As you may have noticed, the 2013 federal budget is out and, despite his best efforts, Euromoney's "2011 Finance Minister of the Year" Wayne Swan has missed his earlier predicted budget surplus by almost A$20 billion.

The treasurer is paying the price of introducing the mining tax but ending up in a virtual minefield, and coming out almost empty-handed.

Company tax receipts are down, and the traditional pre-election budget full of sweeteners wasn’t possible without a monster deficit – so the axe has been wielded.

One of the casualties is the university sector.

**The efficiency dividend**

In an incredibly cynical manoeuvre, the government has labelled its 3.25% cut to future university budgets an "efficiency dividend".

These cuts are on top of earlier ones already announced, and Universities Australia estimates the total cost to Australian universities will be more than A$3.5 billion.

It’s sobering to remember the Labor was elected in 2007 on the back of an "education revolution". A more fitting name for the cuts might have been the “education counter-revolution”.

Efficiency is a very nice word, and it would seem that Labor (and I’m sure the Coalition) would love universities to be as ruthlessly efficient as the free market.

In the free market, competition drives down price. To survive, companies are constantly demanding more from their staff, rewarding those who put in long hours and promoting those who make sacrifices to positions of power and influence.

CEOs are expected to demonstrate total commitment, burn the midnight oil and thrive in the pressure-cooker environment that will drive the company to glory.

Of course, this approach has been a disaster for working women at senior levels, particularly those attempting to combine motherhood with careers. In 2012 there was a grand total of 12 female CEOs in charge of ASX500 companies.

Is this what the government wants for academia?

The logic behind “efficiency dividends” is that, in tough times, you trim the fat and find new ways to become more efficient, mirroring the demands of the free market.

The reality is that it’s hard to be innovative when you have a shrinking funding base. Initiatives require new money, and without it universities lose their competitiveness.

Universities will be forced to either reduce the quality of their degrees or quantity and/or quality of their research. This will ultimately make them less competitive, lowering their world and region rankings and and reducing demand for their services.
Good news?

On the plus side, the government will resume the highly successful Australian Research Council’s Future Fellowship scheme.

Broken Piggy Bank

Announced in 2008 and implemented a year later, the scheme, which awards fellowships to mid-career researchers, is one of the best opportunities for young and mid-career researchers in Australia to establish their research careers with four-year positions.

Another positive is the money to support research infrastructure through the National Collaborative Research Infrastructure Scheme, although that’s only for the next two years. The sector desperately needs a long-term plan for maintaining research infrastructure, and this isn’t it.

So let’s hold the confetti. The cost of these two schemes is much less than the cuts universities are being asked to absorb, and so the net effect of the budget is a major negative for the university sector.

The vision

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In 2008, the Review of Higher Education recommended reaching a target of 40% of 25-34 year-olds with a degree by 2020, up from 29% at the time of the report.

It doesn’t take a Nobel economist to predict the cost of this, in terms of implementation, staffing, infrastructure and administration, will be huge – and without a proper tax base it is simply unaffordable.

Fundamentally, what you can teach and examine for in someone with a Tertiary Entrance Rank (TER) of 60-70 is very different from teaching and examining someone with a TER of 90+. But, as the push for higher student numbers increases, so will the pressure on universities to square this (already wonky) circle.

To put it bluntly, there will be an inevitable tension in the system to push some institutions away from research, especially those catering to the lower TER students.

The cuts now on the horizon might accelerate that dichotomy.

Further reading: Federal Budget 2013