

# **AUSTRALIAN HIGHER EDUCATION: CROSSROADS OR CRISIS?**

**Professor Stephen Parker  
Senior Deputy Vice-Chancellor  
Monash University**

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# 1. Introduction

## ***Seventeen Years in Australia***

I arrived in Australia from Mrs Thatcher's Britain 17 years ago as a senior lecturer at a good university, when my oldest daughter was just starting school. I could not believe my luck. The staff-student ratio was good. Students paid no fees, and incurred no contingent liabilities for the cost of their tuition. I had ample time for research. Internal tensions in the university and the faculty were of the deliciously trivial kind.

The honeymoon lasted all of 6 months. By mid-1988 fundamental changes were being injected into Australia's higher education system, the effects of which are still being felt, and the architect of whom still feels compelled to comment on them.<sup>2</sup>

Soon after, universities and colleges were brought together into a single, supposedly unified, mass higher education system. Many universities and colleges amalgamated with each other. The Higher Education Contribution Scheme, or HECS, of which you will hear more in this conference, was introduced. International students were admitted on a full-fee paying basis.

Since then, buffer bodies have been removed so that universities now negotiate directly with government. Performance-based funding for research has been introduced, with every sign that it will be extended to teaching performance. Competition has been progressively inculcated into the system, partly for ideological reasons but partly possibly as a substitute for policy vision and imagination, so that market forces might take the system wherever they will.

Seventeen years later I have moved from senior lecturer to senior deputy vice-chancellor at another good university. My eldest daughter is now a law student at Monash, and active in student politics. In March this year I supported an increase in student fees. She was one of many students surrounding the administration building in protest. At one point I watched her in the distance as she pulled her phone out of her pocket and rang me up for a lift home.

There is a message here, other than about how children exploit parents. The changes in Australian higher education have been so profound and confusing that none of us is sure whether we are on the same side: staff and management; students and management; students and staff.

This paper is written from the perspective of an academic who became a dean who became a senior administrator. It has elements of warning and elements of encouragement. Which are which, is an issue for discussion.

## ***A focus on challenges***

The paper focuses on the challenges confronting Australian universities today. I suggest there are 3 sets: of comprehending what is happening; of responding; and of shaping or re-shaping our own futures.

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<sup>2</sup> John Dawkins in The Australian Higher Education Supplement, 24 November 2004.

I will not directly describe the Australian system, because there are other comprehensive papers in this conference from my part of the world, but I hope you will acquire a good introductory sense when I talk about the pressures to which we have been responding.

### ***The title***

I have called the paper "Crossroads or Crisis", partly as a pun, in that the most recent review of the Australian Higher Education System commissioned by our Education Minister, Mr Brendon Nelson, was dubbed the Crossroads Review, and came hard on the heels of a Senate Inquiry, not controlled by the Minister, which asked whether Australian universities are in crisis.<sup>3</sup>

## **2. Comprehending**

A significant set of challenges for all of us in Australian higher education, and I'm sure in other parts of the world, is to obtain a conceptual handle on just what is going on, for long enough to respond and try to influence events.

In the middle part of my research career, legal scholarship was being washed, or perhaps in hindsight only rinsed, by some critical and postmodern strands. These brought to light the simplistic ways we had been viewing social and legal phenomena, whether it was families or contracts or legal reasoning generally. I wrote a piece using the metaphor of a sound-mixing studio, which has numerous slider knobs rather than a small number of on-off switches. Even with the same musical inputs, the sound that comes out of the mixer is determined by where every knob is set on every dial. In most instances, no knob will be at the extreme end of any dial.

Many of us come from broadly similar societies with broadly similar values about higher education, but our systems have sounded somewhat different, and are diverging more, because the dials are being set in new and different places. I will continue with this metaphor for a little while because the challenge of comprehending what is going on is best met by building up a total sound from the various audio inputs.

