



The Youth Affairs Council of South Australia's
Response to
The Senate Inquiry into Higher Education Funding and
Regulatory Legislation
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Foreword

The Youth Affairs Council of South Australia (YACSA) is the peak body in South Australia representing the interests of young people, youth workers, organisations and networks throughout the non-government youth sector. YACSA works to encourage young people, and those working with them and for them, to achieve meaningful improvements in the quality of young people's lives. As such, Council's submission to this Senate Inquiry focuses on the impact on young South Australians of the higher education reform package, *Backing Australia's Future*.

Many of the recommendations outlined in this submission also formed part of YACSA's original submission to the *Setting Firm Foundations* discussion paper. YACSA proposes that these suggestions are credible alternatives to various elements in *Backing Australia's Future*, which genuinely address the real issues of affordability and equity in Australia's higher education system, and as such should be thoroughly considered, whether as is or in some modified form.

YACSA asks: do the proposals in *Backing Australia's Future* address the goals suggested by the *Crossroads* discussion papers? Does *Backing Australia's Future* make university education more accessible to disadvantaged young people? Does *Backing Australia's Future* put in place the structure to encourage an expansion of Australia's participation rate in higher education? Will the deregulation and likely increase in fees encourage young people's uptake of higher education options?

The *Crossroads* review process

Despite claims that the proposals in *Backing Australia's Future* are the culmination of the contribution of stakeholders such as "academics, unions ... [and] students" to the *Crossroads* review process, anecdotal evidence suggests that some key stakeholders, such as students and young people, did not feel that their views were accurately reflected.

Public consultation

One of the main criticisms of the review process raised by students was that the public consultations that toured the country were attended by invitation only, and that importantly, very few people and organisations who made a submission to any of the discussion papers published by the Department of Education, Science and Training were invited to a consultation.

Such consultation processes are at risk of not being genuinely inclusive and consultative, and therefore not representative of all key stakeholders; with individuals, student organisations and community groups now concerned that their views have not been acknowledged, or reflected in the proposed reforms.

Ministerial reference group

The reference group set up by the Federal Minister for Education was, by definition, a key driver in finalising *Backing Australia's Future*. YACSA is concerned, however, that membership of the reference group consisted almost exclusively of university vice-chancellors and administrators, industry and business representatives, and heads of academic centres, without vital representation from students or social service agencies in decision-making and advisory structures that were meaningful and representative as recommended in our *Setting Firm Foundations* submission. Ultimately, YACSA is concerned that no blueprint for higher education reform as extensive as *Backing Australia's Future* could be said to be in the best interests for the country or for young Australians when the concerns raised by both student and community groups do not appear to have been acknowledged.

The impact of a 'learning entitlement'

YACSA is concerned the concept of a learning entitlement appears to be inconsistent with Federal Government policy to encourage 'life-long' learning. YACSA believes that under the proposed system, the most affordable form of education would be a subsidised HECS-liable place. The introduction of a learning entitlement time-limit would restrict access to such places, and YACSA is concerned that this would result in young people wanting to return to tertiary study after their graduation being obliged to take up full-fee paying places.

The feasibility of such a decision is likely to be very low for many young Australians. After meeting original HECS or HELP loan repayments that many students incur when undertaking their first higher education degree, the prospect of acquiring further debt to improve or maintain tertiary qualifications must necessarily be balanced with other financial demands, such as meeting the costs of living. The cost of denying access to further affordable tertiary education would be too great to the individual as well as the economic development of the country.

YACSA notes that it is not necessary to introduce such a restriction as recognition of the cost incurred by the Federal Government for the provision of higher education, and suggests that such costs are better recuperated by other policy recommendations outlined elsewhere in this submission.

Furthermore, it would appear that the deregulation of fees as suggested by *Backing Australia's Future* would offset any need to introduce such a restriction in order to limit spending on higher education – it appears that there would be little economic loss resulting from fee deregulation.

Recommendation

YACSA recommends that any restriction taking the form of a learning entitlement not be adopted.

Financial impact upon students as future graduates

Increase of the HECS repayment threshold

YACSA welcomes the proposed lifting of the HECS repayment threshold from \$24,365 per annum to \$30,000 per annum. The lifting of the threshold is important, because if it is too low, YACSA notes that new graduates would be placed in financial stress, especially those graduating from degrees where the resultant occupations have either a low graduate starting salary or require further practical training before admission to practice. A similar argument applies to students who may study degrees usually associated with high-paying jobs but enter the employment market with a lower-paying job. For example, a law graduate may work as a community or legal aid lawyer, whose typical starting salary is much lower than that of a graduate lawyer in a larger corporate firm. A HECS repayment threshold that is too low would unfairly penalise those graduates who choose to enter the employment market with a lower-paying job than is factored by differential HECS bands.

