MENZIES RESEARCH CENTRE SUBMISSION

SENATE EDUCATION AND EMPLOYMENT COMMITTEE

Universities Accord (Student Support and Other Measures) Bill 2024 [Provisions]

September 2024

About the Menzies Research Centre

The Menzies Research Centre is a think-tank that advocates for a free, just and prosperous Australia.

The Centre is committed to a just and humane society in which every individual has the opportunity to flourish.

Submission

Introduction

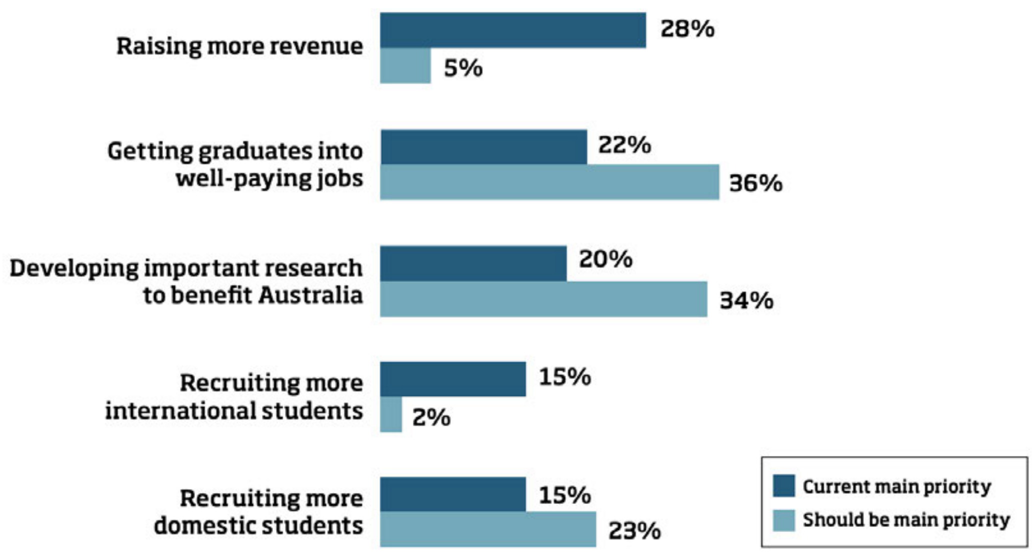
The Menzies Research Centre (MRC) appreciates the opportunity to make a submission to the Senate Education and Employment Committee Inquiry into the Universities Accord (Student Support and Other Measures) Bill 2024 [Provisions].

This inquiry is timely and relevant because higher education is a sector of national interest. Australian Universities receive billions in government funding, so getting the policy settings right is critical.

Strong universities are vital for training young Australians, enhancing productivity and supporting research and innovation.

Yet across Australia and much of the Western world, the reputation of universities is in free fall.

Exclusive polling conducted for the Menzies Research Centre shows Australians think the main priority of universities is raising more revenue. Instead, Australians want universities' main priorities to be getting graduates into well-paying jobs and developing important research to benefit Australia.

