



INDEPENDENT
HIGHER EDUCATION
AUSTRALIA

IHEA SUBMISSION

PRODUCTIVITY COMMISSION INQUIRY INTO BUILDING A SKILLED AND ADAPTABLE WORKFORCE

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IHEA Submission

Productivity Commission inquiry into Building a Skilled and Adaptable Workforce

Independent Higher Education Australia (IHEA) welcomes the opportunity to provide feedback on the Productivity Commission inquiry to Building a Skilled and Adaptable Workforce, particularly in relation to the following policy reform:

Support the workforce through a flexible post-secondary education and training sector

Post-secondary education that improves graduate skills and enables flexible learning, reskilling and upskilling through structured work-related training.

Introduction

Independent higher education providers are recognised for taking a student-centred approach, which is reflected in their business and operating models and course offerings that address student and industry demand. They have strong connections to industry to keep pace with, and provide leadership around, rapidly evolving industry skills and knowledge demands.

The independent higher education sector is agile and tends to fill demand gaps that public universities are unable to meet, for instance in underserved priority and niche areas, as well as by appropriately preparing and enabling 'marginal' students for higher learning. This is facilitated through the diverse delivery models of independent providers to meet the needs of their students.

As such, the Independent higher education sector is increasingly relevant and well positioned to help address the skills, knowledge, experience, and innovation shortages. The student-centred approach taken by the independent higher education sector prepares students well for the workforce. Students acknowledge this in the annual Quality Indicators for Learning and Teaching (QILT) where they consistently rate independent higher education providers as the best.

The education experience provided by independent providers contributes to students' employability and long-term career success despite Government policies that preference students at public universities over students at independent higher education providers.

While the Final Report of the Australian Universities Accord (Accord) that was released in February 2024 was an opportunity to address these imbalances, it did not despite its stated aim being to reform Australia's higher education sector to meet future skills needs.

The Productivity Commission's inquiry, however, does provide an opportunity to break down the barriers and obstacles for students to achieve the post-secondary opportunities they wish to propel them into the workforce of tomorrow.

Through this inquiry, IHEA is raising a number of opportunities to address imbalances and to improve the flexibility of the higher education system so that students can acquire the knowledge and skills to meet the needs of the workforce. Importantly, these opportunities being raised by IHEA for the Productivity Commission's consideration are in essence competitively neutral and will best allow the market to operate efficiently to achieve the stated aims in the Accord and from the Government.

- Abolition of the FEE-HELP loan fee that results in students who study at independent providers with a Higher Education Loan Program (HELP) debt that is 20 per cent higher than their counterparts at public universities just because of the where they chose to study.
- A provider neutral approach to accessing Commonwealth Supported Places and programs, which presently preference students at public universities.

- Diversification of higher education providers to ensure growth that the Final Report of the Accord identified as necessary to meet our nation's skills needs of the future can be met.
- Streamlining the interface between higher education and vocational education and training (VET) through policy reforms that support lifelong learning and flexibility around skilling and re-skilling

Reforms to support a more flexible and fairer higher education system for students

Abolition of the FEE–HELP loan fee

Students at public universities are able to access a Commonwealth Supported Place (CSP), which is the Government's grant to support part of their tuition. The remaining part, the student contribution, can be paid by taking out a Higher Education Contribution Scheme (HECS)–HELP loan.

For students studying in full-fee paying courses (often at independent higher education providers) a FEE–HELP loan allows students to borrow the full amount of their tuition fee given that a CSP is not available to these students. However, FEE–HELP loans for undergraduate courses (at independent providers) incur an additional 20 per cent fee, which HECS–HELP loans do not.

The 20 per cent FEE–HELP loan fee is an inequitable and discriminatory fee or tax on education and training for independent undergraduate higher education students. The loan fee creates unnecessarily high levels of student debt, reduces economic activity of graduates and is unfairly applied based on student's choice of provider.

Students in the independent sector seek quality and innovation in market driven courses. This fee also discriminates this choice and the level of accessibility provided to Australian students, which is an issue that was acknowledged in the Accord.

When measures are being put in place (2024 Budget measure to backdate to June 2023 the indexation of HELP to be the lower of CPI and the Wage Price Index) to alleviate the impact of CPI increases of up to 7.1 per cent on HELP students, it is concerning that FEE–HELP students continue to carry such a financial burden into their working lives. The fee appears particularly inconsistent with Government policy, given the election commitment made by the Australian Labor Party to reduce existing HECS–HELP debts by 20 per cent, in recognition of the deleterious impact the levels of student debt are having on young Australians.

