

# A LIFETIME OF DEBT IS NOT THE RIGHT ANSWER

Australia  needs a  
**Brighter  
Future**



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**27 February 2015**

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Senate Education and Employment Committees  
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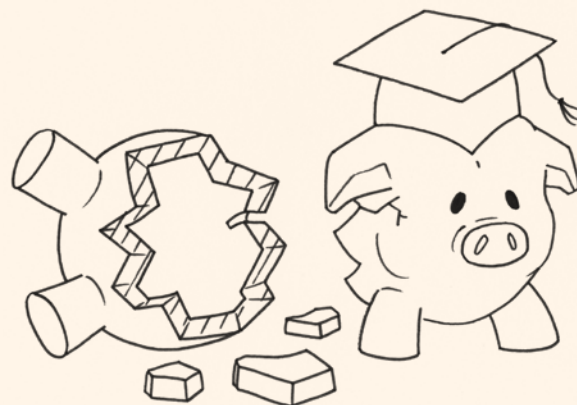
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# Australia Needs a Brighter Future

Australia Needs a Brighter Future brings together students, parents, university staff and the broader community to oppose the corporatisation and de-funding of higher education.

We are supported by a national coalition of student and higher education bodies and associations: National Union of Students (NUS) and the Council of Australian Postgraduate Associations (CAPA) as well as various campus student organisations around the country.



## Executive Summary

**If one theme characterised public debate surrounding the Higher Education and Research Reform Bill, it was a return to the question of fairness.**

The egalitarian ethos of a fair go for all remains fundamental to Australia's national identity. Access to quality education, irrespective of social status, ethnic or cultural background, gender or location, is a cornerstone public policy against which we measure how fair we are as a society.

The Government's proposed higher education changes undermine support for higher education as a public good, and disenfranchise Australians seeking to educate themselves and advance their communities by achieving higher education.

When Minister Pyne failed to pass the Higher Education and Research Reform Amendment Bill in December 2014 he remarked, *"I don't think the Australian public ever mark anyone down for having a go"*.<sup>1</sup>

In making the comment the Minister failed to appreciate that his proposed legislation will leave thousands of Australians without the chance to be marked for their efforts at all. Creating an Australian Ivy League university system is the antithesis of a fair go for future Australian students.

We cannot build a knowledge economy without an accessible university sector. Minister Pyne's proposed changes would not only limit individual access and opportunity, they will also harm our national prosperity over time, by making us less educated, less wealthy and more unequal as a society. Do we want to be a country riding the highs and lows of economic booms by exporting our unimproved non-renewable resources for one-off benefit to other countries, while they use their economic dividend to invest in education, innovators and researchers?

We make three recommendations. First, the Government should establish a dedicated independent advisory body to oversee course funding structures and make recommendations to government. Second, we recommend regulating higher education to ensure all Australians get a fair go. Third, we recommend implementing the funding reforms proposed in the 2008 Bradley Review of Higher Education.

What does a productive Australia look like, and how do we get there? There is widespread agreement that to achieve the productivity, innovation and economic growth that will see Australia prosper into the next century we need a highly skilled workforce. Higher education delivers the high-end skills, pure and applied research that drive the innovation vital for a more productive Australia.

<sup>1</sup> Senate votes down Abbott government's higher education changes <http://www.smh.com.au/federal-politics/political-news/senate-votes-down-abbott-governments-higher-education-changes-20141202-11yq2g.html>



## The Clever Country, or the Complacent Country?

**This Bill threatens Australia's standing as the clever country.** Innovation and skills development represent the remedy for our future economic challenges (ageing population, climate change, and slowing resource sector). Innovation drives both productivity and economic growth.

A highly skilled national science, research and development workforce is critical. Smart specialisation, a strong research sector and development of new technologies all require an accessible university system.

The government's latest *Australian Innovation System Report* suggested innovation accounts for up to 62% of labour productivity growth in Australia.<sup>2</sup> However, Australia ranks just 17th on the OECD global innovation index, behind the UK (2nd), the US (6th), and Canada (8th).<sup>3</sup>

With Australia's working population projected to shrink over the next fifty years, how we utilise our limited human resources will be key to continued prosperity. In the face of an ageing population, productivity growth is critical to

supporting higher economic growth, however complacency amongst the business community and government has been demonstrated by our poor performance growing productivity. Capitalising on new business opportunities will not only depend on our capacity for technological advancement at home, but also on the ability of our existing enterprises to quickly adopt knowledge and technology from overseas. Australia can only have a future in advanced manufacturing if we can access highly skilled labour as relevant opportunities arise. Yet, while we appear content to export our non-renewable natural resources, we rely on importing the skilled labour we need to facilitate its extraction or to build new manufacturing opportunities in Australia.

