Submission

to

Senate Employment, Workplace Relations and Education References Committee

Inquiry into higher education funding and regulatory legislation

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Dear Senators,

I am making this submission as a student at one of the few private universities operating in Australia, the University of Notre Dame, Fremantle. I am currently researching a dissertation for Honours in politics and history, as part of a combined Law/Arts degree.

My experience at Notre Dame has led me to the view that it would be foolish to push Australia's higher education system further towards privatisation. On the pages that follow I give my reasons for opposing the reforms proposed in the 2003/4 Budget by the Minister for Education. If you wish to contact me to discuss my submission further, please contact me by email (**robcorr@yahoo.com**) or on my mobile phone (0410 248 104).

Thankyou for giving my views your consideration. I hope that you will block the regressive higher education reform proposals currently before you, and pave the way for a system that will allow all Australians to achieve their full educational potential.

Yours sincerely,

Robert Corr

In an address to the National Press Club last year, Brendan Nelson made the following noble statement:

We want all Australians to see universities and higher education as a part of their life horizon, in terms of their educational and career choices and to understand the importance that a university education confers which is not only an economic one. ¹

Two principles underpin that goal: the right of all Australians, regardless of their background, to have access to an affordable and high-quality education; and recognition that the benefits of university education are far broader than pure economic benefit to the student.

Unfortunately, Brendan Nelson has subsequently proposed a package of higher education reforms that contradicts both those principles. By focusing almost exclusively on the private benefit of university qualifications, he has attempted to rationalise a range of measures that place a university education beyond the horizons of many Australians.

Denying the public benefit of higher education

Nelson's ideological commitment to market-based reform of Australia's higher education sector was highlighted by the choice of language used in the papers released as part of the Crossroads Review. In particular, its emphasis on the "individual" was striking. For example, while the overview paper notes the "Government sees the purpose of higher education as much greater than preparing students for jobs", its preamble qualifies references to society by proposing that Australia should be a nation "in which the rights of the individual are celebrated and protected and individuals are fully aware of their responsibilities to each other and to society as a whole." In other words, when the Minister talks about society, he is using that word as shorthand for a group of individuals.

One of Nelson's techniques for pushing the private benefits of higher education is to recount the story of a lady who complained about paying taxes that contribute to university education:

Outside the Queensland University of Technology, I asked a woman unconnected with it what she thought of universities. She reflected for a moment and replied, "I don't know. I applied to go to one once and didn't get in. But if you're going in there you can tell them this for me. I work hard and my taxes help pay for what goes on in there. But when they come out and apply for the same job as me, they'll get the job."

¹ Nelson, B. Address to the National Press Club. Canberra, 8 May 2002.

http://www.brendannelson.com.au/speaking_frankly/SpeechDetail.asp?offset=50&id=28

² Department of Education, Science and Training (hereafter DEST). *Higher Education at the Crossroads: An Overview Paper*. Ministerial Discussion Paper. Commonwealth of Australia: Canberra, 2002, p1.

³ DEST. Higher Education at the Crossroads: An Overview Paper, p1.

⁴ DEST. *Setting Firm Foundations: Financing Higher Education in Australia*. Issues Paper. Commonwealth of Australia: Canberra, 2002, ppv-vi. The story has been told by the Minister on numerous occasions, for example in an address given to the South Australian Press Club on 26 April 2002 http://www.dest.gov.au/ministers/nelson/apr02/speech_260402.htm; and in an interview on ABC's *Insiders* on 23 June 2003 http://abc.net.au/insiders/content/2002/s588731.htm.