The Accord Final Report specifically calls out that students accessing FEE–HELP need to be "fairly treated regardless of their provider and course and that the Review considered whether change to loan fee arrangements is needed" (p.163, Accord Final Report). It also states its concern about "the seeming lack of coherence around FEE–HELP arrangements for students at different classes of provider" (p.165, Accord Final Report). As a result of the highlighted inequities of the loan fee, the Accord Final Report dedicates a section to consider "fair and flexible arrangements for full fee-paying students" (p.163–166, Accord Final Report).

We believe that the rhetorical arguments that because of the extra costs of a FEE–HELP loan, that an administration fee of 20 per cent needs to be applied, are flawed and counter-intuitive. In effect, the argument is that because these students do not receive a grant in the form of a CSP and therefore have to borrow the full cost of their tuition fees, that they should further be disadvantaged with an additional 20 per cent charge that is effectively a tax. The indexation on a debt plus 20 per cent, regardless of which methodology is applied, compounds the issue and accelerates the increase of a FEE–HELP debt when compared to HECS–HELP recipients.

Removal of the FEE HELP loan fee may result in a reduced return to government of as little as \$6.2 million per annum in general revenue but burdens independent higher education students with \$100 million more debt than their course costs. Independent sector students are the only HELP recipients required to borrow 120 per cent of their tuition costs to pursue their educational and career goals.

Access to Commonwealth supported places and programs

All higher education students need to be supported to study in the fields of their choosing, including those that will address current and future skills needs and shortages.

Currently, a CSP, which is a subsidised higher education place funded by the Australian Government, are primarily only available at public universities. In 2024–25, there are only nine non–public university providers able to offer some CSPs in areas of national priority.

While overlooked in the recent Accord process, we continue to support recommendations of the 2008 Bradley Review that access to CSPs be extended across the sector following the establishment of the Tertiary Education Quality and Standards Agency (TEQSA), which is the national regulator. Access to funded places for all registered providers will deliver equity for all students. Skills and workforce shortages, however, have identified an urgent need to train students in fields of national priority.

All students should have an equal opportunity to be supported through a funded, CSP when enrolling in recognised, national priority fields, regardless of their provider category. This can be achieved by extending funded CSPs on a demand driven basis to all higher education providers that are registered by TEQSA.

As a recent and successful example, the rollout of the Higher Education Relief Package during COVID–19 included the funding of 20,000 CSP for short courses across the higher education sector, with 1,000 places at independent providers funded through a \$7 million allocation. The program was well supported by the sector, with applications submitted for the funding of 4,500 places by independent providers. This greatly exceeded the 1,000 places being allocated. Independent providers supported this need and can and should continue to do so on an ongoing basis.

However, some opportunities to include independent providers to address skills shortages in priority areas have already been missed, at the detriment to the nation. On 6 November 2023 of \$160 million for Commonwealth Teaching Scholarships to support new undergraduate and postgraduate teaching students to meet the costs of their study. In exchange, once graduated the students will teach in only government schools or government–run early learning settings for four years full–time equivalent for those who undertook undergraduate study and two years full–time equivalent for postgraduate students.

All higher education students need to be supported to study in the fields of their choosing, including those that will address current and future skills needs and shortages. Funded CSP on a demand driven basis should be extended to all TEQSA registered higher education providers in areas that are identified as national priorities.

In the interests of equity, flexibility and student choice, this needs to be corrected.

Diversification of higher education providers to ensure growth

The Government has committed to growing tertiary student numbers to reach the target of 80 per cent of working age people attaining a tertiary qualification by 2050. An underlying premise of this growth, as articulated in the Accord Final Report, is a more than doubling of CSPs (from 860,000 in 2022 to 1.8 million), with 25 to 34 year olds with a bachelor’s degree increasing from the current 45 per cent to 55 per cent.

The Government sees growth in students participating and completing higher education qualifications from under–represented and equity cohorts as being pivotal to meeting these targets.

However, to date, the approach to Managed Growth Targets (MGT) and Needs based Funding is to focus on Table A providers (i.e. public universities).

