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Australia's Higher-Education Sector: Quality, Conflict, and Outcomes

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Introduction

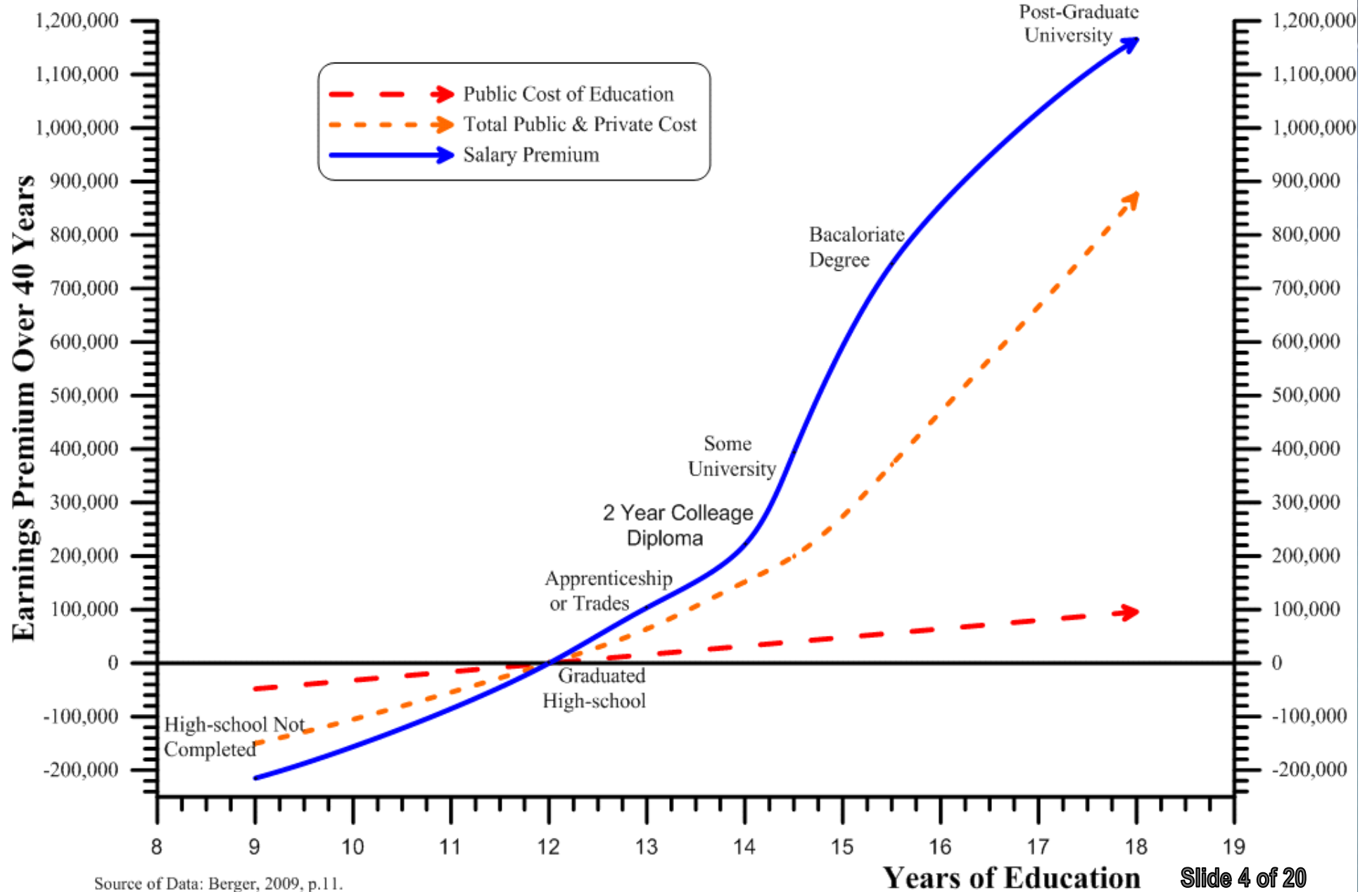
- In pursuit of the laudable goal of educational equality, Australia is shifting from equality of access to equality of outcomes.
- This study seeks to show why achievement of the later goal is doubtful and that pressure to achieve it can seriously damage Australia's higher-education sector.
- This issue is not peculiar to Australia—it is endemic in higher-education throughout much of the world.