The implication of this story is that those who study at university are taking public money for private benefit. Indeed, when the Shadow Minister for Education, Jenny Macklin, asked Brendan Nelson how many times he had recounted that story, he responded, in typical fashion, by making the obligatory brief reference to the wider benefits of education before spending a great deal of time discussing the financial benefit to an individual student:

The point here is that university education provides a critically important basis ... for the economic and social development of our society. It essentially passes the soul from one generation to the next. But there is also a very strong personal benefit that is derived from an education: the average male graduate earns \$620,000 more over a lifetime and the average female graduate \$412,000 more than someone who does not go to university. Let us not ever forget that it is the hardworking men and women in this country, who have never seen inside universities, who fund what goes on inside them.⁵

The problem with this logic is that graduates pay taxes, too. If the woman who never went to university is contributing to higher education through the taxation system, then so is the university graduate—who, by virtue of their higher salary and the progressive taxation system, also pays more tax. The argument is revealed as entirely ridiculous when applied to other areas. Even if I was illiterate, I would not object to libraries receiving the benefit of my taxes, and the fact that I never contract cancer does not mean that my taxes should not contribute to the cost of chemotherapy. It is a dishonest argument that attempts to sidestep the fundamental issue—why didn't that woman have the chance to go to university? Increasing tuition fees certainly wouldn't help her.

The truth is that the private benefit of a university degree in Australia is significantly overrated. According to the Business Council of Australia, the increased earnings as a result of higher education in Australia are significantly less than other OECD countries.

Qualification levels impact relatively less on income levels of population aged 25 – 64 in Australia than the OECD average impact. Those with University qualification earn 36% more than those with secondary school qualification in Australia, compared to an OECD average of 60% higher income.

Income impacts are lower than in Canada (52%), Ireland (65%), the UK (71%) or the USA (80%)... 7

This suggests that there is less justification for shifting the burden of university funding onto students in Australia than there is elsewhere in the world. When the fact

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⁵ Hansard. Tuesday, 17 September 2002, p6370.

⁶ Curtin, T. 'All Taxes are Graduate Taxes: How the Tax System Delivers Automatic Recovery of Government Spending on Higher Education.' *The Round Table*, 2000, pp479-491; Johnson, D. & Wilkins, R. *The Net Benefit to Government of Higher Education: A "Balance Sheet" Approach*. Melbourne Institute of Applied Economic and Social Research, University of Melbourne. Working Paper No. 5/02. May 2002.

⁷ Table 2.2. Business Council of Australia. *Higher Education in Australia: Developing a New Data Framework and International Comparisons and Issues.* August 2002, p34.

that Australian students already contribute a greater proportion of their education costs than most other nations is also considered, the case for increased tuition fees is further diminished. It was recently revealed that, contrary to the Education Minister's misleading claims that they contribute only 25% of their course costs, Australian students in many courses pay significantly more. The proposals outlined in the Budget papers would increase the burden on students so that in some cases students would be paying more for their course than it costs to run:

Course cluster	Current contribution	
Engineering, science, surveying	31%	40%
Computing, built environment, health	43%	55%
Humanities	48%	62%
Mathematics, statistics	53%	68%
Accounting, administration,	6004	000/
economics, commerce	69%	90%
Law	81%	105%
Weighted average	44%	56%

Source: Bucknell, J. 'New costs depend on who's counting.' Higher Education section, *The Australian*, 4 June 2003, p31.

It is important to note that these figures represent the HECS contribution of students, which is supposed to be a subsidised fee. Should the Senate allow the Government's proposed reforms to be passed, a law student's supposedly subsidised fee would in fact exceed the cost of running the law course. The full-fee positions (which would constitute up to fifty per cent of university places) would see students anything up to ten times the cost of their course.

While students are being asked to pay an increasing proportion of the cost of their degree for a relatively small private benefit, the Government seems intent on ignoring the tremendous social benefit provided by universities in terms of their contribution to the economy. The Melbourne Economics of Higher Education Research Program reported that the direct contribution of universities to society is massive:

Universities are important industries in the economy. Activities undertaken in universities provide about 2 per cent of GDP. The importance of universities is growing...

Research has direct benefit for the economy providing technological improvements, deeper and broader understanding of social and economic phenomena, skills and experience. There are also important serendipitous spillover effects to research undertaken outside universities.

⁸ Bucknell, J. 'New costs depend on who's counting.' Higher Education section, *The Australian*, 4 June 2003, p31.

