LH Martin Institute for Higher Education Leadership and Management

Speech by Federal Minister for Education, Science and Training, the Hon Julie Bishop

I am delighted to open the L H Martin Institute for Higher Education Leadership and Management, named in honour of Professor Sir Leslie Martin, the first chairman of the Australian universities commission, established by the Menzies Government in 1959 and the chair of the inquiry into the future of tertiary education in Australia, called the Martin report.

Published in 1965, the report highlighted the link between tertiary education and economic growth as well as the importance of diversity.

In the decades following the profound influence of Sir Leslie, much has changed but too much has remained the same in higher education.

In the early 1970s, the federal government took on primary responsibility for funding higher education as the States vacated the field, but without a commensurate transfer of constitutional responsibilities.

This has left universities in the unnecessary situation of having to report to two levels of government as they are still subject to State Government regulation and taxes.

State governments take $150 million more in payroll tax out of universities than they provide in funding.

There was a brief foray into free university education which proved unsustainable and a scheme for student contributions was introduced in 1989.

There was homogenization of the higher education sector through the Dawkins reforms, which had the longer-term effect of stifling innovation and specialisation.

The Howard Government reforms have been based on five pillars, designed to modernize the modern higher education environment –

1. Sustainability
2. accessibility and equity
3. quality
4. diversity, and
5. governance and efficiency.

Australians have high expectations of their universities.

Taxpayers provide 56 per cent of funding.

Australians expect our universities to provide a high quality education that will produce skilled graduates, that they will create new knowledge through high quality research to underpin our global competitiveness, that they will be accessible to eligible students whatever their socioeconomic background,
that they will be accountable to the taxpayer who sustains them and transparent and efficient in their operations.

There are similar expectations for the significant investment made in our TAFEs and vocational and technical institutions.

The leaders of our tertiary institutions must be strategic thinkers with high level management skills and with a vision for their institutions that supports the nation’s economic and social interests.

For too long the sector has turned to Government for its strategic direction. There will always be a level of accountability but the sector must develop its own solutions and position itself for emerging global challenges.

While many things have changed since the Martin report, some regrettably have not.

Rather than the automatic reflex of looking for Government to lead the way on every issue, higher education institutions should seek to control their own destinies.

The Australian Government is providing the framework to enable this to occur and our university leaders need to recognize the opportunities as they arise.

For example, we are facing an entirely different scenario in terms of unmet demand.

Between 1992 and 1996, around 300,000 eligible students were turned away from universities due to a lack of places.

The Howard Government has created record numbers of new places and most recently introduced greater flexibility into the management of places within universities, which has led to the situation, for the first time, where there are more places than students to fill them.

This is a new paradigm and the challenge for the universities is to turn this to their advantage, rather than complain about having to potentially return places.

The usual refrain that the sector is hamstrung because of a lack of funds no longer rings true.

Despite popular mythology, Australian Government funding to universities has increased by 26% in real terms since 1996.

This has contributed to the sector’s strong financial position.

Universities have access to higher levels of income than ever before, this year $14 billion in revenue.

They are recording surpluses, no longer deficits, with a combined operating surplus approaching $1 billion annually.

Nett assets are now almost $26 billion and the sector has cash and investment reserves of more than $7 billion.
The challenge for our universities is ensure reinvestment in teaching and learning is maximized through efficient administration.

The Howard Government’s diversity agenda will give our universities the opportunity to move on from the one-size-fits-all constraints of the Dawkins era.

For example, the Workplace Productivity Programme will deliver $140 million to the sector and places a strong emphasis on improving performance through strengthened management, leadership and governance.

The Higher Education Workplace Relations Requirements are designed to provide staff with greater choice and institutions with more flexibility to attract and retain high-performing staff.

Universities are facing increasing competition internationally for quality academics and researchers and must offer competitive and flexible work arrangements. As Sir Leslie warned universities in the Martin Report published 40 years ago, “Universities face a major problem in obtaining sufficient highly qualified staff. The appointment of mediocre staff is the first step on the road to lower standards.”

He went on to observe that the “salary structures within Australian universities are inflexible and this inflexibility produces certain difficulties and limitations.”

Our universities must embrace performance-based agreements and individualized working arrangements.

After Sir Leslie’s prophetic words, I am today aware of just one university that is now considering a performance-based bonus scheme for all staff, academic and administrative.

The Diversity and Structural Reform Fund will provide more than $200 million to support greater specialization.

The Howard Government has also made an unprecedented $6 billion investment in a perpetual Higher Education Endowment Fund.

This initiative will promote excellence, quality, and specialisation in Australian universities for years to come.

