



Universities Australia welcomes the opportunity to contribute to the Economic Reform Roundtable and believes skills and research should lead the government's productivity reform agenda. Properly harnessing the talents of our people and research potential is crucial for our long-term prosperity, spurring innovation, economic growth and diversity through the development of new technologies, products and processes. Universities are central to this task. They deliver the skilled workers our economy demands and drive innovation through research to deliver the productivity gains Australia desperately needs. The Australian Universities Accord found that our country needs more of both to lift productivity and living standards as Australia makes the shift from fossil fuels to renewables, from information technology to artificial intelligence and from a younger to an older population.

With productivity crawling at its slowest pace in 60 years, our submission outlines what universities are, and will continue, doing to address this national challenge. It also provides government with some practical ideas and ways to support our sector's role in lifting productivity and spurring economic development. We note that several of the government's existing policy initiatives can drive economy-wide productivity gains, including the Australian Universities accord, the Strategic Examination of Research and Development, the interim Australian Tertiary Education Commission and the work of Jobs and Skills Australia. These processes should complement the Economic Reform Roundtable process.

We encourage the government to prioritise reforms to existing policy settings that are currently hampering universities' ability to meet Australia's skills needs, starting with replacing the Job-ready Graduates (JRG) Package. JRG is a barrier to building Australia's future workforce, particularly in relation to humanities and social sciences disciplines, and we urge the government to urgently fix the perverse incentives and inefficiencies this system has entrenched for providers.

Lifting productivity is one of the biggest challenges facing our nation and it's going to require a big national effort to turn it around. It cannot be done in isolation. Universities Australia is a proud member of the Joint Group of Industry Associations, led by the Business Council of Australia. This group reaches across all parts of the economy and reflects our joint commitment to contributing productivity solutions. We will continue to work with government, industry and workforces to provide the skills our economy demands and drive innovation through research to deliver a better, brighter future for all Australians, where no one is left behind.

## **A better educated and productive workforce**

### ***Why is a better educated workforce good for productivity?***

- A growing demand for innovation, sustainability and digital transformation means we need more skilled workers to power industries, future-proof our economy and keep Australia globally competitive.
- The government has acknowledged Australia's need for a larger, more skilled workforce, setting a national target of 80 per cent of the workforce having a tertiary qualification by 2050. This is key to lifting national productivity.
- Jobs and Skills Australia projects that over 50 per cent of new jobs created between 2023 and 2033 will occur in occupations needing a university degree. These jobs are expected to grow as a share of the economy from 34.6 per cent to 36.3 per cent in the same period.
- University-educated professionals contribute more to the economy than other workers, typically earning wages 30 per cent higher than lower skilled workers.

### ***What universities will do***

- Continue to educate the domestic and international graduates (at both undergraduate and postgraduate levels) our economy needs.
- Ensure our graduates have the skills that industry and the community need, including by:
  - working with business and other stakeholders to develop a national strategy that prioritises lifelong learning and stronger pathways between education providers and industry
  - partnering with business to turbo-charge work-integrated learning opportunities



- working with industry to develop Masters conversion programs that will accelerate the transition of qualified individuals into priority sectors, strengthening workforce capability
- identifying pathways to convert international or unaccredited qualifications into fully accredited Australian credentials
- educating students on the link between their area of study and employment prospects
- integrating AI-related content into existing curricula and offering dedicated AI courses to all students, and
- designing new qualifications to upskill or retrain students in line with industry needs.
- Respond to individual student needs over the course of their working life by:
  - breaking down real and artificial barriers between VET, TAFE and universities
  - harmonising approaches to Recognition of Prior Learning and credit transfer, and
  - offering skills conversion programs for Australian and international students.

### ***What government can do***

- Correct the perverse incentives embedded in the existing student funding system which distorts student enrolment behaviour by:
  - replacing the Job-ready Graduates Package with equitable student contribution rates, and
  - extending the Commonwealth Prac Payment to more disciplines over time.
- Better enable life-long learning, upskilling and retraining by:
  - extending HELP funding and loans to microcredentials, and
  - improving system collaboration between VET, TAFE and universities by:
    - improving Recognition of Prior Learning, and
    - adopting AI-supported tools for credit transfer.
- Prioritise reform of the Australian Qualifications Framework to facilitate harmonisation in post-secondary education and support lifelong learning.
- Support Australia's international education sector to support our workforce needs by:
  - streamlining visa settings and making them more globally competitive
  - taking an international approach to qualifications recognition (particularly with ASEAN and across the broader Indo-Pacific), and
  - allowing more flexibility in transnational or multi-country delivery models to encourage more students with Australian qualifications in areas of need to work in Australia post-study, particularly in regional Australia.

