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Committee Secretary  
Senate Education and Employment Committees  
PO Box 6100  
Parliament House  
Canberra ACT 2600

### **Submission to the Inquiry into the *Higher Education and Research Reform Bill 2014***

Dear Secretariat,

The University of Melbourne Graduate Student Association (GSA) welcomes the opportunity to make a submission to the Senate Education and Employment Legislation Committee's inquiry into the *Higher Education and Research Reform Bill 2014* (HERR).

As the representative body for over 23,000 graduate students at the University of Melbourne, GSA advocates for accessible world-class higher education for students at the University and throughout Australia.

HERR is in most regards identical to the *Higher Education and Research Reform Amendment Bill 2014* introduced into Parliament in August last year and defeated in the Senate on 2<sup>nd</sup> December 2<sup>014</sup>. Given this GSA remains opposed to the content and principles of the bill for the reasons explored in our submission to last year's Senate inquiry, which we have attached for reference.

This submission addresses the differences between HERR and the original bill, and reiterates the need for a world-class, equitable higher education system supported by consistent adequate public funding.

As a growing body of evidence is showing, the *Higher Education Research Reform Bill 2014* will do little to address underlying budgetary considerations and may do lasting damage both to the sector and Australia's broader economy. For the sake of our nation's future prosperity this bill must be rejected outright, and a path cleared for future reform undertaken only after a thorough and wide-ranging review of the options available and consultation about the likely outcomes of implementation.

### **Pertinent elements of the *Higher Education and Research Reform Bill 2014***

#### **HECS-HELP interest rate**

One of the most universally opposed elements of the original higher education bill was the proposal to increase the HECS-HELP interest rate from CPI to the 10-year Government Bond Rate, capped at 6%. As noted by the Melbourne Institute of Applied Economic and Social Research, as well as HECS

architect Professor Bruce Chapman, the higher interest rate would drastically undermine the equity of the HECS-HELP system.<sup>1</sup>

The revised bill maintains the current indexing of HECS-HELP loans, and proposes a period of zero interest for primary caregivers of young children whose earnings are under the repayment threshold (currently \$53,345; \$50,637 under the Government's proposed scheme).<sup>2</sup>

We welcome the withdrawal of the original proposal, but regard the interest rate freeze as a poorly-considered measure to address equity concerns. With the HECS-HELP interest rate at CPI, the crucial factor in regards to student debt for new parents and other lower-earning graduates will not be the interest rate on the loan but the size of the initial debt. With the revised bill making no changes to public subsidy cuts or the introduction of fee deregulation, high tuition fees and resultant high debts are still likely to be a reality for many if this legislation is enacted.

### Structural adjustment fund

In their response to the original bill Universities Australia, along with the Group of Eight, Australian Technology Network of Universities and Regional Universities Network, called for a structural adjustment fund to assist universities who would otherwise struggle with the transition to a deregulated market system.

The revised bill proposes a fund of \$100 million over three years, intended to assist higher education institutions operating in thin markets and those with a high percentage of disadvantaged students.<sup>3</sup> This is far less than the \$500 million requested by Universities Australia, and moreover fails to address the sector stratification that this legislation would likely cause.

The need for a structural adjustment fund highlights one of the inherent problems with the Government's bill: the proposed changes will make it difficult for less wealthy and well-established institutions to continue the valuable education and research work they currently perform. This in turn will exacerbate the disparity between our nation's elite universities and other institutions, and mean that only students who can afford the fees of elite universities will receive a top-quality education.

With an economy increasingly driven by technology and other highly specialised fields, we simply cannot afford for Australian students to be educated to anything less than the highest possible standard. The structural adjustment fund is an insufficient and temporary attempt to arrest this stratification, which would be better solved by continuing to publicly fund universities at levels sufficient for them to pursue their missions.

### Higher Education Participation Programme Scholarships

When publicising the revised bill Education Minister Christopher Pyne claimed that it contained provisions for new scholarships for disadvantaged students, with the stated aim that it would "add further support for rural and regional students through local universities".<sup>4</sup> However, the funding for

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<sup>1</sup> Chapman and Higgins, *HELP Interest Rate Options: Equity and Costs*, 3; Ryan, *Impact of the Australian Higher Education Funding Reforms*, 4–5.

<sup>2</sup> *Higher Education and Research Reform Bill 2014*, sch 3 item 4.

<sup>3</sup> *Ibid.*, sch 1 pt 4 item 204B.

<sup>4</sup> Pyne, "Government Will Move Amendments to the Higher Education Bill."



these scholarships does not come from additional funding but rather by redirecting existing Higher Education Participation and Partnerships Program (HEPPP) funds, which are currently used for programs that encourage disadvantaged, rural and regional secondary school students to consider higher education as a viable option for their future.<sup>5</sup>

Redirecting funds in this way is likely to have a net negative impact on access and equity in higher education. While scholarships would be valuable for many disadvantaged students, they will be of little use if students do not go to university in the first place. Outreach programs currently funded by HEPPP have proven successful in increasing higher education participation of rural and regional students;<sup>6</sup> it would be contrary to the Government's stated intention to increase access to higher education for it to be cut.

## Conclusion

The revised higher education bill is characterised by a failure to address the significant problems caused by the proposed funding cuts and fee deregulation. As with the initial bill, it appears that little consideration has been given to the manner in which the proposed measures will affect students and the institutions at which they study. With newly-released modelling showing that this legislation would have damaging economic, as well as social, consequences, the only reasonable solution is to reject the bill in its entirety and undertake a genuine process of inquiry and consultation to determine the best path for Australia's higher education future.

