Coalition policies and corporatization of universities are premised on shifting costs to students and staff. Part 2

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Australia's tertiary education system is large, complex, and poorly regulated. Its government funding sources, governance structures and annual reporting requirements lack transparency and are inconsistent between and within jurisdictions. Distorted government priorities and discredited ideological fixations have created a dysfunctional system that devalues the work of academics and professional staff while imposing ever higher burdens on students to pay more for less.

Since it was returned to power in 2019, the Federal Coalition Government has made clear its determination to transform Australia's higher education system into a commercially focused entity whose primary function is the generation of economic growth through patents and intellectual property.

On the research front, Liberal Senator Jane Hulme recently summarised the Coalition's policy as 'patents, not publications'. On the teaching front, federal education minister Alan Tudge told delegates to a Universities Australia conference that he wants 10 million foreign students enrolled in Australian universities within a decade. He proposes this should be done through a mixture of online, hybrid and on-campus models that will create 'new revenue streams' at 'different price points for different customer segments'.

These statements and others like them reinforce a widely held perception that the Coalition is focused solely on higher education's economic contribution to the nation. At the same time as it has raised its expectations of commercial outcomes from higher education, it has imposed a wide range of additional funding cuts to teaching and research.

It is therefore clear that it is not the Federal Government that will primarily bear the burden of its tertiary education ambitions. That burden will continue to fall squarely upon Australian academics, students and professional staff. The ways governance and funding are currently structured virtually guarantees such an outcome.

The governance and funding of higher education are split between state and federal governments. The states are responsible for the governance provisions, constitutions and auditing of public universities as well as TAFE colleges. The Federal Government, on the other hand, imposes a wide range of legislative controls over public universities, including tuition fee-setting, 'quality assurance', research grant funding, and the number of students universities are permitted to enrol.

Both federal and state governments provide funding for the TAFE system, around half of which comes from the states and territories. The largest proportion of public university funding comes from the Commonwealth.

However, the overall contribution to the higher education system from the Federal Government has halved over the last thirty years, from around 80% to less than 40%. It has been able to do this by clawing back a much higher proportion of universities' teaching costs from domestic students. Most of this transfer of the cost burden to students has happened under the Coalition.

Even though total government funding for the higher education system grew 114% in real terms since 1989, increasing from $5.6 billion to $12 billion in 2018-19, the number of domestic students in the system grew by 165%, increasing from around 410,000 in 1989 to 1,087,850 in 2019.

In 2017-18, total operating revenue for public universities was $31.5 billion, while total Federal Government expenditure on higher education was $13.86 billion. According to Universities Australia, total government outlays in higher education rose from $6.7 billion in 1989 to $18.4 billion in 2018-19. It is important to note that most of that growth was in HECS-HELP loans (formerly known as HECS), which students are required to repay through progressive taxation upon graduation. Student loans increased as a share of total government outlays from less than 16% in 1989 to almost 40% in 2017.

Allocated funding for higher education in the 2019–2020 Federal Budget was $17.7 billion. But again, this included funding of $5.8 billion for HECS-HELP loans. Therefore, actual government funding was only $11.9 billion out of total revenue for the higher education system of $36.73 billion for that financial year. In other words, less than a third of the system's total revenue was provided by the Commonwealth that year, yet it continues to behave as though its contribution is far higher.

Between 2011 and 2017, the overall contribution from domestic and international students went up, from 23% to 29%. In the wake of the Coalition's latest 'reforms' of student tuition fees, cost-shifting from the Government to students has become even more egregious. As of this year, the average student contribution to course-related revenue has been increased from 42% to 48%, while the contribution from the Commonwealth has been reduced from 58% to 52%.

The ongoing effects of COVID on student enrolments are mixed. While domestic student enrolments have seen a nationwide increase of around 6% in 2021, international student commencements across Australia are down around one-third, while re-enrolments have reduced by an average of 16%. Across the board, the March 2021 higher education commencement figures were down 21%, while total enrolments were down 12%. Preliminary data from the Australian Bureau of Statistics has revealed that international tuition fees totalled $3.3 billion in 2020: approximately the same level as ten years earlier, but one-third of their 2019 peak.

The combination of reduced revenue from domestic tuition fees due to government funding cuts and from international students due to COVID has inevitably forced all of Australia's public universities to cut expenditure over the last twelve months.

The majority initially responded by reducing spending on capital works, significant projects, travel, consultancies and marketing, all of which have seen major increases over the last decade. Several also pressured staff to accept wage freezes and reduced leave conditions for two years as job protection measures.

By late March 2020, however, cost savings in the core functions of teaching and research were being sought by university executives, even though the full financial implications of the pandemic were still far from clear.