## **Driving innovation through research and development and support for SMEs**

### ***How will boosting R&D efforts and increasing support for SMEs lift productivity?***

- Research and development drives productivity by fuelling innovation, importing processes and creating new technologies that help business do more with less.
- Every dollar invested in R&D adds \$3.50 to the economy.
- SMEs make up 98 per cent of the 2.6 million businesses in Australia, yet they face greater barriers than bigger businesses in areas linked to boosting productivity. Despite these challenges, SMEs in Australia today spend 25 per cent more on R&D than large firms.
- SMEs often struggle with absorptive capacity due to limited resources, fragmented knowledge systems and difficulty integrating external innovations into their operations, limiting their ability to assimilate new information for commercial ends.



- The introduction of innovations by SMEs increases annual productivity by 2.7 per cent, while the introduction of innovations as part of a collaborative process increases productivity by a further 4.4 per cent, compared with non-collaborators.
- The collaborative environment within innovation districts has led to a 70 per cent increase in the likelihood of new-to-world innovation and a 32 per cent increase in the likelihood of new-to-Australia innovation.

### ***What universities will do***

- Continue to support Australia's research ecosystem with co-investment in discovery research, infrastructure and entrepreneurial programs.
- Continue to work with SMEs with absorptive capacity to improve productivity gains by:
  - helping SMEs develop their business ideas
  - supporting SMEs in addressing the lack of capacity to engage effectively with the research sector by strengthening existing collaborative models such as the CSIRO's SME Connect and the University of Tasmania's Dairy HIGH 2 program
  - leveraging universities' global relationships to connect SMEs with overseas partners
  - providing SMEs access to high-tech facilities and campus infrastructure, and
  - actively creating more SMEs and incubating more ideas.
- Continue to undertake research aligned with Australia's industrial needs of the country and addressing key societal trends and challenges.
- Continue to train and support university researchers who are the backbone of Australia's research workforce.

### ***What government can do***

- Ensure that the funding and regulatory systems for R&D continue to drive university research and productivity by:
  - ensuring that the Strategic Examination of Research and Development prioritises productivity in its recommendations
  - re-establishing the Education Investment Fund to provide a pipeline of investment to finance teaching and research infrastructure to serve the nation, and
  - raising the PhD stipend to reflect a realistic cost-of-living, and by supporting more equity in the research training system.
- Provide incentives to achieve a step-change in SME-university collaboration by:
  - creating an R&D tax incentive collaboration premium to incentivise industry to work with universities
  - offering SMEs an instant tax write-off for the difference between a PhD salary and an undergraduate salary to encourage SMEs to hire PhD graduates
  - drawing from successful U.S. models such as the National Science Foundation's Small Business Innovation Research, establish a national broker network to connect SMEs with universities through funding to create technologies or via technology diffusion to support SME innovation
  - developing a publicly accessible National Researcher Directory to help connect industry with research expertise
  - providing HELP-style loans for graduate entrepreneurs to secure start-up capital
  - expanding SME-engaged research programs based on international models such as the UK's Catapult Network program
  - developing a program that provides pre-seed funding for SMEs to collaborate with universities in the first stages of the commercialisation process (like Breakthrough Victoria), and
  - scaling-up a national program of university collaboration vouchers for SMEs to access university research capability at zero or low cost.
- Enhance SME access to infrastructure that supports productivity and innovation by:



- providing a pipeline of financing for university infrastructure that can be accessed by the community and SMEs at zero or low cost, and
  - funding regional-based infrastructure for SME-university collaboration, including precincts and hubs.
- Support Australian SMEs and researchers to collaborate with their international peers and access global markets by:
  - negotiating access to Horizon Europe, and
  - streamlining visa pathways and improving recognition processes to strengthen Australia's human capital base and put Australia at the forefront in the race for global research talent.

## Reducing red tape

### *Why is over-regulation a drain on productivity?*

- Australia's universities operate within a complex regulatory environment underpinned by both Commonwealth and state legislation. In some cases, universities interact with over 300 distinct acts and instruments regulating their day-to-day operations. The University of Sydney, for example, estimates its regulatory burden has increased by as much as 25 per cent in the past decade.
- Over-regulation stifles innovation, increases costs, hinders economic growth and complicates operating environments. Staff are bogged down in layers of red tape and this, ultimately, makes Australia's universities less productive and distracts from their core mission of delivering the highest quality teaching, learning and research.
- A comprehensive regulatory reform agenda is essential to remove duplication, reduce red tape and subsequently unlock greater productivity. Outdated regulatory frameworks will only hold Australia's universities back from delivering the skilled workforce and driving the innovation needed to address Australia's broader productivity challenge.