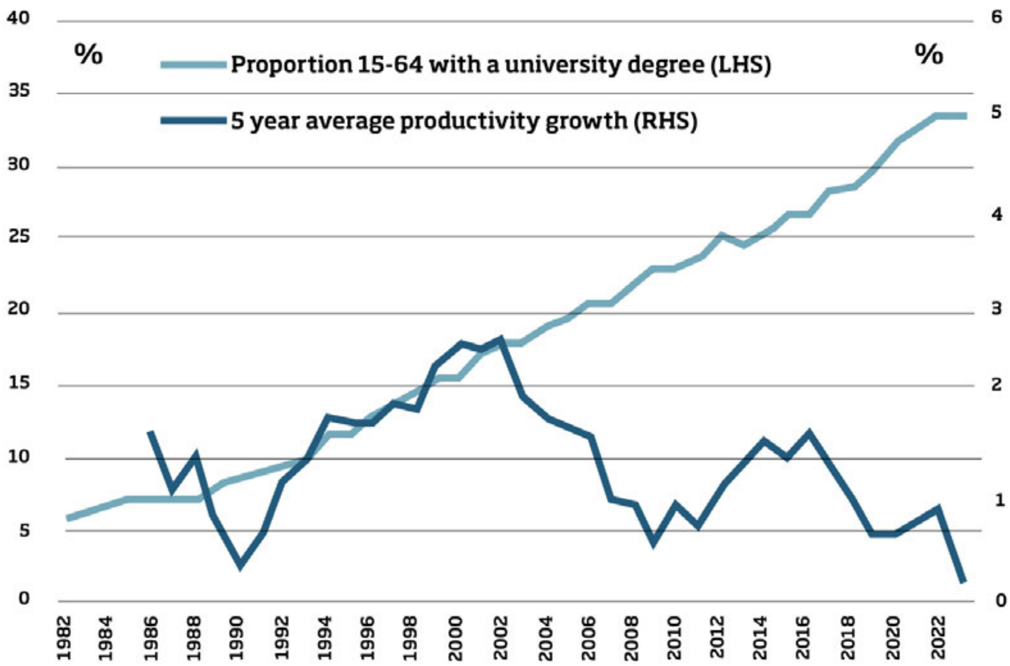


Source: Menzies Research Centre. An online survey was conducted amongst Australian voters. In total 2,275 participants took part.

To create a fairer HECS-HELP system, our submission recommends the introduction of joint student loans.

Our research has identified numerous problems with undergraduate education in Australia;

- Non-academic staff outnumber teaching staff in almost every university by a ratio of almost 2:1 at Australian universities
- Large Australian universities have developed mechanisms to cut corners on education standards by using casual staff or graduate students to teach undergraduate courses in place of permanent academic staff.
- Following the election of the Rudd Government in 2007, caps on taxpayer-supported student numbers were abolished, moving the country to a demand-driven university system. Following this, universities' entry requirements for many courses were lowered and student numbers skyrocketed. Annual direct government funding surged from $4.1 billion to $7.1 billion between 2009 and 2016, an increase of 71 per cent.
- Over one in four undergraduates reported that their skills and qualifications are not fully utilised three years after graduation.
- 36% of undergraduate degree holders are working in jobs below the skill level associated with their qualifications.
- ABS data shows that labour productivity growth has halved since 2009-10, while the proportion of 15 to 64-year-olds with a bachelor's degree or above has increased by 45% over the same period.



Source: ABS National Accounts, Department of Education

The Government's new target of a 55% university degree attainment rate will entrench Australia's current high-cost, low-return higher education system. Without addressing structural flaws and misaligned incentives, billions of dollars will continue to be poured into our tertiary education system with no regard for the benefit it produces.

There are several structural flaws in Australia's higher education system that are driving the deterioration in undergraduate education quality. Universities place greater focus on international rankings than teaching quality. Perverse incentives in student loan schemes incentivise universities to take students who may not be suited to courses and not care abouts post-graduation outcomes. Political goals and allegiances have replaced academic merit as criteria for faculty appointments resulting in political bias. A culture of credentialism pressures young people to attain unnecessary university qualifications, even if it provides them with few specific skills.

Our submission has identified several practical and popular reforms. For a full explanation of each reform, read our supplementary research below:

1. **Joint student loans** to hold universities accountable for the outcomes they produce by making them liable for the interest charged on student debt after a grace period.
2. **Establish national competency tests** that enable any member of the public to demonstrate their core skills in numeracy, reading and writing without having to undertake expensive and unnecessary tertiary study.
3. **Improve transparency of universities' teaching quality** through random student testing.
4. **Enhance transparency of university funding for taxpayers**, including a disaggregation of its current and expected costs broken down by funding arrangement.
5. **Establish an independent mechanism** to investigate student and staff complaints about academic misconduct, political bias and declining standards.
6. **Increase transparency regarding staff and student numbers**. Detailed data on staff and student numbers (including international students) must be thoroughly reported by universities to the Department of Education and made accessible in a time-series format in an understandable and accessible way, including through user-friendly dashboards, charts and tables.

Australian Universities should play a critical role in pursuing the truth, cultivating freedom of thought, and ultimately strengthening our liberal democracy. Across the West, many have lost focus of their academic and cultural mission. Urgent reforms are needed to restore academic rigour, refocus universities on serving national interests, and renew the relationship between universities, the Government, and the public. The proposed reforms aim to enhance accountability, responsibility, and integrity, realigning universities with their valuable purpose of nurturing our cultural heritage and supporting the intellectual development of Australians.