COVID has subsequently been used as a pretext for further 'rationalisation' of the number of staff, faculties, schools, courses, subject offerings and programs. The stated reasons for these moves have ranged from the obvious downturn in international student revenue to government funding cuts for local students. However, vice-chancellors have also drawn on more traditional, managerial justifications, such as 'too complex', 'too niche' or 'not financially viable' to axe that which has been deemed surplus to requirements.

It is nevertheless ironic that the same standards of performance and budgetary rectitude are rarely applied reflexively by executives and senior management. On the contrary, they have grown significantly in numbers while awarding themselves enormous salary increases and shielding themselves from accountability to staff, students and the public.

Because labour costs have sat at around 57% of total university expenditure for the last decade, they are always at the top of managerial priorities for cost-cutting, rather than their own inflated wages or latest pet projects. Executives have imposed early retirement and redundancies on thousands of staff with little or no consultation. Many more casual and contracted staff have been laid off or had their positions terminated at the end of their contracts. All the indications from university executives are that many more jobs are on the chopping block.

Universities made at least 17,000 full-time equivalent positions redundant in 2020. This constitutes around 13% of the total tertiary workforce. However, given that around half of that workforce is employed casually or on contract, and has been for at least a decade, the total job losses probably translate to around 50-60,000 in total. In other words, these job cuts need to be grasped in the context of the massive casualisation of university teaching and administration over the last few decades.

The academic workforce has been casualised to such an extent that casuals now do more than 70% of teaching at some of our universities. In 2010, just over half of all university employees (51.4%) had continuing employment on an equivalent full-time basis. That situation has continued to worsen over the last decade. It has encouraged the worst kinds of management excesses. For example, at least ten Australian universities have been engaged in wage theft from casuals, and have recently been forced to repay what they had stolen.

According to Universities Australia (UA), there was 130,000 full-time equivalent staff directly employed in the system in 2017. However, like the universities themselves, UA is unwilling to publicly acknowledge the number of casuals working in the system. In 2018, there were 94,500 people employed on a casual basis at Australian universities. It would seem reasonable on that basis to conclude that as many as half of all casuals have either totally lost any work they had, or have had their work hours significantly reduced. However, most universities steadfastly refuse to make employee headcount data public, so the data we do have is inaccurate.

This has been borne out by a recent study of Victorian public university job losses in 2020 published by accounting professors James Guthrie and Brendan O'Connell. They have found that even in Victoria, where universities are obligated to publish their casual workforce figures, universities used inconsistent terminology and different techniques for recording their staffing numbers at the end of 2020. One estimate from early May that 7,500 university employees in Victoria lost their jobs in 2020 is therefore almost certainly an underestimate. Guthrie and O'Connell also found that universities are using accounting losses to justify reducing employment.

The release of twenty-one university annual reports over the last few weeks strongly reinforces their observations. UTS professor John Howard argues that the figures reported in these annual reports raise serious questions about the extent to which the *financial* crisis of the tertiary system has been exaggerated. He points out that all but one of these universities recorded cash surpluses, which averaged around 3% of total revenue. However, eight of them posted deficits after they included 'non-cash' expenses such as depreciation, amortisation and changes in investment valuations: none of these categories of 'expenses' constitute tangible revenue losses. The bulk of university 'losses' were in decreased returns on investments (around $600 million) and the depreciation of assets, which totalled more than $1.4 billion.

Howard also points out that Australian universities had accessible cash or cash equivalent reserves of $4.6 billion at the beginning of the pandemic. Their own estimates indicate revenue losses in 2020-21 of $3.8 billion. In other words, most of Australia's public universities have ample financial assets at their disposal to offset any short- to medium-term loss of revenue.

However, rather than focusing on their core business of teaching and research, and saving operating surpluses for contingencies such as COVID, university executives have engaged in imprudent expenditure on new buildings and facilities, and the creation of offshore and satellite campuses. At the same time, they have poured vast financial resources into international marketing and public relations efforts to improve their universities' international rankings. Many universities have leveraged high debt levels to fund these activities and are already being forced to unload some of their property assets due to liquidity problems from reduced international student revenue.

Depreciation, amortisation and finance costs have seen the most significant growth in 'expenses' over the last decade. According to Deloitte, this category of expenses has seen the highest growth, at 7.5% as a year-on-year average. Universities' adoption of accrual accounting has enabled them to write off the value of fixed assets more quickly to inflate their expense claims every year. These inflated expenses are used as an excuse to sack staff and cut programs. Howard argues that if public universities did not use this business accounting convention, none of the twenty-one universities he studied would have recorded any earnings deficit in 2020.

It should therefore be clear that the main problem public universities face is not a lack of revenue, or a lack of disposable assets to ride through a crisis. Their main problem is a lack of transparency and accountability at the executive level which has enabled them to misallocate financial resources, together with a corporate governance regime that has empowered executives to behave in this fashion. These two issues need to be front and centre of reform of the Australian higher education system.

This will be the topic of my third contribution.

*This text was initially published in Pearls and Irritations.

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