YACSA notes that the new proposed threshold of \$30,000 per annum is, however, still too low. Some groups have suggested that any new threshold should be at least equivalent to the median graduate starting salary; others have suggested the mean starting salary, while others, notably the Australian Vice-Chancellor's Committee, have suggested an even higher threshold.

Recommendation

YACSA's previous recommendation in its *Setting Firm Foundations* response was that the minimum HECS repayment threshold be lifted to at least the median gross household income.¹

However, in light of the apparent affordability of a repayment threshold greater than \$30,000, YACSA recommends that the minimum HECS repayment threshold be lifted to at least the mean graduate starting salary (higher than its previous recommendation), since this more accurately reflects the difference between university graduates and non-graduates.

Alternative funding model: the re-introduction of non-differential HECS

HECS fees have increased between 130% and 330% since 1996, depending on the degree studied by students.

The introduction of differential HECS was promoted as a more equitable system, where the contributions of graduates more accurately reflected their private benefit from higher education. However, there is an inbuilt assumption that a graduate of a given degree will choose a "standard" career path. As discussed earlier, a law graduate may very legitimately choose to work as a community or legal aid lawyer, whose typical starting salary is much lower than that of a lawyer who chooses to work for a larger corporate firm. Shortage of labour, particularly the non-profit community sector, which demands tertiary-qualified personnel, is common. The differential HECS model however, fails to account for this difference in private benefit, notwithstanding that the same degree was undertaken.

Similarly, the shortage of labour for vocations recognised as "semi-professional", such as teaching and nursing, might also be attributed to differential HECS and "semi-professional" rates of pay. University and union surveys of graduates show that nursing and childcare graduates often do not end up practising in these fields, commonly because the pay following graduation is poor and HECS debts are too large to warrant it. The same situation that explains why there is a shift of graduates towards the higher-paying jobs in broader "sandstone" disciplines such as engineering and law.

¹ Youth Affairs Council of South Australia (September 2002). *Response to Setting Firm Foundations: a review of Australian Higher Education*, p. 36.

Similar issues arise in the more academic fields of science and mathematics, where the shortage of graduates may largely be due to the comparative lack of financial incentive. Discounts to encourage study of these disciplines would go some way towards removing the added disincentive of high HECS debt incommensurate with graduate pay.

As noted, differential HECS has the effect of obliging young graduates to pursue higher paying professions, and this may be more acute among graduates from marginalised backgrounds (such as graduates from Indigenous, lower socio-economic or non-English speaking backgrounds, for example). For such a graduate to aspire to enter the employment market otherwise would mean a longer time repaying the HECS debt, when that money could be more appropriately used to improve living standards.

Even so, it is not necessarily easy for a graduate from a marginalised background to apply for a higher-paying job. The common argument for maintaining differential HECS as a measure of private benefit is that those graduates who choose to start with a low-paying job have the qualifications to eventually move to a higher-paying job. This argument however, assumes that all graduates will have the aspirations to move into a higher-paying job. Importantly, it also assumes that every graduate of a given degree has exactly the same prospects of employment, promotion, salary increase and career progression, ignoring structural discrimination that exists on the grounds of age, race and gender, for example.

YACSA asserts that the level of private benefit of higher education is not accurately assessed by differential HECS and the implied career path. Although part of this problem, as discussed, is the rate of pay for graduates, the employment skew effect of differential HECS only compounds the labour shortage problem. Many graduates will aspire to be employed in a higher-paying profession, but since the number of these positions is limited, the excess of graduates as a result of differential HECS will be forced to undertake the lower-paying jobs, in all likelihood including those from marginalised backgrounds. In such instances, the opportunity to repay debt will differ.

YACSA suggests that the abolition of differential HECS and replacement with the non-differential system would return all graduates to a level playing-field, and acknowledges that all graduates can contribute both economically and otherwise to society in different ways.

YACSA is also aware that many young people's aspirations go beyond necessarily getting a well-paid job; the retention rates in various traditionally lower-paying sectors highlights this. So too does the contention of other respectable professional organisations, such as the Law Council of Australia, that the 'driver will naturally be for [law] graduates to seek higher income roles in the [legal] profession in order to repay their debt'.²

In conclusion, the net effect of the differential HECS system (and the compounding of it by a possible partial deregulation) appears to be a general shift towards the higher-paying jobs associated with a particular degree, resulting in a labour shortage in the lower-paying jobs. To worsen the situation, there is a financial disincentive where a student wants to take up a lower-paying job.

Recommendation

YACSA recommends the re-introduction of non-differential HECS.