GSA thanks the committee for its time. We would welcome the opportunity to contribute further to the inquiry.

Yours sincerely,

Steven Brown

**GSA President**

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<sup>5</sup> *Higher Education Support Act 2003 - Other Grants Guidelines (Education) 2012 (DIISRTE)*, sec. 1.70.1.

<sup>6</sup> Fleming and Grace, "Increasing Participation of Rural and Regional Students in Higher Education."

The University of Melbourne Graduate Student Association's  
Submission to the Senate Inquiry into the  
Higher Education and Research Reform Amendment Bill 2014

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Submitted by: Jim Smith, GSA President

22 September 2014



## Executive Summary

As the representative body for over 23,000 graduate students at the University of Melbourne, the University of Melbourne Graduate Student Association Inc. (GSA) advocates for accessible world-class higher education for students at the University and throughout Australia.

GSA recognises the need for reform within Australia's higher education system in order to foster equity, quality and sustainability, but does not believe that the *Higher Education and Research Reform Amendment Bill 2014* will deliver positive results. The bill will, if passed, drastically alter Australia's higher education sector and fundamentally impair its egalitarian nature. Contrary to Government claims, significant evidence suggests that this will be damaging to students, the sector as a whole, and the wellbeing of Australian society and industry.

This submission begins with a discussion of the elements of the *Higher Education and Research Reform Amendment Bill 2014* that GSA believes will deliver negative results, and goes on to detail the likely impact of the bill on skills and jobs within Australia, outer metropolitan and regional universities, and student groups. It concludes with a list of recommendations for protecting and enhancing the quality and accessibility of Australia's higher education system in an economically sustainable manner.

## Analysis of pertinent sections of the *Higher Education and Research Reform Amendment Bill 2014*

### Cuts to Commonwealth Grant Scheme

The bill proposes a reorganisation of funding clusters for the Commonwealth Grant Scheme for undergraduate students, and a reduction of funding that amounts to an average of 20% per Commonwealth Supported Place.<sup>1</sup>

Data released by the National Tertiary Education Union shows that as a result of these cuts, universities will lose an average of 5% of their total revenue.<sup>2</sup> Regional and outer metropolitan universities will be disproportionately affected by this cut: while Group of Eight institutions will lose between 2.9% and 5.2% of their revenue, regional universities will lose between 5.4% and 8.9%.<sup>3</sup>

### Fee deregulation

In order to compensate for lost revenue, institutions would be allowed to set their own tuition fees, with the fee cost for international students as the maximum limit.<sup>4</sup>

According to Education Minister Christopher Pyne, this change will result in competition between higher education providers and an overall increase in value for students. While Minister Pyne

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

<sup>2</sup> National Tertiary Education Union 2014, *NTEU Briefing Paper Higher Education Changes in 2014-15 Federal Budget: No 5, Financial impact of Budget changes on Australian universities*, 2

<sup>3</sup> *ibid*, 2

<sup>4</sup> Higher Education and Research Reform Amendment Bill 2014 (Cth), sch 1 pt 1 items 21-22

acknowledges that some course fees will increase he argues that, due to market forces, other fees will fall in price.<sup>5</sup>

Given the fact that universities will need to recoup lost funding, and are likely to want to make up for years of chronic underfunding in the higher education system, it is unlikely that tuition fees will fall. University of Melbourne Vice Chancellor, Professor Glyn Davis, wrote in an email to staff that 'fees would need to rise by 45 per cent to make up lost funding in social science disciplines, by 54 per cent in Science, and by 61 per cent in Engineering'.<sup>6</sup> Modelling by the National Centre for Social and Economic Modelling (NATSEM), Universities Australia, the National Tertiary Education Union (NTEU) and The Greens all show similar substantial fee increases occurring as a result of fee deregulation.<sup>7</sup>

It must be noted that the institutions that will be most heavily affected by funding cuts are also those whose students would be least able to afford higher fees. Regional and outer metropolitan institutions have far higher percentages of students from low socioeconomic status backgrounds, and these students are more likely to be sensitive to price increases.

### **10% cut to Research Training Scheme and introduction of fees for research higher degree students**

In the 2014-15 Budget, the Government announced a 10% cut to the Research Training Scheme (RTS), which funds tuition for postgraduate research students.<sup>8</sup> In order to recoup this lost funding, the bill allows institutions to charge research higher degree (RHD) students annual fees of either \$1,700 for low-cost degrees or \$3,900 for high-cost degrees.<sup>9</sup> If introduced, this will be the first time RHD students have been charged for courses.

As a result of the cuts to the RTS and the imposition of fees, research higher degree students will be faced with a higher financial burden. As Dr Emmeline Bexley point out, increases to the HECS-HELP interest rate will markedly disadvantage research students, who will accumulate debt from undergraduate and postgraduate fees, as well as interest rate charges during their RHD candidature. Dr Bexley suggests that costs for a PhD alone could exceed \$30,000 under the proposed system, on top of costs for undergraduate study.<sup>10</sup>

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<sup>5</sup> Chris Uhlmann 2014, 'How much of the Abbott budget will survive the Senate?' *ABC AM*, 26 May <http://www.abc.net.au/am/content/2014/s4011699.htm>

<sup>6</sup> Michelle See-Tho, 'Melbourne University students could face fee rises of more than 60 per cent, Vice-Chancellor Glyn Davis warns', *The Age*, 31 May <http://www.theage.com.au/victoria/melbourne-university-students-could-face-fee-rises-of-more-than-60-per-cent-vicechancellor-glyn-davis-warns-20140531-39ap1.html>