Why Higher-education? (Cont'd)

- Like many countries, Australia subscribes to the view is that more education is always better:
“...more educated people are on average more productive workers and earn higher salaries. Their lifetime earnings are significantly higher than high school graduates, even taking into account the years of foregone income associated with more education, which means they pay more taxes. More... education is also associated with just about every other imaginable social benefit, such as better health, greater longevity, and less criminality” (Levin, 2009).
- The assertion that Higher-education is a cost-effective driver of prosperity, competitiveness, enhanced wellbeing, and social change is affirmed by Figure 1.

Why Higher-education?

Figure 1: Estimates of cost and salary premium vs. years of education



Source of Data: Berger, 2009, p.11.

Why Higher-education? (Cont'd)

- Gillard (2009), as Minister for Education, noted the higher-education aspirations of other developed nations and asserted:

“...for Germany the target is 40 percent. For Sweden and the UK it is 50 percent. For the Irish, it's 72 percent....[The Australian Government intends] that by 2025, 40 percent of all [Australian] 25-34 year-olds will have a qualification at bachelor level or above. Not just to have enrolled in higher education, but to have completed an undergraduate degree. Today that figure stands at 32 percent.”

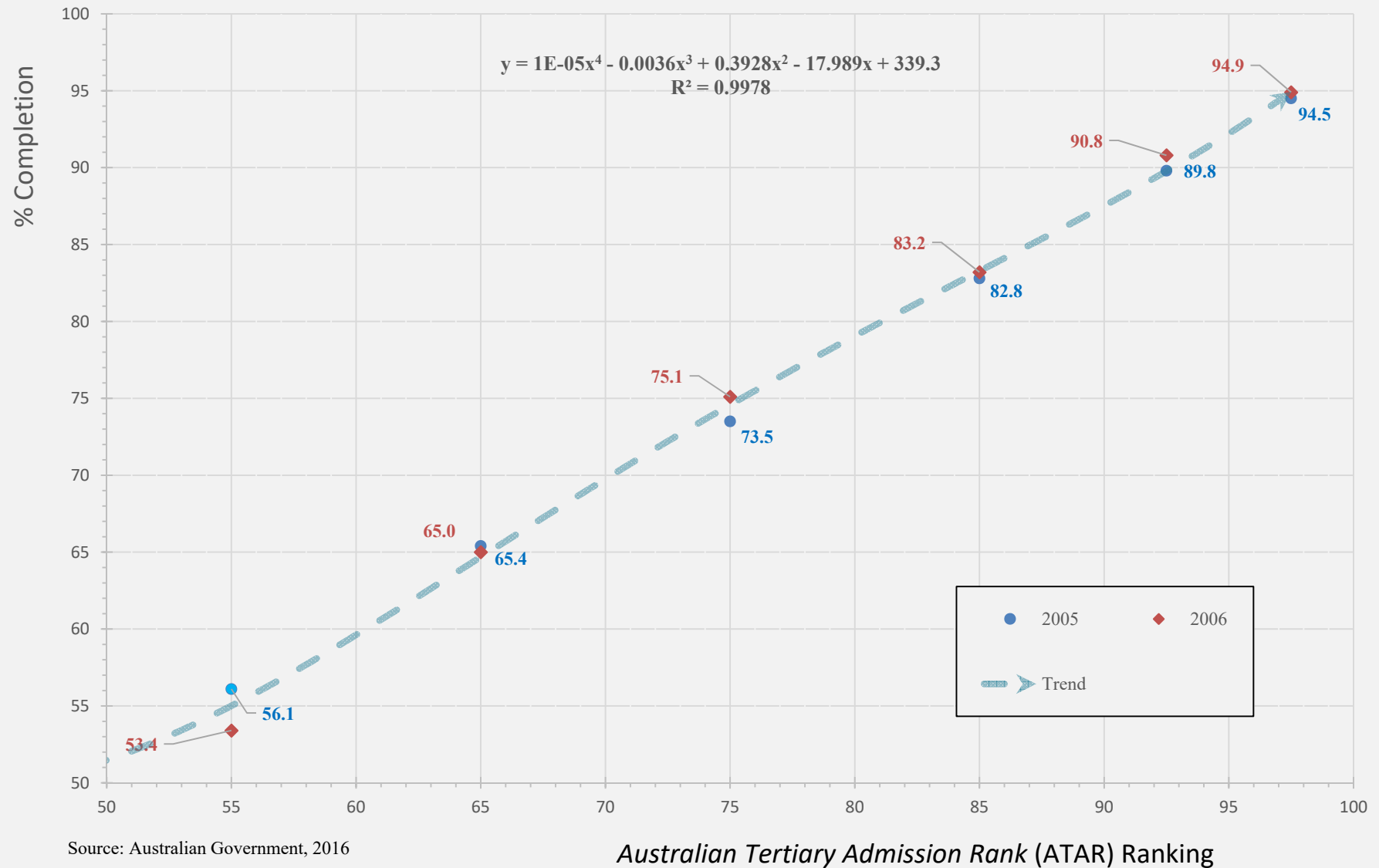
- Going beyond enhanced access, Australia's higher-ed goal seeks to encourage equality of outcomes – and efforts to achieve those outcomes are creating serious issues – and efforts avoid or mitigate those issues are compounding them.

