

# 2026-27 pre-budget submission

January 2026



The 2026–27 budget is being prepared against a backdrop of heightened global uncertainty, a weakening international economic outlook and ongoing pressure on Australia's fiscal position. In this context, Universities Australia (UA) recognises the government's focus on discipline, prioritisation and reform to lift productivity and support sustainable growth over the medium and long term, as outlined by Treasurer Jim Chalmers. Universities stand ready to support the government in responding to, and overcoming this challenge, and in delivering its agenda.

As the Prime Minister has recognised, there is substantial agreement on the key priorities needed to strengthen Australia's economic foundations – from faster approvals for housing, energy and infrastructure, to supporting innovation, investing in skills and ensuring Australians are prepared to capitalise on the opportunities of emerging technologies such as artificial intelligence. Universities are central to each of these priorities.

Our institutions educate the skilled workforce Australia needs, generate the research and innovation that underpin economic growth and anchor the capabilities and industries that support long-term economic resilience. They support the commercialisation of Australian innovation, help ensure skills and qualifications are recognised nationwide and play a critical role in preparing Australians to adopt and safely deploy new technologies. Through these contributions, universities directly support productivity, higher real wages and long-term fiscal sustainability.

Strong universities also strengthen the revenue base needed to fund essential public services and support sustainable growth. In an era of fiscal constraint, their contribution is not a nice to have, it's a need to have, and even though they require significant public investment, universities are a key vehicle through which those investments deliver national returns.

- **Skilling Australia's workforce** – educating 1.5 million Australians every year, universities are the engine room training the nurses, teachers, construction managers, engineers and tech workers our economy depends on.
- **Backing 250,000 jobs nationwide** – from campus cafés and cutting-edge labs to regional industries and services, universities keep hundreds of thousands of Australians in work and local communities thriving.
- **Powering a \$52 billion export engine** – international education is one of Australia's biggest money-makers, pumping billions into businesses, regions and households across the country.
- **Turning ideas into growth and gains** – university research delivers real-world breakthroughs, new industries, better health, smarter technology and stronger productivity for the whole nation. Every dollar invested returns \$3.50 to the economy.



## Productivity front and centre

Productivity is the number one game. Australia's future prosperity will depend on how effectively productivity is lifted in the challenging and uncertain global environment we are operating in. UA supports the government's decision to use last year's Economic Reform Roundtable and its five-pillar productivity agenda, supported by the Productivity Commission's (PC) five productivity inquiries, as key inputs into the 2026–27 budget. Universities are well positioned to help translate this agenda into economy-wide outcomes.

The PC's five pillar final reports provide a practical framework for lifting Australia's productive capacity. Universities contribute directly to each pillar: by building skills and human capital, generating and diffusing research, innovation and new technologies, strengthening institutions and regulatory effectiveness, supporting dynamic, competitive and connected markets, and underpinning the investments that drive future growth. A strong, well-supported university system is therefore integral to the success of the government's productivity and reform agenda.

"This is a time when government has to step up, to invest in education and skills and research and innovation." — Prime Minister Albanese (National Press Club — June 2025)

The PC's **Building a skilled and adaptable workforce** final report, in particular, identifies practical reforms that would help more Australians access tertiary education and build the skills our country needs. These recommendations — namely 2.1, 2.2, 2.3, 3.1 and 3.2 — are a good place to start.

## Australia's skills challenge — a national priority

Australia's relatively new skills target of 80 per cent of working age Australians holding a tertiary qualification by 2050, set in the 2024–25 budget, reflects the need to invest in skills and education. After all, Jobs and Skills Australia projects that over 50 per cent of new jobs created between 2025 and 2035 will occur in occupations needing a university degree. These jobs are expected to grow as a share of the economy from 35.2 per cent to 37.5 per cent in the same period.

Increasing tertiary education attainment delivers significant national benefits. Department of Education modelling indicates that meeting the 80 per cent attainment target would add an estimated \$240 billion (in today's dollars) to the economy by 2050. These gains flow across the economy and community, strengthening productivity, participation and long-term growth and benefiting all Australians, not just those completing tertiary study.