<sup>7</sup> Universities Australia 2014, *The Impact of Changes to HELP Design on Students*; The Greens 2014, *What Will My Degree Cost?* <http://www.whatwillmydegreecost.com.au/>; National Tertiary Education Union 2014, *How much will a uni degree cost?*; Ben Phillips 2014, 'HECS upon you: NATSEM models the real impact of higher uni fees', *The Conversation*, 25 June <http://theconversation.com/hecs-upon-you-natsem-models-the-real-impact-of-higher-uni-fees-27808>

<sup>8</sup> Explanatory Memorandum, Higher Education and Research Reform Amendment Bill 2014 (Cth), sch 5

<sup>9</sup> Higher Education and Research Reform Amendment Bill 2014 (Cth), sch 5 pt 2 item 4

<sup>10</sup> Emmeline Bexley 2014 'Raising the cost of a PhD', *The Conversation*, 21 May <https://theconversation.com/raising-the-cost-of-a-phd-26912>

### HECS-HELP interest rate

Currently HECS-HELP loans are indexed to the Consumer Price Index, resulting in a zero real rate of interest on the loan over time: this results in a government subsidy of the loan.<sup>11</sup> The Government proposes to change indexation of both current and future loans to the Government Bond Rate, with a maximum rate of 6%.<sup>12</sup> The average rate over the last ten years is 5%.<sup>13</sup>

The introduction of a real rate of interest on HECS-HELP loans will mean graduates will pay more for their education, above any increases in tuition fees. As Professor Bruce Chapman, architect of the HECS scheme, argued in a recent report, the change of interest rate would be a regressive move. Because of the income-contingent nature of the loan, graduates on lower incomes would spend more time paying off their loans and therefore pay more overall.<sup>14</sup>

A report by the Melbourne Institute of Applied Economic and Social Research shows that the increased interest rate on HECS-HELP loans will disproportionately burden women and those earning lower incomes. Male graduates up to the 35th income percentile and female graduates up to the 60th percentile will face total repayments that are more than double what they would pay under the current system.<sup>15</sup>

Repayment times will also double for most graduates. For median income earners, male repayment times will rise from 8 to 15 years, and female repayment times will rise from 12 to 26 years.<sup>16</sup> In addition, the number of people who never fully repay their HECS-HELP loan will increase. Women up to the 40th percentile of income will have a HECS-HELP debt their entire lives, along with men up to approximately the 15th percentile.<sup>17</sup>

### Commonwealth Scholarship Scheme

In the bill, the Government has proposed that higher education institutions with more than 500 students will be required to allocate 20% of 'eligible revenue' to a scholarship fund to support disadvantaged students and improve access and equity within the higher education system.<sup>18</sup> 'Eligible revenue' is defined as revenue raised from Commonwealth supported students above that which would have been received if current funding arrangements continue.<sup>19</sup>

Thus to raise money for scholarship funds, universities will have to raise fees not only to make up for revenue lost through Commonwealth funding cuts, but beyond that. Moderate estimates show that tuition fees will need to rise by an average of 30% simply to cover lost revenue; any institution who desires a functioning scholarship program will need to charge far more.

Given the likely variance in fee costs between universities, the amount of money raised this way is far from certain, and it cannot be guaranteed to be sufficient to be of use. Moreover, this scheme doubly disadvantages regional and outer metropolitan institutions, who have a greater percentage

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<sup>11</sup> Bruce Chapman and Timothy Higgins 2014, *HELP Interest Rate Options: Equity and Costs*, 2

<sup>12</sup> Higher Education and Research Reform Amendment Bill 2014 (Cth), sch 1 pt 2 item 190, sch 3

<sup>13</sup> Chapman and Higgins, 6

<sup>14</sup> *ibid*, 3

<sup>15</sup> Chris Ryan 2014, 'Impact of the Australian Higher Education Funding Reforms', *Melbourne Institute Policy Brief Series*, Melbourne Institute of Applied Economic and Social Research, 4-5

<sup>16</sup> Ryan, 6

<sup>17</sup> *ibid*, 6-7

<sup>18</sup> Higher Education and Research Reform Amendment Bill 2014 (Cth), sch 2

<sup>19</sup> Higher Education and Research Reform Amendment Bill 2014 (Cth), sch 2 pt 1



of students from low socioeconomic status backgrounds. First, institutions whose students most need scholarships are those least able to raise fees to high enough levels to fund them. Second, these institutions could suffer a 'brain drain' as elite institutions with higher fees and well-funded scholarship programs recruit students away from regional and outer metropolitan areas.

Perhaps the most troubling element of the proposed Commonwealth Scholarship Scheme is that it would essentially result in students paying for their own and each other's scholarships in the form of higher fees. As mentioned above, students from low socioeconomic backgrounds, who are more likely to need support like the Commonwealth Scholarships, will already be disadvantaged under the proposed combination of fee deregulation and higher HECS-HELP interest rates. Institutions who raise fees to establish a scholarship fund will only compound this disadvantage.

## Impact of the bill

### Skills and jobs

Many courses face threats under the proposed system, especially those of high social value but poor profitability.

