

PERSPECTIVE

BELINDA PRATTEN/ANU



If not funding then teaching

The lack of financial reward from Australia's national system of research assessment is obscuring the real issue, says **Brian Schmidt**.

When he announced the formation of the Excellence in Research for Australia (ERA) initiative in 2008, Kim Carr, then minister for innovation, industry, science and research, said that it would provide a “transparent, workable system to assess the quality of home-grown research”. Carr strongly hinted that future funding decisions affecting higher education institutions would be informed by outcomes of the ERA, which would collect data and rate the quality of their research output.

For a comparable model, Australian universities looked to the equivalent system in the United Kingdom, the Research Assessment Exercise (RAE), which allocated significant fractions of the available research money to universities on the basis of their RAE scores. The implication for Australia was that a poor score would lead to financial disadvantage.

Six years later the sector is gearing up for the third instalment of the assessment process. But during this time, the money that was supposed to be tied to ERA outcomes has all but vanished. The incentive structure to award the money is in place: on a scale of one to five the two lowest ratings attract nothing, whereas the top rating (five, or ‘well above world standard’) earns seven times that of the middle rating (three, or simply ‘world standard’). But the total amount of money available is trivial compared to the overall budgets of the participating universities. In fact, ERA financial reward accounts for only 1.2% of Australia's investment in higher education research and development (HERD), or just over AUS\$116 million (US\$109 million).

Given that the government has spent AUS\$43.5 million on the ERA, and universities themselves have outlaid substantial sums to undertake the ERA evaluations since 2008, one might question the value of this exercise that awards so little money.

NON-FINANCIAL INCENTIVES

Nonetheless, it is clear that ERA has helped influence the AUS\$9.6 billion invested annually in HERD. By focusing its assessment on research quality, rather than quantity, the ERA has helped elevate the research at many of Australia's universities (see page S67). The sector is now strategizing about research quality — and these plans are manifested in new initiatives across various universities. There is evidence that excellence is being recognized and rewarded as one of a series of outcomes.

ERA's impact has gone beyond universities and helped to measure Australian capabilities against benchmarks across the breadth of the HERD sector. This is a useful exercise that should help Australia invest more strategically in research in the future — a necessity thrown into sharp relief by the 2014 budget, which introduced big changes for the higher education sector. Among other items, the budget removed the cap for university tuition fees bringing potentially profound implications for the higher education sector. In this instance the ERA process

can provide a benchmark to gauge the effect on research quality. The results, positive or negative, can be used to inform policy decisions around the impact of the decision to deregulate fees as well as other reforms proposed in the future.

But how much influence can the ERA continue to wield once the HERD sector realizes that the total pool of money on the table is tiny? Some commentators have said that, without significant funding flowing from ERA rankings, the programme is not worthwhile — but this is not where the problem lies with funding for HERD.

A far more sensible system is one that contributes towards the full cost of research as part of the granting process, as happens in the United Kingdom, United States and Canada, for example. An assessment system like ERA would then give additional strategic money to help institutions do even better research, at a level in line with current funding. Unfortunately, Australian grants provide nowhere near the full cost of research; significant cross-subsidization is required from student fees. This undesirable method of research funding is unfair to students who believe they are paying for their education but are in fact paying for the country's research.

As a fraction of GDP, Australia spends more on research within higher education than most of the countries in the Organisation for Economic Co-operation and Development (OECD), but its overall rate of R&D investment is well below the OECD average. It is therefore important that Australia maximizes its returns from research within the higher education sector. ERA has successfully emphasized research quality, but this is against a dearth of assessment on how our universities interact with industry (see page S77).

Given this set of incentives, it is perhaps unsurprising that although our universities' research outputs are ranked eleventh in the world, Australia was ranked last for business collaboration with higher education and public research agencies within the OECD. Australia needs to invest more in R&D, but without a strategic plan to achieve educational and business outcomes in tandem with excellence in research as captured by ERA, our country will not fully benefit from its investment.

The next round of ERA evaluations is scheduled for 2015. And although the ERA has been worthwhile, it is unclear how much is to be gained by undertaking this formidable exercise again so soon. Not much has changed in the past three years in the Australian HERD sector, so this triennial exercise — as it stands — seems too frequent. On the other hand, if ERA can spur the government to strategically plan its research agenda, then supporters and naysayers alike would rejoice in being assessed as often as is deemed necessary. ■

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