Alternative funding model: the introduction of a more progressive taxation system

YACSA suggests that higher education would best be funded through the implementation of a more progressive taxation system, recognising that not all graduates obtain the same private benefit from higher education. A recent OECD study quoted by the Business Council of Australia shows that the level of private benefit from higher education in Australia is 36%, compared to an OECD average of 60%.³ It would appear, then, that the better way to measure private benefit would be on a case-by-case basis, as a progressive taxation system allows, rather than a differential HECS system, particularly when the rate of private benefit is that low. This same argument may also apply the other way – that is, with such a low rate of private benefit, a non-differential HECS system would be a fairer way to assess private benefit.

Recommendation

YACSA recommends the implementation of a more progressive taxation system in order to most equitably determine benefit.

² Law Council of Australia (14 May 2003). *Budget changes threaten diversity of Australia's future lawyers.* (online). <http://www.lawcouncil.asn.au/read/2003/2379870449>

³ Dr Mike Donaldson, State secretary, National Tertiary Education Union quoting the Business Council of Australia (10 August 2003). *For women, time for education now costs even more.* (online). <http://www.smh.com.au/articles/2003/05/18/1053196473680.html>

Income support

The Federal Minister for Education has noted that any significant reform to the higher education sector would need to be accompanied by an overhaul of the existing income support system.⁴

YACSA recognises the necessity to introduce a study allowance that properly accounts for the essential spending of students, and that is not based on arbitrary assessments of independence. Council asserts that a reform of the higher education sector should also be accompanied by a proper assessment of the incidental but essential costs incurred by students in the course of their education, particularly when fees may increase.

Recommendation

YACSA recommends the introduction of an expenditure-based, non-means tested allowance to address the issue of costs incurred in the course of study. Further information can be found in YACSA's previous submission to the *Setting Firm Foundations* discussion paper.

Expansion of full fee places

For the reasons previously discussed in our submission to the *Setting Firm Foundations* discussion paper, YACSA strongly opposes the expansion of full-fee paying places. The likelihood of an income contingent loan of over \$50,000 in some cases will act as a strong deterrent to higher education for many young people.

YACSA is further concerned that students from disadvantaged backgrounds aspiring to study disciplines with course fees of more than \$50,000 – the maximum loan provided by the FEE-HELP system – may be further disadvantaged by needing to seek alternative sources of money to meet the difference between the HELP maximum and course cost. Such a situation may well result in fewer numbers of students from lower socio-economic background accessing the more expensive disciplines.

Recommendation

YACSA recommends that full-fee paying places be abolished altogether.

⁴ At a public lecture delivered at Flinders University by The Hon. Dr. Brendan Nelson, 16 July 2003

Universities' student associations

YACSA notes that the inclusion of the proposal to introduce voluntary student unionism to the *Backing Australia's Future* package is incongruous. The issue of student unionism merits separate discussion and analysis in its own right beyond that of the package.

Recommendation

YACSA recommends that the introduction of voluntary student unionism be set aside.

YACSA wishes to raise a number of additional concerns in this submission, as follows.

Servicing unmet demand

YACSA notes that the ability to charge students full fees is unlikely to increase the availability of places, particularly when there is often no physical space to support an expansion. The evidence concerning marginal funding and increasing lecture and tutorial sizes is indicative of this contradiction. Substantial funds to improve physical infrastructure to cater for more students cannot be raised predominantly from students if course fees are to be affordable, so the ability to charge full fees will not instantly create additional capacity.

YACSA is further concerned that the "flexibility" that a university will gain will be purely financial, and that capacity to meet unmet demand will not increase as a result of fee deregulation, leaving universities with little recourse but to increase fees in order to finance the physical creation of additional capacity and effectively giving universities only the "flexibility" to increase fees, given that decreasing them would not be a possibility.

HECS as a disincentive

It is often argued that HECS, because it is deferred and income-contingent, is not a disincentive to the take-up of higher education. YACSA notes that this is not consistent, however, with the policy outlined in the last Federal Budget to retain complete regulation of the HECS fees for teaching and nursing in order to encourage study of these disciplines. Council adds that if HECS is not a disincentive, then the deregulation of HECS fees would have a minimal impact on young people's choice of whether to go to university, and what discipline they choose to study.

In addition, HECS in its status quo form is a substantial deterrent for parts of the community. There is widespread support for the conclusion that existing HECS deter some students from selecting Band 3 courses, and in some cases, attending university altogether. The Law Council of Australia has expressed concerns about the exacerbating effect that an increase in fees will have on students from lower socio-economic backgrounds.⁵

In conclusion, YACSA notes that great care must be taken when there is potential for the deterrent effect of HECS to increase. It must be recognised that the existing system already prevents some potential students from attending universities, and it would not be desirable to compound this situation.

⁵ Law Council of Australia (14 May 2003). *Budget changes threaten diversity of Australia's future lawyers*. (online). <http://www.lawcouncil.asn.au/read/2003/2379870449>