#### Agriculture

The disciplines of agriculture and agricultural science are notable examples of this tendency. Australia's agricultural industry was a key focus of the previous government's *Australia in the Asian Century* paper, in which Australia's rising levels of agricultural exports to Asia are highlighted, and the nation is envisaged as a supplier of high-quality food to the growing Asian middle-class.<sup>20</sup> The paper notes the importance of fostering Australia's development in agricultural science and related fields, in order that it can meet this role while protecting Australia's natural resources such as soil and water.<sup>21</sup>

The Minister for Trade and Investment, Andrew Robb, has echoed these aspirations in recent articles. According to Minister Robb, Australia has the potential to be a 'key supplier' of agricultural exports to Asia. The Abbott Government have reflected this aim in their decision to make 'food and agribusiness one of five key national investment priorities'.<sup>22</sup> Recent comments by Agriculture Minister Barnaby Joyce have also highlighted Australia's growing role as a food exporter to the Middle East.<sup>23</sup>

There are already too few graduates to meet demand, with 2.5 jobs available for every graduate.<sup>24</sup> Enrolments in agriculture degrees have increased significantly in the last few years, with a nationwide increase of 15-20% in 2014. These positive developments may be damaged by

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<sup>20</sup> Australian Government 2012, *Australia in the Asian Century*, 8 and 96

<sup>21</sup> Australian Government 2012, *Australia in the Asian Century*, 216

<sup>22</sup> Andrew Robb 2014, 'Filling neighbours' food bowl key to prosperity', *Minister for Trade and Investment The Hon Andrew Robb AO MP*, 31 July

[http://www.trademinister.gov.au/articles/Pages/2014/ar\\_ar\\_140731.aspx?ministerid=3](http://www.trademinister.gov.au/articles/Pages/2014/ar_ar_140731.aspx?ministerid=3)

<sup>23</sup> Barnaby Joyce 2014, 'Middle East a major trading destination for Australian produce: Op-Ed from the Minister for Agriculture and Member for New England, Barnaby Joyce', *The Nationals for Regional Australia: Barnaby Joyce*, 10 April <http://www.barnabyjoyce.com.au/News-and-Media/Middle-East-a-major-trading-destination-for-Australian-produce-Op-Ed-from-the-Minister-for-Agriculture-and-Member-for-New-England-Barnaby-Joyce/>

<sup>24</sup> 'Education and Training', *National Farmer's Federation*, <http://www.nff.org.au/policy/education-training.html>



proposed system. The introduction of fee deregulation is a clear danger to the agriculture industry.<sup>25</sup> Only ten universities across Australia teach undergraduate agriculture degrees, meaning the level of competition that the Government claims will keep fee costs down will not be present. Andrew Vann, Vice-Chancellor of Charles Sturt University, estimated that fees for agriculture degrees would need to rise by 48% simply to make up for the loss of government funding.<sup>26</sup>

Given the historically low level of enrolments in the discipline and the potential significant increase in fees, we may well see agriculture courses diminishing in number as market forces lead universities to focus on more profitable degrees. As Australia's chief scientist, Professor Ian Chubb, has noted, agricultural science is 'critically importance' to Australia's domestic well-being and our international relations.<sup>27</sup> Despite the Government's recognition of the importance of agriculture to the nation's economic future, these changes may pose a barrier to people wanting to train in this vital field.

### **Nursing, teaching and other essential relatively low-paid professions**

There is a distinct possibility that increased costs of education may dissuade students from undertaking courses in essential careers like nursing, teaching and social work. Higher fees and higher HECS-HELP interest rates will disproportionately affect graduates in lower-paid professions, as they will take longer to repay their loans. Carefully managing the costs of these degrees is essential to attracting the high-achievers our health and education systems will need in the future.

For instance, until two years ago, there was a shortage of registered nurses in Australia which had lasted for 17 straight years.<sup>28</sup> Enacting a policy that could dissuade students from enrolling in nursing degrees could drastically harm this sector and lead to serious consequences for the health of Australian citizens.

While there is no shortage of teaching graduates in Australia, The Australian Education Union (AEU) notes that attracting students with a high Australian Tertiary Admission Rank (ATAR) to teaching courses has been a significant challenge, with the percentage of student with an ATAR over 80 dropping from 30% to 20% in the last seven years.<sup>29</sup>

Considerable attention has been paid in recent months to the quality of these graduates and the need for highly-trained, highly-skilled teachers in Australia's primary and secondary schools.

The importance of this has been recognised by the Government through its formation of the Teacher Education Ministerial Advisory Group in February 2014, which will focus on the improvement of teacher education and training. AEU has called for two years of compulsory

<sup>25</sup> Cameron Wilson 2014, 'More students are choosing careers in agriculture', *ABC Bush Telegraph*, 30 January, <http://www.abc.net.au/radionational/programs/bushtelegraph/ag-enrolments/5226986>

<sup>26</sup> Andrew Vann 2014, 'Federal Budget Update', *Charles Sturt University: Official Blog*, 28 May, <http://blog.csu.edu.au/2014/05/28/federal-budget-update/>

<sup>27</sup> Edwina Farley 2014, 'Chief scientist warns deregulation could cut agriculture enrolments' *ABC Rural*, 3 Jun, <http://www.abc.net.au/news/2014-06-03/nrn-chubb-on-ag-students/5496968>

<sup>28</sup> 'National, state and territory skill shortage information: Historical list of skills shortages in Australia', *Department of Employment*, <http://employment.gov.au/national-state-and-territory-skill-shortage-information>

<sup>29</sup> Australian Education Union 2014, 'Pyne's teacher training review needs to focus on lifting ATAR scores for teaching students', *Australian Education Union: Federal Office*, 23 June <http://www.aeufederal.org.au/Media/MediaReleases/2014/2306.pdf>

postgraduate education for all teaching students and a raise in the minimum ATAR for teaching courses.<sup>30</sup>

The Government's proposals will do nothing to change the diminishing number of high-achieving school leavers choosing socially conscious professions. By increasing fees and interest rates on university courses, it will further dissuade talented students from pursuing lower-paid but socially essential careers such as teaching. This problem will only be exacerbated if the AEU's proposal is adopted: while postgraduate education would doubtless improve the quality of teachers produced by the Australian higher education system, the extra years of study will mean a higher base debt due to tuition fees that is increased by compounding interest incurred while the student is below the income repayment threshold.