How long is it until Australia's luck runs out? Wool, gold, iron ore. The tyranny of distance has been conquered and surely we should look to investing in a renewable, sustainable resource for export – knowledge.

Half of the economic growth in the United States in the last 50 years has been linked to innovation<sup>6</sup>. Our performance as an innovative country is woeful, with one of the worst performances at bringing new products to market in other developed countries. New Zealand, a much smaller nation, brings products to market at a rate nine times that of Australia's.<sup>7</sup>



The debate we need to have is not about how to cut expenditure in higher education, but how to make it sustainable, accessible and make sure that it delivers the foundations for a modern economy with a diversity of growing sectors. These reforms would do nothing to achieve that. They simply make education unattainable for thousands and will further narrow the skill base of the country and, over time, our economic output.

Reducing university access for local students, thereby reducing our skilled workforce, will weaken our ability to innovate, research and diversify. It is a vision of an unequal Australia, with the educated wealthy insulated from the travails our large, increasingly unskilled workforce would endure against the global tides of economic growth.

**It is time to end the uncertainty in higher education.** We have had myriad reviews over the last twenty years and if there is one thing the sector craves, it is certainty. We need to make informed public policy decisions in higher education for the benefit of the country and its citizens. For that we require specialist, independent advice, akin to that brought to infrastructure policy in Australia through separate advisory bodies. If infrastructure is seen as a key enabler of productivity and economic growth, then so too is education. It deserves the same level of comprehensive policy analysis and advice.

Maintaining a high-wage, high-skill economy beyond the lifespan of our iron and coal deposits depends on us becoming smarter and more specialised. We must reverse our decline in the export of knowledge services and try to re-ignite the productivity gains of the 1990s, which relied heavily on success in advanced manufacturing. If we want a better future for all of our children, we must diversify into the knowledge industries of the future. Otherwise one day soon Australia's luck will run out.

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<sup>2</sup> Department of Industry, (2013), "Australian Innovation System Report 2013" Retrieved from <http://www.industry.gov.au/science/policy/AustralianInnovationSystemReport/AISR2013/wp-content/uploads/2013/11/AIS-Innovation-Systems-Report-2013-v3.pdf>

<sup>3</sup> OECD Global Innovation Index (2014) retrieved from <http://www.globalinnovationindex.org/content.aspx?page=gii-full-report-2014#pdfopener>

<sup>4</sup> Australian Government (2010). Australia to 2050: future challenges, Intergenerational Report 2010, p1. Treasury, Canberra.

<sup>5</sup> Ibid.

<sup>6</sup> Chief Scientist (2013). Science and the Economy. <http://www.chiefscientist.gov.au/2012/03/science-and-the-economy/>.

<sup>7</sup> S Eslake (2011). Productivity: The Lost Decade, p243. Reserve Bank, Canberra.

## An End to the Fair Go

**We should aim for a higher education system that allows more people to become educated, not fewer.**

Ensuring equitable access to education is one of the most effective ways we can enhance social mobility, cultural cohesion and economic productivity.

Poverty rates are strongly correlated with education levels. A family with at least one university-level qualification is less than half as likely to experience poverty as the rest of the population. These rates are in stark contrast to families with less than Year 12 education where poverty rates are at least double the national average.<sup>8</sup> Fair access to education provides a platform for young people to break out of the poverty cycle. Deregulation of university fees will result in unreasonable barriers for students whose parents cannot financially support them into their mid-twenties and beyond.

Should this bill pass it will result in a higher education system that unfairly disadvantages students facing financial hardship. It will also disproportionately affect women and rural and regional students.

Women tend to work in lower-paid occupations than men and receive lower salaries. Women also take more time out of the workforce than men during child-raising years. This means women carry their HECS-HELP debt longer and find it harder to pay off tuition fees.

Rural and regional students are more likely to be in a lower socioeconomic bracket and already have access barriers to higher education. Compared to 35.5% of metropolitan

school leavers who went on to higher education in 2012, only 20.4% of inner regional school leavers, 12.1% of remote school leavers and 4.5% of very remote school leavers enrolled.<sup>9</sup> Add to this relocation, travel and rent expenses and you see a combination of factors that significantly deters regional school leavers from pursuing higher education.