Consequences of ↑ Participation in Higher-ed

- A naïve, left-of-centre world-view: sees all people as equally able; thinks that social gradients reflect inequalities of access and resources; and asserts that Australia's goal of 40% of the population having higher-education degrees will have little-or-no effect on the marginal cost of higher-education.
- Back on planet earth, populations tend to have ability gradients—often illustrated as having a normal distribution.
- Increasing higher-education participation brings in large numbers of less competent students—causing an exponential rise in higher-education costs.
- Efforts to mitigate those risings costs can make things very much worse

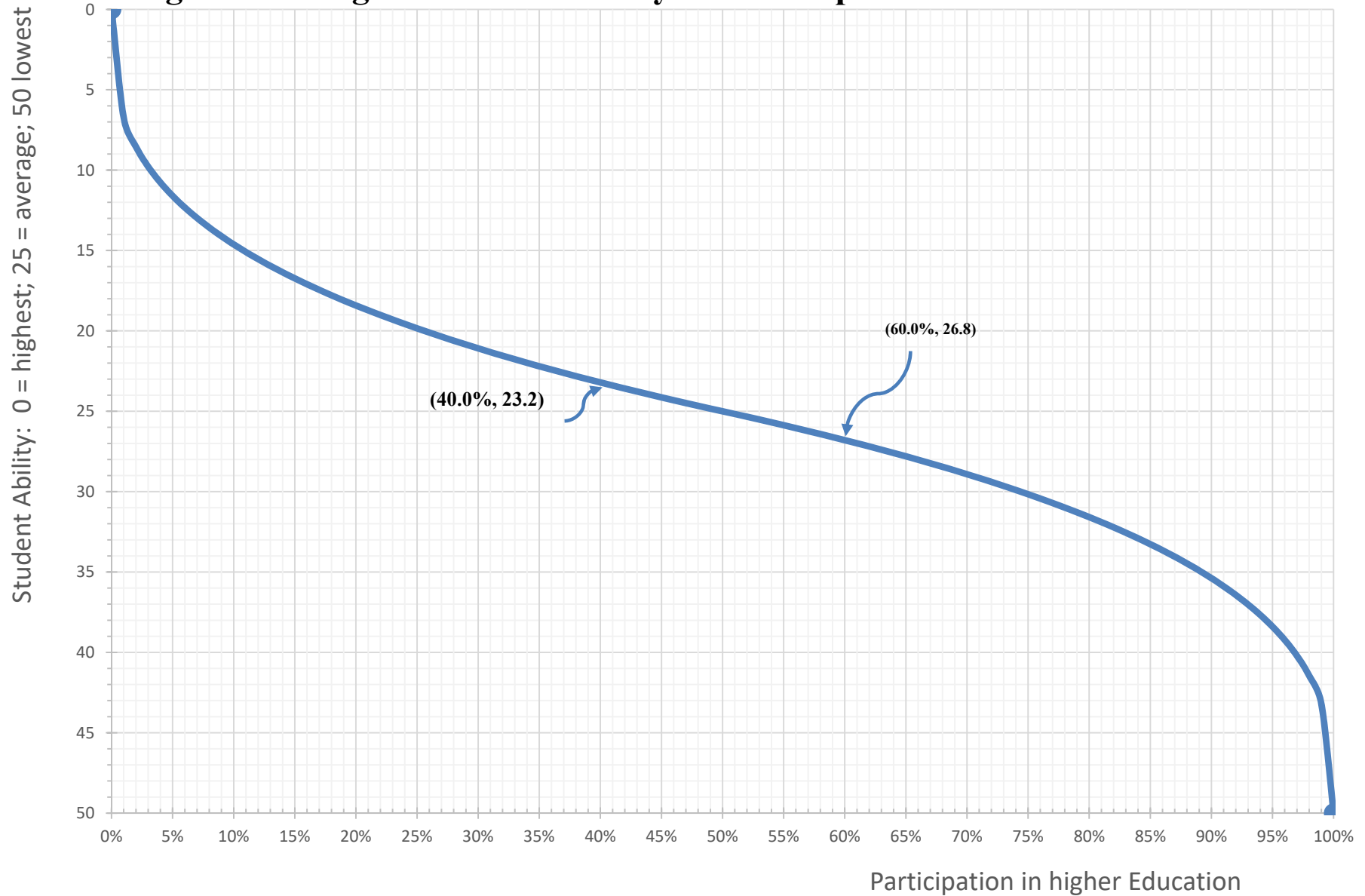
Effect of ↓ Ability on Higher-ed Outcomes

