



REGIONAL UNIVERSITIES NETWORK (RUN)

Submission to the Senate Economics References Committee Inquiry into the indicators of, and impact of, regional inequality in Australia

Introductory Comments

Regional Australia experiences various types of inequality. There is a disparity in outcomes between many of our regions and major cities in terms of educational attainment, personal income, productivity, health, community resilience etc.

Place is important to the six, regionally headquartered universities of the Regional Universities Network (RUN), CQUniversity, Federation University Australia, Southern Cross University, University of New England, University of Southern Queensland, University of the Sunshine Coast.

As anchor institutions for their regions, that is, not-for-profit institutions that, once established, tend to stay in an area, regional universities are major contributors to the social, economic and cultural development of their communities. They play a major role in, and have a civic duty to, address regional inequality, provide regional opportunities, and drive the linked elements of regional development, employment, productivity, social engagement, and wellbeing. They contribute to:

- human and intellectual capital;
- research and innovation;
- global connectivity;
- regional solutions; and
- exporting regional expertise.

The Australian economy is moving from a heavy reliance on mining and manufacturing to a new era in which skills, knowledge and ideas will become our most precious commodities. By improving opportunities for people to access higher education, RUN universities help unlock the full human and innovative potential of regional Australia for the national good. The jobs and industries of the future will need highly skilled university graduates who can connect regional Australia with the global, innovative economy. We need to generate new jobs and industries through innovation to make regional economies more diversified and resilient. Through university study and research,

students become more highly skilled, and are better prepared to be creative, entrepreneurial and flexible to meet future job challenges.

Regional universities

- have strong engagement with regional stakeholders, including local government, regional development agencies, industry, other education, including vocational education and training/further education providers, health providers etc. These links help deliver graduates with relevant skills for local employers, and keep graduates working in the regions, with the resultant benefits for wages, productivity and local economies
- provide regional leadership through the roles they play on regional boards and committees
- deliver higher education to communities where university attainment is commonly below the national average
- are relatively affordable for students, and offer the only option for university study for many, and
- are major employers and attractors of talent in regional communities.

Regional universities are, relatively, more dependent on government funding than larger, older universities, but are extremely important in a political, economic and social sense to regions and the nation. Regional universities do not experience the agglomeration effect that exists in the capital cities and serves to benefit the metropolitan universities.

The role could be enhanced with greater place-based policy and programs, fine-tuned to the needs of particular regions.

The Regional Universities Network (RUN)

A recent study by Nous Pty Ltd and the Centre for Policy Studies¹ found that RUN universities spend \$1.59 billion and students spend \$480 million in campus regions. RUN universities deliver an additional \$1.7 billion to real GDP in their regional economies, through growing the skilled workforce in the regions and increasing wages; driving demand through increases in private and government consumption and international and interstate exports; and contributing to industry through research and knowledge capital.

RUN universities teach around 115,000 students or around 9 per cent of enrolments at Australian public universities.² They educate 23 per cent of Australia's domestic, regional and remote students at the undergraduate level, 16 per cent of its low socio-economic status (SES) students and 17 per cent of its Indigenous students. Many students will identify with two or more of these (and other) equity indicators. Our universities also enrol 28 per cent of external students and 33 per cent of domestic students in enabling courses. Many students are first in family to attend university.

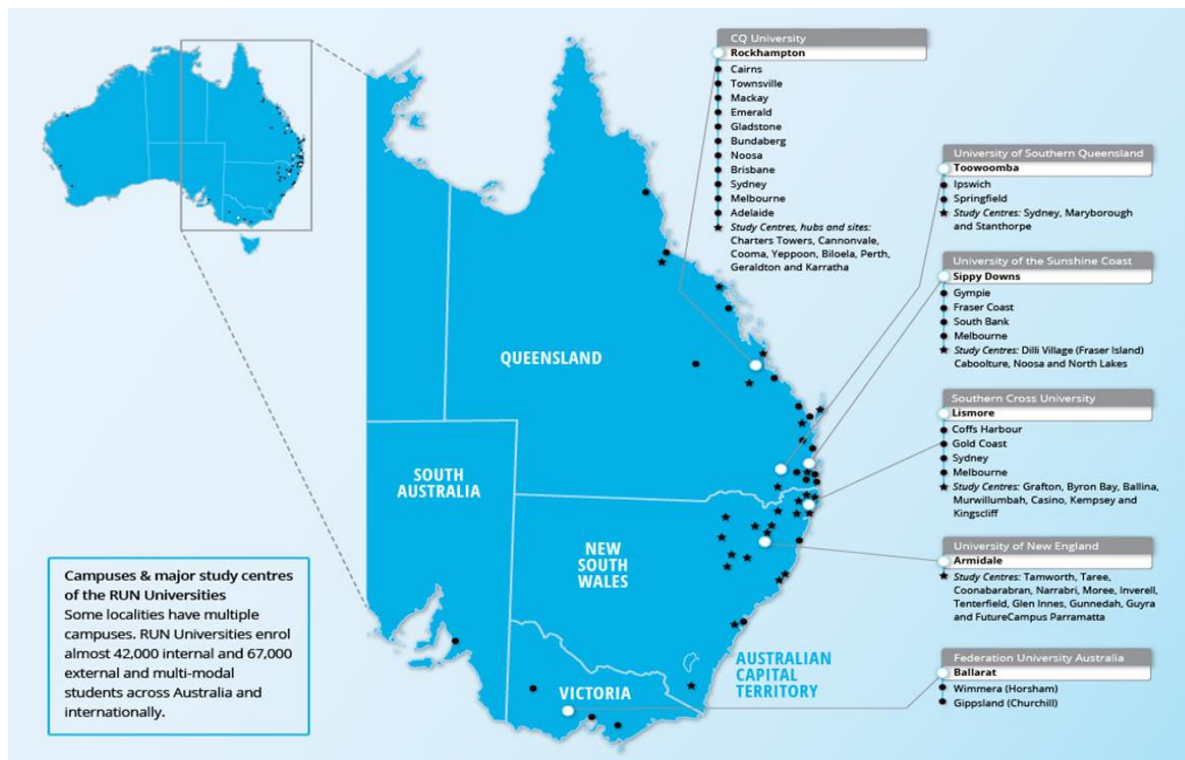
RUN universities have strong connections with their communities and other educational providers including schools and vocational education and training. Two RUN universities are dual sector institutions delivering vocational education and training programs to around 17,000 students in addition to higher education programs. Three RUN universities host, or plan to host or share campuses with university colleges which deliver a range of secondary and post-secondary programs.

