

Do Tuitions Fees Underpinned With Income Contingent Loans Diminish Access and Gender Income Equality ?

NUS believes that any moves to increase costs to students will have an impact on the Government's ambitions for inclusion in higher education of marginalised social groups and gender income equality. This cuts against the widespread myth that the increases in tuition prices have no impact on access so long as the payment can be deferred, ie via income contingent HELP loans such as HECS.

Do Increases In Tuition Fee Prices Affect Access ?

Since the abolition of free education in Australia in 1987 there has been a long running debate in higher education policy circles on the issue of whether the tuition fee level of courses impact on student choices. From 2005 virtually all domestic students have been able to defer payment of their fees through HECS-HELP or FEE-HELP arrangements.

Some have sought to justify increases in student fees by arguing that fee levels do not impact on participation so long as they are underpinned with an income contingent loans scheme. Others point out that certain social groups such as low SES, regional and mature age students tend to be more debt adverse and either opt of higher education or go for cheaper options. Additionally, the effect of increased fee levels on graduates who are disadvantaged in the workforce is to amplify this disadvantage by extending debt repayments and differential earnings over a longer period of time.

As further acknowledgement of the effect of fee rates on student choice, the Howard and Rudd Governments have both acted to influence student choices by offering HECS discounts for those studying in national priority areas such as teaching, nursing, maths and science. So what role does price play in determining choice in a system with widespread access to income contingent loans schemes? Is price a minor factor compared to labour market signals or the perceived status of a course or university?

HECS was introduced by the Hawke Government in 1989 to replace the up front \$250 administration charge that had ended Australia's brief experiment with free education. The original flat HECS rate was replaced in 1997 by a four tiered system of HECS differentiated according to discipline of study. Apart from the cheapest "national priority" the new rates were much higher. In 2005 HECS rates were 'deregulated' so that universities could charge between 0-125% of the previous HECS rates. Most universities opted for the extra 25% straight away, with the handful of dissenting universities creeping their fees up to the maximum student contribution rate in ensuing years.

The 2008 Bradley Review of Higher Education found that there was no strong case for further general increases in student contribution rates apart from moving nursing from the National Priority rate to Band One (compensated with a loan reduction for graduates who worked in the profession for 5 years). The review panel also recommended that tuition fee price caps be retained for HECS-liable undergraduates and postgraduates. The government pursued this path.

Some in the sector such as University of Melbourne Vice-Chancellor, Glynn Davis argued at the time that due to income contingent loans schemes that price has no impact on

equity and that the caps on tuition fee levels (maximum student contribution rates) should be removed:

“The available data make clear that tuition price has been no impediment to participation. The price caps that have kept costs down to all students cannot be easily defended on equity grounds. For many students, it is likely that these controls inflict costs of a non-financial kind—all the problems of over-crowded classes and run-down facilities that have been the subject of many a complaint over the years. The price caps restrict student choices, leaving little difference between the 37 public universities all offering variations on a standard university service.”¹

Davis set out to refute the claims made by the “*National Union of Students (which) links tuition fees to concerns about access and equity.*” He pointed to the basically static level of low SES participation since 1991 and cites the research of Cardak and Ryan² into the transition from school to university justify his dissociation of tuition fee price from equity.

A similar line of argument continues into the present day from the elite Group of Eight universities. The Go8 “Higher Education financing” backgrounder released in October 2010 argues that student contributions should be increased by a maximum 50% to meet the needs of maintaining quality education delivery. Equity objections are dismissed with the following claims:

- Australia operates a system of income-contingent loans to help students pay their university fees, removing up-front financial barriers to access and participation, and postponing debt repayments until graduates have realised a graduate wage premium later on;
- there is little convincing evidence that increases in student contributions have deterred participation in the past, either in general or for low SES students in particular;
- there is little convincing evidence that low SES students are more debt-averse than other groups of students; and
- holding tuition fees down has a regressive effect in that more affluent students invest less in their education than they could afford. While regressive in itself, this also has a more direct effect on low SES students by restricting the number of places available.³