### ***Public-Private***

From my pre-reading of other papers in this conference, a common distinction is made between public and private universities. The Australian experience suggests that it is too simple now to talk about only one public-private distinction. There are separate dials, with knobs at different points, according to whether the funding source is predominantly public or private, whether the legal form is that of a public body under statute or a private corporation, whether the goals and values favour public or

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<sup>3</sup> One meaning of the word "crisis" is actually a turning point, so the question evaporates, whereas others point to instability, trauma or conflict. But even this invitation to choose a meaning of crisis is a nice introduction to some of the complex and swirling ideas with which we are dealing.

private aspirations, and whether the outcomes lean towards public goods or private interests. There can be some surprising settings of the dials in relation to each other.

### ***State-Market***

So also is it too simple to distinguish clearly between the state and the market, because we now operate in state-steered competitive markets for students and research funding. The “state”, in the form of the federal government, is the largest single purchaser of places in Australia and exerts market power through this. From January 2005, all public universities will operate under a contractual arrangement with the government, called the Commonwealth Funding Agreement, which resembles a buyer and seller agreement.

### ***Regulated-Unregulated***

To distinguish simply between regulated and unregulated ignores the numerous ways in which regulatory influence is exerted through indirect means, such as the terms of the Funding Agreement mentioned above, criteria for performance-based funding, conditions attached to one-off grants for the sector and, in relation to domestic undergraduate students, a maximum ratio we may maintain between government-supported places and full-fee places.<sup>4</sup>

### ***National-International***

In a globalising era, it is not surprising that the distinction between national and international becomes harder to draw. For some Australian universities, however, it is becoming a core issue of identity or personality. Some have nearly 30% of their students coming from overseas. Some, like my own, have substantial operations in other countries. Monash has campuses in Australia, Malaysia and South Africa; centres in Italy and the United Kingdom, and partnership arrangements throughout South East Asia. We recently changed the name of our Offshore Quality Assurance Committee because the very real question arose: where is offshore now? We are in the situation of being incorporated by statute in Victoria, under state governance requirements, whilst operating as a large, multinational organisation.

### ***Elite-Mass***

Finally, the distinction between elite and mass systems is now problematic. University education in Australia certainly was an elite system, which then became more accessible in the 1970s through the abolition of fees, which then acquired more “mass” through the unification with the College sector, but which is arguably becoming less accessible through the introduction of tuition charging. The system is simultaneously massified and elitist.

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<sup>4</sup> Under the Higher Education Support Act 2004, Australian public universities may from 2005 admit full-fee domestic undergraduates provided they do not exceed 35% of the domestic students in that course. This system was introduced in 1996, when the cap was set at 25%. The take-up has not been large, but it is expected to grow substantially.

### **3. Responding**

As the knobs have been moving on the mixer system, Australian universities have been forced to respond to different events and in different ways.

#### ***Being reviewed***

I say this with tongue partly in cheek, but almost every year there is now a major review of the whole or a large part of the Australian Higher Education system. At least some of these have drained universities of resources and management time, whilst producing little visible change. Like the bookshop customer who always gravitates to the self-help shelves in the hope that somewhere in there is the secret of contentment (or at least basic organisation), our governments launch themselves into exercises in the search for palatable paths in a changing world.

#### ***Changing form***

In terms of legal form, there are now 37 formally public and 3 private universities, whereas 17 years ago there were 19 public and none private. Having said this, some public universities have their own, private, controlled entities. For example in South Africa we established our own private higher education institution, Monash South Africa, offering Monash University degrees. In Malaysia we are partners in Monash University Malaysia, which is an accredited international university in that country. In Australia we own a private college with over 1000 students taking diploma level and pathway courses. Two months ago we hosted a special visit from the German Rektors Conference who had singled us out as a baffling institution that they wanted to understand. Are we public and Australian? It is no longer clear.

