

Australian Democrats' Supplementary Report

1. Introduction

The Democrats are in agreement with most of the recommendations and observations of the Chair's report. Accordingly, our supplementary comments and recommendations will be confined to additional issues or areas where we have different views to those covered by the Chair.

In 2000, the Democrats initiated a Senate inquiry to investigate the capacity of public universities to meet Australia's Higher Education needs. This inquiry, *Universities in Crisis*, was extensive, receiving 364 written submissions and hearing evidence from 218 organisations and individuals in 13 cities around Australia. It is disappointing that the recommendations contained in the report, *Universities in Crisis*, did not receive Government support or consideration.

The Democrats acknowledge the considerable amount of useful information produced during this committee and its relevance to the current debate on the Higher Education Support Bill 2003 and its companion bills the Higher Education Support (Transitional Provisions and Consequential Amendments) Bill 2003 and the Higher Education Support Amendment (Abolition of compulsory Up front Union Fees) Bill 2003.

2. Overview of the Government's higher education policy

The Government's Higher Education 'reform' package is flawed and contains policy proposals that directly contradict Democrat policy and seriously threaten the sustainability of the sector. The focus of the package is not on improving educational outcomes, but on a market ideology with proposed changes that would result in increased stratification in the sector and, more broadly, within society. The package fails to address the 'crisis' in which our universities have been since the early 1990s, largely as a direct result of poor grant indexation by both Labor and Coalition Governments.

The Democrats have opposed and voted against all attempts to impose fees on students. We have also strongly opposed the decrease in student support measures. We believe access to publicly funded education is crucial to overcome systemic disadvantage and it should be available to all regardless of sex, age, health, socio-economic background, racial or ethnic origin or place of residence.

In addition to the Chair's report, we see the significant cost-shifting to students in the Government's package as a core problem.

Higher education plays a fundamentally important role in our nation and it should not be left to the blunt tool of market forces. The future growth, prosperity and independence of our universities should be ensured through effective Government funding and management.

Increased fees and student debt are the direct results of deregulation. Already, a full up-front fee Bachelor of Veterinary Science degree will cost \$148,000 in 2004¹. This example - and 40% increases in full up-front fees since 1998² - typify the effects of a deregulated system. This type of fee increase can be expected to continue under the Government's proposals and will potentially have huge inflationary effects as qualified professionals increase their charges to enable them to repay their large HECS debt.

University autonomy is essential for academic rigour to be maintained.³ This autonomy is under threat from various aspects of this package (as discussed in the Chair's report). While greater collaboration among universities, industry and other Government agencies may produce economies of scale and critical research masses resulting in significant benefits in the specific area of the collaboration, Australia also runs the risk of losing a great deal of its independent research capability and credibility.

The Democrats strongly support the Chair's recommendation to oppose the Higher Education Support Amendment (Abolition of Compulsory Up-front Student Union Fees) Bill 2003.

Other major concerns expressed in the Chair's report, and shared by the Democrats, include the large amount of detail absent from the legislation. A great deal of information is deferred to guidelines.

A glaring omission in the 'Crossroads' report and subsequent legislation is the issue of student income support. This is also an area that the Australian Labor Party has failed to address in its *Aim Higher: Learning, training and better jobs for more Australians* policy document and during their period in Government.

Prior to this Inquiry, the Government was already aware of many issues in the sector from the *Universities in Crisis* report. The Government, in its review *Higher Education at the Crossroads*, and in the development of the legislation, has ignored the recommendations from the earlier Senate report.

3. The effect of these proposals upon sustainability, quality, equity and diversity in teaching and research at universities

3.1 The financial impact on students, including merit selection, income support and international comparisons

3.1.1 The Impact of Fees

Despite the Chair's claim of HECS operating since 1989 'without arousing opposition', the Democrats have been consistent in their opposition to student fees (including the Higher Education Administration Charge and HECS). We voted against

1 University of Queensland website - http://www.uq.edu.au/study/program.html?acad_prog=2036&page_number=2&year=2004

2 Sources: *The Australian*, 26 January 1998; *The Good Universities Guide 2004*.

3 Submission No. 466, National Tertiary Education Union, p. 51

the introduction of fees for second and higher degrees in 1982 and have voted against all fee increases imposed by Labor and Coalition Governments since.