While these claims have become widely held in education policy circles, mainly because they are often repeated, more critical readings of the key studies in this area indicate that the income contingent loans systems do not provide a guilt free license for Vice Chancellors to charge whatever they want to solve the funding problems of Australian universities.⁴

Let us start with the much cited Cardak and Ryan study (both of authors have co-authored articles with the original architect of HECS, Bruce Chapman). They used longitudinal data from a large sample of students from a randomly selected cross-section of government, catholic and independent schools. They were able to match with measures of student performance (ENTER – year 12) scores, SES status according to father’s occupation and whether or not they went to university. The key finding from

¹ Prof. Glynn Davis, ‘Fairness, Fees and Equity in Higher Education’, AFR Higher Education Summit, April 2007

² Buly Cardak and Chris Ryan, ‘Why are high ability individuals from poor backgrounds under-represented at university?’ Discussion paper A06.04, La Trobe University School of Business, 2006

³ Group of 8, “Higher Education finding”, Backgrounder 14, Canberra, October 2010

⁴ Group of Eight Universities, Backgrounder 14, ‘Higher Education Financing’, Canberra, October 2010

the study was that the SES distribution of high performing students in Year 12 was similar to the SES distribution of school leaver university admissions. They concluded from this that HECS does not appear to be a 'credit constraint' on high performing low SES students making the transition to Year 12 to university. They do not deny that low SES students are under-represented in university admissions compared to middle and high SES students. Instead they are making the argument that the selection processes occur well before year 12. Another controversial implication from this paper is that the current range of university equity scholarships for low SES students are a waste of time:

"Policies such as targeted university scholarships are unlikely on their own to bring low SES students into the university system in greater numbers."

Cardak and Ryan's study is impressive in its access to data that has not been cross-matched on this scale before. However, the findings themselves are hardly unexpected. A number of previous studies of the original HECS have had similar findings, albeit with a less rigorous methodology.

In 1989 the Department of Employment, Education and Training's Evaluations and Investigations Unit compared the responses of control groups of students who did apply and those who did not to determine whether HECS had been a factor in choosing not to do so. The report found that HECS did not appear to be a very important factor in limiting access, with the possible exception of postgraduates intending to re-enrol. 10% of postgraduates surveyed had cited HECS as the 'most important' or a 'very important' reason for not re-enrolling⁵.

In 1991 a consulting firm was commissioned by the Higher Education Council to look at the impact of HECS on traditionally disadvantaged subgroups. The report based on sample subgroups (low SES, NESB, Rural and Indigenous) concluded that HECS did not seem to be an issue of great concern in determining whether or not to participate in universities. The more highly ranked factors included the desire to make money, the need to get a TAFE qualification, failure to qualify for a student grant, and living away costs. However, the report did note that around 20% of the sample who were single parents (or from single parent families) or from low SES rural areas thought that HECS was 'likely to frustrate their intention to participate'.⁶

NUS has long conceded that despite our opposition to tuition fee increases the empirical evidence shows a long term pattern, although not always consistent, that the bulk of high performing young school leavers are not deterred by the pre-2005 HECS rates. This concession is qualified by the empirical data that shows that the 1997 and 2005 HECS increases did provide shocks that seem to have had at least a short-term impact on demand.

NUS's core critique of the impact of HECS on equity has focussed on the concept of study debt aversion. The study debt aversion hypothesis is that different social groups may tend to respond differently to the idea of taking on large amounts of debt – even if it is supported by a progressive income contingent repayment option. While an upper-middle class school leaver may not be put off by a large study debt, a low income mature-age rural students might well be.

⁵Robertson F, Sloan J & Bardsley N, *The Impact of the Higher Education Contribution Scheme (HECS)*, DEET Evaluations and Investigations Program, AGPS, Canberra, 1990

⁶NBEET, *Assessment of the Impact of the Higher Education Contribution Scheme on the Potentially Disadvantaged*, Commissioned Report No. 15, AGPS, Canberra, May 1992

Some British studies such as that conducted by Hesketh⁷ (Britain has had an income contingent loans system for tuition fees since 1997, and like Australia at the time also had an option of student loans on top of student grants for living costs) found that middle class students were fairly confident about money matters and less adverse to issues related to debt. In part this was attributed to the security they had that they could fall back on family resources if unexpected difficulties arose. Students from working class backgrounds had less confidence that they could secure the necessary resources to maintain themselves at university for several years and so were more averse to incurring large study debts.

