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### Reforming Australian Higher Education: From Crisis to Excellence?

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#### **Abstract :**

*Reforms in Australian higher education in the 1980s and 1990s have led to declining levels of real government funding to universities, particularly in the late 1990s, requiring universities to develop alternative revenue sources. In 2001, the Senate released a report "Universities in Crisis" which found government funding to be inadequate. Despite the consistent denials by the Australian Government, this was perceived by many others as a sector in crisis.*

*The Australian Government responded to claims of deteriorating standards with the "Crossroads" Ministerial papers and has reasserted its aim of achieving 'world class' universities in Australia.*

*Are the recent responses of the Government likely to enhance excellence in higher education? What does 'excellent' mean to various higher education stakeholders and how do they perceive the current response of Australia's higher education system to these challenges? These issues will be analysed in the context of the Government's reforms as detailed in the "Crossroads" papers. The authors conclude that the Australian Government's decisions in relation to the levels and sources of funding for Australia's universities will have future implications for the nation's social capital.*

#### Australian Higher Education in Crisis

The various Public Sectors in Australia were transformed during the 1980s with the introduction of economically rationalist ideologies, intended to 'do more with less' government funding (Marginson and Considine 2001). These New Public Management policies were pursued by both the Coalition and Labor Governments under the belief that the State had to act like a market player, maximizing returns from market forces in an international setting (Welch 1996, 5). The Dawkins reforms of 1989 set in train the creation of a quasi-market system of higher education with competition amongst universities for students, industry and public funding (Marginson 1997).

These changes were mirrored in other countries such as Canada, the US, UK and New Zealand (Slaughter and Leslie 1997). However in Australia, their introduction and the associated drop in fiscal support from government was relatively quicker (Marginson and Considine 2001, 28). In 1983, 90% of university funding came from government; in 1999, it was less than 50% (Manne 2002). It has been alleged that since the election of the Howard Coalition Government in 1996, over \$3 billion has been taken out of the system (Carr 2002b), based on cuts to the Forward Estimates (Carr 2002b, 11). Domestic student fees have increased by 85%, making up one third of universities' income (Contractor 2003a), among the highest in the developed world (Productivity Commission 2003).

As demands on universities outran their capacity to respond (Clark 1998, 6), universities adopted more corporate approaches to university governance (Marginson and Considine 2001). Across the sector institutions cut their costs and doubled the number of fee-paying undergraduate and postgraduate students (Anonymous 2003). These shortages have led to a rise in student-staff ratios across the sector from an average of 13 in 1991 to 19 in 2001 (Anderson *et al.* 2002, 3). In some disciplines the ratio was far higher. For example, the ratio in Business faculties in 2000 was 39 (Cecez-Kecmanovic *et al.* 2002, x). These levels are levels higher than the US and Canada (Productivity Commission 2003). Some academics have claimed that these changes have led to a lowering of academic standards, overflowing lecture halls, deteriorating physical infrastructure, overworked staff (Anonymous 2003), low morale and a reduction in the quality of supervision to PhD students (Harman 2002b). A recent survey of 2000 academics across 12 representative universities (Anderson *et al.* 2002, 45-46) found that:

- One in two academics thought the intellectual quality of incoming students had declined, and this was a change for the worse;
- 40 per cent thought that the giving of high grades had increased;
- Over half claimed the academic standards for graduation have decreased and many reported pressures against failing too many students; and
- Half thought quality assurance procedures had increased but 40% thought it a change for the worse

These perceptions, if valid, hardly appear to be criteria associated with “excellent” institutions. Far from being able to rebut these claims, universities were unable to back up their assertions with statistics that universities actually have high standards. This is despite the achievement and maintenance of intellectual standards being a central concern for universities (Cervini 2003, Anderson *et al.* 2002, 46).

Responding to persistent claims that Australian universities were in financial crisis, the Senate Employment Workplace Relations Small Business and Education References Committee (2001) investigated these assertions, taking submissions from over 300 respondents. The Committee concluded that “government funding are inadequate to sustain the quality and diversity of core teaching and research functions”. It recommended that Commonwealth funding be increased to the sector. Despite the perception of crisis alleged in the report and held by many other stakeholders, the Australian Government denied that such a crisis existed (Koutsoukis 2002).