Figure 3: Bachelor Degree Completion vs. ATAR Scores



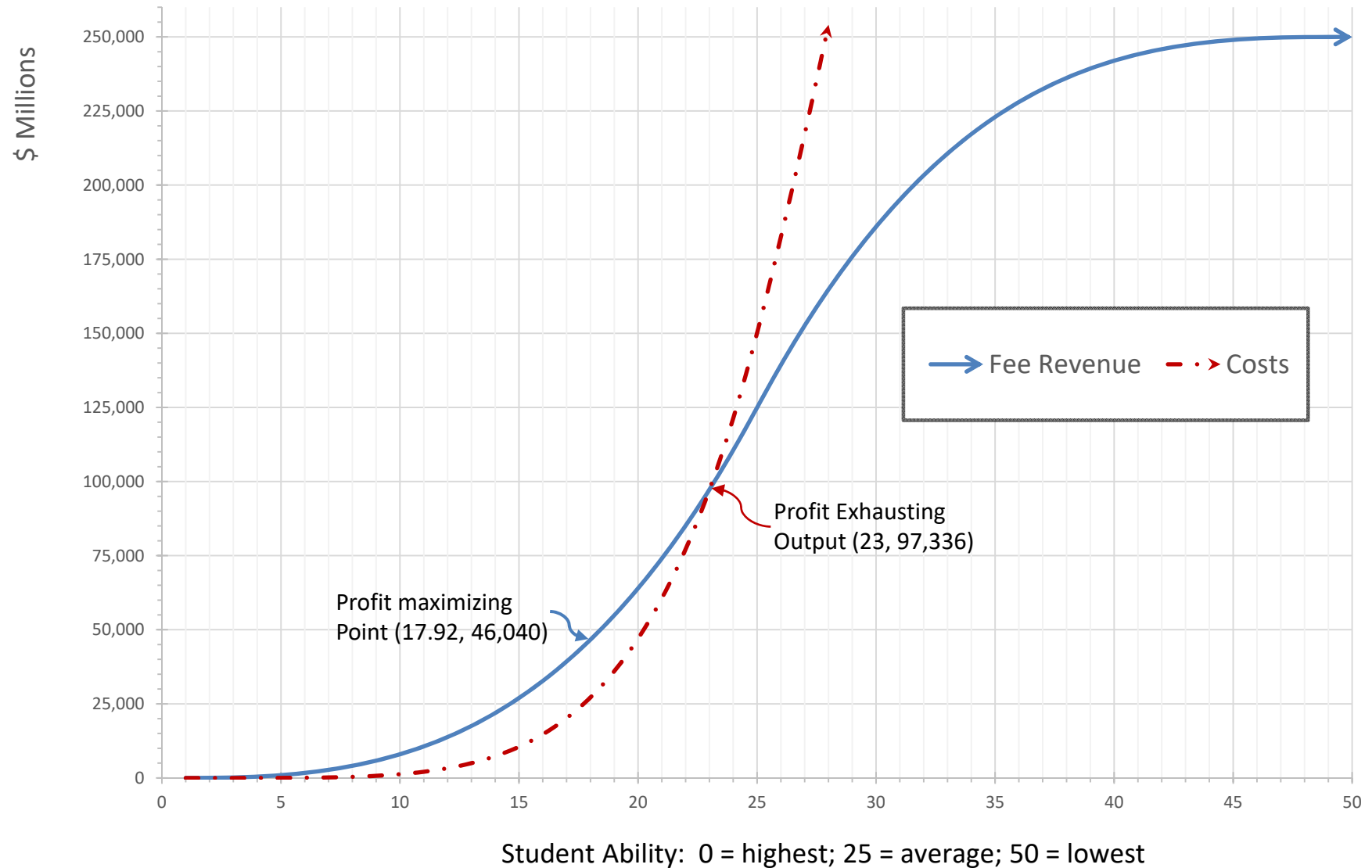
Effect of ↓ Ability on Higher-ed Outcomes

