

Wealth for a nation: a question of funding

Business education, by any measure, is a contributor to national wealth. It does this in two ways. First, an education in business leads to the acquisition of skills that can translate into good jobs. This may not be as guaranteed as, say, a medical degree, but the employment record of business graduates is very good. Second, the education of international students is a major export industry for Australia, estimated at more than \$5 billion per year, seventh in the ranking of all exports. It is also growing where most traditional exports are not. This is the export of all education, but international enrolments for those studying business is easily the largest category and not much less than half the total.

Most students choose their education according to their expectation of jobs and careers after they complete their studies. And in a fee-paying environment, if even of the deferred taxation kind, there is even more of a need for a benefit in terms of future income later.

It does appear that the decision students make to study business is a good one. In June 2005, Access Economics calculated the net economic benefit of an undergraduate degree at about \$500,000, compared with \$185,000 for a non-business degree; for postgraduate degrees, it was \$660,000 compared with \$255,000.

The estimate for lifetime earnings for a business graduate was \$1.31 million to \$1.5 million compared with \$1.02 million to \$1.12 million for others.

What we have, then, is a thriving industry. There is strong local demand and growing exports: 28 per cent of all students are studying business; half of all international coursework Masters students are studying management or commerce; and just under half the total of bachelor degrees are business degrees.

Everyone should be happy, but they're not.

On the release of the Access Economics report, President of the Australian Business Deans Council Professor Peter Wolnizer said while business schools were generating enormous economic and social benefits, many were still seriously under-funded. How can this be?

The problem is that university administrations need money. Many Australian universities now regard their business faculties as cash cows – to be milked of money to subsidise other parts of the university. Some level of fund-sharing is understandable, but over-reliance on cash cows can cause them to dry up.

There is an international market for business education and one that is highly sensitive to perceived changes in quality. Low-end providers make all Australian universities worse off. Stories of over-crowding, poor value for money and insufficient care of students rapidly make their way around Asian capitals.

To date, Australian universities have done well internationally but they are not well-placed for the future. Current success cannot be taken for granted – markets can move very quickly, as the rapid decline in IT degrees has shown. Professor Wolnizer argued Australia's business schools have historically been funded at relatively low levels, meaning they have had to achieve significant economies of scale through large class teaching.

If Australian business schools are to maintain and enhance their competitive position internationally, there needs to be much greater investment in them.

Without the kinds of investment Professor Wolnizer wants and without vice-chancellors viewing business faculties as strategically important for their universities as a whole, future prospects are not bright. Without greater care another export industry could be lost.

Owen Hughes

Director, Graduate School of Business, Monash University