### Outer metropolitan and regional universities

As explained above, outer metropolitan and regional universities will be disproportionately affected by cuts to the Commonwealth Grant Scheme. These institutions will also have less ability to raise fees to address the funding shortfall; the loss of funding may result in the closures of courses or campuses, the loss of staff or a drop in the quality of education provided.

Outer metropolitan and regional universities play a major role in educating students from low socioeconomic backgrounds (low SES). The Australian National University's domestic student cohort is approximately 4% low SES students, and the Universities of Melbourne and Sydney each have approximately 7% low SES students. In contrast, low SES students make up 18% of La Trobe University's cohort, 27% of the University of Newcastle's, and 29% of the University of Tasmania's. Despite a total student cohort only 75% the size, the University of Newcastle educates almost three times as many low SES students as the University of Sydney.<sup>31</sup>

The changes proposed in the Government's bill is unlikely to increase access to quality higher education, and instead will entrench the stratification between regional and elite metropolitan institutions. The combination of funding cuts, fee deregulation and a fee-dependent scholarship scheme will weaken the position of non-elite universities within the higher education sector and undermine the educational and economic development of Australia's regional areas.

### Student groups likely to be affected

Students and new graduates already face significant financial hardship: Budget papers show that employment for graduates is at a 20-year low, with an estimated 30% of 2016-17 university graduates likely to be unemployed in the months immediately following completion of their degree.<sup>32</sup> Postgraduate students likewise face record low employment levels: 15.5% for holders of postgraduate diplomas and certificates and 17.9% for masters degree by coursework graduates.<sup>33</sup>

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<sup>30</sup> *ibid*

<sup>31</sup> 'Selected Higher Education Statistics – 2013 Student Data: Appendix 2- Equity groups', *Department of Education*, <http://www.education.gov.au/selected-higher-education-statistics-2013-student-data>

<sup>32</sup> Gilmore, H and Knott, M 2014, '30 per cent of university graduates to be out of work after finishing degree', *The Age*, 4 June <http://www.theage.com.au/federal-politics/political-news/30-per-cent-of-university-graduates-to-be-out-of-work-after-finishing-degree-20140603-39gxv.html>

<sup>33</sup> Tim Dodd 2014, 'Unemployment rises among postgraduates', *Australian Financial Review*, 17 September [http://www.afr.com/p/national/education/unemployment\\_rises\\_among\\_postgraduates\\_oeZYjMBNwI9CYWxG2AWeWN](http://www.afr.com/p/national/education/unemployment_rises_among_postgraduates_oeZYjMBNwI9CYWxG2AWeWN)

Additionally, graduate salaries in coming years are predicted to be lower than previously forecast.<sup>34</sup>

Universities Australia's data shows that two thirds of domestic undergraduate students have an income under \$20,000 per year and half of all undergraduate students have personal debt.<sup>35</sup> 18% of full-time domestic students are in such financial hardship that they regularly go without food or other necessities.<sup>36</sup> Prolonging this hardship by imposing high debts will adversely affect graduates' financial wellbeing and their ability to take on other forms of debt like car loans and mortgages.

The hardship likely to be caused by the passage of the bill will be disproportionately felt by students who are already disadvantaged in accessing higher education and in society more broadly. In addition, it is likely to dissuade prospective research students from undertaking study. As a result the bill will increase, rather than ameliorate, inequality within Australia.

### Women

Women still receive lower average salaries than men in the same fields, and also tend to work in lower-paid occupations. This combination of factors mean that women already spend longer paying off their tuition fees than men. With higher fees and increased HECS-HELP interest rates, this inequity will only compound.

As modelling by Universities Australia, and Chapman and Higgins has shown, people who leave the workforce for a prolonged period – largely women with family or caring responsibilities – will be disproportionately burdened as their loan compounds. As Chapman and Higgins note, 'the original design parameters of HECS were motivated in part not to disadvantage debtors choosing to take time away from employment for the purposes of child-rearing'.<sup>37</sup> Given this, the Government's changes significantly undermine the equity basis on which the HECS scheme was founded.

### Rural and regional students

Rural and regional students are more likely to be in a low socioeconomic bracket compared to their metropolitan peers, and already have less access to quality higher education. Compared to 35.5% of metropolitan school leavers who went on to higher education in 2012, only 20.4% of inner regional school leavers, 12.1% of remote school leavers and 4.5% of very remote school leavers did so.<sup>38</sup>

If they do manage to access higher education, rural and regional students often face higher costs due to relocation and travel expenses. As a result of these factors higher tuition fees would be an added burden, one not easily undertaken.

Funding cuts to regional universities, who rely more on the Commonwealth Grants Scheme for revenue than elite urban institutions, will potentially result in loss of course offerings. Education

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<sup>34</sup> Gilmore, H and Knott, M 2014, '30 per cent of university graduates to be out of work after finishing degree', *The Age*, 4 June, <http://www.theage.com.au/federal-politics/political-news/30-per-cent-of-university-graduates-to-be-out-of-work-after-finishing-degree-20140603-39gxv.html>

<sup>35</sup> Universities Australia 2012, *Australian University Student Finances in 2012*, 8

<sup>36</sup> *ibid.* 6-7

<sup>37</sup> Chapman and Higgins, 10

<sup>38</sup> National Rural Health Alliance and ACOSS 2013, *A Snapshot of Poverty in Rural and Regional Australia*, 8

Minister Christopher Pyne has argued that deregulation will allow institutions to specialise in particular areas, but this specialisation would be detrimental for regions with only one institution.<sup>39</sup> Students would be forced to choose between attending the local institution – whatever its offerings – or take on the financial burden of relocation.