These reforms will help restore faith in the higher education system so that governments can have the confidence to invest in undergraduate learning into the future.

In this submission, we will focus on Joint Student Loans. If you would like more information about our other recommendations for improving the quality and fairness of undergraduate education, find our full report in the appendix below.

Recommendation: Joint Student Loans

Misaligned Financial Incentives

A major factor reinforcing the decline of Australian universities is the misalignment of financial incentives.

As economists have long emphasised, individual and institutional behaviour is ultimately determined by incentives. If incentives—most commonly financial—are structured to promote certain choices then, over time, outcomes tend to align ever more closely with those choices.

Indeed, for institutions even more than individuals, empirical evidence suggests that money almost always wins out in the end, *even where funding incentives are in conflict with a body's long-standing existing ethos*.

In keeping with these observations, one of the biggest problems with Australia's university system—damaging to students, taxpayers and, in the long run, the institutions themselves—is the continuing misalignment of incentives that current financing structures for undergraduate education create. This misalignment is especially distorting for the behaviour of universities.

Principal Funding Mechanisms

In general terms, the *recurrent* funding of universities is typically composed of three main streams.

The first is direct taxpayer support, per student per unit of approved study, at a rate that varies depending on the discipline.

The second is course fees paid by students. The required upfront payment of these fees, so that they are received immediately and irrevocably by universities, is facilitated by the Commonwealth government, via access to taxpayer-provided loans which students are only required to repay in due course.

- These loans are subsidised, via the application of a below-market interest rate, and also *contingent*—in the sense that gradual repayment, via the tax system, is only required once an individual's taxable income exceeds a minimum threshold.

The third main recurrent funding stream is research or arts grants to academics for specific projects, which can include funding for the operation of necessary facilities and ancillary activities associated with the research (such as attendance at conferences). These are largely awarded via grant processes administered by bodies such as the Australia Council or the Australian Research Council.

A number of other funding mechanisms besides these three are not discussed here. We do not consider these further here, however, because they tend to be used more for capital works than as a source of day-to-day operational funding, and represent only a very small income source for universities in Australia, on average across the sector.

We also do not focus further here on the third recurrent funding stream identified above, viz. research grants, because these grants generally play only a minor role—and even then, only as a side effect—in financing universities' provision of education services. We return to a discussion of research grants to universities and academics in Part II.

Framework for Assessing University Funding

A university education generates both private benefits for those receiving it and public benefits for society at large (additional future revenues, promotion of an informed citizenry, reinforcement of other social and cultural goods). This combination raises two important issues regarding university funding:

The first is whether there is alignment, in aggregate, between the ratio of public versus private benefits and that of public versus private funding;

The second is whether there is variation *between disciplines* as to the relative public and private benefits that their study generates and, if so, whether such variation is reflected in differences in the degree of taxpayer support provided (and student fees charged) for courses in these different areas.

The importance of understanding and addressing both these issues has grown in Australia over recent decades, as the reach of universities has expanded, and as they have started to become overtly adversarial towards, rather than supportive of, cultural norms (determined to re-engineer rather than just describe Australian society).

Direct Government Funding

Aggregate Funding of University Teaching

There is an arguable case that the share of aggregate funding of university teaching borne by Australian taxpayers through direct government funding, relative to that borne by students, is greater than the ratio of aggregate public to private benefits that these institutions generate.

Where a good or service is subsidised it will tend to be over-consumed, relative to what would be optimal both socially and for the individuals involved, and this is as true for higher education as for anything else. Indeed, over-subsidisation not only creates an incentive for excessive numbers of students to seek a university education, it also motivates universities to take in too many students—at the cost of lowering educational standards to do so, and of exploiting marginal students by encouraging them to sign up to university study even when this is not in their best interests.

The creation of these perverse incentives could be argued to warrant some reduction in *aggregate* direct taxpayer funding of university courses and a *re-balancing* of university financing towards enhanced cost recovery from students (through higher fees or reduced loan subsidies, or even strengthened ex-post recouping of costs through the tax system).