Social benefits from universities are much harder to define and estimate. They include a wide range of intersecting and indirect benefits that are not included in the private benefits of individuals or are direct research outcomes. They include, for instance:

- increased learning of graduates provides increased learning for nongraduates in the form of knowledge disseminated;
- cultural and social standards set by universities improve the social infrastructure which underpins the harmonious working of society and the economy;
- valuable means of interaction with individuals and groups from other countries with attendant trade, social and cultural opportunities;
- the promotion of inquiry and dispassionate debate on public policy issues leads to improved public decision making; and
- a training ground for staff members who may leave university to take up positions in industry, the public service, governance or the community.⁹

The Higher Education at the Crossroads Overview Paper only briefly acknowledged the magnitude of the higher education sector. For example, it commented that "Universities have grown their revenues from \$5.5 billion in 1991 to \$10.4 billion in 2002." Furthermore, it implies that increasing links with industry are of benefit to universities, while ignoring the benefits to society:

Links between universities and industry are increasingly more developed. Targeted research programs which have been tailored to support innovation, from basic research to commercialisation, have assisted universities to engage with industry and that has increased universities' capacity to capture the full economic, social and cultural benefits of research and development.¹¹

The unstated corollary of that is that society—both in industry and the broader community—is now better able than ever before to "capture the full economic, social and cultural benefits" of university activities.

Given the relatively low private benefits to students of higher education, and the increasing social benefits, the logical policy direction is not to increase the cost burden on students, but to increase government support of the higher education system.

Deterring entry into higher education

The Australian Vice-Chancellors' Committee (AVCC) believes that "[t]he broader impacts of HECS-HELP (and FEE-HELP) cannot be predicted with any certainty. They must be monitored for any adverse consequences. In particular that they do not

⁹ Borland, J. et al. *Returns to Investment in Higher Education*. The Melbourne Economics of Higher Education Research Program Report No. 1. University of Melbourne, 2002, pp5, 7-8.

¹⁰ DEST. Higher Education at the Crossroads: An Overview Paper, p9.

¹¹ DEST. Higher Education at the Crossroads: An Overview Paper, p34.

reduce access or equity for future students."¹² This is undoubtedly true, as it is becoming increasingly clear that higher fees and bigger debts are deterring equity groups from participation in higher education.

Emerging reports of the Education Minister's (and his department's) attempts to cover up research that contradicts the user-pays, market-based ideology that underpins his reform proposals are disturbing. The *Sydney Morning Herald* reported that

Large sections were cut from the Department of Education document some time between it reaching the office of the Education Minister, Brendan Nelson, last year and being posted on the department website just over a week ago.

Chapter four of the now 380-page report – titled Access and Equity – has been particularly affected, with whole sections from the original document, including graphics, gone.¹³

It has subsequently come to light that senior Government advisors were instrumental in doctoring the report, which was prepared before the Higher Education at the Crossroads Review but not released until after the process was complete:

Senior Education Department officials have said the National Report on Australia's Higher Education Sector 2001 was completed and ready for printing just before Easter last year, but Dr Shergold insisted that key parts be rewritten or removed.

Current and former departmental officials said Dr Shergold claimed inclusion of the sections would jeopardise the Federal Government's position that no one would be worse off if it were to introduce new fees under proposed changes to university entry.

The deleted material included figures showing that applications for university entry had fallen since the Government raised fees in 1997, particularly from poorer and older students. 14

The paragraphs cut from the report included evidence that changes to HECS introduced by the Government in 1997 had a detrimental impact on the participation of students from equity groups. For example, the report originally stated that "It appears that the changes made to the Higher Education Contribution Scheme in 1997 may have dampened demand both for school leavers and older students." The impact was greatest on those courses in the highest band (which suffered the biggest fee hike).

The increase in Higher Education Contribution Scheme payments and the introduction of differential payments for courses appear to have had some impact on people commencing undergraduate courses. In particular, the changes significantly affected the number of students studying subjects included in Band 3. This band has the highest Higher Education

¹² Australian Vice-Chancellors' Committee (hereafter AVCC). *Excellence and Equity: Foundations for the Future of Australia's Universities: The AVCC Response to the Higher Education Reforms in the 2003 Budget*. AVCC: Canberra, June 2003, p17.