The University of Tasmania's Vice-Chancellor Peter Rathjen highlighted the impact of funding cuts on regional students, which could lead to cuts in programs delivered: 'We don't really understand what might be the impact of policy driving us towards specialisation here that is stopping doing some things we're doing - when if we stop doing them, there's no one else on the island to pick them up'.<sup>40</sup>

Furthermore, unemployment is higher in regional and rural areas than in cities, and rural and regional workers tend to attract lower salaries than workers in cities.<sup>41</sup> This means that graduates who choose to stay in regional areas will take longer to repay their HECS-HELP debt and pay more overall for their education.

### **Students from low socio-economic backgrounds**

In considering the impact of the changes, it must be remembered that low SES students tend to be in other equity categories – women (including those in non-traditional fields), rural and regional students, Indigenous students, students with disabilities and students from non-English speaking backgrounds – and therefore face multiple obstacles to full participation in higher education. Given this, it is all the more imperative that any changes to the higher education system carefully consider the impact on equity.

Modelling by Professor Bruce Chapman and Dr Timothy Higgins has shown that the plan to change indexation of HECS-HELP loans to the Government Bond Rate will mean low SES graduates will pay up to 30% more overall for their courses. This percentage will be even greater if graduates take time out of the workforce for family or other reasons.<sup>42</sup>

Some low SES students will also graduate with more debt than wealthier students, due to the Government's decision to change the Student Start-up Scholarships to Student Start-up Loans. From 1 January 2015, eligible students will be loaned \$1,025 per semester for up-front education costs that is to be repaid on an income-contingent basis.<sup>43</sup> For a student who is eligible for this loan throughout their degree, this will amount to a minimum extra \$6150 to repay, on top of likely higher tuition fees and compounding interest rates.

Rather than assisting low SES students to access higher education and the rewards it offers, the Government's plans actively discriminate against already disadvantaged students. As NTEU has

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<sup>39</sup> Christopher Pyne 2014, 'Spreading opportunity and staying competitive – why we need the higher education reform package', National Press Club Address, 6 August  
<http://ministers.education.gov.au/pyne/address-national-press-club-canberra-spreading-opportunity-and-staying-competitive-why-we-need>

<sup>40</sup> 2014 'University warns budget changes will cause hardship for students' *ABC News*, 21 March  
<http://www.abc.net.au/news/2014-05-15/university-warns--budget-changes-will-cause-hardship-for-studen/5454488>

<sup>41</sup> National Rural Health Alliance and ACOSS, 10-11

<sup>42</sup> Chapman and Higgins, 8-10

<sup>43</sup> 'Budget 2014-15: Remove Grandfathering of Student Start-Up Scholarship Recipients', *Department of Human Services*, <http://www.humanservices.gov.au/corporate/publications-and-resources/budget/1415/asures/young-people-and-students/17-000618>



argued, 'people from low SES backgrounds (which there is a significantly higher proportion of women) and Indigenous women are more adverse to debt, particularly if they have carer obligations'.<sup>44</sup> The Government's plans are likely to mean fewer people from low SES backgrounds will undertake university study, leading to diminished outcomes for them and a loss of intellectual capital for the nation.

### Research students

The changes proposed in the bill threaten to dissuade potential researchers from undertaking lengthy research candidatures. RHD students perform valuable work for universities and society, and this value has traditionally been recognised by exempting them from tuition fees. RHD students contribute significantly to the research output of universities, enhancing the productivity, vibrancy and sustainability of Australian society across all fields and in all areas of innovation. Over eight thousand postgraduate research students complete their degrees every year, each degree representing a substantial work of original research that adds value to our society and economy and informs us for the future.<sup>45</sup> Postgraduate researchers also serve the university community by conducting approximately a quarter of all university teaching.<sup>46</sup>

During their three years or more of candidature, RHD students forego significant income rewards in their pursuit of beneficial knowledge and progress, and often struggle with high levels of debt, low incomes and insecure work. Given the already difficult circumstances many students accept in order to undertake research, and the enormous benefits they offer to Australia's universities and broader society, it is extremely short-sighted to increase their burdens.

RHD students will also be affected by changes made to undergraduate higher education and the combination of potential for high fees for undergraduate courses and a large HECS-HELP debt that will compound during their research degrees may deter students from taking on further study.

The cuts to the RTS and the imposition of fees on RHD students, along with increased undergraduate tuition fees and higher HELP interest rates, has the potential to dissuade students from undertaking postgraduate research courses and training to become the researchers Australia will need in the future.

The Federal Government has repeatedly argued for the importance of a robust research infrastructure in Australia, and has created a Medical Research Fund that will grow to \$20 billion by 2020.<sup>47</sup> Yet without highly trained researchers, this fund will do little to advance Australia's medical knowledge and technology. Research students must be supported, rather than discouraged, in their education and training.