¹ Regional Universities Network, 2018, *The Economic Impact of the Regional Universities Network* Available from http://www.run.edu.au/cb_pages/publications.php

² Department of Education and Training data, 2015.

RUN universities are also major providers of enabling courses which provide to pathways to undergraduate studies.

Figure 1- the location of RUN campuses and major study centres in regional Australia³:



Comments against the Inquiry's Terms of Reference

TOR: Experiences of individuals and localities of unequal access to opportunities and unequal outcomes in non-metropolitan areas

There is significant inequality in educational attainment between the regional Australia and major cities. Regional Australia is a generation behind in educational attainment compared to major cities, and it may well take a generation or more to address this inequality.

Since 2000, higher education enrolments have effectively doubled, extending higher education participation to many students who would not have considered university study as a realistic proposition in previous decades. This has opened up professional job opportunities for many. The growth has been driven, in part, by the introduction of the demand driven student system for university places in 2012, whereby universities enrolled as many qualified students as they wished in most courses, by programs such as the Higher Education Participation and Partnerships Program (HEPPP), designed to increase and support the participation in higher education of students from

³ RUN 2016, Clever Regions, Clever Australia. Available at http://www.run.edu.au/resources/RUN_PolicyAdvice%20booklet%20final.pdf (updated version).

low SES backgrounds and other equity groups at university, and by broader developments within Australia and internationally.

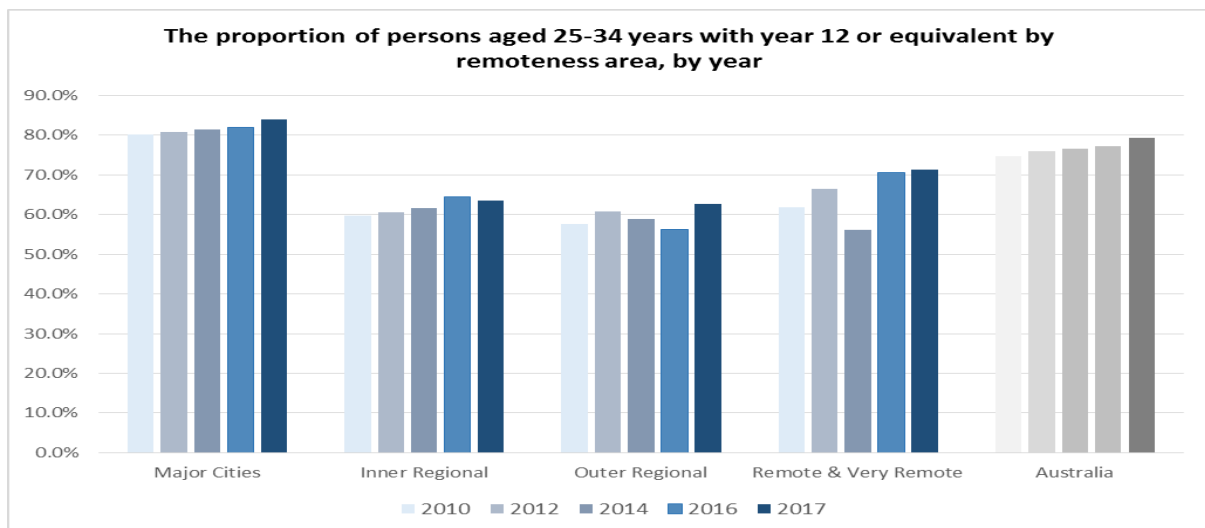
In the 2017 MYEFO, the Commonwealth Government announced a freeze on Commonwealth Grant Scheme (CGS) funding which will negatively impact the growth of university enrolments in regional Australia.