A Canadian study by Finnie⁸ identified three categories of debt aversion. The first is called 'risk based debt aversion'. This is associated with the uncertainty about the returns to education investment (for example students who are sceptical about employment prospects following graduation, or about the perceived private economic return of the courses they hope to pursue, or those who simply cannot cope with the notional risks of tens of thousands of dollars debt hanging over their heads).

The second form of debt aversion is called 'value debt aversion'. This comprises people who are unwilling to borrow for religious or culture related reasons. This could also include those who make a political choice not to partake in user pays education, for example former free education recipients who don't return to further education now it is no longer free.

The third form is what has been described as 'sticker price debt aversion' where borrowers are scared of the total debt they expect that they will accumulate over the period of study. This may stem from an over-estimation of costs and under-estimation of income but has also been seen in Australia following extensive media about large increases in student contribution rates.

If the study debt aversion thesis is true then fees (even backed by a loans scheme) will have an impact on the social composition of the student cohort. Studies like Cardak and Ryan are limited by the fact they only look at school leaver entry, now a minority point of entry into higher education as opposed to mature age entry. Nor did they look at rural disadvantage. Vice-Chancellor Davis's claim about price having no impact on access is at best only half the story.

Given the fact that HECS has been around since 1989 one would have thought that it should be a straightforward empirical exercise to see if the data on participation shows which of the 'no effect' or the 'study debt aversion' hypotheses is correct. Unfortunately, as DEST admitted to a Senate Inquiry, due to several changes to their data collection definitions DEST did not have accurate long time series for equity groups. Using the department's now withdrawn data from reports such as *Equity In Education*⁹ there was a small but consistent trend of declining in the participation rates for working class, regional and mature age students during the 1990s – these groups are all much more likely to have had a direct experience of debt than upper, middle class metropolitan school leavers. A Higher Education Council report in the late 1990s also suggested that

⁷ Hesketh, A. J. (1999) Towards an economic sociology of the student financial experience of Higher education, *Journal of Education Policy*, Vol. 14, (4) pp. 385-410.

⁸ Finnie, R. (2004) *The case for students Loans: why, when and how*, Canada: Queens' University,

⁹ DETYA, *Equity in Higher Education*, Occasional Paper Series, Higher Education Division, March 1999

the opportunity cost (income foregone while studying) may be an important factor for rural low SES families.¹⁰

The revised 1989-2006 time series of the overall low SES students participation rate prepared for the Bradley Review shows only minor fluctuations around the 14.8% mark. A Universities Australia commissioned study by James et al argues that the postcode methodology widely used for determining socio-economic status may underestimate the under-representation of low SES people in higher education.¹¹

Nevertheless Department of Education data did show that the participation of rural and isolated students was still clearly falling in 2005. The total number of students from rural and isolated areas decreased slightly from 129,825 in 2001, to 126,541 in 2005. In 2001, rural students comprised 17.7% of domestic students and isolated students 1.5%. In 2005, the proportion of domestic students from rural areas declined slightly to 16.7% and isolated students to 1.2%.¹²

The ABS census data 1996 and 2006 also picks up the widening gap in access between regional and metropolitan participation rates despite the overall increase in youth participation over the intervening decade. The time period included two significant increases in student contribution rates.

University Participation Rates, 19-21 year olds, 1996 and 2006¹³

	1996	2006
Regional	18.3	21.4
Metropolitan	28.4	35.3
Gap	10.1	13.9

We are not claiming that study debt aversion is the sole factor explaining this decline but the decline is consistent with our thesis that it is a factor.