Figure 4: Marginal Student Ability vs. Participation



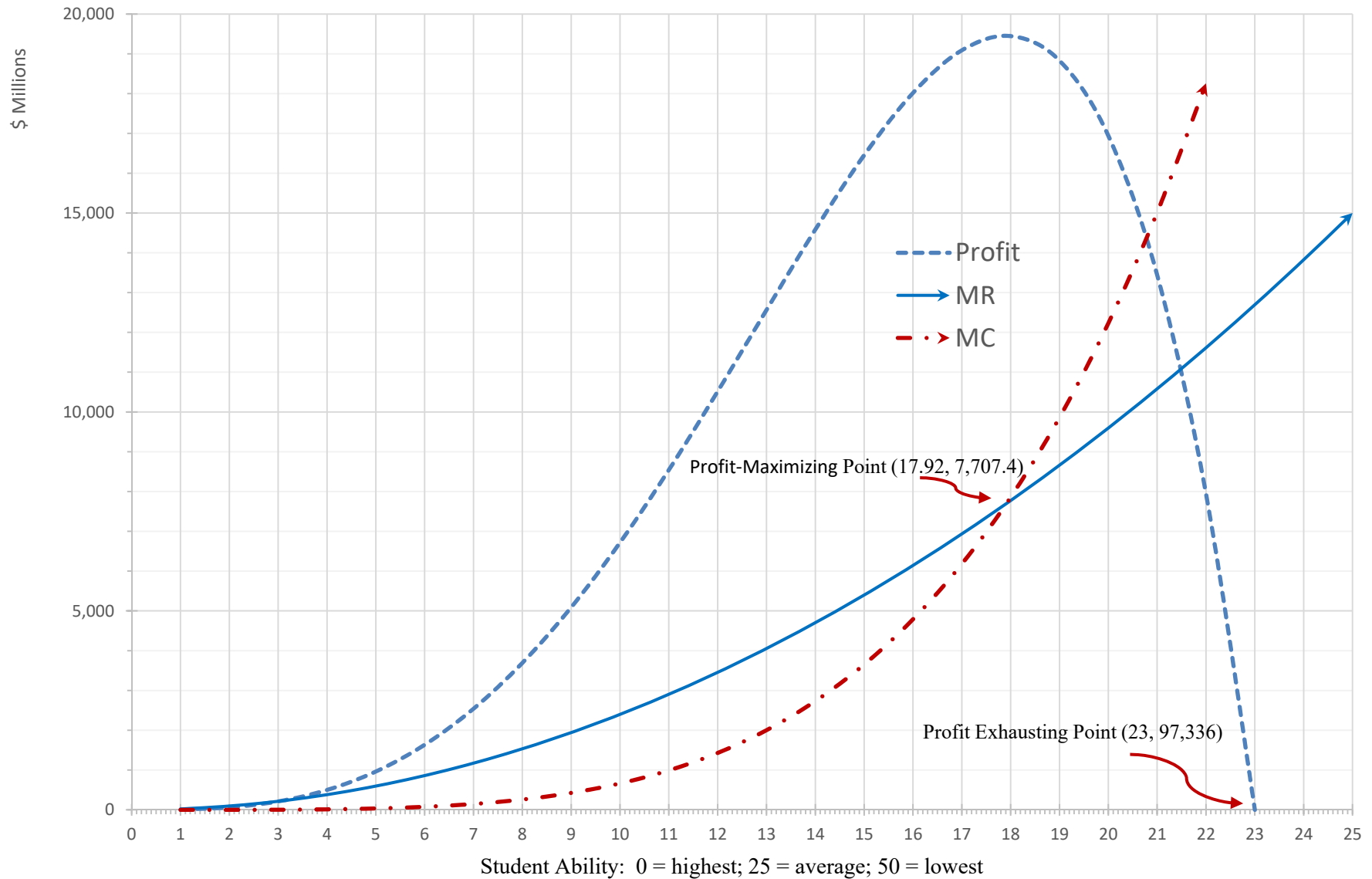
Effect of ↓ Ability on Cost, Rev. & Profit

Figure 5: Higher-Education Revenues and Costs vs Student Quality



Effect of ↓ Ability on Cost, Rev. & Profit (Cont'd)

Figure 6: Marginal Revenue, Marginal Cost, and Higher-Ed. Industry Profit



Consequences of ↑ Participation in Higher-ed

- In the forgoing model, the cost of the marginal product (i.e. the last student added, in the least efficient HEP) is assumed to drive teaching costs.
- Given an average higher-ed completion rate of 66 %, the policy goal of 40% of Australians having a higher education degree requires a 60% participation rate—which means that student marginal quality (per Fig 4) falls past the mid point to 27—which is well beyond the profit exhausting point (Figs 5 & 6) and leads to higher-ed budget deficits of over \$50 billion.
- The completion rates for domestic students is 46%, which causes the 40% graduates goal to require 87% ($40/0.46$) participation. Per Fig 4, 87% participation shifts the quality of the marginal student to 34 and increases the higher-ed deficit to around \$300 billion or \$12,000 per Australian.

Dodging the Consequences ↑ Participation

- Attaining the policy goal of 40% of Australian's having a university degree has become a priority goal for the government of Australia.
- However, a 20-fold increase in the deficit (17% of GDP) is never going to be acceptable to the Australian government and/or people.
- The Australian government is seeking other means to achieve its 40% goal; including using full-fee foreign students to cross-subsidise the system.
- However, that process is fraught with other issues.

Consequences of ↑ Participation in Higher-ed

- When the Australian government set the goal of 40% of Australians having a higher-ed degree it appeared that (on the basis of linear trends) they would achieve it.
- However, efforts to achieve that goal have created a rising number of issues with completion rates, quality, and ATAR admissions.
- Given tightening standards for foreign students and slackening ones for domestic students, unsurprisingly foreign-student-degree-completion rates are high and rising, whereas, the rates for domestic students are low and falling (see the last two rows of Table 1).