Although the numbers of students studying at university in the regions has grown significantly, the numbers in the cities have also grown, and the relative proportions have not significantly changed.

Figures 2 and 3 show the proportion of persons 25-34 years with Year 12 or equivalent by remoteness, and bachelors' degree and above by remoteness, respectively (data for remote and very remote is based on small numbers, and may fluctuate accordingly).

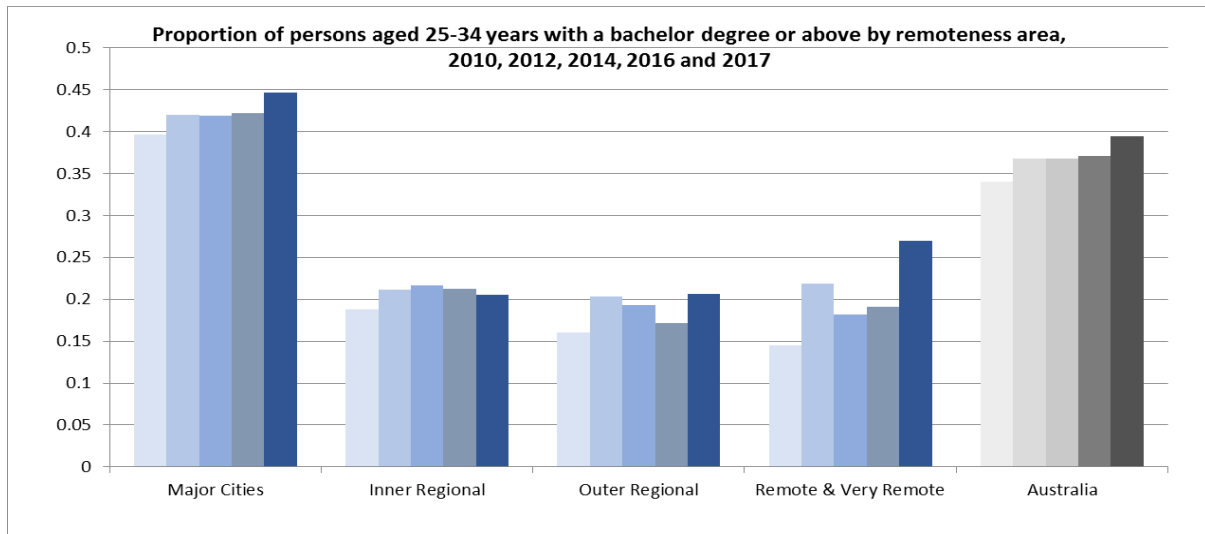
Regional areas still significantly lag in both Year 12 attainment and bachelors' attainment – with respect to Year 12, the attainment in the regions ranges from 60-70 per cent, compared to around 80 per cent in the regions, and bachelors' attainment is around 20-25 per cent compared to about 45 per cent in major cities in 2017.

Figure 2 - The proportion of persons aged 25-34 years with year 12 or equivalent by remoteness area, by year (Australian Bureau of Statistics data)⁴:



⁴ RUN 2016, Clever Regions, Clever Australia. Available at http://www.run.edu.au/resources/RUN_PolicyAdvice%20booklet%20final.pdf (updated).

Figure 3 - The proportion of persons aged 25-34 years with a bachelor degree or above by remoteness area by year (Australian Bureau of Statistics data)⁵:



TOR: Views on the causes of inequality between regions, especially between capital cities and other areas

Poorer higher educational attainment rates in regional Australia are linked to lower participation and completion rates.

There has been extensive research undertaken in recent years to examine the reasons for disparities. One such study explored the completion rates of equity students at RUN universities⁶. It found that the differences between metropolitan and regional universities are attributable to structural, financial, geographical (e.g. time and cost of distance travel, reliability and cost of access to IT) and employment-related factors that inhibit participation by regional students and which contribute to attrition and delays in apparent completion rates. Higher rates of participation by mature-aged students mean that family and work commitments may play a large role in an individual's capacity to complete.

Many people in the regions do not know many university graduates, and may not have exposure to a wide range of professional careers. Raising aspirations to university study - and giving confidence to prospective students and their families that these aspirations can actually be realised - is key.

⁵ RUN 2016, *Clever Regions, Clever Australia*. Available at http://www.run.edu.au/resources/RUN_PolicyAdvice%20booklet%20final.pdf (updated).

⁶ Nelson, K et al, 2017, *Understanding the completion patterns of equity students in regional universities* <https://www.ncsehe.edu.au/publications/completion-patterns-of-equity-students-in-regional-universities/>

Recent research⁷ has shown that regional, equity and non-traditional students require and want high levels of face-to-face teaching which will help overcome barriers. This implies higher contact levels (and possibly smaller classes) and therefore different funding models for these cohorts and/or their institutions are required to reduce inequalities more quickly.

