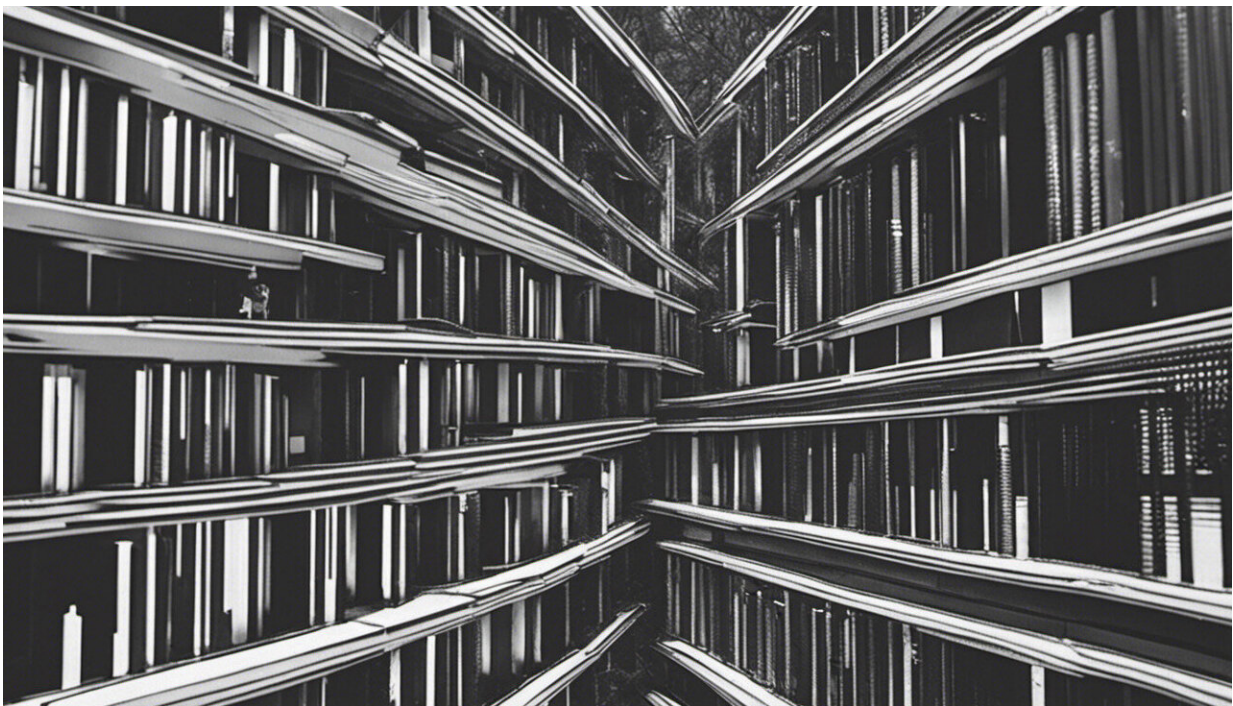


# Coronavirus and university reforms put at risk Australia's research gains of the last 15 years

June 29 2020, by Andrew Norton

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Credit: AI-generated image ([disclaimer](#))

Education minister Dan Tehan will be [meeting with university vice-chancellors](#) to devise a new way of funding university research. They will have plenty to talk about.

Australia's universities have been remarkably successful in [building their research output](#). But there are cracks in the [funding](#) foundations of that success, which are being exposed by the revenue shock of COVID-19 and [the minister's reforms](#) announced this month, which would pay for new [student](#) places with money currently spent on research.

I estimate the gap in funding that needs to be filled to maintain our current research output at around [\\$4.7 billion](#).

## The funding foundations crumble

The timing of Dan Tehan's higher education reform package could not have been worse for the university research sector.

The vulnerability created by universities' reliance on [international students](#) has been brutally revealed this year. Travel bans prevent international students arriving in Australia and the COVID-19 recession undermines their capacity to pay tuition fees.

Profits from domestic and international students are the only way universities can finance research on the current scale, with [more than A\\$12 billion spent in 2018](#).

Based on a Deloitte Access Economics [analysis of teaching costs](#), universities [make a surplus of about A\\$1.3 billion](#) on domestic students. Universities use much of this surplus to fund research.

Tehan's reform package seeks to [align the total teaching funding rates](#) for each Commonwealth supported student—the combined tuition subsidy and student contribution—with the [teaching](#) and scholarship costs identified in the [Deloitte analysis](#).

On 2018 enrolment numbers, revenue losses for universities for

Commonwealth supported students would total around \$750 million with this realignment. With only teaching costs funded, universities will have little or no surplus from their teaching to spend on research.

International student profits are larger than domestic—at around \$4 billion. Much of this money is spent on research too, and much of this is at risk. The recession will also reduce how much industry partners and philanthropists can contribute to university research.

Australia's Chief Scientist estimates [7,700 research jobs are at risk](#) from COVID-19 factors alone. Unless the Commonwealth intervenes with a new research funding policy, its recent announcements will trigger further significant research job losses.

## **Combined teaching and research academic jobs will decline**

Although less research employment will be available, the additional domestic students financed by redirecting research funding will generate teaching work.

More students is a good thing in itself, as the COVID-19 recession will generate [more demand for higher education](#).

But this reallocation between research and teaching will exacerbate a major structural problem in the academic labor market. Although most academics [want teaching and research, or research-only roles](#), over the last 30 years Commonwealth teaching and research funding has separated.

After the latest Tehan reforms, funding for the two activities will be based on entirely different criteria and put on very different growth

trajectories.

An academic employment model that assumes the same people teach and research was kept alive by funding surpluses on domestic, and especially international, students. With both these surpluses being hit hard, the funding logic is that a [trend towards more specialized academic staff will have to accelerate](#).

We can expect academic morale to fall and industrial action to rise as university workforces resist this change.

The funding squeeze will also undermine the current system of Commonwealth research funding. This funding is allocated in two main ways. In part, it comes from competitive project grant funding, largely from the [National Health and Medical Research Council](#) and the [Australian Research Council](#).

Academic prestige is attached to winning these grants, but the money allocated does not cover the project's costs. Typically, universities pay the salaries of the lead researchers and general costs, such as laboratories and libraries.

Universities are partly compensated for those expenses through [research block grants](#), which are awarded based on previous academic performance, including in winning competitive grants. But because block grants [do not cover all competitive project grant costs](#), the system has relied on discretionary revenue, much of it from students, to work. It will need a major rethink if teaching becomes much less profitable.

## **The stakes are high**

University spending on research (which was over [\\$12 billion](#) in 2018), has nearly tripled since 2000 in real terms.

Direct government spending on research increased this century, but not by nearly enough to finance this huge expansion in outlays. In 2018, the Commonwealth government's [main research funding programs](#) contributed A\$3.7 billion.

An additional \$600 million came from other Commonwealth sources such as government department contracts for specific pieces of research.

In addition to this Commonwealth money, universities received another \$1.9 billion in earmarked research funding from [state, territory and other \(national\) governments, donations, and industry](#).

These research-specific sources still leave billions of dollars in research spending without a clear source of finance. Universities have investment earnings, profits on commercial operations and other revenue sources they can invest in research.

But these cannot possibly cover the [estimated \\$4.7 billion gap](#) between research revenue and spending.

With lower profits on teaching, this gap cannot be filled. Research spending will have to be reduced by billions of dollars.

We are at a turning point in Australian higher education. The research gains of the last fifteen years are at risk of being reversed. The minister's meeting with vice-chancellors has very high stakes.

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