational disciplines such as engineering and commerce.

The extent to which our higher education institutions are able to influence and respond to emerging skill requirements will be directly influenced by the involvement of industry in course design and monitoring. Industry must also play its part in turning the broadly-based skills imparted through higher education to the particular requirements of the workplace.

The pattern of higher education enrolments has altered significantly over the past decade. In particular, enrolments in teacher education courses have declined as a proportion of total higher education enrolments, while increases have been registered in other vocational fields such as economics, commerce, computer science, applied science and engineering.

Even so, our efforts in a number of these areas remain inadequate to meet even our current labour market needs, let alone to provide for likely future growth in demand for skills. We should look to the example of other countries in this regard.
Japan, for example, has reaped the benefit of an educational emphasis which anticipates the requirement for persons with high levels of technological skills and knowledge as an integral element in its overall industry development strategy. In Australia, by contrast, the links between educational and industry policies have traditionally been weak, and while there have been recent significant shifts towards study in engineering and technology, these have occurred from a very low base. As a result, the proportion of our new university entrants enrolled in technology-based disciplines is still less than half of that in the United States, which in turn trails Japan.

An increased priority for technological studies in higher education will need to be accommodated within an expanding system which protects the important place of the arts, humanities and social sciences. The Government recognises the essential contribution made by these disciplines to the quality of our skill base and culture, and will not relinquish its commitment to their support.

The quality of graduate teaching and research training also needs to be enhanced, through measures such as a greater concentration of effort, increased mobility of both students and staff, better links with industry, and the attraction of additional sources of financial and other support.

The flexibility of the higher education system is another issue of concern. Our institutions are increasingly caught up in a web of administrative and industrial entanglements which limit both the speed of their response and their attention to more substantive issues. The constraints imposed by the academic tenure system are another obvious source of rigidity.

We need to address such issues directly and deliberately, where necessary using funding arrangements as a primary lever for reform. The Government will provide leadership and national direction in this process.
In short, the Government believes that important changes are required in our higher education system to improve its response to a range of priority national objectives. The achievement of these changes will require a close examination of existing barriers and the identification of new policy responses to overcome them. Indeed, the capacity of the Government to provide additional resources necessary for the expansion of the higher education system will depend on the response of institutions and those who work in them to this need for change.

The Government's Plans

The Government will give a high priority to these matters between now and the 1988-89 Budget. It will be examining the range of issues involved and seeking input from the education sector, from business and unions, and from the community at large. To assist in this process, the Government intends to issue a Policy Discussion Paper on Higher Education towards the end of 1987 as a basis for consultation and community comment. Following consideration of responses to this Paper, the Government will present its long-term policies in the form of a major Policy Statement on higher education, to be finalised in the 1988-89 Budget context and implemented from the beginning of 1989.

I have decided to commission the Policy Discussion Paper from within my own portfolio. The Secretary of my Department will establish a Task Force, with participation by the Commonwealth Tertiary Education Commission. Consultations will be held with outside bodies as appropriate. The Discussion Paper will confront the range of concerns the Government holds about the current performance of our higher education system. Specific issues to be addressed will include:

- desirable rates of growth in higher education, the resources required to achieve this growth, and the appropriate division of responsibility for providing these resources;
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- general productivity issues in higher education, including the scope for more effective utilisation of teaching resources and more efficient use of our massive investment in capital facilities and equipment;

- the scope for further improvements in efficiency from rationalisation of the operations of institutions involved in multi-campus teaching and amalgamations of smaller institutions, bearing in mind the importance of an adequate range of higher education opportunities in regional centres;

- more effective use of limited resources by eliminating the "me too" approach to course developments in institutions and promoting greater concentration of effort in teaching and research. There is too much unnecessary duplication of course offerings resulting in small, uneconomic classes; in other cases again, courses provided are of dubious merit and value to the community;

- better definition of each institution's role and mission in teaching and research within a co-ordinated framework of national objectives and priorities. For example, not all institutions can be funded for research and a substantial number will not be; equally, no one institution will be funded in future for research across all of its activities;

- the future of the present 'binary' system of higher education, and removal of any distortions which this entails. Future funding arrangements, for example, should be based on agreed priorities for institutional activity, and performance against those outcomes, rather than on the vagaries of classification or nomenclature;

- without prejudice to academic freedom, means of providing greater flexibility in the use of staff resources in higher education, including for example:
- reform of the tenure system for academic staff, together with an increased emphasis on term appointments;

