



Council of Australian Postgraduate Associations

Response to the Inquiry on the Higher Education
Support Legislation Amendment Bill 2017

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Compiled with the assistance of the staff and office bearers
of the Council of Australian Postgraduate Associations (CAPA)
and its affiliated member organisations.

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Introduction

The Council of Australian Postgraduate Associations (CAPA), is the peak body representing the interests of Australia's 340,000+ postgraduate students, with over 60,000 undertaking research degrees and over 280,000 pursuing coursework or combined research programs. Founded in 1979, CAPA is a membership based non-profit organisation, our members include over thirty postgraduate associations, and the National Aboriginal and Torres Strait Islander Postgraduate Association (NATSIPA). CAPA carries out its mission through policy, research and activism, communicating the interests and issues of postgraduate students to the Federal Government, Federal Opposition and minor parties, and higher education stakeholders. CAPA is Australia's longest continuously running student peak body representing students since 1979.

The Council of Australian Postgraduate Associations is greatly concerned with the 2017 Higher Education Reform Package released as part of the 2017/18 Federal Budget. These concerns have been expressed publicly by CAPA and also by the rest of the Higher Education Sector including unions, Vice-Chancellors, peak bodies and students. Given the extent of negative responses to the reform package CAPA is urging the Senate to reject the Higher Education Support Legislation Amendment Bill 2017. Below we will outline the specific issues with the legislation presented as well as research that indicates the importance of the Higher Education Sector to the Australian economy.

Schedule 1 – Cost of Higher education

Efficiency dividend on the Commonwealth Grant Scheme

The Explanatory Memorandum does correctly identify that there has been an increase in the Commonwealth Grant Scheme as a result of the demand driven system. Student numbers rapidly increased with the introduction of the demand driven system but the relationship between cost of education and student numbers is not a direct correlation. Some fields of education may have experienced a level of economy of scale however this does not apply in many areas. For example, science training at the higher education level requires a certain amount of practical laboratory experience. Rapid increases in student numbers requires investment in staff training and education infrastructure that was not covered by the increase in education funding.

The efficiency dividend was derived from a single analysis by Deloitte Access Economics. This analysis suggested that costs of education have increased by 9.5% between 2010 and 2015 with funding increasing by 15%. What is not mentioned in the explanatory memoranda are the limitations

of this analysis and the very specific note from the authors indicating that a comparison between 2010 and 2015 should not be taken with a grain of salt due to the changes from the introduction of the demand drive system¹. The Federal Government has chosen to cherry pick from this analysis in order to find further cuts to the higher education sector, a sector that has already been stripped bare in the name of budget repair.

Public universities are not-for-profit organisations, something that seems to have been forgotten. Universities do not make a profit like a commercial organisation does and any efficiencies achieved in a university is reinvested in increased education quality, research & innovation, and community engagement. Some of the activities that universities undertake are not always fully funded through federal, state or industry funding so some level of cross subsidisation between activities is needed. A prime example for the need of cross subsidisation is the cost of research training. An analysis of the cost of research training indicated that the overall cost of research training was 27% more than funding provided from the Federal Government grants².

Federal funding of the Higher Education sector pales in comparison as a percentage of GDP when compared to other countries. Analysis performed by the Australia Institute compared the amount of federal funding provided to universities of OECD countries. This analysis showed that the funding levels in Australia are less than almost all other countries. Despite claims that the Australian Federal Government considers education and research as national priorities the funding levels do not stack up by comparison.

Over the past 2 years the Federal Government has touted the importance of innovation, science, and research yet the vast majority of policy decisions being made indicate that this is just rhetoric and not a real commitment an innovation economy. Universities currently provide a boost of 8.5% of the nation's GDP and international education is Australia's third largest export (and largest service export. With the decline of the mining sector it was made clear in the most recent Intergenerational Report that a knowledge and service based economy was the key to Australia's future³. Cuts to public investment in the knowledge based economy will be damaging to Australia's economy both now and in the long term.

¹ Deloitte Access Economics, 2017 "Cost of Delivery of Higher Education" Retrieved from:
<https://docs.education.gov.au/node/43506>

² Deloitte, (2011), "Examining the Full Cost of Research Training," Retrieved from
<http://www.industry.gov.au/research/ResearchWorkforceIssues/Documents/FullCostofResearchTraining.pdf>

³ Australian Government Treasury "2015 Intergenerational Report" Retrieved from
<http://www.treasury.gov.au/PublicationsAndMedia/Publications/2015/2015-Intergenerational-Report>

Increased student share of higher education funding.

Under the current system domestic students provide, on average, 40% of the cost of their higher education degree. Increasing the student contribution to 46% is a decision made on false assumptions and, as the explanatory memorandum states, is contrary to the human right to education by increasing education costs.