#### ***Doing more, with less (or more)***

In terms of funding mix, public contributions to university operating revenues have halved in about 20 years: from 90% of revenues in 1981 to 44%. The majority of the remainder comes from student fees; with international student fees soaring in about 15 years, from very little to \$1.8 billion per annum. The decline in the public investment per student has accordingly been very marked. The average funding per student from all sources has, however, risen slightly because of fee income.

I suspect the true situation is that some universities now have more gross revenue per student because of tuition fees but their costs have risen because they need to market and behave in ways which attract fee-paying students. In consequence, the sector-wide student-staff ratio has gone from about 13:1 to 21:1. This is only an average but I doubt that any university's ratio is better now than it was 20 years ago.

#### ***Reconsidering goals and values***

In terms of goals and values I think it is still fair to say that all universities in Australia would espouse the modern, liberal conception of a university to do with the discovery and transmission of knowledge as a public good as well as for private advancement.

The expressed “missions” of Australian universities are now diverging substantially, however, with some much more avowedly vocational than others, seeking to fashion a value proposition very much based in the private gain of the graduate. If, as is quite possible, the qualifying requirement is dropped that an Australian university must undertake research, we can expect an intensification of this along with the arrival of the for-profit institution.<sup>5</sup> One prediction is that if this occurs we will move from 40 universities to 100 in 10 years.

### ***Focusing on outcomes***

In terms of actual outcomes, we lack the equipment to measure the balance between public good and private gain but Australia’s contingent loans scheme (which, from 2005, will cover domestic full-fee as well as subsidised places<sup>6</sup>), is very much premised on the belief that there is a balance. The voice which argues that private markets tend to under-invest in public goods is rather quiet in Australia at present.

From the universities’ point of view, there is increasing emphasis on desired graduate attributes, finding out what employers seek from graduates and gathering data about “employability” for promotional purposes. None of this is necessarily bad, quite the contrary, but the attention is shifting to the value of a university education in the first few years after graduating and away from its life-long virtues.

### ***Moving between state and market***

Australian universities have been learning how to move between state-allocation systems (in the form of government-subsidised places), quasi-markets (in the form of domestic undergraduate full-fee places up to a maximum percentage<sup>7</sup>), almost unregulated markets (for domestic postgraduate students) and slightly regulated markets (for international students<sup>8</sup>). Even in the case of government-subsidised places, from 2005 universities may charge a premium of up to 25% of the scheduled amount, thus potentially opening up competition on price. There is in any event stiff competition for students of the highest quality, for status and positioning reasons, and possibly so as to attract the best teaching staff.

If they own private educational institutions in Australia or overseas, Australian universities have to adopt a commercial mindset, and they are not always sure whether they are really “for-profit” or “non-profit” because they may want to repatriate surpluses to the mother-ship.

I suspect that a barometer of these changes lies in how student recruitment is treated in each university. Some in the past have clearly separated their “prospective students” function, designed to counsel applicants for government-subsidised places,

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<sup>5</sup> There are no “for-profit” universities in Australia, and to a significant extent this is because in 2000 protocols were adopted jointly by the federal and state governments about what constitutes a university. There is currently a research requirement and this has been used to block a number of private university applications. A recent review has recommended retaining this but the federal government is nevertheless expected to try to drop it.

<sup>6</sup> A new scheme called FEE-HELP comes into effect in 2005 as a result of which up to \$50,000 of fees can be repaid through a HECS-like mechanism.

<sup>7</sup> See above for the 35% cap.

<sup>8</sup> The “slightly” comes from provisions in the Educational Services for Overseas Students Act 2000 and visa-related restrictions.

from their “marketing” function, designed to attract full-fee students from overseas or at home. The trend is to combine them because the required mindsets are now converging.

### ***Being international***

The internationalisation of Australian higher education has been astonishing in my 17 years. When I arrived, international students had been coming to Australia for 3 decades, largely on scholarships, as part of an “aid” approach. In 1988 there were about 18,000 international students in Australia. In 2003 there were 210,397, almost all on full-fees, and the sector is dominated by a “trade” approach.