Enabling courses are important bridges between school and university for less well prepared students. More enabling load is needed in the regions to build the capacity of students to undertake a university qualification and to progress into further studies to further increase the regional wage premium.

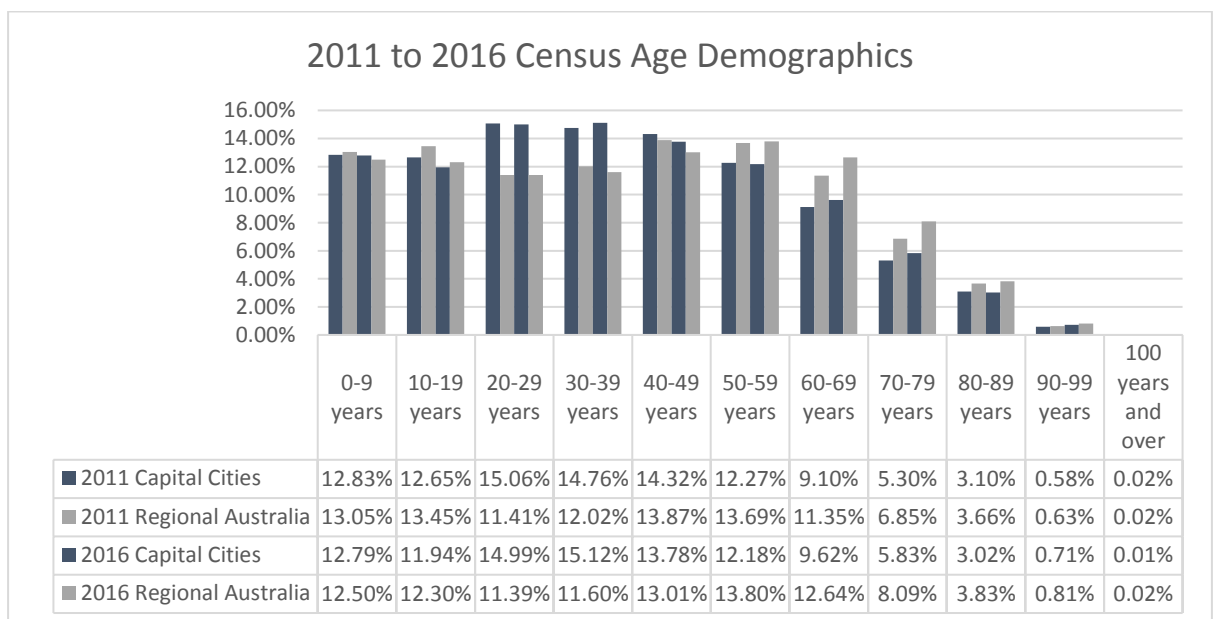


Figure 4: Age Characteristics by Place of Usual Residence 2011 and 2016⁸

TOR: Examples of solutions: what has caused some regions or towns to prosper?

Increasingly, there will be the need for more highly skilled workers who are university graduates as automation take over more low skilled jobs. Within two decades, more than 40 per cent of Australian jobs that exist today may disappear as technology reshapes entire industries, professions and work practices.⁹ Regional Australia will be the worst affected part of the nation, due to the high proportion of low skilled jobs, the lack of truly diversified or balanced economies, and the vulnerability to market fluctuations. The regions need more

⁷ Burke, P J et al. 2017, It's About Time: Working Towards more equitable understandings of the impact of time for students in higher education <https://www.ncsehe.edu.au/publications/its-about-time-working-towards-more-equitable-understandings-of-the-impact-of-time-for-students-in-higher-education>

⁸ ABS Census Data 2016 (Age).

⁹ Durrant-Whyte, H, McCalman, I, O'Callaghan, S, Reid, A, & Steinberg, D, 2015, "The impact of computerisation and automation on future employment", in Committee for Economic Development of Australia, Australia's Future Workforce?, CEDA, Melbourne, p.58.

highly skilled, university-trained professionals to drive the innovative industries of the future.