However, care needs to be taken with this sort of aggregate argument, since accurately assessing the private versus public split in benefits from higher education is difficult and inherently imprecise. Also, the scale of costs to taxpayers arising from average over-subsidisation of university study will vary widely, depending on other social and cultural characteristics of a society.

Funding Levels for Different Courses

Separate from the aggregate level of direct government funding to universities, a major related issue until recently was whether this funding was being well directed towards courses with serious intellectual or skills content, as opposed to lightweight or politicised offerings which may be popular with students precisely because they lack demanding material that is challenging and opens minds.

In deciding appropriate funding levels for different units, one consideration for the Commonwealth is, naturally, the cost of course provision. However, this is very far from the only, or even the most important, consideration.

- For example, it was unclear why, as recently as 2020, taxpayers were providing over $24,000 per unit for environmental studies, but only around $10,800 for mathematics or computer science; or why a unit of media studies was attracting over $13,300 of funding per student, but English literature just $6,100, and a unit of economics less than $2,200.
- Directly, these disparities were enabling universities to charge lower fees for the former, creating a financial incentive for students to select those courses. Indirectly, they were also incentivising universities to steer students into such courses, rather than ones with greater

intellectual and skills content. For many students, still uncertain about the direction of their studies, and naively trusting that academics advising them are focused on their best interests rather than the funding they will generate, such advice can be very influential.

To correct these disparities and the malign incentives they were creating, the Australian government succeeded, in late 2020, in legislating a major recalibration of these direct government funding rates, per student per course. This reform re-oriented funding towards various core subjects and high skills content courses.

As a result, with regard to direct government funding—and also the associated fee level caps imposed for universities' various course offerings—there is no longer an urgent need for a recalibration of government funding rates for different courses, away from vacuous or highly politicised subjects and towards those that develop broad critical thinking and analytical skills. This issue may, however, need to be revisited, if efforts underway to reverse some or all of the 2020 course funding reforms succeed.

Course Fees and Student Loans

Like most Western nations these days, Australia requires university students to pay some course fees, to assist in covering the cost of their tertiary education.

Fees for university study force individuals to have at least some regard for whether the studies they undertake are likely to prove worthwhile, including in terms of the opportunity cost involved. Fees also force students to make a significant contribution towards the cost of their studies, which is appropriate given the private benefits they receive (on average) from these, and that it is their choice to undertake them.

At the same time, the availability of Higher Education Loan Program (HELP) loans for students with a Commonwealth Supported Place (CSP) ensures that the capacity to pay upfront need not be a barrier to entry for capable students from poor backgrounds. This is especially true given the contingent nature of these loans, which need only start to be repaid (through the tax system) once one's income exceeds a certain threshold and the fact that they are subsidised (with the value of outstanding loans being increased only by the rate of consumer price inflation each year, significantly below the rate that would apply in a market-determined arrangement).

These positive features of Australia's course fee and loan arrangements for university study must, however, be set against a number of negatives.

Problems with Course Fees and Student Loans

Superficially, the broad arrangements just described—significant upfront cost, but with scope to borrow funds so that this cost can be deferred and spread out—seem similar to those applying to other large purchases, such as a car or an overseas holiday. It is not immediately clear, therefore, that they should evoke concern.

On closer examination, however, there are key differences in the case of fees and student loans, which actually skew the incentives facing both students and universities (by effectively reassigning costs and risks, including to third parties), and hence call for urgent policy action.

Lack of Warranty

First of all, most large purchases in life, like a new car or even a dishwasher, come with some sort of warranty that the customer will get what they paid for. Such warranties force the seller to accept a cost, potentially sizable if their offering does not perform as promised.

In the case of university education, however, no such warranty is provided—even on an average, pooled basis (to overcome the legitimate objections to expecting institutions to offer *individuals* a guarantee about the future value of their studies). Yet there is no good reason why the purveyors of expensive university training should be exempt from the same discipline.

False Representations

Secondly, compounding the problems created by this lack of accountability, both governments and universities routinely violate principles about not making knowingly false representations about a good or service they are offering.

In most Western nations, despite large differences in their legal systems, it is illegal for individuals or institutions to make such representations. And in many settings—such as the provision of financial advice or insurance services—this includes a "duty of care" obligation, intended to protect persons whom the seller could reasonably have known would be unlikely to benefit from such a sale.