My own university has the largest share of “the market”, with about 8%, which amounts to about 28% of our total student enrolments. If one adds in off-shore campuses, and distance education students being supported at educational establishments overseas, the change has been huge. We start to face issues that multinational companies face with regulatory dissonance, in that our South Africa campus will have an accreditation visit from both the Australian and South African bodies in 2006, and we know that they have slightly conflicting requirements.

In addition, there is clearly a major need to reconsider our curriculum and general orientation to education, to take into account global changes and the new mix of our student body.

### ***Being regulated***

Australian universities are, in principle, self-accrediting, in that they do not need to seek external approval for a course or program.<sup>9</sup> Furthermore, the public rhetoric about university autonomy is quite strong. In practical terms, basic requirements of accountability are mutating into unprecedented levels of regulation, in the form of institutional quality audits, funding agreements and performance criteria. I am not particularly alarmed at the current situation but it undoubtedly requires a capacity to operate according to one’s values within a more regulated environment.

### ***Being commercial***

The most significant commercial impulses for public universities come from the need to recruit full-fee students. In addition, the search is on to commercialise intellectual property and to sell other services. All universities will have a commercial arm or office of one kind or another, and all probably face internal divisions between the optimists and pessimists about how much net gain, when properly costed, commercial activities will produce. If, as I suspect, pressure increases from regulatory authorities to charge a full commercial rate, on the grounds of competitive neutrality with private providers, many consulting services may be shown to be unsustainable: that is, we attract the business because we may not always charge properly for all our overheads.

### ***Being fair***

In a strange way, the move from an elite to a mass system has not always improved equity outcomes. There are more people, and a higher proportion of people, going to institutions called universities than at any time, but the system has also become

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<sup>9</sup> Unless, additionally, they want it to be recognised for particular professional purposes.

stratified in terms of prestige and opportunity. I doubt whether the major universities are any more accessible than they were two decades ago; and in some respects, for example relating to indigenous people, they may have gone backwards. The pressure is certainly mounting on universities who have done well out of change to re-invest in scholarships and access programs, or operate campuses outside the main metropolitan areas.

### ***Managing ourselves***

Increasing “managerialism” is lamented up and down faculty corridors, and with it the decline of the collegium as reflected in the dwindling influence of the Senate or Academic Board.<sup>10</sup> The emergence of a cadre of career senior managers has not altogether been a *coup d’etat* by failed or tired scholars, despite what is sometimes claimed. A fast-changing, semi-regulated, competitive world requires a degree of planning and co-ordination which a static and orderly world did not.

At some point we may turn a corner in this respect and begin to re-establish some of the collegial systems which, for all their frustrations, operated as custodians of core values and brakes against temptation. New issues will, however, keep on arising. Increasingly, universities will rely on well-trained professional administrators, often with post-graduate qualifications, who can take administrative tasks out of the hands of the academic staff and thus free them more for teaching and research. I sense we are in a transition phase in this regard.

### ***Managing risk***

Not only do we manage ourselves, we increasingly manage risks in a conspicuous way. When exposed to the market, one is exposed to its fluctuations, whether caused by an appreciating currency which increases the cost of international student places, tightened visa restrictions, or a change in preferences. The downturn in the IT world will have major effects on some Australian universities, many of whom have relied on full-fee students at undergraduate and postgraduate level. Perceptions of a whole country’s attitudes or standards can change, for example because of the ranting of a racist politician or a poorly managed plagiarism scandal. The search for a place in the sun carries with it the requirement to invest in umbrellas, we are learning from experience.

### ***Renewing ourselves***

Finally, there is an emerging issue of an ageing academic workforce, caused partly by widening wage differentials with the private sector such that it is increasingly difficult to attract and retain the most talented of the young. This has been ameliorated by the recruitment of academics from overseas whose countries have weaker purchasing power parity or worse climates, but this is not a reliable source of regeneration by itself. A major challenge for the higher education sector is to show that an academic career is a rewarding one, and actually live up to the promise.