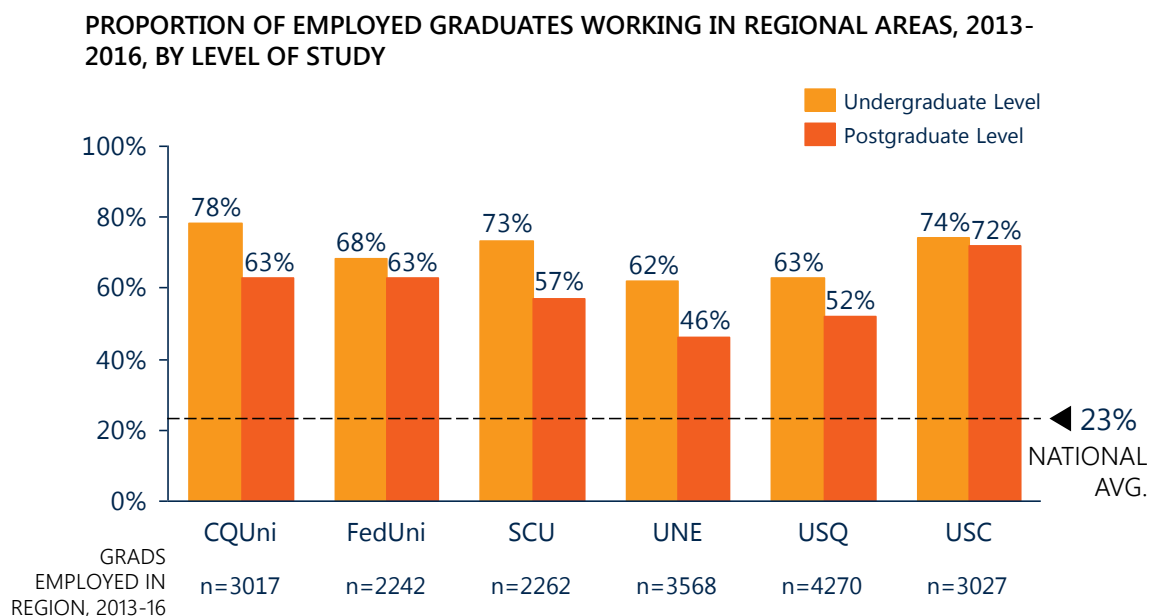
Figure 4 shows that people aged 20-39 are leaving the regions, and more priority should be put on encouraging them to stay in regional Australia.

It is therefore vital that increased Year 12 completion and university participation continues to be a priority in regional Australia, and that regional universities are adequately supported in the task of supporting the success of regional students in their studies in order to keep young adults in the regions.

A region/regional town with a university campus has a major advantage in terms of jobs, skills, wage premia, and productivity.

A study recently completed by the Nous Group and the Centre for Policy Studies for RUN indicates the significant impact of regional universities on regional employment¹⁰. The study found that 7 out of 10 RUN graduates will go on to work in the regions compared to 2 out of 10 of other Australian graduates (Fig. 5). This demonstrates the significant role regional universities play in supplying skilled employees to regional Australia, hence boosting the economic, social and cultural capital of the regions.

Figure 5 Proportion of employed graduates working in regional areas, 2013-2016, by level of study.
Source of data: Graduate Outcome Survey¹¹:

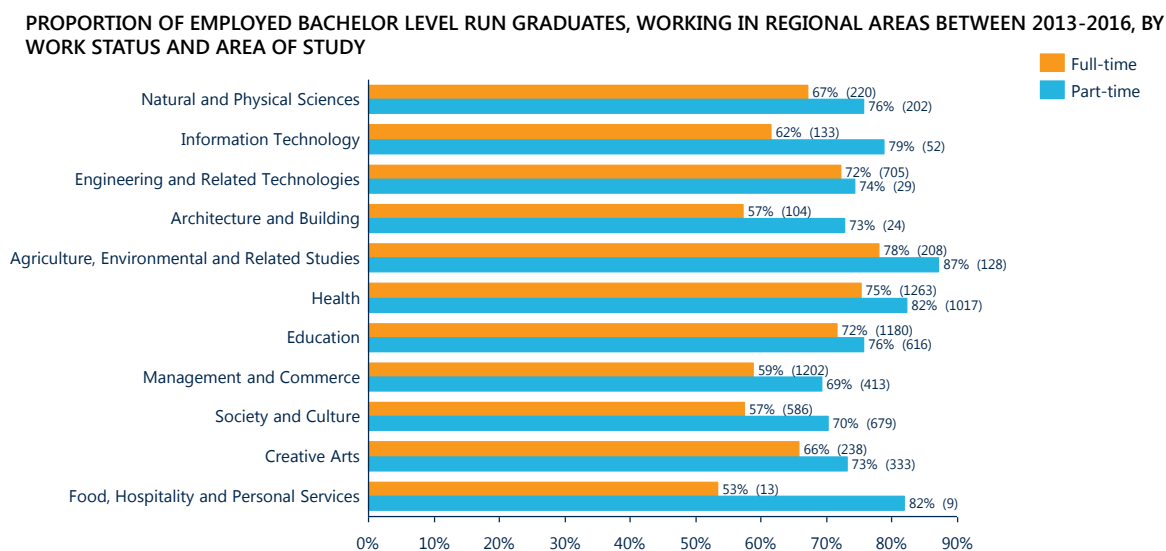


¹⁰ Nous and Centre for Policy Studies report for RUN, 2018, Jobs and Productivity Effects of the Regional Universities Network, http://www.run.edu.au/cb_pages/publications.php

¹¹ Nous and Centre for Policy Studies report for RUN, 2018, Jobs and Productivity Effects of the Regional Universities Network, http://www.run.edu.au/cb_pages/publications.php

Importantly, graduates trained in the wide range of courses offered by RUN universities work across a broad range of sectors in the regions. Accordingly, the impact of RUN member universities on labour productivity occurs across a range of industries (Fig. 6).