- schemes for selective early retirement, as a means of freeing up existing resources;

- staff management and appraisal systems in higher education, which should give appropriate emphasis to teaching performance as well as research capacity as a basis for appraisal;

- provision of greater incentives for performance, including the scope for greater flexibility in remuneration arrangements;

- a range of measures to better distribute resources across the system, based on efficiency criteria and incentives to achieve defined results. Over time, for example, the basis of funding should be shifted away from the current focus on input costs to a more competitive system which emphasises specified outputs and measurement of results, and allows institutions to bid for new places on this basis;

- means of enabling institutions to increase revenue from private sources and hence their ability to deliver services, bearing in mind the Australian Labor Party's policy of opposition to tuition fees;

- collaborative course arrangements with industry in a range of disciplines, along the lines announced recently in the information technology arena;

- reform of institutional management and decision-making processes, including changes to the operations of governing bodies and academic boards and the improvement of management systems, particularly at the middle management level;
13.

. Commonwealth/State relationships in higher education, and the problems created for institutions by divided responsibilities and accountability arrangements;

. the place of private institutions established under State auspices within the overall framework of higher education provision, and the relationship between public and private institutions;

. the balance in our approach to postgraduate education, especially at the doctorate level, between intensive but highly specialised programs on the one hand and a more broadly-based and multi-disciplinary emphasis on the other;

. future requirements for teacher education resources in higher education, having regard to demographic trends, likely further increases in school retention rates, and the need for greater attention to mathematics and science within the secondary education curriculum;

. the appropriate relationship between higher education and TAFE, especially in matters such as the provision of higher education in small regional centres and arrangements for credit transfer between the sectors;

. the potential for providing increased higher education opportunities through external studies arrangements and possible rationalisation and concentration of existing providers of external studies.

Many of these issues have been considered in the context of the recent Review of Efficiency and Effectiveness in Higher Education. The Government agrees with many of the directions recommended in that report, which provides a useful base for future policy discussions.
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The Government has also considered some of these issues in relation to research in higher education, as part of its examination of proposals to establish an Australian Research Council (ARC). The Government has decided that we must concentrate our research resources and plan for strategic directions in the future with defined objectives in mind. The ARC will be the key source of advice on means of increasing the effectiveness of research expenditure in Australia. We will be examining over coming months the appropriate pace and extent of transfer of research responsibilities to the new Council.

There is a limit, however, to the scope of Government action. Much will also depend on the commitment to change on the part of the higher education system itself. Many within the system do accept the need for rapid change, and I have been heartened already to receive their encouragement and support of the Government's directions. On the other hand, there are those who have a vested interest in protection of the status quo, regardless of the wider national interest.

We will not be deterred, however, by the entrenched attitudes of a few, and I am sure that we will find in the academic community generally a real concern for the future economic performance of the country and a desire for change in the role of the higher education system in responding to national needs. I will be actively seeking the views of concerned people on all of these issues in coming months.

Pending the resolution of these issues we must maintain the momentum that has been built up over the past four years. The last thing that the Government would want would be to have 1988 considered as a pause in the development of the system. It will not be a year for standing still. Some 5,800 additional places for young school leavers will be sought for 1988. Funding will be provided for an extra intake of 3,500 to 4,000 students - the highest level of intake funded since this Government came to office - and the remainder will be sought by adjustment to the profile of intakes by institutions.
In addition, we have taken some early steps in the process of reform. Research funding will be less the exclusive province of the universities, and some existing research funding will be redirected through targeted schemes. The Government will also relax the prohibition on fees for a limited range of postgraduate courses involving professional upgrading for people already in employment, as for example in the case of specialised postgraduate courses for medical practitioners.

This latter measure responds to requests made by a number of institutions which wish to expand their course offerings and revenue base. Fees will be charged at the discretion of individual institutions, subject to my approval, and the Commonwealth will not reduce the level of its general funding for institutions on account of revenue generated by fees.

Full details of our Budget decisions for higher education in 1988 are set out in the attached Guidelines Statement on Higher Education Plans for 1988. [I table the Statement.] The Commonwealth Tertiary Education Commission will be bringing forward advice in the next few weeks on the detailed allocation of funds for 1988 consistent with these Guidelines.