### The ‘Crossroads’ Reforms and the Pursuit of Excellence

Following the appointment of Dr Brendan Nelson to the Education, Science and Training portfolio, a review into the state of Australian’s higher education sector was promptly announced in 2002. This review began in April of that year with the first of a series of seven ministerial discussion papers aimed at generating public debate, aptly titled ‘Higher Education at the Crossroads’ (Nelson 2002a). It has been argued that the drafting of these papers was “deliberately provocative in order to provoke discussion” in the sector (Harman 2002c). Of the submissions received by the Minister, the overwhelming number commented on the importance of financing arrangements in assuring the future of Australian higher education (Nelson 2002b, xi). This issue of funding is clearly the most important issue for both the Minister (2002b) and the wider public (Harman 2002a), and will therefore be the central focus in this paper.

Before the review process began, the Minister ruled out any increases in university funding (Marginson 2002, Myton 2002) and even contemplated cutting costs further (Moodie 2002). Since the review process began however, some have speculated that a modest increase may be awarded, designed to be a pleasant surprise.

*Nelson and Howard are now in a bind. They acknowledge the grave and precarious financial situation that many, if not most, universities face. To ignore the findings of last year's Senate committee report 'Universities in Crisis' would be impossible even for the current government - largely responsible, after all, for the problems now deeply endemic in the system...But he and the government won't commit additional funds, beyond a token sprinkling (Carr 2002a)*

The Minister’s third discussion paper (Nelson 2002b) discussed the issue of university financing. The paper claimed that the status quo was unacceptable (Nelson 2002b, v). There was argued to be a lack of flexibility for institutions under current funding arrangements (Nelson 2002b, ix) and that there was allegedly broad support for student contributions towards course costs (Nelson 2002b, v). The paper therefore argued, “any increased per capita investment could be funded in part by those who are directly advantaged” (Nelson 2002b, x). Of the four alternative funding models outlined in this discussion paper, three were based on deregulated market models that would allow universities to determine their own course fees. These models would thus allow universities to increase their revenues by raising their course fees, shifting the burden for financing universities in crisis towards individual students, already contributing a greater proportion of university revenues than other developed nation (Productivity Commission 2003, xiv). Whilst it is unclear at the time of writing which funding model the government will adopt, many in the sector expect some form of fee deregulation (Healy 2003, Marginson 2002, Manne 2002). It has been argued that this model would seem quite acceptable to cabinet based on philosophical grounds (Harman 2002c).

Acting on these market expectations, the University of Sydney increased its student fees by 30 per cent, even before the reform proposals had been tabled and debated in Parliament. The University of New South Wales has expressed its intention to follow (Contractor 2003c). Such actions were unlikely to quell government enthusiasm for further deregulation of the higher education sector.

### Reviewing the Crossroads: From Crisis to Excellence?

The Macquarie Dictionary (1982) defines ‘excellence’ as the “fact or state of excelling; superiority”. Early in the review process, the Minister remarked that Australia did not have a university among the World’s best 50 (Koutsoukis 2002). This interpretation of “excellence”, defined in terms of global competitive recognition criteria, appeared to weigh heavily in the

Minister's thinking, and was repeated several times throughout the reform process. The federal government may also have other financial criteria related to public spending targets. These have not been made available to the public.

There is evidence to suggest that conceptualising excellence in competitive terms may be problematic. Marginson (1997) claimed that the reforms of both Labor and Coalition governments from 1983 onwards, translated into greater inter-university competition, leading to greater vertical differentiation between institutions. "Institutions did not begin as equals and intensified competition favoured those with the best capacity to compete" (Marginson 1997, 250). The policy changes of the Howard Government in 1996 further strengthened the elite universities, those best placed to handle funding cuts. With increasing competition, institutions were being pressed into the same mould, thus strengthening those institutions exemplifying the most prestigious norms (Marginson 1997, 251).