Graduates who benefit financially from their education pay for that benefit through the taxation system, but those who do not derive a financial benefit from their education will be unfairly punished by having to carry a long-term debt burden. Thus, we believe the Government's reliance on a 'user-pays' system is flawed, and the proposals for increased reliance on student money will only exacerbate the current inequities of the HECS system.

Evidence presented to the inquiry supports the Democrat belief that the current HECS scheme is unfair.

Submissions by the Council of Australian Postgraduate Associations, National Union of Students, ACOSS and other organisations provided evidence of the deleterious effects of the current HECS program on equity groups. Professor Bruce Chapman demonstrated that the introduction of differential HECS in 1997 has increased the disparity of participation rates between rich and poor students by 18% between 1988 and 1998.⁴

We are concerned about the opportunities that will be available for female, Indigenous, low SES, rural, regional and remote students in the proposed Higher Education package.

ACOSS, along with many other organisations, identified debt aversion as a real factor in students deciding whether they will undertake higher education. They conclude that this package will further lower the participation of students from low SES backgrounds.⁵

DEST research shows that the reduction of the HECS repayment threshold has had a negative impact on part-time students.⁶ Evidence from CAPA reported declining fertility and home-ownership rates as a consequence of high student debt.⁷

Recommendation

That the HECS repayment threshold be, at a minimum, restored to average male earnings over the next three financial years.

Recommendation

That the current parental income threshold be lifted.

4 Submission No. 403, Professor Bruce Chapman, p. 12

5 Submission No. 338, Australian Council of Social Service, p. 1

6 P Aungles, I Buchanan, T Karmel, M MacLachlan, 2002, *HECS and Opportunities in Higher Education*, Draft, DEST

7 Hilary Pearse, 2003, *The social and economic impact of student debt*, March 2003, Council of Australian Postgraduate Associations (CAPA)

Recommendation

That the Government provide HECS-exempt places to be allocated to equity groups and fields of study deemed to be areas of national priority, or areas where there is unmet demand for graduates but little private benefit and high public benefit (eg. Indigenous and low SES students, nursing, science and maths teachers).

3.1.2 Loans for Full-Fees

A fundamental flaw in the proposed FEE-HELP scheme is the impact it would have on professional development in services that are already experiencing a shortage of supply of professionals, such as midwives and science and maths teachers.

The Democrats opposed the introduction of the PELS in 2001 and its extension to private colleges in 2002. We do not support proposals to extend loans for full-fee paying courses to undergraduates and all private higher education providers.

The postgraduate qualifications required in numerous professions will be accompanied by the deterrent of interest-bearing loans and uncapped fees. Some of these professions provide relatively low starting-income levels, meaning a long-term debt burden for those students.

Another anomaly of the FEE-HELP scheme is the repayment method. It requires a student's interest-free HECS-HELP debt to be paid off before the interest-bearing FEE-HELP debt. The Democrats have estimated that this could add about \$4,500 to a student's average debt.⁸

The concept of uncapped fees is poor policy and is unacceptable to the Democrats.

Recommendation

That the proposed FEE-HELP scheme be withdrawn because of the considerable evidence pointing to the inequities and hardships it will cause for students.

3.1.3 Student Support

AVCC data on undergraduate student finances confirms the extensive evidence from many student associations to the inquiry, which showed students' financial concerns are having a substantial impact on their studies with 70% of students being forced to work, on average, two days a week during the teaching semester just to survive.⁹

The Democrats are concerned that the current inadequate and restrictive student income support measures are a false economy, and that restricting access to income support prevents many students from entering higher education.