Another possible test is to look at the impact of the 1996-97 introduction of differential HECS which broke up the flat HECS into different rates depending on the discipline studied (and increased the HECS rates significantly across the board). Such studies were commissioned into this by the Department of Education, Science and Technology at the start of the Nelson Review. One week prior to the deadlines for submissions to Senate Inquiry into *Backing Australia's Future*, DEST released two reports on access to university in Australia. These reports are *Expansion in higher education in the 1990s: effects on access and student quality* and *HECS and Opportunities in Higher Education: A paper investigating the impact of the Higher Education Contribution Scheme (HECS) on the higher education system*. While both papers are dated 2002, they were released a year later only after significant public pressure, in particular from the *Sydney Morning Herald*.¹⁴

¹⁰ James R, Wyn J, Baldwin G, Hepworth G, McInnis C and Stephanou A, *Rural and Isolated Students and their Higher Education Choices: a re-examination of student location, socio-economic background, and educational advantage and disadvantage*, Higher Education Council, 1999

¹¹ James R, Anderson M, Bexley E, Devlin M, Marginson S and Maxwell L, "Participation and equity: A review of the participation in higher education of people from low socioeconomic backgrounds and indigenous people", Universities Australia, Canberra, March 2008

¹² DEST Higher Education Report, 2005, AGPS, pg. 21

¹³ Census of Population and Housing

¹⁴ Aban Contractor, "Claims that Nelson hid uni fee risks", *Sydney Morning Herald*, August 11 2003.

Following the release of the latter report, there were calls from the Department for the research to be used with caution. This would seem to be driven by the fact that the report directly contradicted the ideology of the Howard Government's reforms, that increasing fees somehow does not inhibit equitable access to university. A DEST media release stated that there were methodological issues with the report, including the "relatively small impact of some of the findings."¹⁵

A number of the findings in the maligned Aungles et al report did indicate a significant impact, with falls in the number of mature-aged students by 17,000 following the introduction of differential HECS. Some other falls in enrolments seemed to only impact on smaller numbers of people, for example, the drop of 200-300 males from a low income background enrolling in Band 3 courses, until it was noted that this is a 38 per cent fall.

The large percentage impact of such a small number of people shows the serious under-representation of some groups of students within university in general, but especially within 'elite' courses such as medicine, veterinary science or law. This in itself is a matter for concern.

The increased HECS rates that were introduced in 2005 also provided more evidence that price does have an impact. Figure 9 of the review discussion paper shows that the level of unmet demand fell by half in 2005, reversing a trend of increased unmet demand. This drop reflected both a drop in university applications and an increase in university places.¹⁶ A British study¹⁷ evaluating the impact of student contribution rises looked at Queensland university applications in 2005 and found:

"The first point to note is that applications levels had been stable 2001-4 despite a growing population, so penetration of the school-leaver population is likely to have fallen. For 2005 there was a fall of 4.4% reflecting some sensitivity to the increased HECS fees of up to 25%."

A study of rural disadvantage in Victoria by Golding et al commented:

There is copious evidence that the perceived and actual cost to individuals of higher education has increased as HECS fees have increased and as the higher education system has moved towards user-pays in ways that have impacted differentially on students from poorer backgrounds in government schools. The result in Victoria is that 'fewer Victorian students from disadvantaged backgrounds are making university' (The Age, 8 October 2005, p.5). The Victoria University Vice Chancellor identified a downturn in university demand in October 2006 from communities that were 'loan averse' and 'sensitive to price'¹⁸

There is some evidence from New Zealand that tuition fees have some impact on choice even if there is an income contingent loans scheme for domestic students. Our sister organisation, New Zealand University Students Association has been conducting

¹⁵ DEST media release, "Release of Reports on Effects of Higher Education Contribution Scheme on Access to Higher Education", 8 August 2003.

¹⁶ AVCC, Unmet Demand Report 2005.

¹⁷ Foscett N, Roberts D and Maringe F, Report of a Higher Education Academy Funded Research Changing Project 2005-5, "Fee regimes and their Impact on Student Attitudes to Higher Education", University of Southampton, UK, June 2006

¹⁸ Golding B et al, 'Everything Is Harder' - Participation in Tertiary Education of Young People from Rural and Regional Victoria, School of Education, March 2007, submission to Victorian Parliamentary Inquiry into Geographical Differences in the Rate in which Victorian Students Participate in Higher Education, pp20-21

triennial surveys of student income and expenditure since 1994. The 2007 survey¹⁹ was based on 3,793 responses for 19 universities and polytechnics with the data weighted to reflect the diversity of the student population.