## Recommendations

### At a glance

- **Fix Job-ready Graduates now:** scrap the highest student fee band to restore fairness, cut costs and stop pricing students out of key disciplines
- **Fund education for better outcomes:** grow Commonwealth supported places and restore real per-student funding to meet Australia's future workforce needs
- **Protect a \$52 billion export:** keep international education growing sustainably to support jobs, universities, research and regional economies
- **Put First Nations first:** implement the Australian Universities Accord's Indigenous reforms to lift participation, completion and economic opportunity for Aboriginal and Torres Strait Islander peoples
- **Cut red tape:** review higher education regulation to slash compliance costs and free universities to focus on building Australia's future through teaching and research
- **Rebuild campuses:** restore a dedicated infrastructure fund to modernise facilities, expand capacity and support skills, research and jobs
- **Go global on research:** secure access to Horizon Europe and back trusted international collaboration to lift innovation and productivity
- **Back basic research:** lift public R&D investment to the OECD average to protect Australia's research pipeline and global competitiveness
- **Make PhDs viable:** raise stipends, support parental leave and fix tax settings to grow the research workforce Australia needs
- **Support our regions:** provide dedicated funding to ensure regional universities are viable and regional students can access education close to home

Australia's universities are critical to lifting national productivity, meeting future skills needs and strengthening Australia's research and innovation capability, but current policy settings are constraining their ability to deliver. Years of declining real investment, misaligned funding incentives, rising regulatory burden and underinvestment in research infrastructure and people have weakened equity, efficiency and capacity across the system.

"The system needs to constantly grow and improve. It has no choice. Rapid technological, social, political and environmental change means the pressure is always on to produce more knowledge, skills, opportunities and research. Fall behind in this race and Australia will see its productivity, innovation and standard of living decline." — **Australian Universities Accord final report**



UA's recommendations set out a focused, practical package of reforms to restore fairness for students, rebuild sustainable university funding, strengthen the research workforce and ecosystem and ensure Australia remains globally connected and competitive. Together, these measures would position universities to play their full role in driving economic and productivity growth, social opportunity and national resilience in the years ahead.

**1. Urgently address the most inequitable elements of the Job-ready Graduates Package by abolishing the highest student contribution band and replacing it with the second-highest tier**

The government should urgently reform the Job-ready Graduates (JRG) package to restore equity, efficiency and sustainability in Australian higher education. JRG has entrenched perverse incentives in the funding system. Students in high-fee disciplines such as business, law and arts now pay up to \$17,000 per year while the government contributes only \$1,300. By contrast, students in agriculture and forestry pay \$4,600 while the government contributes \$32,000.

This skewed funding model is a barrier to building Australia's future workforce, particularly in humanities and social sciences, and disproportionately affects low-SES and disadvantaged students. Since JRG's introduction, low-SES enrolments in law and business have fallen by 22 per cent, while domestic undergraduate enrolments in medium/high-SES and low-SES cohorts fell six per cent and 12 per cent respectively. Only 1.5 per cent of students changed fields in response to JRG, confirming the fee structure accelerates structural decline rather than influencing choice.

While structural reform to replace JRG entirely will take time, this targeted interim measure would provide immediate cost-of-living relief to students most affected by fee hikes, support equity and participation objectives and ensure a stronger workforce pipeline.

**2. Increase Commonwealth supported places, alongside restoring real per-student funding, to align university capacity with Australia's future skills needs**

The government should gradually increase the number of Commonwealth supported places (CSPs) to ensure Australia's future skills needs are met. The Job-ready Graduates (JRG) package has reduced university funding by around \$750–800 million per year, driving a six per cent real decline in funding per Commonwealth supported place since 2017, even as student demand and workforce shortages have grown. Current forward estimates allow for only minimal real growth in CSP funding, which is insufficient to meet projected skills demands. The decline in funding has led to larger class sizes, the removal of low enrolment degrees and courses, and increased use of casual teaching staff. This increases staff workloads and undermines the student experience.

Without action, Australia will fall short of its target for 80 per cent of the workforce to hold a tertiary qualification by 2050, exacerbating acute skill shortages in health, education, engineering, science and technology. A sustainable CSP growth pathway is essential to reverse declining domestic enrolments, support Australia's skills needs and secure the \$240 billion in additional income associated with a more highly skilled workforce.

**3. Continue growing Australia's international education sector sustainably, without reducing its size or value**

The government should continue to grow Australia's international education sector, increasing the number of new overseas student commencements (NOSCs) each year to generate the income our universities and economy need. International education is one of our country's most significant national assets, generating around \$52 billion in export income each year and supporting more than 250,000 jobs in capital cities and across regional Australia. For universities, international student revenue is also a critical source of funding that sustains the quality of education and research delivered to all students due to continued underinvestment by the government.