*Thus competition led to faster globalization and technological change, and more research outputs; but it did not necessarily lead to better teaching and learning, or a higher quality of research. Competition was not focused on these outcomes (Marginson 1997, 254).*

Ironically, the pursuit of excellence through competitive reforms may not deliver the outcomes the government anticipates, even for the elite institutions. Despite the "open, consultative, inquisitive and comprehensive approach" to the reform process (Davis 2002), students and staff claimed that the composition of the review panel was largely comprised of business representatives without representation of practising staff or students among its 22 members (Allport 2002, Ridges 2002). Some stakeholders claimed that the review had been compromised from the beginning for failing to focus on several important issues, namely appropriate levels of public funding (Ridges and Bexley 2002), research (Carr 2002b, Hay 2002) and Federal-State government relations (Wheelahan 2002). Marginson (2002) claimed that the founding assumptions of this review were primarily too narrow and thus predetermined the outcomes. He argued that the scope should have been broadened to include other issues such as the role of government in supporting higher education. Instead, the debate was basically been about deregulation and the structure of funding, "not even the level of funding, unless it is private!"

*The problem is that in the outcome, the deeper problems and potentials of universities - especially their long-term potentials - will be largely missed. Despite all the energy, the talk and the raised expectations, the Nelson review has been another wasted opportunity (Marginson 2002).*

Students argued that the Government would favour full fee places where possible, reducing HECS places at the most prestigious universities and thus raising student debt levels even further (Murphy 2002). Deregulation of postgraduate coursework fees has resulted in a concentration of students in particular disciplines, namely computing, IT, management and business administration. These areas have raised fees to cross-subsidise other areas of the university lacking adequate public investment (Ridges 2002). Yet the magnitude of this increased personal debt, impact on individual choices and ramifications for an ageing population were not assessed (Ridges and Bexley 2002). Contractor (2003b) noted the claim of the President of the National Union of Students that 12,000 government funded places would be at risk in 2004 if proposed reforms were to be implemented. The Australian Vice-Chancellor's Committee asked the Australian Government to review students' capacity to repay increased debt (Elson-Green 2002), although the extent to which this was taken into account is questionable, given the expectations of rising student course fees and a lack of student representation in the process.

Hay (2002), representing the Go8 perspective (ie, the Group of 8 traditional and arguably most prestigious universities in Australia), contended that additional research funds should be made available to all, greater links with industry encouraged, greater freedom given to universities to set their own fees, and public funding per student increased. The Go8 however, would receive the dominant share of any increases to research funding and have the greatest capacity to charge high student course fees, given their established institutional prestige (Marginson and Considine 2001).

Manne (2002) claimed that Vice-Chancellors of all universities would be likely to accept the Minister's reform proposals as they were all in desperate need of additional funds, even though the reforms were likely to benefit most the Go8 universities. The partial funding through increased student loans appeals to both social-democratic ethics of equity (avoids burdening the lower class tax payer for middle class education) and the neo-liberal ethic of 'user-pays'. He argued that not only may this encourage couples to defer having children, but it would lead to less affluent students choosing less expensive universities or courses as wealthy parents pay fees upfront. This could lead to a more polarised Australia on educational grounds. A further likely outcome could be to accelerate the movement towards a new university hierarchy with the Group of 8 representing the new 'Ivy League' with the rest drifting back towards neo-colleges of advanced education, somewhat similar to the US state colleges. This could lead to greater vertical differentiation among higher educational institutions, a scenario predicted by a number of commentators since the introduction of the Unified National System from 1990 (Marginson and Considine 2001). The lower ranked, or "less excellent" institutions would be dominated by undergraduate teaching, less able to conduct cutting edge research, less able to attract good scholars and scientists.

Should the above scenario unfold, whether institutions at lower levels of the higher education hierarchy would be "excellent" or not depends on how the term is defined. It could be argued that an excellent institution is one that consistently meets and

exceeds the expectations of its key stakeholders (ie along the lines of some definitions of “quality”). For a regional institution, this may mean being highly responsive to the educational needs of local feeder communities, while offering superior teaching at undergraduate levels. Such strengths, however, are unlikely to satisfy requirements of becoming “world class”.