Over three quarters (77%) of tertiary students reported that fees had had a slight influence on their course decision. Around one in five (17%) said it had no influence and six percent said it had a strong influence. Students who felt tuition fees had no influence on their choice of course were significantly more likely to be studying at University of Auckland, in their fifth year or above, from a high socio-economic background, with parental income over \$100,000, New Zealand European/Pakeha and a domestic student. Students who felt tuition fees had a slight influence on their course decision were significantly more likely to have parental income under \$20,000, Asian or an international student. Students who felt tuition fees had a strong influence on their course decision were significantly more likely to be studying at Whitireia Polytechnic or Northland Polytechnic, studying part time, with parental income under \$20,000, Asian, international students and aged between 23 and 30 years.

The study then analysed what the tuition fee influence was on the 83% who reported that tuition fee levels had an impact:

What Tuition Fee Influence Was²⁰

Tend to take cheaper course (too expensive/cost)	35%
Had To Decide If Course was Really Worth Doing (value for money/whether to work and study)	11%
Stress of Paying Back Student Loan (ability to pay back student loans/mounting interest on student loan/ length of time to pay back)	10%
Had To Look At Whether Could Afford The Course	8%
Fees Determined Choice of Tertiary Institution To Attend	5%
Prevention of Taking Desired Course	5%
The Number of Classes/Papers Enrolled For	4%

A British study²¹ of 16-20 year olds commissioned by the Sutton Trust (a charitable body dedicated to improving education opportunities for young people) found that nearly two-thirds (fifty-nine percent) of students who had decided not to pursue study in higher education reported that avoiding debt had affected their decision 'much' or 'very much'. According to the report this was roughly double the percentage of students intending to go to university who reported that avoiding debt had 'much' or 'very much' affected their decisions about university study. Another concerning finding was the very low knowledge that students from working class backgrounds had about the access bursaries (scholarships) that British universities are now obliged to offer if they charge tuition fees.

A methodological problem with many Australian studies into the impact of HECS is that they look at who is there (or at best the transition of high performing Year 12 students into university) rather than who isn't there. This is quite significant as Year 12 completion rates have improved considerably since 1980 from about 35% to 80% that has significantly increased the percentage of low SES Year 12 school completers.

¹⁹ New Zealand University Students' Association, *2007 Student Income and Expenditure Survey*, November 2007

²⁰ New Zealand University Students' Association, *2007 Student Income and Expenditure Survey*, November 2007, Table 20, pg 59

²¹ Sutton Trust, Davies P, et al, "*Knowing Where To Study ? Fees, Bursaries and Fair Access*", Institute for Educational Policy Research and Institute for Access Studies, Staffordshire University, UK, Feb 2008, pg 1

Surely the real issue is why hasn't the percentage of low SES students at university improved given the massive expansion in university numbers:

The major trend across the 14 years from 1980 to 1994 was the greater increase, both relatively and absolutely, of the Year 12 completion rates of students from blue-collar backgrounds. School completion rates of students with parents in blue-collar occupations nearly tripled during the 1980s to the mid 1990s.²²

An analogy is the dramatic improvement in female university participation rates over this time that flowed on from the improvements in female school completion rates. Why hasn't this occurred for low SES students? A 1997 OECD study of Australian higher education hinted at this when it mentioned that:

Even if such enrolments (of target equity groups) were maintained, it is reasonable to ask whether they should have been increased in relation to enrolments from other groups in the course of the expansion.²³

Tim Curtin, a former World Bank economic adviser and an Emeritus Economics Professor at ANU, puts it well:

"In short it is not enough to point to increasing numbers of low SES students if one has not asked the counterfactual question, how many of the larger numbers of Y12 completers since 1990 are not going to universities. And of these, how many may well have been deterred by HECS fees despite their income contingency? There is evidence collected by ABS that appears to have been overlooked at DEST and elsewhere showing that as many as 78,000 persons not studying at ages 20-24 in 2001 had been deterred from doing so for financial reasons."²⁴

