

2025–26 Pre-budget submission

February 2025



Universities matter to Australia's future

The 2025–26 Federal Budget is an opportunity for the Albanese Government to further implement the recommendations of the Australian Universities Accord. Investing in higher education is investing in Australia's future. Doing so will yield a significant return on investment.

A high-performing university sector supports a high-performing nation and underpins a higher and more sustainable standard of living for all Australians. It does this by producing the skilled workers who make our economy hundreds of billions of dollars bigger and through the research and development that propels our technological, social and economic progress. These functions are critical to Australia's prosperity and will ensure our nation can respond to the challenges and opportunities ahead of it.

The 2024–25 Federal Budget and Mid-Year Economic and Fiscal Outlook included various measures to support Australia's universities. This is a step in the right direction and indicative of the Government's commitment to the Accord, which is welcomed. It is imperative that the Government continues to lay a strong platform for universities to grow and thrive for the benefit of the country through the provision of adequate funding and favourable policy settings.

Recommendations

Universities are central to shaping Australia's future. Government modelling shows Australia needs to double the number of Commonwealth supported students at universities to 1.8 million by 2050 to meet our country's future skills needs, while increased research and development is needed if we are to remain safe, successful and competitive in a rapidly changing economic and geopolitical environment.

To support the necessary expansion of Australia's university system to achieve these endeavours, Universities Australia recommends the Government use the 2025–26 Federal Budget to:

- **Re-establish the Education Investment Fund** to help universities meet future demand for university teaching and research facilities.
- **Gradually increase the number of Commonwealth supported places** to meet Australia's future skills needs and deliver a sustainable funding framework to support university operations.

- **Increase government investment in research and development** to at least the OECD average of 0.74 per cent of GDP (up from 0.49 per cent) to drive Australia's progress.
- **Lift the PhD stipend base rate to at least \$36,000** to better support Australia's university research workforce.

Additional priorities for the higher education sector are captured in Universities Australia's 2025 federal election statement — attached to this submission.

The university financial context

Australia's universities are currently at a tipping point. Two-thirds of publicly funded universities were in deficit in 2023 — a consequence of a decade of restrictive government policies and external pressures that have drained university finances. Real funding for Commonwealth supported students has fallen by \$2 billion since 2020, while average funding for a Commonwealth supported student place fell eight per cent between 2013 and 2023. This drop can be largely attributed to the Job-ready Graduates package, and the decline is likely to continue if there is no major change in policy. Additionally, the sector lost \$3.95 billion in dedicated infrastructure funding in the closure of the Education Investment Fund in 2019.

Rising revenue from international student fees over the last two decades has helped offset declining government investment and fund infrastructure and core teaching and research activities, but this revenue stream has slowed in recent years. It was first affected by the COVID-19 pandemic and now by efforts to curb international student enrolments. Hard caps on international student numbers in the future will inflict further financial pain on Australia's universities, not to mention the broader impact on the economy.

2025 federal election statement

December 2024



Universities matter to Australia's future

Digitalisation and the adoption of new technologies, shifts in our industrial base, the energy transformation, demographic change and serious geopolitical uncertainty. These are the major forces, trends and transitions that will impact the Australian economy over the coming decades.

Australia's success will come down to how we manage and maximise these big shifts that are underway.

The next federal government, and subsequent ones, will have defining decisions to make to ensure our country has its best years ahead of it. Achieving this will require a stronger focus on high-level skills, harnessing new technologies effectively and using research to drive economic growth and prosperity.

Australia's universities have a critical role to play in preparing us for and helping us tackle the major challenges and opportunities we face as a nation. They are already delivering real impact right across the country, from producing the skilled graduates our economy needs to undertaking the research and development that will take our country forward. Australia's universities are also the lifeblood of their local communities, employing around 130,000 Australians nationwide and supporting local economies.