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<sup>10</sup> By which I mean the supreme academic body in a university, as distinct from the governing body or Council.

## 4. Re-shaping

To talk about responding to pressures is to strike a negative or reactive note. On the positive side, there are opportunities for Australian universities to re-shape themselves and the systems in which they operate. We are beginning to see some amazing things in our sector. We see 20 year vision statements, aspirations to diversify across several continents and the formation of consortia which, if they succeed, will enable their members to do far more than they could do individually. We see academics surprise themselves with their boldness. My university has a centre in Florence, established by an eminent renaissance historian who it turns out has the same strategic acumen as the Medicis whom he studies.

I would not be surprised if a major Australian public university reaches the point where the proportion of its revenues coming from public sources becomes so small, whilst its regulatory burden across two levels of government becomes so substantial, that it will try to become a private university for the very purpose of protecting its public values and commitment. It may even negotiate a dowry from the government as part of its release. We shall see.

## 5. Crossroads or crisis?

Which takes me to my initial question: crossroads or crisis? My basic answer is that as a sector we are certainly at a crossroads in Australia, and it is one where the road we have come from is now closed off. The re-election of the current federal government in October 2004 has led to the opposition abandoning its commitment to winding back the clock.

It is also a crisis for us individually, however, because those who take the wrong fork will go into decline or worse, whilst for those who take the right one there are opportunities to advance teaching and research which we have not imagined before.

### ***For the university***

Each university is at its own crossroads. If it gets it right, builds on its distinct competitive advantage, sets a tone and standards that attract good scholars and students, makes good strategic and tactical decisions, it can thrive. In the recent Times Higher Education Supplement rankings, 6 Australian universities were ranked in the top 50 in the world (probably a flattering and unsustainable result, I should say), but these and some others could consolidate their position if they get it right. Equally, a university which makes wrong choices could now spiral downwards and occupy a position in a more crowded sector which it regrets.

### ***For the scholar***

Each scholar makes her or his own decisions about the university that can offer conditions for personal and career growth. I expect more to shape their career tactically so that they increase their chances of moving to a university which offers better conditions and status. Poor decisions could lock them into a university in decline.

### ***For the student***

Each student makes decisions not only about the quality of the education they will receive but also about the future valuation of the brand behind the degree certificate. Will that university be on the list from which global employers will recruit graduates, or will a degree from it effectively lock the graduate out of certain employment markets? Will that university offer an alumni network which provides continuing opportunities in the countries where he or she is likely to live?

### ***For local communities***

Each local community and government needs to juggle with the competing demands for its resources, knowing that a successful university or branch campus in its midst is an economic driver in a knowledge economy but not necessarily a vote-winner.

### ***For governments***

Each government in a developed country, faced with growing outsourcing of manufacturing and some services to developing countries, needs to think how it can sustain a knowledge economy where there is a premium on skilled graduates and a capacity to innovate. It probably does so in the context of an ageing population, where it is not clear who is to pay for the healthcare and support of its baby-boomers, and an electorate which is opposed to immigration. The trick will be to invest sufficiently in universities whilst quietly dropping immigration controls. Universities can be a vehicle for this, with many applications from overseas students already motivated by immigration possibilities.

## **6. Final thoughts**

Looking ahead, it seems inevitable that some universities will make good choices, build the right relationships, have their share of luck, thrive and move ahead. Others will go into reverse. Australia will have an increasingly stratified system, either through formal segmentation or at least functional differentiation.

I started this paper with a wistful comment about a brief period of good old days in 1988. I think for some the good times will return, but the trick is not to be a university which regards 2004 as the good old days, because that suggests a very much worse future for them.



Prepared by: Stephen Parker

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**Professor Stephen Parker**  
**Senior Deputy Vice-Chancellor**  
**Monash University**

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