At a broadcast level, however, Australian governments and universities constantly pitch university study as an inherently good thing for all, even though this is clearly false. This is particularly relevant currently, with the federal Labor government having just pitched the idea that [*doubling*] the number of Australian university places for undergraduate study would be obviously desirable, both for the additional students and for the nation. In fact, there is powerful evidence that the last massive expansion of university places just over a decade ago, under the previous Labor government, already resulted in more young Australians being herded into university study than would be optimal—for them or for taxpayers.

Furthermore, at the individual level, university academics also persistently violate their "duty of care" obligations to marginal students, by encouraging them to commit to expensive university study even when they plainly lack the capacity or necessary academic background to make this worthwhile, or when their skillset is better suited to a different form of training.

Lack of Usual Commercial Disciplines

A third major way in which the arrangements for student loans to pay course fees differ from those usually applying to large loans for private purchases is that they lack many of the commercial disciplines present in the latter.

If a bank or finance company lends a person money to buy a car or home, they obtain a claim over the asset as collateral, should the borrower default on their loan. For loans where there is no collateral (such as for a holiday), they charge a higher interest rate (on top of imposing even more stringent credit checks).

With government-provided student loans, by contrast, interest rates are typically well *below* commercial levels, and the degree of collateral protection—even where the government retains an ongoing claim for repayment through the tax system—is comparatively weak in present value terms.

Moreover, separate from these collateral and rate of return differences, banks and finance companies making loans are subject to other disciplines at a micro and macro level that government student loan systems are not.

At a micro level, private lenders have a strong incentive to ensure that their staff focus rigorously on the likelihood that a loan will be repaid before agreeing to it. As a result, staff who approve too many loans which end up in default soon lose their jobs. No such accountability applies, however, to public servants responsible for administering government student loan schemes.

Likewise, the need for banks and finance companies to protect their profitability and market valuation creates strong pressure to maintain the overall quality of their loan portfolios. These constraints ensure that risk management controls—for example, about the aggregate share of loans in default or in arrears for different periods—are closely monitored, and the results regularly fed back into loan issuance criteria.

For Australia's government-run student loan system, by contrast, the corresponding constraints are vastly weaker. All other things equal, the Commonwealth would prefer not to lose large sums on its student loans, since money lost there is money which cannot be spent elsewhere. But the political cost of accruing such losses, compared with that of policing student loan issuance more vigorously, is generally low. After all, few Australians change their vote over incremental increases in public deficits and debt; student loan losses are generally only crystallised many years down the track; and such losses are, in any case, shrouded in complex accounting issues.

For all these reasons, most of the critical commercial disciplines normally present for private loans for major purchases are simply absent in relation to government student loan schemes.

Misallocation of Risk

Finally, flowing also from the non-commercial way in which government student loan schemes operate, such schemes dramatically misallocate risk in relation to the non-repayment of loans. In doing so, they create damaging incentives for universities and for students (especially academically marginal ones), as well as substantial costs for taxpayers.

In normal private loan arrangements, costs, benefits, and risks are allocated *between the two parties to the arrangement*, the borrower and lender, according to a contract between them.

With government student loan schemes, however, universities receive loan-financed student fees regardless of whether the tertiary training that it pays for is equipping these students with valuable or marketable skills and knowledge—and they bear no risk in the event that it is not. In this case, while the universities get off scot-free, it is the students themselves—along with taxpayers, who were never party to the making of the loans in the first place—who are left bearing the burden.

Likewise, if students simply fail to repay their debts, or take an inordinate time to do so, it is again taxpayers who are forced to bear the cost in present value terms (through the loan having to be written off, or its effective value being eroded over time for loans involving a subsidised interest rate).

This malign transfer of costs and risk, away from universities (and to a lesser degree students) and onto taxpayers, adds sharply to the pressure towards over-expansion of the higher education system.

In particular, for universities, it strongly magnifies the incentive to take on academically marginal students who may be ill-suited for tertiary training or lack the necessary intellectual foundations to succeed. It also encourages universities to actively try to retain struggling students—including via lowering academic standards if need be—even if those students are not coping with or benefiting from their studies.

