

Research Block Grant Reform

1. Our position

The Australian Academy of the Humanities (AAH) welcomes efforts to realise the translation of Australia's research by improving collaboration between universities, governments, industry and community organisations. These collaborations are crucial for tackling the grand challenges Australia and the world face today – from climate change, pandemics, the responsible use of technology, and entrenched social and economic disadvantage. The social, creative, economic and cultural expertise delivered by the humanities, arts and social sciences (SHAPE disciplines)¹ are crucial to this vision. It is vital that any changes to funding arrangements not only do not disadvantage SHAPE disciplines, but actively encourage researchers across the entire research system to work with industry and communities to secure our future well-being.

We do not support the reforms outlined in the Consultation Paper.

2. The funding reality

Recent data from the Australian Bureau of Statistics (ABS) makes clear that Australian universities are collaborating at scale with industry and community partners, with greater income and benefits flowing both into universities and out into industry and the community.² While we recognise there is still room for improvement on a number of fronts, the proposed changes in the Consultation Paper continue an approach of **tinkering at the edges of research funding policy, rather than tackling the underlying issues directly.**

By slicing the RBG pool more finely again (following the Watt Review) the proposals in the Consultation Paper neglect the fundamental challenge at the heart of the current RBG framework: that **RBG funding has not kept pace in real terms over the past decade with research expenditure.** In the early 2000s, for every dollar of external funding earned for the direct costs of research, universities received ~38 cents in funding for the indirect costs from RBG. In 2021, that figure has fallen to ~21 cents in the dollar.³ Higher education funding as a proportion of Commonwealth funding overall has fallen from 2.66% in 2005/6 to 1.74% in 2020/1.⁴ Research Support Program (RSP) funding has also not kept with the growth in Australian competitive grants and funding from governments, industry and philanthropy.

¹ 'SHAPE' stands for Social Sciences, Humanities and the Arts for People and the Economy. The SHAPE agenda originated from a coalition of organisations in the UK including the British Academy, the London School of Economics and the Arts Council England. See <https://thisisshape.org.uk/>

² ABS data shows a 15% increase in funding from industry to support research, <https://www.abs.gov.au/statistics/industry/technology-and-innovation/research-and-experimental-development-higher-education-organisations-australia/latest-release> See also Category 3 data cited in the Consultation Paper.

³ This excludes the additional \$1bn emergency funding provided by the Commonwealth as that was a one-off and has not been continued.

⁴ And falling further in the forward estimates to 2025/6: Final Budget Outcomes and 2022/3 Budget Paper 1 https://budget.gov.au/2022-23/content/bp1/download/bp1_2022-23.pdf

Universities have therefore had to spend more of their discretionary income on supporting the indirect (and direct) costs research, with two major consequences: **driving a greater reliance on student tuition fees** (especially international students) to underwrite our research endeavours, including in areas we need to maintain or develop greater sovereign capability; and causing **a systematic underfunding of basic research**, given the need to seek greater funding from industry and other partners whose interests lie primarily in applied research.

While universities use the flexibility of the current RBG system to ensure that there is support for the breadth of research and support for the next generation of researchers within the university sector (rather than simply allocating RSP and RTP funding on the basis that it is earned), universities looking to a sustainable funding environment will be influenced by changes in RBG drivers.

3. Risks to basic research and health of the system

Universities conduct 90% of the basic research in Australia according to ABS data.⁵ However, the decline in real terms of RGB funding has resulted in a systematic decline in government and industry support for basic research – the well-spring of all truly innovative and transformational discoveries that drive, ultimately, great commercialisation and social good outcomes.

The proportion of expenditure on basic research in Australia by both universities and governments has declined in the last 30 years – perilously so. The Consultation Paper acknowledges the importance of basic research, but its recommendations undermine that commitment and risk making the situation worse by diluting the proportion of RBG funding that is directly linked to competitive government schemes that support basic research.

In fact, the Consultation Paper makes clear that it is *business and industry* who are under-investing in research and innovation, and especially in basic research – and not universities. The Watt Review has already led to a greater proportion of RBG going to industry related funding, which the universities have responded to. We need to improve investment in both basic and translational research, but the need is now greater, arguably, in relation to basic research.