Before the end of 1987 I expect to receive a final report from the Task Force chaired by Mr Charles Halton which I have appointed to report on advisory arrangements and structures reflecting the integration of employment, education and training matters into a single portfolio. I will be giving early consideration to the recommendations of this Task Force, including those relevant to higher education, with a view to prompt introduction of any revised arrangements.

In summary, there are critically important challenges ahead if Australia is to achieve the standards of intellectual capacity essential for success in an increasingly competitive world.
The Government has committed itself to working towards change within an expanding system. In turn, it expects the commitment of the higher education system to accept the need for change and to co-operate in its implementation. I am confident that this commitment will be forthcoming.
HIGHER EDUCATION PLANS FOR 1988

GUIDELINES TO THE COMMONWEALTH TERTIARY EDUCATION COMMISSION

The Hon J S Dawkins MP
Minister for Employment, Education and Training

In its 1987-88 Budget deliberations the Government agreed on a higher education program for 1988 of $2559.4 million, an increase of 2.0% on the previous year. These Guidelines set out the priorities which the Commonwealth Tertiary Education Commission should follow in recommending on the allocation of these funds for the 1988 academic year.

Increased Participation in Higher Education

Despite steady growth in the higher education system over the past triennium, it is of major concern to the Government that unmet demand for higher education places, particularly by young people, continues to rise.

In order to meet these continuing pressures, the Government has decided that an extra 5,800 higher education intakes in 1988 should be made available to young school leavers. The Government has agreed to provide an additional $38.4 million in 1988 to fund an extra 3,500 to 4,000 intakes. CTEC is asked to advise on means by which the further 2000 intakes might be achieved. To accommodate the priority for young school leavers, institutions may need to adjust the composition of their intakes in favour of this group.
In allocating additional intakes for 1988, 200 places will be provided to further increase the participation of Aboriginals in higher education.

The additional intakes will be funded at the same real recurrent level as applied in 1986 and 1987, that is, an average $6250 per student place in December 1986 prices. Within this level of funding the Government expects CTEC to continue to direct new places into courses that will provide the skill base essential to underpin future economic growth namely, science, technology, engineering, computer science, economics/accountancy/commerce (including in the tourism and hospitality area) and industrial and product design.

In the context of the Government's Information Industry Strategy, aimed at improving the competitiveness of Australia's information industries, the Government has decided that 650 of the additional intakes for 1988 should be directed to computer science, electronics engineering and other information industries disciplines. Of these places, 200 are to be directed to the information technology courses being developed jointly with industry and to be conducted on a pilot basis in 1988 at Monash University, the University of New South Wales, New South Wales Institute of Technology and Swinburne Institute of Technology.

In addition to increased recurrent funding, additional equipment expenditure will be required to set up new and expanded courses, particularly in the sciences and technologies. The Government has allocated an additional $3 million in 1988 for equipment grants. The Government agrees with CTEC's proposal that equipment funds for 1988 for advanced education should be allocated to individual institutions after considering advice from State co-ordinating authorities.
The Government recognises that the capacity of many institutions to absorb further students without an expansion of physical facilities is now limited, particularly in those institutions that have taken in large numbers of additional students over the past 4 years. The Government has allocated an additional $12 million in 1988 for expansion of capital facilities across the system. It should be noted that the Government also has a major ($9 million) commitment to capital funds for Chifley University College in 1989.

In financial terms, therefore, the Government has agreed to provide additional funding for the extra 3,500 to 4,000 intakes in 1988 as follows:

- recurrent: $23.4 million;
- equipment: $3.0 million;
- capital: $12.0 million.

Subject to the directions above, the additional places created by these funds are to be allocated on a competitive basis in 1988. The additional intakes should be directed to those institutions able to demonstrate their capacity to accommodate enrolment growth in the most cost-efficient way.

The Government is also mindful of the continuing need for improved access to higher education by those who are disadvantaged by geographic or socio-economic factors. Progress has been achieved by the Hawke Government in redressing low participation levels in outer metropolitan and regional areas, but rates in these areas remain below the national average and there needs to be continued growth in targeted institutions.
CTEC is asked in allocating total resources for 1988 to make allowance for those institutions that have incurred substantial additional costs because of their commitment to achieving greater equity in participation.

Income from Non-Government Sources

The Government will continue to encourage institutions to seek alternative sources of funding to supplement grants from the Commonwealth.

From 1988 institutions will have new options open to them to apply for limited relaxation of the fees prohibition for the funding of certain postgraduate courses. Institutions will be able to seek my approval to charge fees for formal award courses which are specialised post-basic courses designed for professional upgrading or extension purposes or which are directed primarily at those already well established in employment. Students proceeding direct from undergraduate courses to postgraduate studies will not be affected.