In doing so, the Government has taken a one–dimensional approach, which will result in the target being unmet. Given the stated importance of meeting the target in delivering “a skilled workforce to meet the changing needs of the economy through a tertiary education attainment target” (p.17, Accord Final Report), achieving “growth necessary to meet future skills requirements” (p.4, Accord Final Report) will be significantly compromised.

Limiting this support to Table A providers and their students appears short sighted, given that public universities are understood to effectively be at capacity and will struggle to support growth in students from under-represented groups. Indeed, “exploring the case for the establishment of new public universities in under serviced areas” (p.36, Accord Final Report) will be a costly response to ensure that the proposed growth can be supported.

As such, an obvious action is to expand and diversify the approach to include students at independent higher education providers to ensure that the ambitious targets can be met.

Allowing access of independent providers to MGT and Needs based Funding will ensure the Government delivers on its ambitions.

Streamlining the interface between higher education and VET in support of lifelong learning

The Accord Final Report identifies that Australia needs to increase the number of skilled workers, which would require a significant increase in participation and tertiary education attainment.

The Accord not only identifies this as an issue that needs to be addressed, but sees it as requiring urgent attention, stating that “Australia is not meeting its current skills needs and will not meet them in the future unless we produce more higher education and VET graduates” (p.2, Accord Final Report).

“Failure to increase student numbers to meet these needs will do lasting damage to Australia’s prospects of national economic success. It will also do lasting damage to social cohesion by preventing generations of Australians from enjoying the career opportunities and higher incomes that tertiary education makes possible” (p.2, Accord Final Report). As such, the Accord Final Report identified a key area for review is about how Australia meets its knowledge and skills needs now and in the future.

This will be important to "enhance the delivery of quality education that meets the needs of students across all stages of lifelong learning and develop the skills needed now, and in the future. This will include recommendations for new targets and reforms recognising that more than 9 in 10 new jobs will require post-school qualifications, and fifty per cent of new jobs are expected to require a bachelor’s degree or higher" (p.310, Accord Final Report).

As outlined elsewhere in this submission, this led to the Accord Final Report recommending, and the Australian Government subsequently agreeing to, lifting the tertiary attainment rate of the working age population (people with at least one Certificate III qualification or higher) from 60% currently to at least 80% by 2050.

The target specifically identifies the working age population, which will inherently rely upon an appropriate system to support lifelong learning. Lifelong learning will maximise the opportunities for meeting the target by affording people opportunities throughout the entirety of their working life to engage with the education and training sector at a time they want and need.

Lifelong learning

Lifelong learning provides an opportunity for people to upskill and re-skill as they move through their working lives.

With expectations that over the coming decades, Australian workers will frequently change jobs and tasks within jobs, we will need a flexible and adaptable education system that will enable people to update their skills over the course of their working lives.

This will be essential for Australians to achieve their ambitions and becoming appropriately qualified to stay employed, and for employers and the economy to have people appropriately skilled and trained to support the workforce.

While the Government has set a target for tertiary attainment in 2050, meeting the target alone will not be sufficient action and infrastructure to support lifelong learning. While predictions can be made that skills in some

broad areas will experience greater demand in the future, specific skill needs can be very hard to predict. Many occupations that will be created in coming decades may be hard to envisage and also rely on technologies that have not yet been developed.

This puts a critical focus on lifelong learning to update skills in response to changing technologies and occupational demands. As such, the education and training sector needs to be dynamic and adaptable.

The report released by the Productivity Commission on 7 February 2023 (the Productivity Commission released 5-year Productivity Inquiry: From Learning to Growth Inquiry Report – Volume 8), recommends that the Australian Government should build a consolidated strategy to ensure that all Australians can access learning throughout their lives and grow with the economy.

The report makes a number of recommendations to the Australian Government around fostering a culture of lifelong learning, covering both the higher education and VET sectors.

A key ingredient that is missing is a Lifelong Learning Entitlement (LLE), which would afford students access to a single income contingent loan throughout their working life, to access the education and training they want and require. An LLE would bring cohesion to a lifelong learning framework.

In our submission to Jobs and Skills Australia on their Workplan for 2025–26, IHEA recommended that JSA specifically undertake scoping work regarding greater integration of the higher and education sectors to specifically support lifelong learning to meet the skills needs of the future.

Through specific investigation/commissioning of a study about how a single entitlement or loan could be put in place in Australia to support lifelong learning, this will advance how Australia can optimise pathways and system architecture.