Moreover, unless government-imposed caps are in place, there is little to stop universities increasing student numbers excessively—at least until a threshold is reached where additional physical infrastructure would be required. After all, until this point the marginal cost of cramming extra bodies into lecture theatres and tutorials is generally small, compared with the extra revenue to be obtained from enrolling or retaining additional students.

Overall Incentive Effects—Student Fees and Loans

Overall, the structure of Australia's student loan scheme, and the risk-free-to-universities nature of course fees, create perverse incentives for both students and (especially) universities. Both aspects encourage more people to undertake university study than rationally should.

For students, Australia's Higher Education Loan Program (HELP) provides them with a significant subsidy to undertake further study. This subsidy arises through the use of a below-market interest rate and through repayment of these loans only being required once an individual's income exceeds a given threshold.

In addition, HELP loans also blunt the immediate price signal which would otherwise concentrate students' minds more carefully on the cost-benefit trade-off around undertaking further study. In all these ways, Australia's course fees and student loan arrangements encourage citizens to over-engage in higher education.

Even more importantly, these arrangements also corrupt the traditional gatekeepers of the system and of its academic standards, the universities themselves. They do so by:

- Applying no penalty where a university fails to equip capable students with the skills and knowledge that they (and taxpayers) have paid to obtain;
- Exempting universities from "duty of care" obligations not to exaggerate the benefits a university education is likely to confer, and not to exploit academically marginal students by encouraging them to sign up to (or continue) courses for which they are ill-suited; and
- Giving them a large financial incentive to enrol these marginal students, and then to lower academic standards to keep them enrolled, with these students and long-suffering taxpayers left to bear the costs.

The net result is more students drawn into university study than would otherwise undertake it, at significant long-term cost to taxpayers and to many of those individuals. This damaging outcome is driven heavily by unscrupulous universities who disguise their greed under a veneer of rhetoric about "social justice" and "empowerment".

Breakdown of Countervailing Factors

The misaligned financial incentives just described have been in place for many decades. Until much more recently, however, the damage they caused to marginal students, taxpayers and the quality of undergraduate education was limited by other features of Australia's university system or broader culture.

Two such features, which have now largely broken down or been removed, were:

- Widespread belief that, unlike primary and secondary education, university study was a niche pursuit of the intellectually minded and those with specialised professional ambitions (academics, lawyers, doctors, and the like), not something either required or particularly to be sought more generally; and

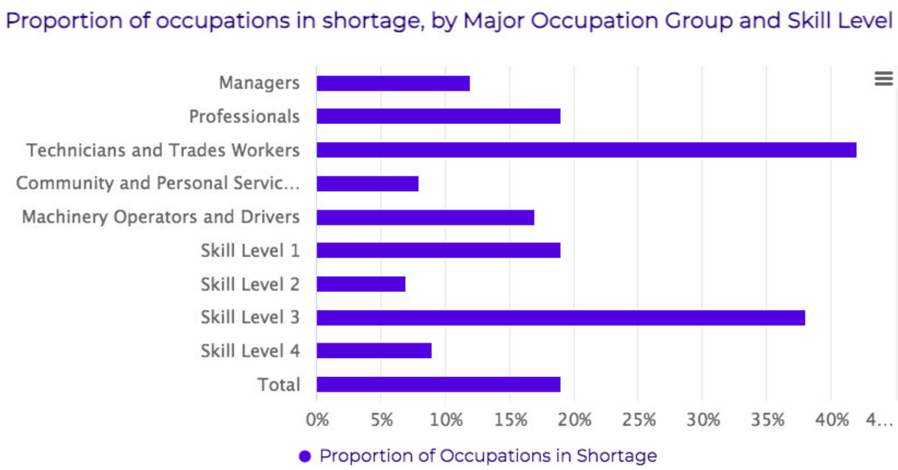
- The imposition of caps on the number of government-supported university places available to students each year (justified on budgetary grounds as a simple cost-control mechanism).

The former, a powerful cultural factor, has been gradually eroding for a long time. This erosion, however, appears to have accelerated sharply across developed nations, including Australia, around 25 years ago—as the globalisation-driven hollowing out of Western economies, and associated loss of well-paying manufacturing and ancillary jobs, kicked into high gear.