Some claim that it is Cabinet’s belief that the reforms of the last decade in other areas of the public sector haven’t flowed through to universities, particularly in workplace relations (Harman 2002c). The ideology of the Australian Government appears to assume that problems in Australian universities are caused by an over reliance on public funding and inadequate use of student debt. Yet this university sector is among the most reliant on private income in the developed world, behind only South Korea, Japan and the US (Allport 2002, Productivity Commission 2003). Further, the market based view does not acknowledge the public contribution of education, only the private benefit to students (Myton 2002, Marginson 2001). The view also does not appear to account for the difference between Australia and the US in relation to private philanthropy and endowments (Marginson 2002).

*Deregulation alone cannot turn public Australian universities into private American universities: Australian universities do not share the economic, social and cultural context within which America exercises its global hegemony! And Hong Kong and Singapore drive their universities with public funding; if a medium sized developed nation like Australia is to have globally strong universities, then this requires greater public investment, and government engaged and supportive.* (Marginson 2002)

Before Australian governments follow the American model of privatising those areas of the society that have traditionally been supported by public funding, it is salutary to reflect on the American experience. Crucial to the continuing development of Australian society is the maintenance of the accumulated stock of *social capital*. One of Australia’s foremost political scientists has argued, “The viability of both democracy and capitalism, depends upon a society’s accumulated stock of social capital” (Emy 1998, 25).

Emy further argued that the extensive adoption of privatisation of public services in the US, particularly of schools and educational institutions, has been both encouraged by and benefits the wealthy “overclass” (Emy 1998, 27). It should be noted that while private universities have long been a feature of the US higher education system, Australian universities have traditionally been public institutions, supported in the main by government funding. Furthermore, universities have for centuries played an essential role in societies in nurturing future leaders and in effect, acting as a nursery for the development of guardians of social capital. The authors contend that this vital role played by Australia’s public universities is severely jeopardised when the universities are forced into the market place and thereby have their processes and products primarily evaluated in commercial terms. An important contributor to the nation’s stock of social capital is therefore being undermined by creeping privatisation, or privatisation by stealth.

### Reviewing the Role of Government: From Excellence to Crisis

Welch (1996) argued that the crisis in education is symptomatic of a more endemic crisis of the state.

*The education system is unable to deliver the benefits which its rhetoric implies: providing high quality education and substantial equality of educational opportunity to all. But the basic crisis is with the state, and the perceived failure of the education system is only a manifestation of this much wider crisis of legitimacy, in Australia as elsewhere... In seeking to shield themselves from increasingly unsatisfiable expectations, virtually all Australian states resorted to a program of privatization and devolution, to avoid responsibility for traditional areas of public concern. The attempt is to dismantle the modern welfare state, and revert to a more laissez faire social form, in which the individual is responsible for her fate, and the state largely abandons responsibility for regulating the economy* (Welch 1996, 14).

The author goes on to note that reduced public spending in health, law, industrial relations, transport and social services have all been justified by appeals to ‘efficiency’ and a turn to privatization (Welch 1996, 14). Yet healthy universities and strong states are essential to the economic development of nations. It has been demonstrated that “from the early modern period, first economic development, and later industrialization occurred through the efforts of strong states, not weak ones” (Emy 1998, 22).

The Australian higher education sector is widely perceived to be in crisis, brought about by a succession of policies of Coalition and Labor Governments, committed to a belief in economic rationalization and the New Public Management. This has led to a decline in real government support. The Crossroad reforms are expected to open up the higher education sector to a form of deregulation that will increase the financial burden on students who are already paying more towards university tuition than any other nation. It has been argued that these reforms will lead towards increased competition among universities, possibly creating adverse consequences for students and universities alike.

The Crossroads reforms have ignored persistent demands for universities to receive increased public funding, an option apparently excluded by the ideologically based preference of the Howard Government for market-based solutions and individual responsibility. The implicit bench mark for “excellence” permeating the reform process has been world-wide competitiveness and global recognition for one or several Australian universities. This achievement however, is likely to be at the expense of the long term future of the wider sector. A probable outcome would be a greater gap between different institutions in terms of per capita funding, and hence resources and facilities. If this is true, then the crossroads reforms are yet another indication of the real crisis in the role of the state (Welch 1996); a topic absent in the Crossroads reforms (Marginson 2002).

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