Figure 6. Proportion (percentage and number) of Employed, Bachelor Level RUN Graduates, working in regional areas between 2013-2016 by work status and area of study¹²..:



RUN member universities increase the average skill level of employees in their campus regions. This occurs in two ways: RUN member universities:

- equip students with new skills and knowledge. Approximately 70 per cent of students go on to work in regional areas, and
- employ highly skilled staff.

By increasing employees skill levels, RUN universities make employees in regional Australia more productive. This productivity gain can be measured by modelling average real wage levels in RUN member university campus regions: the more skilled (and therefore more productivity) an individual, the higher their wages will be.

In general terms, university graduate wages are higher than real wages. Figure 7 shows the annual wage premia by study level that all university graduates can expect to receive as a result of tertiary education. e.g. students who complete a bachelor level degree could expect to earn 32 per cent more than the average wage. The range of wage premia varies from 13 per cent for studying at the diploma level, to 41 per cent for completing a masters program or PhD:

¹² Nous and Centre for Policy Studies report for RUN, 2018, Jobs and Productivity Effects of the Regional Universities Network, http://www.run.edu.au/cb_pages/publications.php

ANNUAL WAGE PREMIA BY STUDY LEVEL

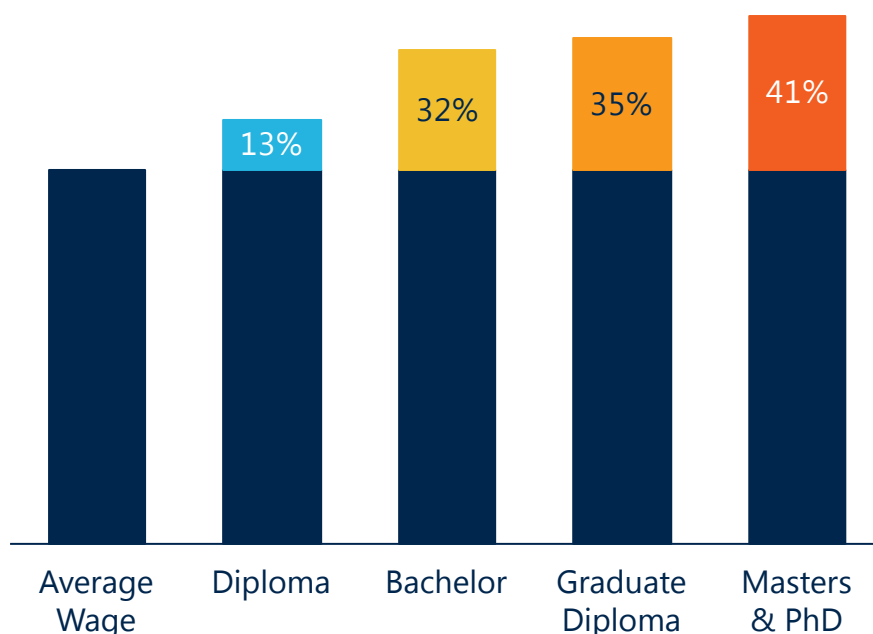


Figure 7 Annual Wage Premia by study level in RUN university campus regions¹³.

Increasing skills levels of employees in regional areas has important socio-economic benefits for regional Australia. Namely, it helps to:

- Overcome skills shortages in critical sectors such as Health to ensure regional populations can access important services
- Protect regional areas from structural adjustment as the economy increasingly shifts away from primary and secondary production to tertiary industries, and
- Encourage population growth by increasing the diversity of jobs available in regional areas.

Regional universities also have a fundamental role to play in innovation.

Australia must have a responsive innovation system characterised by: a highly educated and adaptable workforce; institutions and firms that can generate and exploit knowledge; strong networks that connect individuals, groups and organisations; and the economic and business conditions, and the policy settings that encourage investment and innovation. Public policy and the Government's overall approach to innovation should be focussed on strengthening these key components within Australia, including in regional Australia.

Universities' education and research functions make them central components of the innovation system. They produce the graduates and postgraduates required to support high skill, knowledge-based jobs and industries, and generate much of the nation's world class research. Universities Australia has estimated that Australia's graduates are worth \$188 billion to the Australian economy annually and that a third of jobs will require a university degree in the coming years.

¹³ Nous and Centre for Policy Studies report for RUN, 2018, Jobs and Productivity Effects of the Regional Universities Network, http://www.run.edu.au/cb_pages/publications.php

Universities' contributions to innovation are diverse and complex. They play an important role in promoting competitiveness. A tool developed by the RAI called InSight, which is modelled on the World Economic Forum's Global Competitiveness Report, tracks the competitiveness of Australia's 560 Local Government Areas (LGAs). It takes account of each area's performance against ten themes (such as infrastructure and essential services, economic fundamentals, human capital, innovation, and market size) and 59 indicators. As might be expected, the LGAs that host the major campuses of RUN universities perform relatively well, particularly in relation to access to tertiary education, innovation and human capital. Innovation precincts are places where researchers and businesses co-locate for cross-fertilisation and mutual benefit. Regional universities house innovation precincts, such as USC's Innovation Centre, which has become a focal point for business innovation on the Sunshine Coast. It has supported the start-up and growth of over 100 knowledge economy businesses since its establishment in 2002. With a \$2.2 billion world-class health and medical precinct now under construction in the region, the Centre is working with regional partners to leverage the benefits of this significant new regional asset to attract and assist innovative health, science and technology related start-ups and high growth companies.