Table 1: Average Completion Rates for University Students

Start Year	2005	2006	2007	2008	2009	2010	2011	2012
Avg. four-year-completion	47.4%	46.8%	46.0%	46.8%	46.2%	45.3%	45.1%	44.2%
Avg. six-year-completion	67.0%	66.8%	66.6%	67.2%	66.8%	66.0%	n/a	n/a
Completed anytime – Domestic students	47.3%	46.7%	45.9%	46.7%	46.1%	45.1%	45.0%	n/a
– Foreign students	64.9%	67.5%	68.4%	70.0%	71.3%	71.2%	70.8%	n/a

Australian HEPs educating foreign students serves at least six Australian key policy goals by:

- Cross-subsidising expansion of domestic-higher-education participation by foreign-student fees which are higher than those of domestic students,
- Supporting Australia's aging population with young, ambitious, well-qualified immigrants to offset Australia's low-birth rate,
- Significantly topping-up domestic higher-education-degree production to attain the 40 percent target of 25-34-year-olds having degrees,
- Becoming Australia's largest service and 3rd-largest-export industry,
- Creating a favourable attitude to Australia in the two-thirds of foreign graduates educated by Australian HEPs who return to their countries, and
- Greatly expanding tourism; Australia's 2nd largest industry.

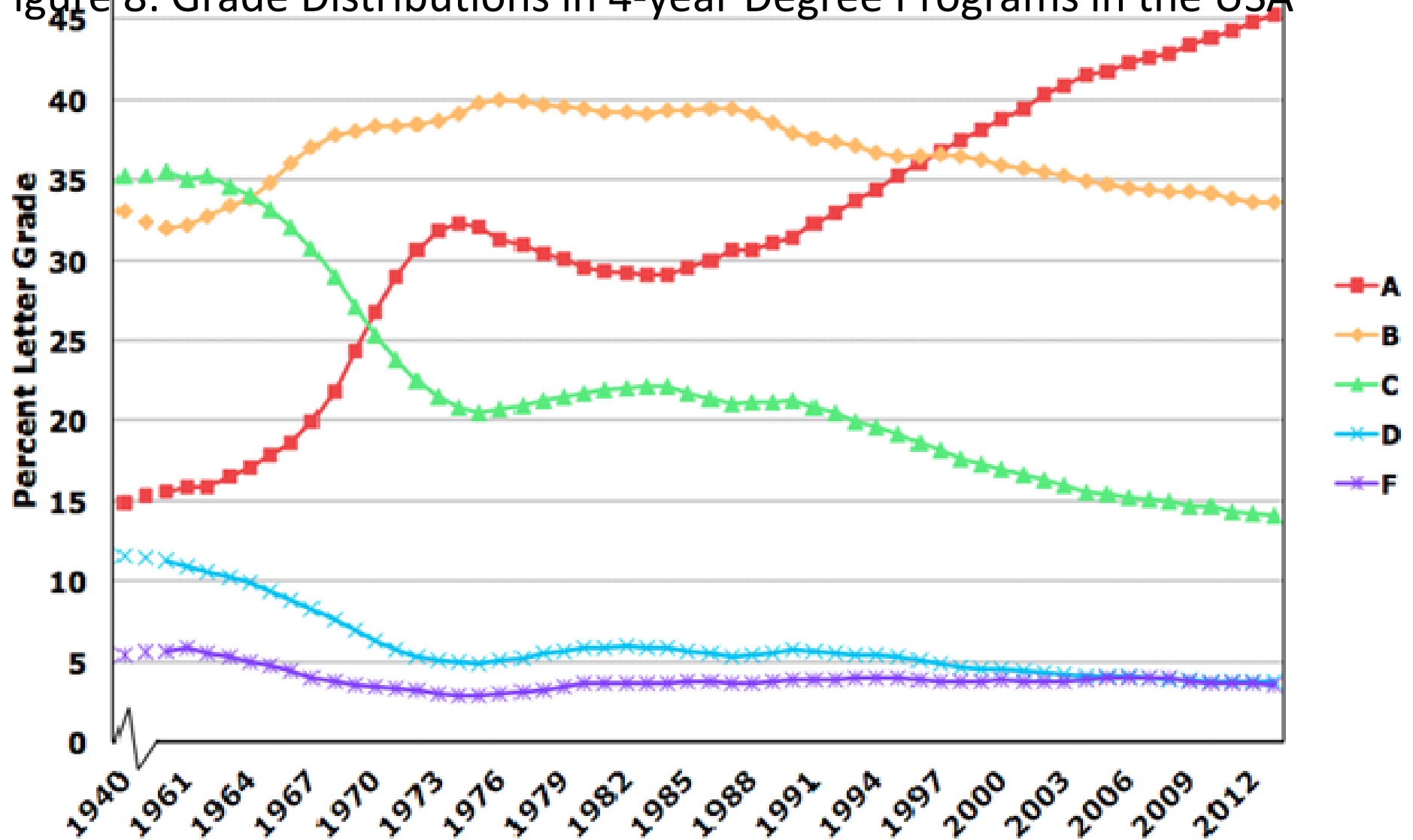
Out comes of Australia's 40% policy

- The 2016-participation rate of 41% of Australian-born-and naturalised 19-year-olds suggests a graduate outcome of 19.1 %—nearly 21 percentage points below the 40% target.
- Seeking to increase degree production HEPs appear to be using:
 - a) Monetary approaches (e.g. raising tuition fees, subsidies, cutting education costs); and
 - b) Productivity tactics (e.g. grade inflation, dumbing-down-degree-program content, sweat-shop environment for academics).
- The government is fulfilling the letter of its 40% policy target by strongly encouraging immigrants to have a higher-education degree—the policy target implied that it would be achieved via education not via immigration policies.

Out comes ↑ Participation in Higher-ed

- Grade Inflation and other dumbing-down tactics in Higher-ed are not just an Australian issue.

Figure 8: Grade Distributions in 4-year Degree Programs in the USA



Outcomes of Australia's 40% policy

- The Cross-subsidizing of domestic-higher-education participation with higher foreign-student fees created a temporary windfall for HEPs.