The decay of many traditional career paths not founded on university training caused many in Western nations, not necessarily by preference, to re-assess whether extended post-secondary training might now have become essential to make one's way in the world. And this cultural shift was then reinforced by endless rhetoric, from the mid-1990s onwards, about the growth of "new economy" sectors like software development, biotechnology, and pharmaceuticals, and by governments' explicit shift to embracing the notion that services-based economies were the inevitable way of the future.

Meanwhile, critical job shortages in areas that do not necessarily require university degrees, such as trades and skilled labour, have become increasingly pronounced. The push to get more young people into university education driven by a fear of being left behind in a service-based economy has, ironically, led to critical skills shortages in the trades sector.

Chart 7: Proportion of occupations in shortage by skill level

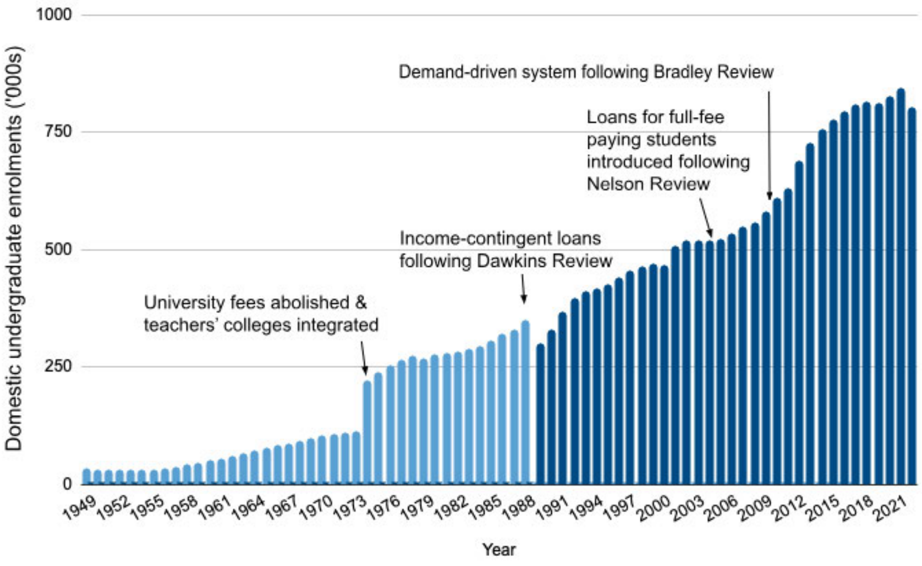


Source: Skills Priority List

The Skills Priority List (SPL) for 2023 indicates that 42% of Technicians and Trades Workers occupations are in shortage.

Just as important in Australia as these cultural developments was the decision by the Commonwealth government to remove caps on the number of taxpayer-supported places available at each university each year (i.e., places for which the university was eligible to receive direct government funding per course, and for which students were eligible to obtain HELP loans to help pay their fees). Such annual caps were in place for many decades, but were phased out just under 15 years ago.

Chart 8: Domestic undergraduate student enrolments



Source: Department of Education

Following huge increases in student numbers, *de facto* limits were effectively re-imposed recently—via limits (called the Maximum Basic Grant Amount) placed on the total level of student funding each university can receive each year—but at the new, dramatically higher levels.

Although hardly an ideal market solution, caps on taxpayer-supported student numbers were a simple way—in recognition of the substantial subsidies being provided to universities and students—for the government to limit the overall cost of these subsidies, and constrain universities' scope to exploit academically marginal individuals. With a fixed number of students for whom subsidies were available, universities had no reason not to at least try to fill their government-supported places with the best-qualified students.

Following the election of the Rudd government in 2007, however, a review of higher education was established. Its most prominent recommendation was to abolish caps on government-supported places, moving the country to a demand-driven university system.

In principle, such an approach has considerable attractions—not least being to allow individuals to decide for themselves whether to undertake tertiary study, without interference from the rationing decisions of bureaucrats.

Unfortunately, the removal of caps was implemented without taking any steps to address the large distortions that government funding arrangements would inevitably then generate in such a market. As a result, universities' entry requirements for many courses were lowered and student numbers skyrocketed.

Annual direct government funding surged from $4.1 billion to $7.1 billion between 2009 and 2016, an increase of 71 per cent (versus general consumer price inflation over the same period of only 17 per cent); and Australia is now also experiencing an explosion in the annual cost to taxpayers of its government student loan scheme—losses which were only held down through the 2010s, temporarily, by the sustained decline in Australian interest rates to record lows over that period.