Federation University's Technology Park was established in 1995 in partnership with the City of Ballarat and the Victorian State Government. The Centre caters to large-scale organisations such as IBM (which employs 740 staff at the Centre with plans for further growth), early stage technology focused businesses and innovative technology SMEs. The Technology Park's role in attracting enterprises to Ballarat, stimulating business start-up and growth, creating jobs and retaining young people in the region, has led to the Park's strong ongoing support from key regional bodies.

TOR: Policy settings which could help address inequality between regions.

National Regional Higher Education Strategy

It is in the national interest to facilitate the role of our institutions in driving regional development – inequality in the regions suppresses productivity at both the regional and national level.

The impact of our universities can be greatly enhanced by the nuancing of policy and programs to respond to place-based needs.

Short term policy does not address long-term inequality.

Policy that negatively impacts on our institutions has a negative flow on to our communities.

The relative dependence of regional universities on government funding makes our institutions vulnerable to negative impacts in one-size-fits all policy, such as across-the-board funding freezes or efficiency dividends.

The Commonwealth Grant Scheme (CGS) funding is used by regional universities to support not only a wide range of teaching, learning and research functions, but also contributes to the many ways our universities provide for our students and their communities. Universities do not receive separate funding for regional development, so they experience added pressure on their CGS funding compared with metropolitan universities (e.g. giving assistance to communities after floods). Regional universities are, proportionally, more reliant on government funding for teaching and learning (around 40 per cent for RUN members), than older, metropolitan universities (e.g. less than 20 per cent for the Group of Eight). This is, in part, due to lower numbers of international students at our universities compared to large, metropolitan institutions. The impact of the freeze on the CGS

funding announced in the 2017 MYEFO will, disproportionately, negatively impact regional universities and our students and communities.

In late 2017, in recognition of the need for a place-based approach to regional higher education, RUN released a National Regional Higher Education Strategy Framework¹⁴ (see Attachment A).

A National Regional Higher Education Strategy would put regional university campuses at the centre of integrated policy and programs across education, research, innovation, employment and regional development to enhance the economic, social and cultural development of regional Australia.

The National Regional Higher Education Strategy would:

- take a “place-based” approach, where appropriate, to existing tertiary and secondary education, research, innovation, and employment policies and programs to enhance and tailor their delivery to better suit the needs of regional Australia;
- support integrated plans, agreed by key stakeholders, for the development of specific regions through initiatives such as City Deals or Growth Deals including, where appropriate, new funding for infrastructure and related initiatives; and
- ensure that relevant policy and programs across portfolios and governments work together in a joined-up, and complementary, manner.

The already significant contribution of regional universities to their regions would be further enhanced through a strategy which better harnesses the capacity of regional universities to be facilitators of economic and social regeneration. This is happening internationally, with universities playing a major role in many of the UK’s City Deals and Europe’s Smart Specialisation strategies. The model has been adopted in Tasmania, with the University of Tasmania now playing a leading role in the state’s development, including via the Launceston City Deal. In another Australian example, two universities, James Cook University and CQUniversity, are major partners in the Townsville City Deal.

When packaged in the context of regional development, innovation is seen as a positive force for jobs and growth and not the source of disruption and job loss. The development of university innovation precincts, currently being considered by the Commonwealth Government, is ideally suited to be part of City Deals.

Other Commonwealth place-based policies, such as the Regional Growth Fund, announced in the 2017 Budget, and the university innovation precincts agenda, also offer opportunities for potential involvement by universities.

¹⁴ RUN, 2017, National Regional Higher Education Strategy Framework, <http://www.run.edu.au/resources/National%20Regional%20Higher%20Education%20Strategy%20Framework.pdf>

Attachment A

National Regional Higher Education Strategy Framework Regional Universities Network

The following document is a framework for a National Regional Higher Education Strategy. Detailed policies and programs sit within the framework, and will evolve over time.

Introduction

A National Regional Higher Education Strategy will put regional university campuses at the centre of integrated policy and programs across education, research, innovation, employment and regional development to enhance the economic, social and cultural development of regional Australia.

As anchor institutions for their regions, regional universities contribute to:

- human and intellectual capital;
- research and innovation;
- global connectivity;
- regional solutions; and
- exporting regional expertise.

The already significant contribution will be further enhanced through a strategy which better harnesses the capacity of regional universities to be facilitators of economic and social regeneration. This is happening internationally, with universities playing a major role in many of the UK's City Deals and Europe's Smart Specialisation strategies. The model has been adopted in Tasmania, with the University of Tasmania now playing a leading role in the state's development, including via the Launceston City Deal. In another Australian example, two universities, James Cook University and CQUniversity, are major partners in the Townsville City Deal.