The Howard Government has already demonstrated by the Treasurer’s recent announcement of a further $1 billion for the fund that it intends to make further contributions from future Budget surpluses.

In making this investment, the Government has effectively doubled the existing accumulated financial investments and endowments held in reserve by universities.

It is not – as some suggest – a source of recurrent funding to be divided equally amongst our universities.

This is the opportunity for more of our universities to emerge as world-class institutions.

More of our universities should aim to be within the top 100 internationally and I would like some of our universities to aspire to the top 10.
It is instructive that one of our private institutions, Bond University, topped the domestic rankings in the most recent Good Universities Guide.

That brings me to the importance of leadership and management.

Good leadership and management is the difference between good and great institutions.

They need the skills to make strategic decisions to ensure our tertiary education institutions are dynamic organisations with the capacity to embrace change.

We need better prepared leaders and well-trained managers to drive planning and policy-making in the increasingly complex world of tertiary education.

Our educational leaders and managers work in a sophisticated commercial environment and need to be sensitive to commercial opportunities and risks.

They must understand and learn how to apply their fiduciary duties while paying increasing attention to commercial operations.

We need governance structures that support efficient and effective strategic planning and decision making.

Large governing bodies are not necessarily best for all institutions.

I have suggested that 14 members is about right and several universities already manage effectively with 15 or so.

While some in the sector seem obsessed with this suggestion, at the very least, universities need flexibility to have smaller governing bodies that can be effective decision-makers.

Governing bodies need the right mix of skills, including financial and commercial skills, but also knowledge of teaching, learning, research and community engagement.

And of course they need skills in governance, a clear understanding of the responsibilities of those who govern and an effective relationship between governing bodies and management.

Governing bodies also need the right tools and support for members to play an active role in maintaining the highest standards of institutional accountability.

Each governing body needs to ensure that its institution’s mission and strategic plan are focused on its strengths and distinctive role in the higher education sector.

The governing body needs to take an active role in setting performance indicators and be well supported by management in monitoring performance, both on the institution’s own indicators and sector-wide benchmarks.

Although universities are different in some important respects from commercial corporations, they share with corporations the need for high standards of governance.
The consequences of poor governance in terms of reputational damage, unsustainable finances and poor quality services for clients are just as real in universities as in the corporate world.

University governing bodies and the management teams that support them need transparent and high standards to guide them in discharging their fiduciary duties, clear systems of delegation and well developed systems for managing risk and auditing compliance with internal control systems and legislative requirements.

With one Vice-chancellor’s salary now breaking through the $1 million mark, the comparisons with the corporate sector are increasingly valid.

At last year’s OECD forum on the future of higher education, fellow education ministers highlighted six factors as the principal components of good public governance: accountability, transparency, efficiency and effectiveness, responsiveness and forward vision.

The Business and Industry Advisory Committee to the OECD said that, “good governance should serve as the parameters for good management of academic institutions. Just as mismanaged companies cannot flourish, higher education institutions cannot fully meet the needs of their stakeholders if they are mismanaged.”

The link between improved governance and better management of universities is self evident.

The Martin Institute is uniquely placed to be at the forefront of reshaping the tertiary education landscape in Australia.

It will provide a new national focus on enhancing the quality of tertiary education leadership, management and governance by training the next generation of leaders of Australia’s higher education and VET institutions.

The Martin Institute will also address the growing impact of globalisation on the higher education and VET sectors and help ensure Australia can maintain its leading position in the provision of quality education to the international market.

The Institute will bring senior people from the higher education and VET sectors together.

I have been encouraging closer relationships between the VET sector and universities and between higher education institutions and industry.

In an increasingly global education environment we can no longer afford a policy of isolation.

Education is Australia’s fourth-largest export and will only remain so with a commitment to quality and strong leadership and governance across our higher education institutions.

For this reason I think the $10 million investment in the Martin Institute from the Workplace Productivity Programme is well placed.

That the Martin Institute has received the largest single grant from the programme so far illustrates that the Howard Government is serious about supporting tertiary education leaders and managers in achieving high quality outcomes.
Sir Leslie understood that education is the key to a successful economy and that to be successful, the Australian higher education sector needs to operate in both national and global markets.

He was a remarkable individual – a teacher, an eminent physicist who made outstanding contributions to Australian science, education and industry.

He was a visionary with a clear view of the way forward for our universities.

His legacy will include this institute which will build leadership and management capacity.

A strong, vibrant higher education sector plays a key role in the growing knowledge and innovation-based economic wealth of Australia and makes a significant contribution to the lives of individual Australians and to the social and cultural landscape of our country.

It is now my pleasure to declare open the L H Martin Institute for Higher Education Management and Leadership.