We believe this is urgent work that needs to be progressed to ensure that all of the building blocks are in place to enable lifelong learning, regardless of what the future jobs market looks like. This will put students at the centre of the education and training system to acquire the knowledge and skills they need for the jobs of now and into the future as well as driving a strong economy.

Conclusion

In summary, the Productivity Commission Inquiries provide an opportunity to put students at the forefront of the higher education system. The key reforms outlined in this submission go to flexibility and student choice, which will be imperative to realising the opportunities and growth in student numbers that the Accord Final Report identified as critical to developing the skilled workforce of the future.

Breaking down these barriers and establishing competitive neutrality in the tertiary education sector will deliver, in a market-led and efficient manner, the necessary flexibility in the post-secondary education system to enable students to achieve their career goals and to contribute to the workplaces and economy of now and the future.

Appendix: Productivity Commissions Priority Areas for Reform

The Productivity Commission has identified 15 priority reform areas for further exploration under the five productivity inquiries commissioned by the Government.

The five inquiries and the identified reform areas are:

1. Creating a dynamic and resilient economy

- Support business investment through corporate tax reform.
- Reduce the impact of regulation on business dynamism.

2. Building a skilled and adaptable workforce

- Improve school student outcomes with the best available tools and resources.
- Support the workforce through a flexible post-secondary education and training sector.
- Balance service availability and quality through fit-for-purpose occupational entry regulations.

3. Harnessing data and digital technology

- Support innovation through an outcomes-based approach to privacy.
- Unlock the benefits of data through consumer access rights.
- Enhance reporting efficiency, transparency and accuracy through digital financial reporting.
- Enable AI's productivity potential.

4. Delivering quality care more efficiently

- Reform quality and safety regulation to support a more cohesive care economy.
- Embed collaborative commissioning to increase the integration of services.
- A national framework to support government investment in prevention.

5. Investing in cheaper, cleaner energy and the net zero transformation

- Reduce the cost of meeting carbon targets.
- Speed up approvals for new energy infrastructure.
- Encourage adaptation by addressing barriers to private investment.

Who We Are

Independent Higher Education Australia Ltd. (IHEA) is a peak body established in 2001 to represent Australian independent (private sector) higher education institutions. Our membership spans independent universities, university colleges and other institutes of higher education, all of which are registered higher education providers accredited by the national higher education regulator, TEQSA or associate members seeking registration.

Our Vision is that: students, domestic and international, have open and equitable access to world class independent higher education in Australia, built on the foundations of equity, choice, and diversity.

Our Mission is to represent independent higher education and promote recognition and respect of independent providers as they contribute to Australian education, the Australian economy, and to society in general. We achieve this by promoting continuous improvement of academic and quality standards within member institutions, by advocating equity for their staff and students, and by delivering services that further strengthen independent providers' reputations as innovative, sustainable, and responsive to the needs of industry and other relevant stakeholders in both higher education and vocational education and training. IHEA's commitment is to excellence, productivity and growth in independent higher education being delivered through a trusted Australian education system underpinned by equity, choice, and diversity.

IHEA members have different missions, scales, and course offerings across the full AQF range (Diplomas to Doctorates). IHEA has 88 members, which comprise:

- Five private universities (Australian University of Theology, Avondale University, Bond University, Torrens University and University of Divinity).
- Six University Colleges (ACAP University College, Alphacrucis University College, Excelsia College, Moore Theological College, SAE University College and Sydney College of Divinity).
- Six self-accrediting institutes of higher education (ACAP University College, Excelsia College, Griffith College, Kaplan Business School, Marcus Oldham College and The College of Law).
- Seventy-three not-for-profit and for-profit institutions of higher education; and related corporate entities.

IHEA members teach approximately 74 percent of the students in the independent sector (i.e., more than 130,000 students) and educate students in a range of disciplines, including law, agricultural science, architecture, business, accounting, tourism and hospitality, education, health sciences, theology, creative arts, information technology, human services and social sciences.

IHEA holds a unique position in higher education as a representative peak body of higher education providers. Membership in IHEA is only open to providers registered, or seeking registration, with the Australian regulator – TEQSA. However, some IHEA members are dual and multi-sector providers who also deliver VET and/or English Language Intensive Courses for Overseas Students (ELICOS) courses.

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