Recent effective reimposition of student caps (via specification for each university of a Maximum Basic Grant Amount (MBGA) which it may receive in student funding from the Commonwealth each year) has only helped modestly to restrain the growth of these costs— because these MBGAs have been set to provide little constraint on universities' scope to profitably target academically marginal students.

Policy Proposal A—Joint Student Loans

In jurisdictions where the government offers loans to students, to help them pay their university fees, the terms of all future such loans should be amended to require them to be *joint* loans to both a student and their higher education provider. Under these new terms:

- Higher education providers would be *required*, as a condition of offering a course place to a student eligible to use the loan system, to consent to become joint holders of any loans taken out by that student to cover the cost of paying for that course (or for any ancillary costs, such as student amenity fees).
- Higher education providers would also have an *entitlement*, in relation to any individual wishing to take student-loan-funded courses at that institution, to be informed of the existing student debts of that individual (including dollar amounts, date incurred, and repayment history to date).

Information to now be recorded in relation to each loan, besides the loan amount and name and student number of the borrower, would be:

- The higher education institution;
- The date the loan is provided; and
- If the loan is offered on a contingent basis (i.e., repayment through the tax system is only required once an individual's taxable income exceeds a specified threshold), the student's tax file number or equivalent tax system identifier.

The financial obligations of the two signatories (student and university) to these joint loans would be as follows.

<u>For students</u>, the loans should remain as currently. That is, they would continue to:

- Have the same repayment schedule; and
- Be subject to an annual interest rate of CPI or WPI and no higher than that currently applying. (This interest rate could even be reduced modestly, if doing so would boost support for this policy change and thereby assist it to obtain legislative approval.)

Repayments by students would be applied by the government to paying down their student debts *in the chronological order in which those debts were incurred* (i.e., earliest-incurred loans are paid down first). This condition ensures that, for any joint loans they take on with a student, universities will know the place this loan will have in that student's repayment queue—so that they are fully informed about the financial risk they will be exposing themselves to by agreeing to such a joint loan (see below). It also protects universities against a student opting later to repay their debts to a different university first, even though those other debts were taken on subsequently.

<u>For universities</u>, they would have no obligations in relation to these loans for (say) the first five years of the loan. They would also have no obligation in relation to the remaining *principal* of these loans at any time. However, in each year from the sixth year onwards they would—except in legislatively specified special circumstances—be required to pay for the indexed portion of a student's debt (the

interest charged at CPI or WPI) charged annually on the outstanding amount until the debt is repaid (or is extinguished for some specified reason).

- An example of the sort of special circumstances in which legislatures might wish to say that a university temporarily does not need to pay interest on a student's remaining debt is where a female former student has a child—something which Western societies, with their low birth rates, should wish to encourage, but which often causes women to leave the workforce for a time or reduce their work hours. It would make sense to declare that, in such a situation, the university need not pay its interest charge on the former student's outstanding debt for the academic year in which the birth occurs and (say) the next three years.
- This dispensation would allay concerns that the introduction of joint loans might cause universities to discriminate against female applicants, out of concern that they would be more likely to lead to future interest charges due to starting a family.
- Decisions about what other special circumstances (if any) ought to trigger similar relief could be the subject of detailed but swift consultation with the university sector.

By making universities bear some cost if government loans taken out by their students are not repaid in due course, joint student loans should better protect taxpayers and, even more importantly, cause universities to have "skin in the game" regarding whether the public's substantial investment in higher education is generating the educational benefit it is supposed to be.

An unintended consequence of this policy is it could create an incentive for universities to accept more international students. The Albanese-Labor government has already sought to limit the growth in international student numbers. While it is beyond the scope of this report to present a policy position on international student caps, the existing clamp-down on international student numbers would prevent universities from enrolling more foreign students to subsidise the new financial obligations created by their poor teaching.

Conclusion

To guarantee the fairness of loans for students, while holding universities accountable for the outcomes they produce, the Menzies Research Centre recommends the introduction of 'Joint Student Loans'.

Further information in relation to these recommendations can be found in our full report which is attached to this submission.