Long and others²⁵ using the longitudinal data collected by ACER provide evidence that once the increased number of working class year 12 completers is taken into account that the picture is one of a significant declining university participation rate by the children of manual workers from the period 1989 to 1994 (the end of the ACER time series used in this study). The study used longitudinal data from four age cohorts – those who turned 19 in 1980, 1984, 1989 and 1994 respectively. A key finding that provides evidence supporting the study debt aversion thesis (even under the original lower, flat HECS):

The results in Panel B in Table 9 show that it has become progressively less likely that Year 12 graduates from the poorest wealth quartile will enter higher education by age 19. Entry rates for the highest quartile systematically increased during the 1980s to the mid 1990s -- 55%, 57%, 59% and 62% for each of the four cohorts respectively -- while entry rates for the middle 50% were more or less constant -- 47%, 46%, 51% and 47%. Year 12 graduates from the lowest quartile, however, experienced an absolute decline in entry rates across the four cohorts -- 48% in the early 1980s, 41% in the mid 1980s, 40% in the late 1980s and 38% in the mid 1990s. These absolute changes in entry rates mean that Year 12 graduates from the poorest wealth quartile are both relatively and absolutely less likely to enter higher

²² Long M, Carpenter P and Hayden M, *Participation In Education and Training 1980-1994*, ACER, 1999, p.59

²³ OECD, *Thematic Review of the First Years of Tertiary Education: Australia*, Directorate of Education, Employment, Labour and Social Affairs, Paris, February 1997

²⁴ Curtin, Tim, *Equitable financing of higher education – taxes versus fees*, 2003, www.anu.edu.au/emeritus

²⁵ Long M, Carpenter P and Hayden M, *Participation In Education and Training 1980-1994*, ACER, 1999

education in the mid 1990s than at any other time covered by the data in this report.²⁶

Tim Curtin provides a chart in his paper that the percentage of manual parent's offspring entering higher education as a percentage of Year 12 completers from 42% in 1989 to 32% in 1999.²⁷ This had been preceded in 1984 to 1989 by a period of slightly improving participation. Curtin attributes this decline to HECS while Long et al are more cautious about making this extrapolation as the impact of HECS was beyond the scope of their terms of reference.

This study debt aversion thesis is not necessarily in contradiction with the core Cardak and Ryan's finding that HECS is not a credit constraint on high performing Year 12 completers regardless of their SES status. Instead we are arguing that HECS (and study debts in general) act as a factor that is an aspirational constraint in middle high school which is the time when most student decide if they are going to pursue a pathway to higher education or to go on other pathways. Unlike academic economists we are not surprised that working class 15 year olds are disproportionately scared off by large study debts (regardless of the economic rationalism of their models of income contingent loans and private rates of return) and opt for other pathways that lead to quicker employment and financial independence.

A University of Ballarat study²⁸ of Victorian rural Year 10 students provides insights into the negative impact of HECS and other study costs on the aspirations of disadvantaged middle high school students:

"After the ENTER score achieved, Year 10 students who aspire to university and their parents regard financial factors, specifically the cost of HECS and living away from home, as being the biggest impediments to going to university."

In particular the study found that many students who left school without pursuing further education had been influenced by peer reports of high study debts not necessarily leading to high paid professional work:

"Many had stories about peers still at university, who three years on had lost their way, accrued huge HECS debts and had limited prospects of relevant professional work post course."

"Our data show that it takes courage for many Year 10 students to step into the unknown and take a definite choice for higher education. Hesitancy about the prospects of university success is likely to occur at precisely the point at which some young people need support and reinforcement... The data leave us with no doubt that rural, regional and peri-urban students along with their parents find the cost of HECS extremely daunting."

NUS believes that a similar effect may be occurring with low SES disadvantage. The scarcity of positive peer reports in low SES areas of successful university participation and graduate financial outcomes (low SES students are even more under-represented in prestigious courses and universities) is having an impact on middle high school aspirations.