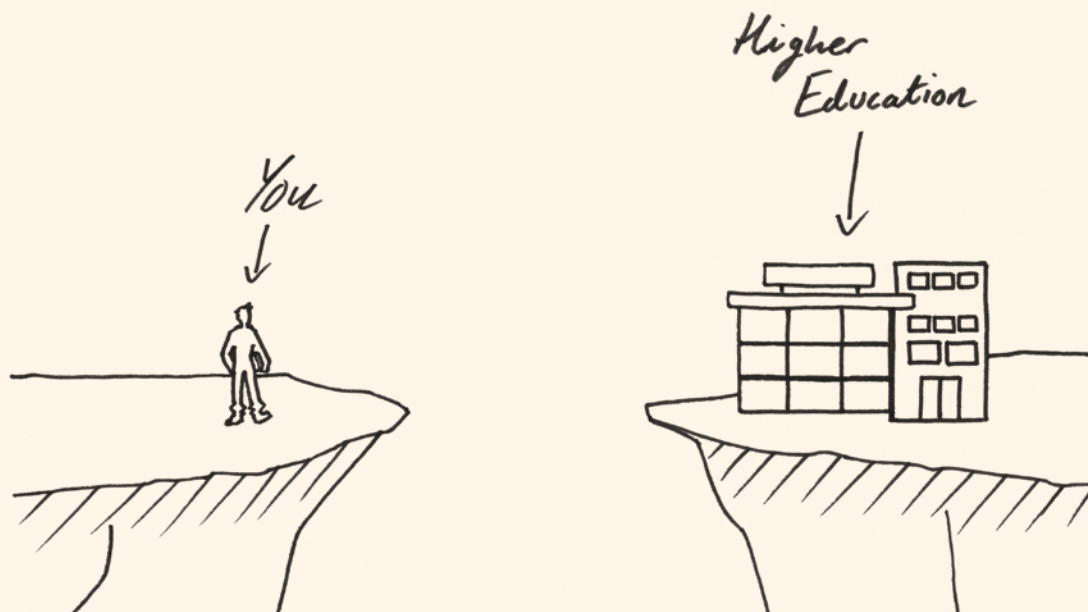
We need more people getting a tertiary education, not fewer, if we are going to grow the economy of tomorrow. There cannot be a credible argument that debt is no deterrent. Only the foolhardy or brave would make massive down-payments on a future where prosperity was not guaranteed without a strong financial foundation – something many Australians do not enjoy.

In the future envisaged by this bill, it will be immeasurably harder for people to climb out of disadvantage. This bill lays the foundations for the end of equity in higher education and the Americanisation of not only education – but our nation.

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<sup>8</sup> National Centre for Social and Economic Modelling (2012), Poverty, Social Exclusion and Disadvantage in Australia, retrieved from <http://www.natsem.canberra.edu.au/storage/Poverty-Social-Exclusion-and-Disadvantage.pdf>

<sup>9</sup> National Rural Health Alliance and ACOSS 2013, A Snapshot of Poverty in Rural and Regional Australia, 8



## Specific Impact of the Bill

**1. Withdrawal of Government Funding** -by reorganising the undergraduate Commonwealth Grant Scheme, the bill effectively withdraws an average of 20% government funding per Commonwealth Supported Place.<sup>10</sup>

Institutions most heavily affected by funding cuts will be those whose students are least able to afford higher fees. Regional and outer metropolitan institutions will have less capacity to raise funds to address shortfalls. They also have a greater number of students from low socioeconomic backgrounds who will be unable to undertake tertiary study if fees increase.

**2. Fee Deregulation** – to compensate for funding cuts, institutions would be allowed to set their own tuition fees, with the fee costs for international students as the maximum limit.<sup>11</sup>

The argument that market forces will ensure only minimal increases in student fees does not hold. Where we see market-driven demand for particular courses, we will see value-based pricing. Richer, established universities of international standing will prosper as they attract the wealthiest students. A growing disparity in the wealth of institutions will mirror a growing disparity in the earning potential of graduates.

Higher fees will disproportionately affect graduates in lower-paid professions, as they will take longer to repay their loans. Enticing high-achieving graduates into our future health and education systems will become an increasingly urgent priority as demand for childcare and aged care grows.

**3. Skills shortages** - skills shortages have been a recurring barrier to productivity in profitable sectors like mining and construction over the past decade.

This bill will see increased skills shortages in sectors that have high social value but poorer profitability like teaching, nursing, social work and childcare. High achieving school leavers will be less likely to choose lower-paying socially conscious professions if they must accrue unreasonable debt to become qualified. Our agricultural sector also faces massive skills shortages and requires skilled leaders to remain competitive.

**4. Research and Development** – universities will now be able to charge research students fees up to \$3,900 per year. Proposed fee changes will likely deter potential researchers from undertaking research candidatures.

Postgraduate students make a disproportionate contribution to Australia's research and development. The ABS reports that in 2012 postgraduate students contributed the equivalent of 39,561 years of effort toward Higher Education Research and Development, 57% of R&D in the sector.<sup>12</sup>

### RELATED POLICY

**5. Newstart Changes** - university graduates will be unable to access Newstart payments for a period of 6 months after graduating.

This effectively penalises our graduates for bettering themselves and studying toward a degree. It also causes great uncertainty for individuals and their families and presents as retrograde savings measure. Again, it will disproportionately affect those of lesser financial means.