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<sup>44</sup> McDonald, T 2014, 'Women to be the biggest budget losers', *National Tertiary Education Union (NTEU)*, 30 May, <http://www.nteu.org.au/article/Women-to-be-the-biggest-budget-losers-16350>

<sup>45</sup> Universities Australia 2014, *HERDC Time Series Data, 1992-2012*

<sup>46</sup> National Tertiary Education Union (NTEU) 2012, *Casual Teaching & Research Staff Survey 2012 - Summary of Key Results*, p.6

<sup>47</sup> 'Medical Research Future Fund', *Australian Government: Budget 2014-15*, [http://www.budget.gov.au/2014-15/content/overview/html/overview\\_12.htm](http://www.budget.gov.au/2014-15/content/overview/html/overview_12.htm)

## Recommendations

### Prioritise accessible, equitable education

In order to meet the educational and economic needs of the future, it is vital that Australia builds and sustains a truly accessible higher education system. Rather than creating a scholarships scheme that relies on high tuition fees, we recommend the implementation of genuine financial support schemes to assist students in need.

We call for the implementation of the funding reforms proposed in the 2008 Bradley *Review of Higher Education*, which recommended a 10% increase in base funding for teaching and learning, with some funding awarded on the basis of an institution's 'performance against specific targets for teaching and equality'.<sup>48</sup> We also support the Bradley review's recommendation that funding to support students from low socio-economic backgrounds and the provision of higher education in rural and regional areas be increased.<sup>49</sup>

We recommend the reinstatement of equity targets as developed in the Bradley review, and highlight the need to hold institutions accountable to meeting those targets.<sup>50</sup> To address the challenges of the future we will need the input from all of our communities, and therefore it is vital that students from a diversity of cultural and social backgrounds are able to access higher education.

This diversity will also require strong input from outer metropolitan and regional universities and higher education providers, and we therefore recommend that any reforms to the higher education system provide robust support to these institutions, which play key roles in the development of vital fields like agriculture, environmental science and food production.

We support the Government's plan to extend CSPs to sub-bachelor qualifications, recognising that pathway courses can present the best opportunity for capable students from disadvantaged backgrounds to get the preliminary training necessary to succeed at university.

### Do not deregulate the higher education system

GSA does not support deregulation as a higher education policy, regarding it as a move that has the potential to harm Australia's higher education system, weakening its role in the community and hindering innovation.

Fee deregulation in particular has the potential to cause significant damage. Members of the Group of Eight (Go8) have argued that fee deregulation is the only option left to universities in an environment of ongoing Commonwealth funding cuts.<sup>51</sup> This position is one that the Go8 has been using for over a decade – Gavan Butler notes that similar tactics were used to argue for the ability to charge students a supplementary fee on top of payments required within the CSP framework:

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<sup>48</sup> Department of Education, Employment and Workplace Relations 2008, *Review of Australian Higher Education*, p. xxii-xiv

<sup>49</sup> *ibid*, p. xiii

<sup>50</sup> *ibid*, pp. xiii-xiv

<sup>51</sup> Ian Young 2014, 'Imagining an Australia built on the brilliance of our people', National Press Club Address, 30 July, [https://go8.edu.au/sites/default/files/docs/article/national\\_press\\_club\\_speech\\_-\\_ian\\_young\\_pdf\\_version.pdf](https://go8.edu.au/sites/default/files/docs/article/national_press_club_speech_-_ian_young_pdf_version.pdf)

While assiduously campaigning for the fee changes, the Go8 proclaimed that the government gave the universities no choice and that there was no point in trying to argue against the government's policy.<sup>52</sup>

Increasing fees will not improve the quality of education or access to education. It risks the creation of a two-tiered system in which the wealthy and selected high-achievers are sequestered in elite institutions.

Furthermore, fee deregulation risks the introduction of high tuition fees, which may in turn dissuade students from undertaking study in socially valuable yet lower-paid professions. By making study expensive institutions would further commercialise the higher education sector and create an atmosphere where students may think largely of private benefits rather than their potential contribution to society. Students may choose to train for careers with the highest salaries, which would allow them to repay their tuition fees sooner, rather than for lower-paid careers that would greatly benefit society but leave graduates with a lifetime of debt.

### **Do not charge fees for RHD courses**

RHD students perform valuable work and actively contribute to the productivity and well-being of the nation while sacrificing income. Unlike graduates of bachelor and masters by coursework degrees, graduates of research degrees will not necessarily earn higher salaries as a result of their studies. As a result there is not the same justification for charging fees.

RHD students must continue to have the importance of their work recognised, and we therefore recommend that the Research Training Scheme remains funded in full, so that universities will not be required to charge fees to RHD students to cover the cost of their tuition.

### **Do not change indexation on HECS-HELP loans**

As discussed above, changing the indexation of HECS-HELP loans to the Government Bond Rate is a regressive move that will lead to significantly higher education costs for lower earning Australians. We recommend that HECS-HELP loans remain indexed at CPI in the immediate future, and that any potential changes are developed through a process serious consultation with the higher education sector and debate within the wider Australian community.

Chapman and Higgins have presented two alternative options for changes to HECS-HELP repayments: the introduction of a 25% surcharge on loans with the principal indexed at CPI, or a system under which the loan would be indexed at the Government Bond Rate only after the graduate begins earning over the repayment threshold.<sup>53</sup> We recommend that these options, and others, be considered as alternatives to the regressive proposal put forward in the bill.

### **Investigate other options for recovering HECS-HELP debts**

Currently around 17% of HECS-HELP debts are unpaid; a percentage that will amount to \$13 billion in 2017.<sup>54</sup> Rather than attempt to make the HECS-HELP system sustainable by increasing

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<sup>52</sup> Gavan Butler 2007, 'Higher education: Its evolution and present trend', *The Journal of Australian Political Economy*, 60, 44

<sup>53</sup> Chapman and Higgins

<sup>54</sup> Andrew Norton 2014, *Doubtful debt: The rising cost of student loans*, Grattan Institute, 1

the interest rate – which would have the consequence of increasing the percentage of unpaid debts<sup>55</sup> – we recommend finding practical ways to recover unpaid debts.