4. Consequences for SHAPE disciplines

4.1 Incentivising research for improved societal outcomes

The Academy is seriously concerned about the consequences of the proposed RBG changes for humanities, arts and social sciences (SHAPE) disciplines in our universities. **Some of the greatest challenges we face today to do with improving Australia's economic and social well-being will require greater SHAPE engagement, not less.** The development of more human centric technology, addressing entrenched social disadvantage and preparing appropriate public health engagement strategies for future pandemic responses – to name only three – will require deep SHAPE basic and applied research, in collaboration with STEM disciplines.

Researchers in SHAPE disciplines work across both basic and applied research, but work that leads to cultural and social good, as opposed to strictly commercial benefit, is currently largely funded by universities and government agencies such as the Australian Research Council and National Health and Medical Research Council, and less so by industry and community organisations.

⁵ See ABS release Higher Education Resources devoted to R&D (May 2022), <https://www.abs.gov.au/statistics/industry/technology-and-innovation/research-and-experimental-development-higher-education-organisations-australia/latest-release>

4.1.1 Treatment of Category 1 and 2 income

The proposed RBG funding changes risk undermining the already limited support for cultural and social good research by diluting the impact of Category 1 funding in the RBG formula, which will provide even fewer incentives for universities to make up the gap through discretionary funds.

For research commercialisation, translation and implementation to occur and to have economic and social benefits, there is an initial investment by universities in basic and applied research that forms the groundwork for commercialisation. Commercialisation of research has a number of drivers that can be used to stimulate research activity (such as royalties, licensing fees, sale of IP), but none of these are likely to be used to support the basic research that underpins commercialisation. Shifts in RBG funding of the kind proposed are short-sighted and will have the effect of reducing capacity to support basic and applied research – restricting the pipeline.

The Consultation Paper seeks to entrench a distinction between government/public funding and industry/private funding in the RBG formula, diluting the weight of government and public funding. Again, this puts **at risk the significant contribution that university researchers – and especially from SHAPE disciplines – make to the implementation, evaluation and improvement of government policy and social services often supported by Category 2 funding**. Universities will now have less incentive to encourage SHAPE researchers to compete for Category 2 funding, which will reduce the capacity of governments to draw on university expertise to contribute to the development of evidence based public policy at local, state and national government levels.

4.1.2 Research training incentives

The proposed changes to Research Training Program (RTP) funding drivers skew PhD students towards more applied research, precisely at the point where we need the early stage of our research pipeline to be pursuing the most cutting edge and innovative research questions possible. We welcome the greater support recently announced for industry embedded PhDs, but this should not come at the expense of existing funding, nor should the constrained pool of RBG funding be further sliced to support more applied research. **We need more PhD students to be embracing bold, leading edge and multidisciplinary research topics, which often are less amenable to industry partners at such an early stage in their development.**

5. Introducing more complexity and cost

The proposed changes will introduce yet more complexity into the funding model. In recent years there has been considerable investment in university-industry research commercialisation and a range of funds and funding schemes across many departments (education, industry, regional development, defence), leading to a very complex set of levers and different kinds of agreements and reporting requirements. It is increasingly difficult for universities to navigate the co-investment and governance required in this environment – this will become even more complex if RBG weightings shift based on the source of research funding without attention to the institutional costs of supporting the research commercialisation (infrastructure, administration and personnel engaged in the research). **A range of incentives exist already for universities to engage in research commercialisation and translation: the additional complexity and cost is not warranted.**

6. Recommendations

The Academy recommends:

1. Make the additional \$1 billion RBG funding provided in 2021 permanent to address the decline in support for the indirect costs of research, as well as the overall decline in funding for the higher education system. This will enable the government to support both improving translation outcomes, as well as the basic research that will drive the great innovations and transformational outcomes of the future.
2. Any changes to the RBG formula should be contingent on additional RBG funding overall. Further consultations should be undertaken to link future RBG formula changes to ERA outcomes, to ensure funding is directed to the highest quality and most impactful research.

This submission has been prepared by Council member, Professor Duncan Ivison FAHA, and Fellow Professor Sue Dodds FAHA on behalf of the Australian Academy of the Humanities.

The Academy would be pleased to elaborate on this submission and be involved in further consultation.