This initiative will enable institutions to be more responsive to the needs of a rapidly adjusting modern economy, and to offer expensive specialised courses which may not have been viable in the past when they had to be funded from recurrent grants. The States Grants Act will be amended to enable this decision to be put into effect.

Arrangements for the provision of these courses should ensure that there is no displacement of students from non fee-paying courses.
Higher Education Administration Charge

Following advice from the Monitoring Committee set up to investigate the impact of the Higher Education Administration Charge, the Government has decided that the following further categories of needy students will be exempt from the charge in 1988:

- part-time students in receipt of Sickness and Special Benefits for at least 3 months before enrolment;
- part-time students in receipt of the new Family Allowance Supplement at the time of enrolment;
- part-time students who are dependent spouses of exempt Unemployment, Sickness or Special Beneficiaries or of those in receipt of Family Allowance Supplement;
- students transferring direct from full-time study under AUSTUDY to part-time study as recipients of Unemployment, Sickness or Special Benefits.

These further exemptions will assist very low-income students whose studies may otherwise have been jeopardised. It is estimated that up to 8,700 students will be exempt in 1988 under these arrangements, bringing to 139,000 or 35% the number of students to be exempt from, or reimbursed for, the charge in 1988.

As a partial offset to the cost of these further exemptions the Government will legislate to require students withdrawing from a course after teaching has commenced to be liable for the charge.
In line with the Government's commitment not to increase the administration charge beyond the effects of inflation, the level of the charge in 1988 will be $263. This increase is in accordance with CTEC indexes for adjusting administration (non-academic) salary costs. In current budgetary circumstances the Government is unable to take up the further exemptions and adjustments to the charge that were recommended by the Monitoring Committee.

By 1987 some $11.5 million had been made available to higher education institutions under the Special Assistance for Students Program (SASP) for low-cost loans and grants to particularly needy students. With the introduction of HEAC in 1987 demand for SASP loans increased significantly. This pressure will be eased by further funding of this program in 1988.

Superannuation

The Government has recognised the increasing difficulties faced by institutions in financing the accrued liability of emerging cost superannuation schemes, and that the cost of these schemes will continue to rise in the coming decades. An increasing burden has been put on some institutions as a result of the operation of the 14% limit set by the former Government on the Commonwealth contribution to emerging superannuation costs. In these circumstances the Commonwealth will move to relax its requirements.

The Government remains of the view, however, that the States must also share in these costs, partly as a consequence of their responsibility for higher education before 1974 and partly as a consequence of the continued operation of expensive State schemes beyond the date (1981) that the Commonwealth set its 14% limit and agreed to fund the Superannuation Scheme for Australian Universities.
Accordingly, the Commonwealth will share superannuation costs with the States in a way that recognises the respective responsibilities of Commonwealth and State Governments which prevailed when the liability was incurred. The basis of the sharing arrangement will be:

- the States and the Commonwealth will share the cost of accrued liability relevant to the period prior to 1974 on the same basis as the Commonwealth matched State funds for higher education at that time;

- the Commonwealth will bear the full cost of accrued liability between 1974 and 1981; and

- the States and the Commonwealth will share the cost of accrued liability post 1981 on the basis of the Commonwealth meeting all costs up to a limit of 14 per cent of salaries of staff in superannuation schemes.

The Commonwealth will provide full funding for superannuation costs in its grants to institutions and recover the States' share.

Australian Research Council

Research funding arrangements were the subject of a separate Government announcement on Budget night. The Government has decided to establish an Australian Research Council (ARC) serviced by the Department of Employment, Education and Training.
At the same time the Government has directed that the general recurrent grants to universities for research purposes be reduced by $5 million in 1988 and that this amount should be applied to the establishment of new Special Research Centres and Key Centres of Teaching and Research, and also to institutions in the advanced education sector for technological and applied science research in agreed areas of speciality. The ARC will advise the Government on the allocation of these funds in co-operation with CTEC. Further details of the ARC and future arrangements for research funding are provided in the Budget night statement.

Postgraduate Studies and Nurse Education

The Government recognises the urgent need in some disciplines for the provision of additional opportunities for people in the workforce to upgrade their qualifications and skills, particularly in the areas of computing science and nursing.