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<sup>10</sup> Higher Education and Research Reform Bill 2014 (Cth), sch 1 pt 1 item 45

<sup>11</sup> Higher Education and Research Reform Bill 2014 (Cth), sch 1 pt 1 items 21-22

<sup>12</sup> Australian Bureau of Statistics (2012) "8111.0- Research and Experimental Development, Higher Education Organisations, Australia, 2012" Retrieved from <http://www.abs.gov.au/ausstats/abs@.nsf/PrimaryMainFeatures/8111.0?OpenDocument>

## Planning For Future Prosperity

**We currently have a higher education system that is performing well.**<sup>13</sup> Proposed measures to defund tertiary education do not just impact the education sector, they impact our national potential.

Myopic public policy decisions during a period of unprecedented sustained growth have kept Australia economically vulnerable. An absence of adequate planning brought on by the comfort of this sustained growth means Australia lacks the workforce, industry, innovation and skills capability to respond to changed world economic conditions, especially as slower growth in China takes hold. Instead of harnessing our economic success to build a robust and diverse economy, policy-makers have allowed external demand to shape our industries and our workforce.

If fewer Australian students go to university we will continue this trend and set ourselves on a path toward a less skilled, less diverse economy. Our smart people will go overseas. We will have a less resilient economy, unable to adjust when downturns occur in specific sectors.

Sacrificing our future potential and economic growth to address an immediate budget shortfall is short-sighted. While the Government may be taking the path of least resistance and cutting spending across all portfolios, rather than addressing structural problems in the economy, the agenda to defund tertiary education represents a lack of leadership and vision. An educated, high-wage, knowledgeable Australia paying greater taxes because they have benefitted from investment in higher education not only presents a brighter future for our people, but also a better budget bottom line.

Planning for Australia's future workforce needs is not an easy task, but it is vital if we want to realise Australia's potential for future growth. We must have the qualifications and skills we need, to meet demand across a range of current and future sectors. Smart, skilled university graduates will be essential.

This Bill represents a backward step when we should be taking a great leap forward into the future. This is about the kind of country we want to be: an exporter of raw materials to countries whose people draw greater benefit from adding value to them? Or do we want to be the value adders? To be the clever country, we must maintain investment in higher education and ensure its outputs are fit for current and future economic opportunities. We must champion higher education's role in encouraging social cohesion, bound by notions of equity and accessibility.

We believe, like millions of other Australians, that we all deserve a fair go at a brighter future.

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<sup>13</sup> The Grattan Institute (2014) Mapping Australian Higher Education, retrieved from <http://grattan.edu.au/report/mapping-australian-higher-education-2014-15/>





# Recommendations

## 01 ESTABLISH A DEDICATED INDEPENDENT ADVISORY BODY TO:

- oversee course fee structures and funding arrangements across the higher education sector
- make recommendations to government on funding mechanisms for the sector, which include:
  - *accounting for future economic needs and opportunities for graduates*
  - *using fees as a lever to drive economic growth*
  - *the development of a diverse knowledge economy*
- make recommendations to government on administration of higher education legislation and on the operation of all relevant regulating agencies in the sector.
- Work with industry associations and innovators to support economic growth and to build new opportunities for the Australian economy.

An impartial advisory body made up of key stakeholder representatives from state and federal government, student and teaching associations, unions, regional and metropolitan universities will serve to depoliticise the policy debate and allow the higher education sector to drive future prosperity.

## 02 REGULATE THE HIGHER EDUCATION SYSTEM TO ENSURE A FAIR GO FOR ALL AUSTRALIANS.

- make sure the benefits of enrolling in tertiary education for students outweigh the financial burdens to individual families.
- enable growth into knowledge sectors which can drive a diverse, high-wage economy.

## 03 IMPLEMENT FUNDING REFORMS PROPOSED IN THE 2008 BRADLEY REVIEW OF HIGHER EDUCATION.

- promote diversity and quality by allocating funding according to student demand.
- provide additional support to regional tertiary education provision.
- provide funding certainty for the sector by designing long-term funding arrangements.



**NOTE:** Australia Needs a Brighter Future coalition meets on Friday 13th March, 2015. We will publish an addendum to this submission with our shared policy position, after that date.



## Appendix A

### AUSTRALIA NEEDS A BRIGHTER FUTURE AFFILIATE ORGANISATIONS

National Union of Students (NUS)

Council of Australian Postgraduate Associations (CAPA)

University of Melbourne Graduate Student Association (GSA)

Latrobe University Student Union (LTSU)

Monash Student Association (MSA)





Access to Environment Level and Location Themes  
Entry to Main Building

EN1123

albourne School of Design  
City of Architecture, Building and Planning