As a 2014 Grattan Institute report notes, Australia has no method by which to claim HECS-HELP debts from graduates living overseas. This is in contrast to the United Kingdom and New Zealand, who have similar student loan schemes to Australia. United Kingdom graduates living overseas continue to pay an income-contingent repayment on their loans, while New Zealand graduates pay a flat rate depending on the size of their loan.<sup>56</sup>

Both methods have their shortcomings – significant amounts of paperwork for the United Kingdom model, and a lack of equity for New Zealand – but they nevertheless represent promising options to consider. Australia's current system of essentially writing off debts of graduates living overseas is both unsustainable and impractical, and the introduction of an overseas repayment system would enhance sustainability for the HECS-HELP scheme without unfairly burdening students and graduates.

We also recommend recouping HECS-HELP debts from deceased estates. They are currently written off when an individual dies, creating the main cause of unrecovered debts for the scheme.<sup>57</sup> This is contrary to all other debts that an individual accrues, including mortgages, credit cards and personal loans. Despite the negative reaction to Government suggestions earlier in the year to introduce such a scheme, we see no moral or economic objections to it.

In line with a recommendation from Grattan Institute we believe that recovering outstanding HECS-HELP debts deceased estates worth over \$100,000 would substantially improve the sustainability of the HECS-HELP scheme while preserving its principles of economic equity and opportunity.<sup>58</sup>

### **Invest in Vocational Education and Training**

GSA believes that all people who are capable and desirous of obtaining higher education should be able to. However we also recognise the great value of Vocational Education and Training (VET) and recommend investment in and development of our nation's TAFEs.

VET is often regarded as higher education's poor relative, despite its important role in training our nation's tradespeople, technicians and artists. We encourage the Government to look at the example of Germany, where VET and higher education are regarded as equally valuable, and commit to enhancing the quality and reputation of VET institutions and graduates.

As part of this process we recommend that the Commonwealth work with the States to review institutional funding for TAFEs and financial support for VET students. TAFEs are struggling with inadequate funding and resources and a decreasing market share due to government subsidies for low-cost private VET providers.<sup>59</sup> We call on the Commonwealth and the States to address this

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<sup>55</sup> Chris Ryan 2014, 'Impact of the Australian Higher Education Funding Reforms', *Melbourne Institute Policy Brief Series*, Melbourne Institute of Applied Economic and Social Research, 7

<sup>56</sup> Norton, 32-33

<sup>57</sup> *ibid*, 38

<sup>58</sup> *ibid*, 39-40

<sup>59</sup> Kirsty Needham 2014, 'TAFE funding cuts raise fears over training skills' *Sydney Morning Herald*, 9 March <http://www.smh.com.au/national/education/tafe-funding-cuts-raise-fears-over-training-skills-20140308-34e1j.html#ixzz3DXm900NL>; 'Victorian TAFE system under 'significant threat' from budget cuts: union' *ABC*



problem, and to continue appropriately supporting VET students during their studies. In particular we recommend the reinstatement of the Tools for Your Trade payment, which was cancelled from 1 July 2014.<sup>60</sup>

We endorse the extension of CSPs to TAFE students as a way to improve equity between VET and higher education students, and to encourage prospective students to take up trades. However we caution against the inclusion of private providers in this scheme, whose profit motives may undermine both the provision of affordable quality education and the standards expected by students and employers.

## Conclusion

Australia's higher education system is one of the best in the world, ranked 7<sup>th</sup> in the 2014 Global Innovation Index.<sup>61</sup> Over the last ten years the number of Australian universities in the Academic Ranking of World Universities has almost doubled. The nation has gone from having two universities in the top 100 to four, and from 11 in the top 400 to 18.<sup>62</sup> These achievements have come despite chronic underfunding, and are testament to the resourcefulness and innovation of the sector.

The current situation of ongoing Commonwealth funding cuts is placing our higher education sector in a perilous position, but we reject claims that the only option left to the sector is to deregulate and pass the burden of funding onto students. As discussed above, this would lead to a damaging stratification of our higher education system and an overall loss of opportunity and equity for Australian students.

A well-supported higher education system is a necessary investment in the future prosperity and productivity of our nation. Any reforms made to the system must keep this in mind, and recognise the great public value of a highly educated population. For the future of our country we cannot afford a higher education system that will place barriers in the way of participation, burden graduates with decades of debt, and damage the institutions that perform vital educational and research roles.

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News, 1 September 2014, <http://www.abc.net.au/news/2014-04-08/victorian-tafe-system-under-significant-threat/5373976>

<sup>60</sup> 'Tools for Your Trade payment', *Australian Apprenticeships*, <http://www.australianapprenticeships.gov.au/program/tools-your-trade-payment>

<sup>61</sup> Global Innovation Index 2014, *The Global Innovation Index 2014: The human factor in innovation*, p. 145

<sup>62</sup> Tim Dodd 2014, 'Data point | Universities given better grades' *The Australian Financial Review*, 1 September, [http://www.afr.com/p/national/education/data\\_point\\_universities\\_given\\_better\\_Ghf9oVJ2GFpQLGB0K7m07I](http://www.afr.com/p/national/education/data_point_universities_given_better_Ghf9oVJ2GFpQLGB0K7m07I)