UA supports a balanced, risk-based approach to international education that preserves public confidence while enabling continued growth. Ensuring student visa settings, fees and processing arrangements remain internationally competitive and proportionate is essential to protecting the long-term value international education delivers for domestic students, research outcomes and the broader Australian economy. UA has advocated for growth in this sector and welcomes the increase in NOSCs allocated to universities under the 2026 national planning level.



To protect diverse markets and support Australian students travelling overseas on exchange, it is critical to reduce the visa costs for student exchange and study abroad students, who typically spend less than 12 months in Australia. This is one of the primary pathways for students from Europe and North America to come to Australia.

#### **4. Implement the Indigenous-related recommendations of the Australian Universities Accord to place Aboriginal and Torres Strait Islander peoples at the centre of higher education reform**

The Australian Universities Accord provides a once-in-a-generation opportunity to reset higher education, so it delivers equity, opportunity and economic participation for Aboriginal and Torres Strait Islander peoples. Despite sustained effort by universities, Indigenous Australians remain significantly under-represented in higher education participation, completion and employment, reflecting long-standing structural barriers rather than lack of aspiration or capability. Implementing the Accord's Indigenous-specific recommendations would strengthen Indigenous self-determination, build pathways into high-skill employment and ensure higher education reform delivers tangible social and economic benefits for Indigenous Australians and for the nation as a whole.

#### **5. Undertake a comprehensive review of higher education regulation to reduce red tape, lower compliance costs and improve efficiency across the university sector**

In line with its commitment to undertake deep dives for priority sectors to streamline regulation, the government should review the higher education regulatory landscape to reduce burden and support productivity growth across the sector. Over the past two decades, Australia's higher education regulatory framework has expanded significantly in response to legitimate policy priorities, including freedom of speech, foreign interference, student loan integrity, provider quality and tackling racism on campus. While these reforms address real risks, the cumulative impact has created an increasingly complex, overlapping and costly compliance environment for universities.

This expansion has resulted in a proliferation of legislative acts and regulatory instruments governing university operations, driving up compliance costs and diverting resources away from teaching and research. Evidence from the sector highlights the scale of the burden:

- The University of Sydney estimates it must comply with more than 330 legislative acts and instruments, with 157 imposing significant compliance obligations – representing a 10 per cent increase in just two years.
- The University of Queensland reports compliance with around 420 distinct acts and a 63 per cent increase in compliance-related costs over the past decade.

- The Group of Eight estimated in 2022 that compliance-based reporting costs Australian universities more than \$500 million annually – costs ultimately borne by students, taxpayers and the broader community.
- Regulatory duplication further compounds these pressures. The 2025 TEQSA-ASQA Dual Sector Strategy Report found that dual-sector providers face significant administrative burdens due to overlapping regulatory requirements across higher education and vocational training. International comparisons also show that Australian academics spend more time on administrative tasks – and less on teaching – than their peers in 12 other countries surveyed.

A targeted, system-wide review of higher education regulation would ensure existing and future requirements are streamlined, proportionate and fit for purpose. Reducing unnecessary red tape would improve institutional efficiency, free up academic time for teaching and research and support a more effective, fair and sustainable higher education system.

#### **6. Re-establish a dedicated funding stream for campus infrastructure**

The government should re-establish dedicated funding program for university infrastructure, like the former Education Investment Fund (EIF), to support the expansion and renewal of university teaching and research infrastructure. Meeting Australia's projected demand for more skilled workers and innovation will require significantly more classrooms, laboratories and industry-linked facilities. While digital delivery will play a role, it cannot substitute for physical infrastructure in disciplines critical to national productivity, skills and research capability.

The abolition of the EIF in 2019 removed nearly \$4 billion in dedicated higher education and TAFE infrastructure investment. No replacement mechanism has been introduced. As a result, real university capital expenditure fell by around 40 per cent between 2019 and 2022, constraining capacity and degrading the quality of learning and research environments.

A dedicated funding stream for campus infrastructure would:

- enable universities to expand capacity in priority skills areas
- modernise ageing, no-longer-fit-for-purpose facilities
- strengthen university-industry collaboration and research translation, and
- support jobs and economic growth through construction and regional investment.

Targeted, long-term capital investment is essential to deliver high-quality education, sustain Australia's research capability and meet future workforce needs.