Yet Australia's university sector is at a financial breaking point, grappling with unsustainable funding cuts, rising costs and dwindling resources. Without urgent action, the very institutions that drive innovation, educate future leaders and underpin our nation's prosperity are at risk of severe decline.

We call on the next federal government to be bold and ambitious in its support of Australia's universities. Our institutions are central to the agenda of the government of the day and should be viewed as critical national assets as we strive to create prosperity, expand opportunity and build a stronger, more sustainable nation where no one is left behind.

What Australia's universities do matters to all of us, and we're ready to partner with the next federal government to continue building Australia's future.





Powering a more productive future

Australia's universities are major economic drivers and have a key role to play in powering productivity growth.

University graduates represent more than a third of Australia's workforce. They work in almost every sector of the economy, making it \$185 billion bigger than it otherwise would be, and typically earn higher wages while enjoying more secure work prospects.

These benefits extend to the wider community. Each new university graduate delivers an average of \$891,000 in benefits to the broader economy over their lifetime. This includes higher tax contributions, the creation of new jobs and higher benefits for non-graduate workers and increased investment.

Australia's universities are also innovation hubs, undertaking significant research and development work to support a better and brighter future for our country. They spin out new companies and create clusters of high value jobs and economic activity in their communities.

There's no doubt the addition of more university graduates to Australia's workforce and more research and development at our universities has helped spur Australia's economy, including the 28 years of consecutive economic growth prior to the pandemic. As such, Australians enjoy a high quality of life, but this will not continue if we don't address Australia's lagging productivity.

Productivity is key to lifting living standards, yet our performance in this key area is languishing which is adding to the cost-of-living pressures all Australians are currently feeling. Reforming our higher education sector in line with the Australian Universities Accord to ensure it can educate the growing number of skilled workers Australia needs and support increased research and development through our universities is how we can grow our productivity to support a higher, more sustainable standard of living for all Australians.





Skills for the future

From emerging sectors like quantum technology and artificial intelligence to those undergoing transformation, including the energy and defence industries, our future economy needs a rich and varied mix of highly skilled graduates. Australia's universities are central to this task of building a workforce of the future — one that is critical to our productivity and economic growth.

By the middle of this century, Australia needs a workforce where 80 per cent of people have a university degree or a TAFE qualification. That's up from about 60 per cent today. Achieving this will add around \$240 billion in additional income to the economy over the period to 2050, but we have a lot of work to do to get there.

Today, Australia's universities educate around 900,000 students each year — in professions we can't live without. The engineers to deliver new infrastructure to support our growing population, doctors and nurses to care for our loved ones, technology specialists to provide essential services and protect us online, teachers to educate the next generation and scientists to support the delivery of AUKUS and to guide the energy transition. The list is endless.

These talented and dedicated professionals go on to secure well-paying, secure jobs, with the full-time graduate employment rate at 88.9 per cent in 2023 and university graduates typically earning, on average, an extra million dollars over their working life.

To meet Australia's future workforce needs, universities will need to double the number of students they educate each year, from 900,000 now to 1.8 million in 2050. This is not an exercise in self-interest, but rather a critical national imperative to ensure we remain a safe and successful nation into the future as Australia's workforce shifts towards a greater share of higher skilled jobs.

Australia's universities will continue to play our part in educating the skilled workers needed to build our nation's future, as we have done for decades. The current cost-of-living pressures weighing on Australians is making this task more complicated at a time when we desperately need more highly skilled workers.

Any steps the current and all future governments can take to ease the financial burden on students will assist in this vital endeavour, including consideration of a funding system that both incentivises more Australians to study at university and recognises the benefits that a university education brings, regardless of the discipline.





Research and innovation to drive our future

Australia's universities are at the global forefront of research and development in a vast number of specialist fields, with almost 90 per cent of our research rated at or above world standard. They continually make remarkable discoveries that improve our lives and contribute to the economic strength of the nation.