8 Senator Natasha Stott Despoja, (20 May 2003) *Hidden Fee Slug for Students*, Media Release

9 Long and Hayden, *Paying their way: A survey of Australian undergraduate university student finances*, AVCC, 2001

Successive Labor and Coalition Governments have tightened the noose on student support measures, including increasing the age of independence to 25; charging interest on late income support repayments; and, cutting back Rent Assistance.

In 1997, the Democrats attempted to remove taxation from part-time scholarships. We have consistently advocated for all scholarships to be tax-exempt.

Numerous witnesses to the Committee called on the Government to revisit their decision to increase visa application fees from \$315 to \$400.

We support the Chair's conclusion that the proposed student support measures are inadequate, however, we differ in the extent to which we wish to rectify the situation.

Recommendation

That the age of independence be lowered to 18.

Recommendation

That all forms of student income support be raised to parity with the age pension over a 5 year period.

Recommendation

That all Commonwealth education related scholarships be tax free, regardless of the student's study mode.

Recommendation

That the Government reverses its decision to increase visa application fees by \$85.

3.2 The financial impact on universities, including the impact of the Commonwealth Grants Scheme, the differential impact of fee deregulation, the expansion of full fee places and comparable international levels of Government investment

DEST figures on university financing claim no university will be worse off under the new funding scheme¹⁰, however, evidence presented to the Committee was not in agreement. It is interesting to note that the University of Melbourne has not done any conclusive modelling of the Commonwealth Grants Scheme (CGS) because of the many unknowns in the package.¹¹

The Democrats share the Chair's concern over the operation of the CGS and its likely effects of furthering the divide between the historically well supported universities and others, i.e. a move to a binary system and the decline of some universities.

10 *Estimated Impact of the CGS*, DEST - Circulated to this reference committee

11 Professor Gilbert, *Hansard*, Melbourne, 2 October 2003, p. 10

The deleterious effects of the proposed CGS would be felt most by those universities who are least able to exploit the full-fee paying student market. This will impact most on the regions with the greatest proportion of low SES background and debt averse students, in particular, South Australia, Tasmania and rural universities.

The submission by Charles Darwin University stated that even with 30% regional loading under the CGS they would still be financially worse off in the first year of funding.¹² From the evidence presented to the Committee, it is clear that the regional loading component of the scheme will be inadequate to cover the substantial and unique costs that face our regional universities.

Recommendation

That growth funding to institutions be contingent on their capacity to meet agreed targets of increasing participation from indigenous, low SES, rural, regional and remote students.

Recommendation

As outlined in the Australian Democrats' supplementary report to the *Universities in Crisis* report - that at a minimum, university base grants be increased by 20% over 2 years to take account of unfunded changes in cost structures since 1996.¹³

Recommendation

That regional loading be increased and take into consideration the costs of being a multi-campus university.

3.3 The provision of fully funded university places, including provision for labour market needs, skill shortages and regional equity, and the impact of the 'learning entitlement'.

The Democrats believe that access to publicly funded education is crucial to overcome systemic disadvantage and it should be available to all regardless of sex, age, health, socio-economic background, racial or ethnic origin or place of residence. Unfortunately, the Government has not provided enough places to meet demand over several years and has left universities with over 32,000 over-enrolled students.¹⁴

The Democrats support the Government's initiative to remove marginal funding for over-enrolled places, but recognise the need to simultaneously replace this with fully funded places, otherwise there may be compounding negative impacts on susceptible regions from where funding and places are removed.

12 Submission No. 369, Charles Darwin University, p. 2

13 Democrats' Supplementary Report, *Universities in Crisis*, p. 383

14 Submission No. 411, National Union of Students, p. 43

The inclusion of National Priorities to address shortages in specific fields only goes part of the way. To ensure high participation rates in the proposed 'National Priority' courses, places should be HECS-exempt. The Committee was informed that the number of National Priority places was inadequate to address teacher¹⁵ and nursing¹⁶ shortages. This initiative does not go far enough in identifying the full number of National Priority fields or in its support of them.

As the Chair's report notes, there was considerable concern about the Student Learning Entitlement. Further to this, the Democrats are concerned about the implementation costs and ongoing administrative costs for universities and the Department of such a system. The system also has massive privacy implications.