- Many Public-Universities, seeking more windfall, encouraged and supported the founding of FPHEPs as partner providers.
- Many FPHEPs are now independently competing for students (especially high-fee-foreign students).
- Key scope, focus, and cost-structure differences enable FPHEPs to offer degree programs at much lower costs than Public-Universities and that competitive advantage is likely to fuel conflict.
- Student-numbers growth at FPHEPs is nearly six-times that of Public-Universities.
- Public-Universities currently serve 95 percent of all students, but FPHEPs are proliferating and making inroads into the foreign-student fees that were expected to fund the expansion of domestic-higher-education participation.

Conclusions

- While the Australian policy that by 2025, 40% of all Australian 25-34-year-olds will have a Higher-ed qualification is a desirable, egalitarian goal, it may be beyond the maximum practical domestic participation.
- Attaining that goal with domestic students is likely to add many 100s of billions to the deficit.
- The goal is likely to be achieved, mostly due to educated immigrants.
- The above policy responses are likely to deflect young domestic (Australian born and naturalised) and immigrants away from trades and services into (and overheat) the professions and office-work.
- Education is always good—but it must be tailored to the aptitude, needs, and interests of students.

Conclusions (cont'd)

- Cross-subsidizing domestic-higher-education participation with foreign-student fees created a temporary windfall for HEPs.
- That windfall is increasingly being competed way by proliferating FPHEPs.
- Future research should explore how Australian-higher-ed went from 1960s-70s participation of 6.1% with a 50% attrition to the current 41% participation with a 26.4% attrition.
- Nearly halving attrition with far-weaker students is an extraordinary accomplishment—given that funding per FTE student in 2001 was (in real terms) under half of what it was in 1977

A person is kayaking on a clear blue body of water. In the background, there is a large, rounded mountain under a clear blue sky. The water is calm with gentle ripples.

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Thank You for YOUR

Time and Patience