Every day more than a billion people rely on Australian inventions. The Cochlear implant, the cervical cancer vaccine, the black box flight recorder, penicillin and printable solar cell technology are all Australian inventions that have revolutionised the world.

The jobs and income from such innovations power our economy, helping to lift wages and living standards for all Australians. We need to maintain this momentum as our future economy will depend heavily on innovative ideas and talent.

The Australian Universities Accord final report made this point very clearly, warning that rapid technological, social, political and environmental change means we must produce more knowledge, skills, opportunities and research. If we fall behind in this race, our productivity, innovation and standard of living will decline.

Secure, stable and long-term public funding for university research is needed to break new ground, push the boundaries of our understanding of the world and invent the technologies of tomorrow. But we have some work to do.

For every \$1 invested in higher education research and development, \$5 is returned to the economy, which is why it is worth increasing Australia's spend on this vital endeavour from the current level of 1.68 per cent of GDP. This is far below the OECD average of 2.73 per cent.

It not only makes economic sense, but it is essential for strengthening our international competitiveness. Germany, the United States and Japan all spend more than three per cent of GDP on research and development. These countries lead the world in manufacturing and technological development — two areas Australia has identified as key to diversifying its economic mix as we seek to add much-needed complexity to our economy.

Steady and consistent increases in public investment in the research talent pipeline and in high-quality research and innovation will ensure university researchers can partner with government and industry to increase capacity and capabilities, advance knowledge and futureproof our economy.

After all, it is our researchers working to modernise our energy grid, improve our agricultural capacity, protect our water supplies, develop our sovereign capability and discover new medicines. We can't afford to kick the can down the road, not when our productivity and economic growth depend on this work.





Priorities for the higher education sector

Australia’s universities are vital national assets. They should be treated as such, receiving bipartisan support and encouragement to grow and succeed for the benefit of all Australians. We want to work with the next federal government to ensure our universities can thrive for the benefit of all Australians, delivering the skills and research needed to build a stronger, more prosperous Australia.



Stabilising sector finances

Ensure financial stability for Australia’s universities, recognising the critical role they play in shaping Australia’s future.

- ✔ **Create reliable funding models to safeguard teaching and research**, including through re-establishing the Education Investment Fund.



Immediate skills needs

Break down barriers to tertiary education, so all Australians have access and to ensure Australia can achieve the Accord’s goal of having 80 per cent of the workforce holding a university or TAFE qualification by 2050.

- ✔ **Lower student loans** through changes to HECS-HELP.
- ✔ **Replace the Job-ready Graduates Package** to make course fees fairer.
- ✔ **Develop a funding system that allocates resources** based on the specific needs of students or institutions.
- ✔ **Expand practical, hands-on training opportunities for students** in nursing and other health professions in shortage.



Driving innovation through research

Invest in research and development so Australian university researchers can keep producing bright ideas that drive productivity and our economic, social and technological progress.

- ✔ **Lift government investment in R&D** from 0.49 per cent of GDP to the OECD average 0.74 per cent.
- ✔ **Incentivise small and medium-sized enterprises** to collaborate with the research sector.
- ✔ **Provide at least \$0.50 for each dollar of direct funding** to support the indirect cost of research.
- ✔ **Increase PhD stipends** to lift them above the poverty line.



Engaging with the world

Strengthen the foundation of Australia's world-class international education sector, recognising its importance to our economy and universities.



Work with universities to develop a new international education strategy.



Grow Australia's international education sector sustainably without reducing its size or value.



Expand the delivery of international education offshore.



Support more students to undertake study and research in the region.



Indigenous advancement



Implement the Indigenous-related recommendations in the Australian Universities Accord to put Indigenous Australians at the centre of the higher education sector.

For further information:

Antony Perry
Director, Government Relations and Public Affairs
E a.perry@unias.edu.au

Universities Australia

1 Geils Court, Deakin ACT 2600

P +61 2 6285 8100

E contact@universitiesaustralia.edu.au

universitiesaustralia.edu.au