### *What universities will do*

- Work with government to streamline regulation and compliance, cutting red tape without lowering standards.
- Ensure operational processes and policies are robust, fit-for-purpose and cost-effective.
- Continue to engage with the government's initiatives to improve university governance.

### *What government can do*

- Direct the Australian Tertiary Education Commission to prioritise the implementation of recommendations from the Australian Universities Accord that focus on decreasing regulatory burden.
- Pursue economy-wide efficiencies in regulation and compliance by:
  - undertaking targeted sectoral reviews of legislative duplication across all levels of government
  - adopting a one-for-one rule (like Canada's Red Tape Reduction Act) where new regulation must be offset against existing regulatory burden on businesses (applicable in higher education and more generally), and
  - drawing on the expertise of university academics in law, taxation, public finance, economics, regulatory policy and sector-specific issues to support streamlining of regulation.
- Pursue efficiencies in regulation and compliance in the higher education sector by:
  - delivering operational efficiencies through increased data and information sharing, shared services arrangements and mergers (particularly TEQSA and ASQA for increased harmonisation)
  - mapping the remit of the Department of Education, Australian Tertiary Education Commission, Tertiary Education Quality and Standards Agency, Australian Skills Quality



Authority and the National Student Ombudsman and, to an extent, other bodies, assessing the cost-benefit of such a devolved regulatory apparatus

- reviewing the Higher Education Support Act and supporting guidelines for unnecessary complexity, and prioritising addressing fragmented programs with bespoke reporting requirements, and
- consolidating funding and associated applications, administration and reporting to reduce resourcing dedicated to compliance.

## Indigenous advancement

### *Why are Indigenous Australians important to productivity?*

- Recognising and embedding Indigenous knowledges, leadership and participation into the nation's education, research, workforce and innovation ecosystems is crucial to Australia's productivity and long-term prosperity.
- Despite their potential to contribute across key economic and social domains, Aboriginal and Torres Strait Islander peoples face systemic barriers in higher education access, graduate outcomes, academic leadership and equitable financial support.
- Current funding models, student contribution structures and limited inclusion of Indigenous perspectives in R&D policy reinforce inequities, hindering national efforts to improve innovation, workforce diversity and social cohesion.
- If left unaddressed, these structural gaps will continue to exclude Indigenous Australians from full participation in shaping the country's productivity future.

### *What universities will do*

- Continue to support and strengthen Indigenous leadership in our universities.
- Strengthen community engagement to ensure a strong pipeline of Indigenous students.
- Ensure curriculum is informed by Indigenous knowledge and practice.

### *What government can do*

- Embed Indigenous knowledge in research and climate innovation by:
  - funding Indigenous-led research institutes focused on clean energy, environmental sustainability, and net-zero transitions, and
  - developing research partnerships that combine Indigenous and Western science, such as cultural fire programs or ranger-university collaborations.
- Build culturally appropriate student pathways and workforce pipelines by:
  - expanding Fee-Free Uni Ready courses and pre-program pathways to improve Indigenous enrolments, completions and employability, and
  - integrating skills development, vocational transitions and applied research into Indigenous-led economic hubs across urban, regional and remote areas.
- Reform HELP to improve financial equity by:
  - reducing student contribution bands for disciplines with high Indigenous enrolment and community value
  - expanding the 20 per cent HECS-HELP reduction to 35–50 per cent for Indigenous students in priority sectors (e.g. education, community development), and
  - requiring annual public reporting on the impact of HELP policies on Indigenous students.
- Incentivise university performance through mission-based compacts by:
  - embedding clear Indigenous performance targets into mission-based compacts, such as Indigenous academic staffing, completions, HDRs and research funding, and



- tying targets to funding allocations and productivity outcomes, including workforce diversity and innovation metrics.
- Establish and expand Indigenous economic and education hubs by:
  - supporting co-designed hubs integrating small business incubation, applied learning, health workforce training and research aligned with community needs, and
  - leveraging models like the Yapatjarrathati project and Regional University Study Hubs for scalable, place-based solutions.
- Advance Indigenous-led R&D and enterprise innovation by:
  - providing targeted funding for R&D collaborations between universities and Indigenous-controlled businesses and organisations, and
  - promoting Indigenous-led data sovereignty, digital inclusion, and circular economy initiatives in partnership with research institutions and government.