Regional universities make a major contribution to their regions through:

- being major employers across a wide range of occupations, purchasers of local goods and services, and contributors to cultural life and the built environment of towns and cities. Investment in regional university campus infrastructure to support the core business of teaching and research directly helps regions. Higher education is a major "value add" industry in regional Australia;
- developing human capital and skills through their graduates, and attracting talented employees to regions. About three-quarters of those graduates who study in the regions stay in the regions to work, boosting regional economies;
- contributing to research and innovation;

- their missions to ‘give back’ to the communities in which they operate, including facilitating the social, cultural and community development of the regions through widening participation, including of Aboriginal and Torres Strait Islander people, contributing to health, arts, culture and sport, and through international links, including via staff and students; and
- engagement of staff and students in local and civil society, and by contributing to regional governance and planning.

The National Regional Higher Education Strategy is relevant to other current or recently proposed strategies/approaches/reviews/inquiries including:

- Professor John Halsey’s Independent Review into Regional, Rural and Remote Education, which reported to the Minister for Education and Training in early 2018;
- the House of Representatives Select Committee’s Inquiry on Regional Development and Decentralisation;
- Cathy McGowan MP’s Private Members Bill on a National Regional Higher Education Strategy, to be introduced into the House of Representatives on 26 March 2018;
- Professor Glyn Davis’ proposal, contained in his speech to the Australian Financial Review’s Higher Education Summit on 30 August, 2017, *Postgraduate Education and the Risks of Uniformity*, to allow universities in communities not yet at a 40 per cent participation rate to continue to retain the demand driven student system, and be empowered to configure their student load in ways that best serve their communities; and
- Innovation and Science Australia’s 2030 Strategy.

The National Regional Higher Education Strategy

The National Regional Higher Education Strategy would:

- take a “place-based” approach, where appropriate, to existing tertiary and secondary education, research, innovation, and employment policies and programs to enhance and tailor their delivery to better suit the needs of regional Australia;
- support integrated plans, agreed by key stakeholders, for the development of specific regions through initiatives such as City Deals or Growth Deals including, where appropriate, new funding for infrastructure and related initiatives; and
- ensure that relevant policy and programs across portfolios and governments work together in a joined-up, and complementary, manner.

In summary, the National Regional Higher Education Strategy would include the following elements:

(a) Strategies to support the provision of higher education in regional areas, including

- retaining Commonwealth Grant Scheme funding for regional campuses with no efficiency dividend;

- retaining the demand driven student system with flexibility for regional universities to mix their load from diploma and associate degree to post-graduate coursework places as required; and
- increasing funding for the regional loading and reviewing the current arrangements to provide greater funding certainty for campuses outside capital cities which largely serve regional Australians.

(b) Strategies to increase the representation of regional students in higher education, including

- legislating the Higher Education Partnership and Participation Program (HEPPP) at levels at least equivalent to those proposed in the 2017 Budget. This would ensure the continuation of outreach activities to schools in regional areas, the provision of scholarships, and initiatives to help retain higher education students;
- additional funding incentives for regional university pre-service teachers to be placed in rural and remote schools; and
- implementing initiatives for regional schools that may arise from Professor Halsey's Independent Review into Regional, Rural and Remote Education.

(c) Strategies to address the sustainability of rural communities and the declining population of young people in regional centres, including

- encouraging regional university campuses to keep a larger proportion of young graduates in the regions – about three-quarters of people who train in the regions stay in the regions to work. Universities would be embedded in specific, place-based policies for regional growth, including city and regional growth deals etc.; and
- helping regions to 'grow their own' workforce in professions that have difficulty in attracting employees from metropolitan areas by supporting the growth of funded enabling programs.

(d) Strategies to provide greater support for those transitioning between secondary and higher education, including support to stay in a regional area, including providing

- more and better scholarships for regional students who study at regional campuses, to cover the costs of education, accommodation and living expenses; and
- additional funding for VET in Schools programs, which engage senior students in their learning while providing them with articulation opportunities into tertiary education.

(e) Strategies to ensure there is recognition of the workforce and economic development requirements of the community in developing higher education policy, including

- encouraging the development of qualifications that are relevant to local employment needs or emerging areas of need, including those identified in any overarching strategy for regional development. This would apply to qualifications at all levels, that is sub-degrees, degrees, post-graduate qualifications and micro-credentials; and

- supporting social innovation programs to connect universities, school students and community partners.

(f) Strategies to support the role of regionally based higher education providers in creating diverse and resilient regional economies, taking into consideration other relevant policies and programs, including

- embedding universities at the core of City or Growth Deals or other integrated strategies, developed by key regional stakeholders, to address areas of natural strength or emerging need. Universities would be eligible for funding under other regional development programs;
- playing a major role in social innovation and tackling some of the big, intractable social challenges faced in communities, such as homelessness, loneliness in the elderly and youth unemployment;
- providing facilities for community organisations to operate that otherwise would not be able to afford to function;
- undertaking research which is focused on the needs of regional communities which otherwise would not be done by metropolitan universities; and
- bringing researchers to regional communities.