Recommendation

As outlined in the Australian Democrats' supplementary report to the *Universities in Crisis* report - that the Government restore the number of fully funded postgraduate research students to 25,000 EFTSU as part of a 10 year commitment that will stabilise the sector.¹⁷

Recommendation

That National Priority groups include special provisions for equity groups.

4. The implications of such proposals on the sustainability of research and research training in public research agencies

The absence of comment on this issue in the Chair's report reflects the absence of the topic from the review and the proposed legislation. However, we believe that teaching informed by research is a hallmark of a university and thus, it should have been addressed by the Government.

The view of some universities that the proposed funding scheme could result in teaching-only universities¹⁸ needs to be noted as an indication of the seriousness of the possible regressive impacts of this legislation.

5. The effect of this package on the relationship between the Commonwealth, the States and universities, including issues of institutional autonomy, governance, academic freedom and industrial relations.

A fundamental flaw in the Government's approach to the sector is its merging of university and corporate identities. The Democrats reject any assertion of business

15 Submission No. 434, Australian Education Union, p. 5

16 Submission No. 362, New South Wales Nurses' Association, p. 4

17 Democrats' Supplementary Report, *Universities in Crisis*, p. 386

18 Professor Poole, Hansard, Perth, 30 September 2003, p. 127

principles onto universities without the consideration of the broad mission of a university including its relationship with its staff, students and community.

The Democrats disagree with the Chair's claim that the inclusion of provisions on grievance and review procedures is unnecessary and intrusive. While detailing specific grievance procedures is not the role of the Commonwealth, the prescription of the presence and publication of such procedures is a positive step.

The Democrats oppose the Higher Education Workplace Relation Requirements (HEWRR).

The removal of the limit on casual employment levels and any existing arrangements that may be in excess of community standards will cause further deterioration of the scholarly community within universities which, in turn, could result in poorer student learning experiences. The Committee heard that relationships between staff and university management have been strained by seven years of declining funding and increasing workplace demands. Despite this seven-year trial, evidence suggests that staff unions and management have had an effective working relationship.¹⁹

The National Governance Protocols drew criticism from several staff and student organisations. More specifically, they identified the danger inherent in protocol 3 - that members of governing bodies must act 'solely in the interests of the university taken as a whole'. The danger is in the lack of a definition of the 'university's interests' and in who defines them. The Democrats are concerned that, in defining a 'university's interests', a person or persons can provide themselves with greater power than others serving on the governing body.

6. Alternative policy and funding options for the higher education and public research sectors

If the Chair's various amendments were implemented, university funding levels are still likely to be lower than when the Government came to power. The Democrats see this as a failure of the Coalition Government to address the higher education needs of Australians.

Specific policy alternatives to the Government's package and the Chair's report have been detailed in previous sections of this report. The key elements of the Democrats' policy include the removal of financial barriers for students (such as phasing out HECS and other higher education loans schemes; replacing domestic full fee-paying places with Government funded places; and, a substantial increase in funding to allow for significant growth and recovery from the past 10 years of under funding).

The Democrats also recognise the desperate need for a targeted approach to increase the participation rates of equity groups through the provision of scholarships.

19 Bunt, *Hansard*, Perth, 30 September 2003, p. 159

Recommendation

As outlined in the Australian Democrats' supplementary report to the *Universities in Crisis* report - that a term of reference for the cross-sectoral advisory body be ongoing cost-benefit analysis of reporting requirements and provision of advice to the Minister of important gaps in data.²⁰

Recommendation

The lack of thorough and consistent research on educational outcomes by the Commonwealth that can be compared with previous data has made critical analysis, of previous and future changes to the sector, difficult. That the Commonwealth conduct research into the effectiveness and broader social and economic impact of its higher education policies using established benchmarks that will allow historical comparisons of data.

Recommendation

That the number of Commonwealth scholarships for equity groups be increased.

Senator Natasha Stott Despoja

20 Democrats' Supplementary Report, *Universities in Crisis*, p. 388

