

COVID cuts highlight intellectual bankruptcy of Coalition higher education policies. Part 1

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Australian universities are in crisis, a crisis that has been a long time in the making, but is becoming increasingly obvious as the country's borders remain closed to international students and the rivers of gold that had flowed from them rapidly evaporate.

It is no secret that international student fees have injected enormous sums of money into Australia's tertiary education system over the last decade. What is less well known is that the aggressive pursuit of those funds by the country's universities has primarily been an outcome of significant reductions in Commonwealth funding to the tertiary system, particularly over the last decade. Even less understood is the fact that, despite the extent to which most of Australia's universities have financially benefited from these arrangements, their growing income has not been spent on expanding their academic workforces, or improving staff-student ratios, or providing adequate teaching and learning support for students. Instead, it has been spent on massive construction and marketing programs, and a growing cadre of unaccountable and overpaid senior managers, all of which has been actively encouraged by a Coalition Federal Government that has systematically devalued the importance of public education.

The background to this devaluation and its corrosive consequences need to be more widely known and understood, as do the measures that should be taken to reverse them. This is the first of three articles outlining these issues in detail. The first provides the background. The second details the consequences. The third identifies the primary causes and suggests a program for reform.

In June 2018, the NSW Auditor-General reported that government funding for tertiary education as a proportion of [total revenue had decreased by 6.4% since the Coalition came to power federally in 2013](#). He noted that its commitment to freeze the level of commonwealth grants funding at 2017 levels would put even more pressure on universities to increase international student revenue, and warned this presented a 'market concentration risk'. That warning fell on deaf ears.

Most of the 85% growth in revenue experienced by Australia's universities between 2010 and 2019 was derived from international students. [In 2010, international student fees were worth \\$3.4 billion](#). By [2019 they were worth \\$9.8 billion](#). Over the last decade [40% of the tertiary system's annual student revenue has come from international students](#).

Australia's thirty-seven public universities derived [almost 25% of their total revenue from international student fees](#) in 2016-17. In New South Wales the [figure was 28%](#), the majority of which was paid by Chinese students, who contributed [54% of total international student revenue throughout the country that year: a figure that was considerably higher for several of the sandstone universities](#).

Between 2009 and 2018, [total revenue from international students increased by 260%](#), indicating just how successful Australian universities have been at attracting international students over the last decade. As the NSW Auditor-General and many others had warned for several years, however, it also left universities extremely vulnerable to any significant downturn in student demand.

Australia's thirty-seven public universities brought in more than [80% of the \\$38 billion in revenue](#) that flowed through the higher education system in 2016-17, as the former [Minister for Tertiary Education himself acknowledged in 2019](#). Given the significant contribution of higher education to the Australian economy, university executives justifiably believed they would be thrown a financial lifeline in the wake of COVID. However, the Federal Government has so far refrained from extending that lifeline. It has also been extraordinarily reluctant to work with universities and state governments to create a viable process to bring international students back into the country. Its refusal to provide any financial support for foreign students stranded in Australia due to COVID has been widely regarded as particularly harsh, given the [\\$37.6 billion in direct and indirect contributions to Australia's economy made by international students in 2019](#).

Since it returned to power in 2013, the Coalition has made it very clear that it intends to wean public universities off federal funding. Even though it was well aware that the country's higher education system had taken a massive income hit from the closure of Australia's borders, and that its own funding cuts had encouraged universities to become more reliant on international student revenue, it continued with its plan to reduce federal funding even further.

In October 2020 the Coalition passed sweeping changes to the funding formulae for universities and student fees with the [support of the One Nation and Centre Alliance parties](#) in the Senate. The Government claims the revised funding model will create an [additional 100,000 domestic student places by 2030](#). How it will achieve that is a mystery, given the fact that its overall contribution to funding domestic student places over that period will be substantially reduced.

According to higher education analyst, Andrew Norton, the Coalition's latest policies will [cut revenue support from the Commonwealth for domestic students by around \\$750 million annually](#) based on 2018 enrolment figures. It will also result in a significant reduction in the *proportion* of government contributions to the cost of educating domestic students. This is despite the fact that domestic student enrolments have increased every year since the Coalition came to power in 2013. In 2017-18, [around 58% of the education fees of students in Commonwealth-supported places were paid by the Australian Government](#). The new policies will see this figure [reduced to 52%](#), while the [average student contribution to course-related revenue from students](#) increases from 42% to 48%.

Griffith University Professor of Employment Relations, [David Peetz, has pointed out](#) that the Coalition's restructuring of tuition fees by degree means the amount paid by governments to universities will drop by an average of \$1,883 per student. Government funding per student has been reduced by as much as 16%. Former Minister for Tertiary Education, Dan Tehan falsely claimed during his campaign to promote the fee changes that 'engineers and scientists have been subsidising arts graduates', when the reality was that arts graduates paid 52.2% of the total cost of their courses, whereas engineering and science graduates paid only 33.5%. Following the successful passage of Tehan's 'reforms', government contributions to medical

students' fees have been cut by 33%, for environmental studies by 30%, and engineering, mathematics and science by 17%. Despite Tehan's rhetoric, therefore, STEM students will be paying a lot more for their degrees as of this year.