¹³ Contractor, A. & Noonan, G. 'Ugly details cut from uni policy report.' *Sydney Morning Herald*, 4 August 2003.

¹⁴ Contractor, A. & Noonan, G. 'PM's man once doctored uni report.' *Sydney Morning Herald*, 12 August 2003.

Contribution Scheme repayments and includes subjects of high demand and high potential reward value. In 1997, there was an actual decrease in the load for band 3 and it had not recovered to pre-1997 levels by the end of the decade. The number of students in this band (in equivalent full-time student units) represented 5 per cent of all domestic commencing undergraduates under 24 years of age in 1991 and 3.9 per cent in 2000.

...[A]fter the changes were introduced in 1997, not only did the numbers of students in Band 3 of the Higher Education Contribution Scheme but the proportion from socio-economically disadvantaged backgrounds was less than previously. Throughout the past decade, students from low socio-economic status backgrounds were less well represented in subjects included in band 3 than they were in the other two bands. Around 16 per cent of students in Band 1, 17 per cent of students in Band 2 and 14 per cent of students in Band 3 before 1996 were from low socio-economic status backgrounds. After the introduction of differential charges for the Higher Education Contribution Scheme in 1996, the proportion of students from low socio-economic status backgrounds in Band 3 decreased.

In particular, the proportion of males under 24 years of age from low socio-economic status backgrounds in Band 3 dropped from 13 per cent in 1996 to 10 per cent in 1997.¹⁵

This conclusion is supported by other recent research. For example, a study commissioned by Universities UK found that aversion to debt was a significant factor in students' decisions not to continue past high school, and that it affected people of a low socio-economic status background disproportionately:

The majority of non-entrants indicated that not wanting to build up debt was a key factor behind their decision not to go to university. Much more significant were their overall attitudes to debt in general once other factors were controlled for. Respondents with the most anti-debt attitudes were half as likely as respondents with more tolerant attitudes towards debt, to decide to enter HE [higher education]. In addition, respondents with both these anti-debt attitudes and with the most moralistic and debt averse attitudes largely reflected the groups least likely to go to university (with the exception of Muslim and black and minority ethnic respondents) and included:

- those from the lowest social classes;
- those aged 21 and over;
- those with family responsibilities, especially lone parents; and
- those attending educational institutions in the state sector.

Clearly debt aversion, while deterring entry into HE, is also a social class issue and discourages the participation of low-income groups and others who are the focus of widening participation policies. ¹⁶

Although this report was not based on the Australian situation, recent research here tends to support its applicability to our student population. The Phillips Curran *Independent Study of the Higher Education Review* concluded that

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¹⁵ 'Revealed: the cut paragraphs.' Sydney Morning Herald, 4 August 2003.

¹⁶ Callender, C. Attitudes to Debt: School leavers and further education students' attitudes to debt and their impact on participation in higher education. Universities UK, 2003, p144.

Disadvantaged students in the higher education system are more likely to support themselves while studying, defer their HECS debts and take out additional loan(s) to cover living and ancillary study expenses. Given evidence of greater sensitivity to debt aversion, disadvantaged students may be further discouraged from entering higher education if student contributions are increased. Variable fee regimes at different institutions and in different courses may also act to further restrict disadvantaged students' effective choice of university and course.¹⁷

In other words, the effects noted in the censored DEST reports would be extended beyond choice of course to choice of institution. Students from low socio-economic status backgrounds would be forced into a narrower range of courses at a narrower range of institutions—if they decided to pursue a university education at all.

Degrading educational standards

The proposal to expand the proportion of domestic up-front full-fee paying students to fifty per cent of the student population will have the effect of degrading the educational standards of our higher education system. The Prime Minister has suggested that it should be "alright for an Aussie young bloke or woman to buy a place in an Australian university". ¹⁸ This is a disgraceful admission that his Government's policy is to shift access to university away from academic merit and towards ability to pay.