## **7. Support global research collaboration with trusted partners, including full participation in Horizon Europe, through a national strategy and dedicated funding**

The government should back Australian researchers to collaborate more deeply with their international counterparts to drive the innovation that unlocks productivity growth and social and technological progress. Australian researchers have a proud history of international collaboration, delivering breakthroughs that change lives. Examples include Noel Gordon's contributions to Google Maps and Professor Ian Frazer's cervical cancer vaccine. Strategic global partnerships are critical to building the research capability Australia needs to pioneer similar innovations for the future.

Programs such as AUKUS offer opportunities, but there is a risk of over-concentration on a limited set of partners. Horizon Europe, in contrast, would supercharge Australia's research impact in Europe and the Indo-Pacific, addressing structural weaknesses in mid-stage research translation and enhancing industry engagement. Countries associated with Horizon Europe achieve significantly higher innovation efficiency through access to larger collaborative projects, major infrastructure and broader industry linkages. Australia should join with our allies to share in those benefits together.

Australia must engage strategically with international partners while safeguarding national sovereignty. This requires a national action plan for international research collaboration that balances people-to-people links, high-quality research outcomes and robust risk management.

Steps the government should take include:

- committing financially to enable Australian researchers to participate in Horizon Europe as soon as possible
- using participation as a "try before we buy" ahead of the successor program, the 10th EU Framework Programme (beginning 2028), which is expected to nearly double the Horizon Europe budget, and
- leveraging Horizon Europe to strengthen collaboration with Europe, and with key regional partners such as New Zealand, South Korea, Japan and Singapore.

Such investment will enhance Australia's innovation efficiency, build domestic research capability and ensure Australian science and industry remain globally competitive.

## **8. Protect and invest in basic research by raising public funding in research and development to the OECD average of 0.74 per cent of gross domestic product**

The government should lift its investment in university research to sustain Australia's foundational research ecosystem. Australia's research ecosystem is chronically underfunded, particularly at the university level. While the government invests around \$14 billion annually in research programs, approximately one-third is directed to the Research & Development Tax Incentive, which primarily supports industry research at advanced stages of development. This leaves foundational research – the bedrock of future innovation – largely under-resourced.

Universities are the primary drivers of foundational research, conducting roughly 85 per cent of Australia's pure basic research and contributing significantly to strategic basic and applied research. Yet in 2023, universities funded more than half of their research internally (51.7 per cent), often relying on cross-subsidies from international student revenues to sustain these efforts.

Government funding is critical because it:

- reduces the financial risk associated with basic research, which private firms typically avoid
- leverages additional investment from industry, states and universities, and
- bridges the gap between early-stage research and potential commercial or social outcomes.

The effectiveness of this approach is evident in initiatives such as:

- Trailblazer Universities Program – \$370 million in government funding has leveraged at least \$1.2 billion in total funding and is expected to generate over \$7 billion in economic benefit, and
- National Collaborative Research Infrastructure Strategy – every \$1 of Commonwealth funding attracted \$1.09 from universities, states and industry.

Increasing public R&D investment to at least the OECD average would strengthen Australia's research pipeline, secure the nation's global competitiveness and ensure long-term economic and social benefits.



## **9. Make PhD study financially feasible for Australians by increasing stipends, supporting parental leave and removing taxation on part-time scholarships**

The government should better support PhD candidates to ensure Australia maintains and grows its research workforce into the future. Currently, Australia is not training or supporting the research workforce needed to sustain future productivity. The government's Research Training Program base stipend of \$34,315 (2026) makes PhD study financially unviable for many Australians, particularly domestic candidates whose average age is 37 and who often have families and significant financial responsibilities.

While universities can provide top-up stipends, doing so frequently reduces the total number of scholarships available. This is counterproductive, as PhD candidates are among the most cost-effective contributors to research productivity, yet their financial barriers limit participation.

A supply gap is emerging, particularly in science. Universities Australia's modelling predicts demand for PhD-qualified science workers will exceed supply by roughly 12,000 by the early 2030s. Without action, Australia risks constraining its future innovation and economic competitiveness. PhD study can be made more feasible through:

- raising the minimum stipend to reflect a realistic cost of living, with appropriate annual indexation arrangements
- expanding the Research Training Program pool to support the higher stipend without reducing scholarship numbers, and
- extending eligibility for government-funded parental leave to PhD candidates and removing taxation on part-time stipends.

Complementary measures — such as attracting international talent and supporting long-term retention and collaboration — will ensure Australia continues to develop a world-class research workforce. This represents one of the most cost-effective government investments in research productivity and national capability.

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