The provision of post-registration study opportunities for nurses in the higher education sector is an inevitable consequence of the decision to transfer basic nursing education from hospitals to colleges of advanced education.

Accordingly, institutions should note the importance of post-registration nurse education to the community and the nursing profession and be prepared to reallocate existing resources in favour of the development of post-registration courses.
This reallocation should be achieved through rationalisation of existing provision to take account of changing student preferences and community needs, by co-operative action between institutions to eliminate duplication of course provision, and through the extension of opportunities for undertaking courses in the external mode.

Staffing and Industrial Relations Issues

In pursuing the Government's objectives in the higher education sector and in developing its policy position for the next triennium, the Commonwealth will be reviewing academic staffing arrangements, including tenure. While I am in broad agreement with the general thrust of the staffing package recommended in the CTEC Review of Efficiency and Effectiveness in Higher Education, I note that issues relating to the salaries and conditions of service of academic staff are now matters under the jurisdiction of the Conciliation and Arbitration Commission.

In these circumstances, the management of institutions have a key role in the wages determination processes. In particular, the Second Tier mechanism gives management and staff primary responsibility to secure lasting and beneficial productivity improvements.

As the funding authority the Commonwealth also has a major role in the determination of these issues including in the context of the 3% superannuation productivity claim and the 4% Second Tier processes. Accordingly, the Government will be seeking early discussions with staff associations and employers at a national level about the scope for amendments to salary structures and conditions of service which would bring about greater efficiency and responsiveness within higher education.
The Commonwealth notes that there are a number of moves for the introduction of awards outside the federal jurisdiction for staff in colleges of advanced education. We will oppose proposals for State awards. They do not reflect the national character of higher education and have the potential to inhibit the mobility of staff and resources across institutions. On similar grounds, the Government expects all higher education institutions which have not already done so to adopt the Superannuation Scheme for Australian Universities, in co-operation with State Governments.

Other Issues

There are a number of other important proposals in CTEC's Volume 1 Report for 1988-90 which the Government supports in principle. These proposals include the rehabilitation of buildings, upgrading of equipment, initiatives aimed at equity of access and provision of higher education places in regional areas through use of TAFE facilities. Where institutions wish to pursue such proposals, any additional resources required will need to be found from the redirection of existing resources, or from revenue generated from alternative funding sources.

CTEC's Report for 1988

The following table summarises the Government's funding decisions for 1988. The Commonwealth Tertiary Education Commission is asked to submit its recommendations on the distribution of funds for higher education in 1988 by 5 October 1987, to permit time for consideration of its recommendations and passage of the necessary legislation during the Budget sittings of Parliament.
HIGHER EDUCATION PROGRAMS FOR 1988

SUMMARY OF RESOURCES: 1987 and 1988
($million - Estimated Dec. 1986 Prices)

<table>
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<tr>
<th>Category of Grant</th>
<th>1987 $m</th>
<th>1988 $m</th>
<th>Change 1987 to 1988 $m</th>
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<td>Recurrent Grants</td>
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<td>2236.3(b)</td>
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<td>98.1</td>
<td>+2.8 3.0</td>
</tr>
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<td>from administration charge (c)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Recurrent Funds</td>
<td>2299.7</td>
<td>2334.4</td>
<td>+34.7 1.5</td>
</tr>
<tr>
<td>Equipment</td>
<td>123.6</td>
<td>126.6</td>
<td>+3.0 2.4</td>
</tr>
<tr>
<td>Capital</td>
<td>86.3</td>
<td>97.5</td>
<td>+11.3 13.0</td>
</tr>
<tr>
<td>Total Higher Education</td>
<td>2509.5</td>
<td>2558.5</td>
<td>+49.0 2.0</td>
</tr>
<tr>
<td>Evaluations, discipline assessments and reviews</td>
<td>0.9</td>
<td>0.9</td>
<td>-</td>
</tr>
<tr>
<td>TOTAL</td>
<td>2510.4</td>
<td>2559.4</td>
<td>+49.0 2.0</td>
</tr>
</tbody>
</table>

(a) Includes Universities, CAEs and Institutes of Tertiary Education

(b) Includes $5.0 million of universities general recurrent grants for research purposes to be allocated on the advice of the Australian Research Council in co-operation with CTEC.

(c) Estimated gross collections from the charge ($97.1 million in 1987 and $105.4 million in 1988) converted to estimated December 1986 prices.

Variations between totals and sums of components are due to rounding.