Furthermore, the way that revenue streams for teaching and research have been separated under the new model means that university research funding will take a double hit. First, as a result of the [restructuring of tuition fees](#), which eliminate any research premium from domestic students, and second, from the [reduced ability of universities to cross-subsidize research funding from international student fees](#). Consequently, [there will be an annual research funding gap of around \\$4.7 billion](#). The Coalition has made no firm commitment to compensate universities for the \$2.5 billion in research funding it withdrew last year. Contrary to a recent claim made by Minister Jane Hume, the Federal Government's provision of \$1 billion in research funding at the end of 2020 to fill this gap [was not an additional \\$1 billion in that funding](#).

In last week's Federal Budget, the breadth and depth of the cuts to the country's tertiary system became clear. Coalition Treasurer Josh Frydenberg tried to put a positive spin on [cuts of 8.3% in real terms for public universities between this financial year and the next, and a 9.3% cut over the three year period from 2021-22 to 2024-25](#). Total federal funding for teaching and research is expected to be reduced by anything between \$3 billion and \$4 billion annually.

Frydenberg's announcement of a [24% cut to TAFE funding over the same period](#) accelerates the Coalition's unstated policy of gutting the public VET system in favour of private providers, including privatized spin-offs from public universities. The consequences of running down the system over many years by both major parties has been a proliferation of high-cost, poor-quality, for-profit operations that have a long-standing reputation for [lowering admission and graduation standards, gouging foreign students and rarely being held to account by government](#). At a time when trade apprenticeships are at an all time low and there is a skill shortage across the country that could easily be addressed through increased expenditure on vocational education and training, the Coalition's policy seems not only perverse but foolhardy. It would appear that its penchant for '[tradie populism](#)' is only skin deep.

On the other hand, private tertiary education providers and universities are deemed by the Coalition to be worthy of government support and have therefore been the sole beneficiaries of its largesse during the pandemic. The Federal Government gave private providers access to JobKeeper, along with tens of millions of dollars in compensatory payments. This includes [\\$53 million in the May budget for private providers to develop online courses](#), and [another \\$348 million 'to support regional Australia's sustainability, resilience and job creation'](#). The eligibility criteria for this latter scheme ensure that little or none of it flows to the country's public universities.

The Coalition's general antipathy to public education in Australia is well documented. It has [consistently provided more money to non-government schools than it has provided to public universities under the Commonwealth Grants Scheme,\[1\]](#) and is ideologically committed to further privatization of universities' fee structure through whatever legislative means it has at its disposal.

A hostile Senate foiled its attempts to allow open slather on university tuition fees during the premiership of Tony Abbott. Not to be diverted from its overall strategy, the Coalition revealed in its 2017 budget under then Federal Treasurer Scott Morrison that it intended to [save \\$2.8 billion over the five years from 2016-17](#) by ‘reforming’ the higher education system. That included a 2.5% ‘efficiency dividend’ on the Commonwealth Grants Scheme to be implemented in 2018-19.

In the 2019 budget, [Treasurer Morrison removed \\$3.9 billion in funding from the Education Investment Fund](#) (EIF), which was a Labor initiative to fund university research infrastructure. Payments to universities from the EIF were frozen soon after the Coalition came to power under Abbott, even though it continued to accumulate revenue. That revenue was ‘repurposed’ by Morrison into a new Emergency Response Fund.

According to the Leader of the Opposition, Anthony Albanese, [none of the \\$4 billion in the EIF had been spent](#) by December 2020. Clearly, the Coalition did not consider it a priority to provide financial relief for the victims of the Black Summer bushfires of 2019/20, or to the tens of thousands of university staff and students adversely affected by COVID.

Program	Function	Estimates			Projections	
		2018-19 \$m	2019-20 \$m	2020-21 \$m	2021-22 \$m	2022-23 \$m
Non-government schools national support	Education	11,956	12,554	13,518	14,245	14,980
Commonwealth Grants Scheme	Education	7,053	7,212	7,341	7,467	7,581

Source: Universities Australia, *Facts and Figures 2019*, Table 1.

When the Prime Minister was still Federal Treasurer, he made his attitude to Australian universities very clear. Prior to the release of the 2017 budget, he claimed that universities have [“effectively got a profit there of around 6%”](#). He went on to argue that: Source: Universities Australia, *Facts and Figures 2019*, Table 1.

Now, if you add companies running around today saying that they’ve got 6% profits, when on average it’s less than 1%, you’d be thinking there’s a bit of room there – and you’d be right.

According to this logic, Australian universities are undeserving of any increase in government funding because they have been able to generate average operating surpluses of around 6% (universities cannot generate profits because they are registered as charitable organisations). Given the fact that [Coalition governments have for well over a decade gifted favoured businesses owned by their donors eye-watering quantities of government funding while generating far higher profit levels](#), Morrison’s seemingly off-the-cuff quip was a calculated effort to delegitimize any arguments for increased tertiary funding.

The Coalition clearly has every intention of imposing additional austerity measures on Australia’s public universities with the longer term goal of full privatization. COVID has presented it with the perfect opportunity to further that goal. Unfortunately for Australia’s public universities, their senior managers and executives seem to be just as determined to ensure that the majority of the resultant pain is experienced by staff and students.

That will be the topic of my next contribution.

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