The Education Minister contends that offering loans bearing market interest rates to students who take up full-fee places will eliminate the negative impact on equity group students. However, this assertion is undermined by the research referred to above. If students were deterred by the relatively small 1997 increases in HECS, which bears no interest, why would they be willing to pay massive fees bearing market interest rates? Even the Minister would not accept such a proposition:

"Would you have been willing to pay \$135,000 for your medicine degree?" asked Prianka Puri, a year 10 student from St Clare's College in Canberra.

"No, I wouldn't," Dr Nelson said. 19

Subsequently, the Vice-Chancellor of the University of Melbourne (and a keen supporter of fee deregulation), Alan Gilbert, announced to the National Press Club that his university would take advantage of the new regime and offer medicine degrees for \$150 000 or more. ²⁰ If the Minister had been a few decades younger, his dream of becoming a medical practitioner may have been stopped dead by an inability to pay the massive up-front fees demanded by his proposed reforms.

Although the full-fee places would not impact directly on the existing HECS places, they are intended to be taken up by students who narrowly miss out on a university place on merit. The best of the poorer students would still compete on merit with the

¹⁷ Phillips, D. et al. *Independent Study of the Higher Education Review: Stage 2 Report.* Volume 2: Potential Impact of the Higher Education Review. June 2003, p72.

¹⁸ Howard, J. Interviewed by Paul Murray on Radio 6PR, Perth. 16 May 2003.

¹⁹ Contractor, A. '\$135,000 too dear for me: Nelson.' *Sydney Morning Herald.* 23 May 2003.

²⁰ Contractor, A. 'Coming soon: the \$150,000 degree.' Sydney Morning Herald, 29 May 2003.

best of the richer students; however 50% of university places would be reserved for wealthy students who failed to gain access on merit but who were willing to pay large sums of money to go to university. Such places are currently on offer at some Australian institutions, but they are not only taken up by people who narrowly miss out on a place—they are often taken up by people who are substantially below the standard that would be required for a poorer student to access the course.

At UNSW, students applying for the highly competitive combined law degree would normally need a universities admissions index (UAI) of 99.30 to gain a place but could get in with 94.45 if they paid fees up-front. Over the five years of the course, the \$15,000 annual fees would amount to \$75.000.

... This year, a HECS student enrolled in arts at Sydney University needed a UAI of 83.25 but a student prepared to pay the \$11,000 annual fee required a UAI of just 78.25. Similarly, students needed a UAI of 99.30 to get into the Bachelor of Engineering in Aerospace at the same university but could enter as a fee-paying student with a UAI of 94.30.²¹

Furthermore, when such a scheme has been implemented, it is unlikely that the Government would substantially increase the number of HECS places available to match growing demand for higher education. Rather, it would force universities to offer full-fee places. Thus, poorer students would be restricted to places currently available to them, while tens of thousands of new places would be created for the benefit of wealthy students.

Personal experiences at a private university

In 1999 I graduated from Trinity College with a Tertiary Entrance Rank (TER) of 98.8. This score was high enough to be offered a place in my preferred Tertiary Institutions Service Centre (TISC) course of choice, Law & Economics at the University of Western Australia. However, I had also applied to study Law & Arts at the University of Notre Dame, a private Catholic institution, and I was awarded a scholarship there that would cover fifty per cent of my tuition fees. After careful consideration I calculated that paying half of the Notre Dame fees would be cheaper than paying the full HECS contribution. I was also drawn to the smaller class sizes and collegiate atmosphere of Notre Dame.

However, I was unable to pay my fees up front, and was forced to take out a deferred repayment personal loan with the National Australia Bank in order to cover the costs. My parents put their house up as a guarantee; if I cannot earn sufficiently to begin repaying the loan immediately upon graduation, the family home could be taken by the bank. One of my friends relies upon a family friend to guarantee her loan, so her financial position is even more precarious. I know that without a fifty per cent scholarship and a house to put up as collateral, I would not be able to attend Notre Dame—and its fees are comparable with the equivalent HECS bands.

