

Submission

to

Senate Employment, Workplace Relations and Education
References Committee

Inquiry into higher education funding and regulatory legislation

Date: 10-10-2003

Submitter: Michael Moriarty and Dagmara Rydel

Organisation: The Melbourne University Student Union

Address: University of Melbourne, Parkville, 3010

Phone: 03 8344 6962

Fax:

Email: m.moriarty@union.unimelb.edu.au

Submission to the Senate Employment, Workplace Relations and Education References Committee

Inquiry into Higher Education Funding and Regulatory Legislation

INTRODUCTION:

Article 26

(1) Everyone has the right to education. Education shall be free, at least in the elementary and fundamental stages. Elementary education shall be compulsory. Technical and professional education shall be made generally available and **higher education shall be equally accessible to all on the basis of merit.** (*Universal Declaration of Human Rights, 1948*)

The Melbourne University Student Union submits this brief paper to augment the many informative submissions already tendered to the Committee. The argument offered is that the proposed reforms in their current state are in conflict with the universal declaration of human rights regarding access to higher education. Therefore, the points outlined pertain specifically to issues of access and equity regarding participation in higher education.

Fee Deregulation or Increases to the Higher Education Contribution Scheme (HECS)

Recently, there has been debate regarding potential higher education students' aversion to increasing debt, contrasted with findings that reveal increases to HECS through the 1990s had no effect on uptake of HECS loans. What is not accounted for, however, is that current and proposed aspects of HECS and its repayment are different to the late 1980s and 1990s. For example, the original payment threshold (minimum before repayments start) was set at approximately equivalent to the average wage so as not to be a disincentive for low income earners (AVCC, 2001). As of 2004, the upper limit (commencement of the maximum repayment rate) is in fact less than the average wage¹. Added to changes regarding HECS are external factors such as the more recent decline in housing affordability in urban areas for those not already in the market or those without extra financial support. Rather than a simple aversion to increasing levels of debt, the case may well be that potential students now need to decide what debts take priority over others (eg. mortgage, cost of having children, cost of study).

Even with the proposed lifting of the HECS repayment threshold to \$30,000, there may still exist a disincentive to incur a HECS debt due to the fact that graduates will generally have to start paying back the loan with their first full-time job, will likely be

¹ Average wage sourced from Australian Bureau of Statistics, average full-time ordinary earnings November 2002

repaying for a greater duration and possibly repaying larger debts because of potential rises in HECS. There will probably be very few graduates commencing full-time employment that will not also immediately start repaying their HECS, as the average graduate starting salary for full-time employment in 2002 was \$35,500 (Graduate Career Council of Australia, 2002) which attracts a repayment rate of 4.5% of income. Ramifications of the proposed higher education reforms could be substantial for students without extra financial support. For example, using simple figures², a science undergraduate student studying a four year degree in 2004 after HECS has risen twenty percent for the course, compared to 2003, would incur a total of twenty-five percent more debt over the duration of the course and take up to three years longer before being debt free. If the consumer price index, to which HECS loans are indexed, continues to outstrip the annual rise in average graduate starting salaries then the time taken to repay is increased further.

The prospect of a \$25,000 debt, being repaid at the rate of 4.5% per annum for approximately ten years may well be enough to sway applicants without extra financial support, to study alternative courses such as TAFE or to defer higher education for some years in favour of full-time work (at a lesser wage than as a university graduate). Conversely, applicants from high socio-economic strata (SES) may have more chance to cope financially, such as parental support, thereby entering higher education, graduating and consequently earning a higher wage sooner. Greater financial means may also enable uptake of the discounted HECS for upfront or lump sum payments, further benefiting those with such means. For more expensive courses such as medicine and law, that are offered at fewer universities, applicants without extra financial support are even more disadvantaged. A result of fewer applicants from low SES in these courses would be a less diverse cohort of graduates practicing in the community. Greater diversity is generally accepted as a worthwhile goal for diverse communities such as ours.

Inadequate levels of fully funded places

With cutbacks to marginally funded higher education places resulting from the proposed reforms, the small increase in fully funded places allowed for in the proposed legislation appears to fall short of what will be required for an increased number of applicants (Curran, 2003). This situation could be compounded if universities increase their intake of full fee paying students from twenty five percent to fifty percent of course places. As it is, full fee paying students can generally obtain a place with an admission index score (usually ENTER score) of up to five points lower than HECS applicants.

The most likely ramification of a shortage in fully funded places in higher education institutions is that the ENTER score will increase. The increase would probably not be applied to those paying full fees however. In fact, to allow a substantial increase in full fee paying applications, the full fee paying admission index may need to be lowered compared to that of meritorious applicants, further entrenching the disadvantage of those with low levels of financial resources. Notwithstanding full fee payers with lower ENTER scores, research suggests that those with lower ENTER scores are more likely overall to be from low socio-economic strata (SES) (Birrell et al, 2002). Research has also emerged highlighting that the lower ENTER scores evidenced by many applicants from low SES may be due to the lack of resources associated with low SES rather than low levels of ability or merit *per se* (Levy and Murray, 2002). Thus, increased numbers of applicants from low SES may unfairly miss the opportunity of gaining access to higher education if inadequate or disproportionately lower numbers of fully funded places ensue.

² Not accounting for CPI increases over the four years

Given the annual increase in demand for higher education places³ and the ramifications discussed above, unless there is a substantial increase in fully funded places and appropriate equity measures are implemented, that ensure those from low SES are supported, Australia will likely contravene Article 26 (1) of the Universal Declaration of Human Rights in accepting the proposed reforms unamended.

References:

AVCC (2001). Our universities our future - Support paper B

Birell, B; Rapson, V; Dobson, I. R; Edwards, D; Smith, T. F. (2002). From place to place. Centre for Population and Urban Research: *Monash University*

Levy, S. and Murray, J (2002). Transition to success; Analysis of Monash University's DoFS program and student performance. The 6th Pacific Rim Conference First Year in Higher Education [presented paper]

Phillips Curran, KPA Consulting (2003). Independent study of the higher education review - Stage 2 report

³ Sourced using Department of Education, Science and Training Higher Education Time Series Tables, 2000