Analysis from the Australia Institute also indicated that the cost of a degree for a domestic student in Australia is already higher than almost all of the OECD nations (including the US). A further increase in domestic student fees will price students out of obtaining a degree despite the flippant belief that the availability of HELP loans prevents this. Students are becoming more and more discerning when it comes to the cost of their education and the value of a bachelor's degree is not what it was. Increased fees will result in lower participation rates and in particular lower participation rates for low-SES students, Aboriginal and Torres Strait Islander students, and regional students.

Recent research has indicated that the benefits of a Bachelor degree have decreased since the introduction of the demand driven system. Firstly according to the Australian Bureau of Statistics graduate unemployment spiked to 4.1% in April. This is part of a continuing showing that a Bachelor's degree no longer results in the same employability increases than what has been experienced in the past. Secondly starting median graduate income across fields of education are now higher for VET graduates than what is experienced by University graduates⁴. An increase in the cost of obtaining a degree while at a time when the benefits of a degree is falling will create a perfect storm resulting in a decrease in higher education participation.

The most offensive aspect of this schedule is that, while students are being expected to pay more for their degree their education, teaching investment and quality will not be increased. For every \$1 that a student is paying to the university \$1 more is being taken away from universities through a decrease in federal funding. This increase in student funding is nothing more than using student fees for federal budget repair and covering it up through the idea of increased student contributions to education. Student fees should, under no circumstances, be used to cover Federal Governments financial mismanagement.

⁴ Skilling Australia Foundation, 2017 "Perceptions are not reality: myths, realities & the critical role of vocational education & training in Australia" Retrieved from:
<http://www.voced.edu.au/content/ngv%3A76411>

Schedule 2 – Commonwealth Grant Scheme

New arrangements for enabling courses

CAPA has some grave concerns with the new arrangements for enabling courses and in particular the anticipated effect that these changes will have on Aboriginal and Torres Strait Islander students as well as mature aged students. These enabling courses provide an opportunity for people that have not had a traditional education access to higher education and is of particular important to Aboriginal and Torres Strait Islander students as well as mature aged students. CAPA has engaged in discussions with the National Aboriginal and Torres Strait Islander Postgraduate Association who are also concerned about the specific negative effect that this change in enabling courses will have on students.

CAPA also disagrees that “Enabling students who make a contribution to the cost of their course are also more likely to continue their study” as there has been no research that we are aware of leading to this conclusion. Furthermore students that can afford to provide upfront funding for enabling courses probably have an income that can support them through their higher education making them more likely to finish.

There are also concerns that this fee introduction is contrary to the human right to education as well as the human right of equality and non-discrimination as it unfairly targets Aboriginal and Torres Strait Islander students. These students are already underrepresented in higher education and an introduction of fees for these students will damage the student pipeline. While HELP loans will be available this measure also sends the wrong message to students that wish to try higher education and we recommend a rejection of this proposal in its entirety.

Performance contingent funding for universities

Performance contingent funding is a dangerous policy that could threaten the independence of universities. Requiring transparency and accountability regarding teaching and research costs is an admirable goal for performance contingent funding however there are concerns for the future of such a policy. The Australian Higher Education sector is successful, in part, because of the diversity among our universities. Some universities excel at research such as the Group of Eight where others such as those in the Australian Technology Network focus on practical application of education and research. Tying Commonwealth Support funding to specific outcomes may risk this diversity and damage the Higher Education Sector.

Schedule 3 – Higher Education Loan Program

Changes to New Zealand and Permanent Resident student fees

The proposed changes to the way in which New Zealand student fees and Permanent Resident fees are somewhat complex and the intention behind this change in legislation is not clear. On the surface the aim of this legislation is to increase fees for these students, students that may have lived here all their lives and paid a significant amount in tax to Australia, but at the same time delaying that payment to hide the immediate cost.

It is CAPA's recommendation that the provision allowing New Zealand and permanent residents access to the HELP system should remain within the legislation. Introducing this measure while at the same time removing the commonwealth support for the cost of these degrees will discourage students from attending Australian universities as well as add to the so called HELP debt crisis. At a time when Australia should be setting itself up as the higher education hub of Asia it does not make sense to discourage students from our closest neighbour.

Changes to the HELP repayment threshold

For students, graduates and postgraduate students this is one of the more contentious parts of the reform package for a number of reasons.

There is a misguided belief that Australia's student HELP debt is out of control. With the expansion of HELP access to the Vet courses and the issues that were involved in that debacle it is not surprising that the level of national HELP debt increased. Adding to this the increased level of participation from students thanks to the demand driven system, HELP debt should have been anticipated to increase steadily from 2012 to 2016. These changes to the HELP system had a dramatic effect but we are now seeing a steadying of student enrolments again and moves have been made to address the issues within the VET system. Overall it should be expected that student debt will now increase at a steady rate but not spike like those that were seen in past years.