²⁶ Ibid, pg. 71

²⁷ Curtin, Tim, Equitable financing of higher education – taxes versus fees, 2003, www.anu.edu.au/emerittus,

Figure 1

²⁸ Golding B et al, 'Everything Is Harder' - Participation in Tertiary Education of Young People from Rural and Regional Victoria, School of Education, March 2007, submission to Victorian Parliamentary Inquiry into Geographical Differences in the Rate in which Victorian Students Participate in Higher Education

The 2008 Centre for the Study of Higher Education report into low SES and Indigenous participation (commissioned by Universities Australia) provides a neat summary of the role of study debt aversion (amongst other financial pressures such as living costs) in low SES and rural education disadvantage:

The alternative aspirations of low SES and rural students are likely to be the result of “the cumulative effect of the relative absence of encouraging factors and the presence of a stronger set of inhibiting factors” (James, 2002). For many such students, it is the combination of financial pressures and distance with a lack of positive attitudes to higher education that makes university “seem less attractive, less relevant and less attainable” (James *et al.*, 1999).

The financial cost of studying at university, and the perceptions of the cost, may have significant influence on the post-schooling choices of students from low SES and rural backgrounds (James *et al.*, 1999; Teese *et al.*, 2007; Hillman, 2005). For low SES students, James (2002) found that the perceived cost of higher education was a ‘major deterrent’: low SES students are more likely than other students to believe the cost of university fees may stop them attending university (39 per cent, compared with 23 per cent of higher SES students).

Similarly, the deterrent effect of cost appears far greater for rural students than for urban students. James *et al.* (1999) found that rural students expressed more concern “on the inhibiting effect of university fees, on the capacity of their families to support them while studying, and on the affordability of suitable accommodation.”²⁹

Massive increases in student contributions rates, such as the 50% advocated by the Group of Eight Universities are likely to increase the already existing negative effects of the tuition prices on equity. British research again shows that the study debt aversion factor is increased by higher prices. A 2009 study into decisions about higher education participation commissioned by the Sutton Trust based on a survey of 11-16 year old middle and secondary students from 114 schools across England and Wales found that:

“An increase in tuition fees to £5,000 a year would result in around one in six (17%) pupils saying they are unlikely to go into further education, rising to almost half (46%) if fees were raised to £10,000 a year.”³⁰

As England and Wales have a similar income contingent loans system to Australia we would expect similar results from Australian students if those not going to university were ever asked. Indeed claims of Australian exceptionalism from study debt aversion seem somewhat dubious given the strongly entrenched equity access funding in the UK that was tied to the introduction of variable tuition fees in 2005.

In conclusion NUS is disputing the widespread and often self-serving claims that tuition fees that are underpinned with an income contingent loans schemes have no impact on access.

²⁹ Centre for the Study of Higher Education, Participation and Equity (Commissioned by Universities Australia): “A review of the participation in higher education of people from low socioeconomic background and indigenous people”, University of Melbourne, 2008, pp 34-5

³⁰ Sutton Trust, *Young Person's Omnibus 2010* (Wave 16): A research study among 11-16 year olds, UK, 2010

This impact on potential demand should not be terribly surprising. Economists are quite happy to admit the demand is quite elastic to price when it comes to mortgages and interest rates but many want us to believe that study debts are completely inelastic. The income contingency has created a more complex situation than mortgages but the relationship is there.

NUS contends that a more critical reading of the available literature leads to the conclusion that price does matter:

- Tuition fee prices do seem to have a significant but negative impact on access by debt adverse mature age, rural and isolated students (although much more research needs to be done to quantify the extent of this);
- Tuition fee prices have a significant impact on low SES participation. While the availability of HECS loans seems to remove credit constraints on high performing Year 12 school leavers regardless of SES the large study debts act as an aspirational constraint in middle high school in disadvantaged areas;
- These negative effects are magnified during periods of heightened public debate about study debt such as when HECS rates are significantly increased
- Higher tuition fees increase the negative effects of gender pay differentials through longer repayment