I am already deeply concerned about the potential long-term impact of my loan. It is up to a maximum of \$25 000, although when the interest accumulates it could be twice that amount. There is no way I would consider attending a university and

²¹ Noonan, G. 'Uni entry eased if students have the money.' *Sydney Morning Herald*. 3 February 2003.

paying fees of \$100 000 or \$150 000, plus interest. If my loan was from the Government rather than the bank, the effective tax rate I would be paying upon graduation would easily be fifty per cent of my earnings. I would have difficulty borrowing money to buy a home, and could not possibly think of starting a family. My entire life will be set back by about a decade.

Notre Dame also provides some insight into the operations of a private university. What began as the friendly, collegiate institution I had expected quickly deteriorated as the bottom line became an increasing concern. Class sizes have significantly increased, courses are regularly cut, and students are admitted who attain entrance scores significantly below those required to attend similar courses at other institutions. Staff are put under increasing pressure to cut costs, and morale appears to be extremely low. Academic staff are required to commit to ever-increasing teaching hours, which affects their ability to conduct research.

The university also provides an excellent indication of the devastating effects of so-called voluntary student unionism. The university is exempt from recent Western Australian legislation that requires payment of an amenities and services fee, and the amenities and services provided to the student body are commensurate with that. Student representation is effectively non-existent. There are no students sitting on university governing bodies. The Student Association relies on the university for funding, and countless strings are attached. In effect, it is more like a high-school prefecture than a genuine student representative body. Students are not even allowed to put up posters on notice boards without censorship by the university administration.

Conclusions

It is clear that the Nelson reforms are ideologically driven, even to the extent of censoring Departmental reports that contradict the free-market agenda. There is significant and growing evidence that the partial deregulation of HECS will have substantial deterrent effects on all students, and most particularly on those students who are already underrepresented in the higher education system. Allowing students to buy university places if they can stump up hundreds of thousands of dollars up front would have a devastating effect both on the proportion of equity group students participating in higher education, and the academic standards required to gain entry.

I believe that it is imperative that the Senate blocks the proposed university reforms. Instead, it should push for a policy on the following lines:

- A substantial and immediate increase in public funds made available to universities. This could have involved reprioritising away from tax cuts and towards education, but a similar effect could be achieved by introducing a hypothecated education levy of approximately \$4 a week for average salary earners. This could be used to fund all levels of education.
- Indexing university funding on a formula that accurately reflects changes in the costs of higher education.
- Differential HECS should be phased out, by lowering the fees on the top bands. In the medium term, HECS should be reduced, and ultimately phased

out completely (to reflect the imposition of the new hypothecated levy). In the meantime, the HECS repayment threshold should be increased and tied to the average graduate starting salary. Domestic up-front fee places should be immediately abolished.

- The number of university places should be substantially increased to meet growing demand. Marginal places should be fully funded, and universities should be given flexibility in determining their course mix from year to year.
- The age of independence for financial assistance should be lowered to 18, and the level of assistance (including rent allowance) should be tied to the Henderson poverty line. Mutual obligation requirements for students should be relaxed, and should involve study-related activities such as attendance at lectures and tutorials. A HECS-style loan scheme should be introduced for
- In order to increase the participation of students from low socio-economic status backgrounds, the current disproportionate funding of private schools should be immediately ended. The focus of both federal and state governments should be on assisting poor schools, not propping up old money. A comprehensive program should be implemented to encourage students to continue to university or TAFE.
- Private universities should be phased out. They should gradually be given more HECS places, with a view to absorbing it into the existing public university system.
- So-called voluntary student unionism should be thoroughly rejected. A meanstested amenities and services fee should be introduced. In order to minimise the level of the fee, the Government should directly support student organisations on a per capita basis, with a loading for regional campuses.
 Membership of such organisations should be optional (on an opt-out basis) and voting should be compulsory.

I believe that a higher education system operating on these lines would be a fair, equitable, affordable and quality higher education system. It would ensure that access to university was based on ability, not wealth, and would allow universities to devote their attention to developing the skills of its students and conducting high-quality research, rather than being overly concerned with the bottom line.