Understandably there are still concerns about the overall HELP debt and it is agreed that something must be done to address the debt concerns. Lowering the repayment threshold to \$42,000 however is unlikely to have a significant impact on the overall HELP debt. While it is expected that 180,000 more students will begin to repay their HELP debt the rate in which this will occur and the likelihood of those repayments being consistent is very low. At the lowest repayment threshold it is anticipated that the average degree will take 52 years to repay. This is working on the assumption that this income is consistent across the year which is not going to be the case in an economy that is increasingly moving towards casual employment especially for low income earners.

Decreasing the amount of disposable income available for graduates resulting from the decrease in the repayment threshold should also be a concern. At \$42,000 a year a person would be expected to pay \$5,197 in income tax resulting in a disposable income of \$36,803/year. At a time when wage growth is already stagnant and the cost of living and housing is rising there are grave concerns about what this will mean for both graduates and the economy.

All new legislation should be held up to the principles of fairness that govern Australian society. The decrease of the income repayment threshold not only violates the principles of fairness for low income graduates but also for all graduates that have already completed their higher education. These graduates and postgraduates are students that entered into the HELP scheme under a good faith understanding that they would be required to repay the loan at an income that was no lower than the median graduate income earnings. This legislation violates that good faith by retrospectively changing the repayment threshold and introducing the equivalent of a surprise tax to 180,000 graduates and increasing the repayment rate for millions more. Students need to be fully informed when they enter a student loan agreement such as this and feel confident that sudden changes will not force them into situations that were not planned for.

One alternative solution to decrease the stress of the increased HELP debt is the reintroduction of discounts for students that pay their fees upfront or make voluntary repayments to their HELP debts. This is a solution that led to 1 in 4 students paying for their higher education upfront in the mid 1990's. The voluntary repayment discounts for graduates also ensures that those graduates that can afford it repay their HELP debt faster while at the same time protecting the students that are not in a position to make repayments yet which is the entire basis of the HELP system since conception.

Positive aspects within the bill.

While the postgraduate students of Australia have a great deal of concern with many aspects of the legislation mentioned above there are sections that we believe are steps in the right direction. In particular enshrining the HEPP Program in legislation and restructuring the way in which postgraduate courses are funded, both of which will allow students greater choice and more access to higher education and postgraduate education. It is CAPA's recommendation that while the above schedules within the bill be rejected by the Australian Senate that the schedules below be considered separately.

Schedule 2: Scholarship system for postgraduate coursework places

The way in which support for postgraduate coursework places is provided, in its current state, results in a large amount of confusion for students as well as limiting student choice and student

mobility across the sector. Since the introduction of Commonwealth Support for only select postgraduate courses it has relied on each university to select the courses for which support should be available and has resulted in a patchwork system. One student studying a particular course may be available for commonwealth support at one university but be denied similar support at another under the current system.

Attaching the support funding to the individual student rather than the universities will not only enable students to have more choice in regards to their institution. This method of funding will also ensure that all places available will be utilized rather than some universities having a monopoly on commonwealth supported places even if they are not all used. It is to be expected that some universities who have cornered the market on postgraduate courses will resist this change in funding however CAPA believes that with consultation across the sector disruption to the students and to these universities can be limited.

There is a secondary benefit to this funding change and that is the potential future expansion of commonwealth support to all postgraduate coursework students. Under the current system not all students are provided with commonwealth support depending on the course that they are studying. It is becoming clearer however that the employability of students will be linked to obtaining qualifications above that of a Bachelor's degree. As qualification creep continues there will be a future need to ensure students are supported to obtain the postgraduate qualifications needed for employment and this system will allow for that expansion in the future as it is needed.

[Schedule 4: Other Grants – Higher Education Participation and Partnerships Program](#)

The Council of Australian Postgraduate Associations is encouraged to see that the Higher Education Participation and Partnerships program will now be enshrined and protected within legislation and strongly endorses this measure. The HEPP program has long been considered the driving force behind ensuring that low-SES students are provided with the access and support that they need in order to obtain access to higher education. We also welcome the increased focus in the HEPPP funding that ensures that these programs specifically target low-SES students and ensures that the programs are reviewed for best effect.

Over a number of past budgets HEPPP has suffered regular funding cuts and attacks from the Federal Government despite calls from the entire Higher Education sector to fund HEPPP. While we are pleased with the endorsement that HEPPP is now receiving through this piece of legislation CAPA considers it a pity that this did not occur sooner while HEPPP funding was at its peak. The transformative power of higher education for those that have come from first in family or low-SES

backgrounds cannot be over stated and it is through HEPPP that this students are able to change their lives.