Australian Education Union

Submission to the

Senate Inquiry into the Government’s Higher Education and Research Reform Amendment Bill 2014

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The Australian Education Union (AEU) represents more than 190,000 educator members employed in the public primary, secondary, early childhood and TAFE sectors throughout Australia.

We welcome the opportunity to respond to this inquiry into the provisions of the Higher Education and Research Reform Amendment Bill 2014 (the Bill). Our submission will focus on the major aspects of the Bill which, if implemented unamended, will impact on both our current and prospective members and the teaching profession; namely:

- full fee deregulation;
- an average funding cut of 20 per cent for university course;
- changes to HECS-HELP repayment and their impact on student loans; and
- the extension of demand-driven Commonwealth higher education funding to non-university higher education providers.

INTRODUCTION

The measures contained in the Bill give legislative form to the changes to the funding and operations of higher education in Australia announced in the Abbott Government’s 2014-2015 Budget. In his Budget Speech the Treasurer said that we need “to build an education and training system that becomes the envy of the world.” It is hard to see how the budget, and the measures directly associated with it, support that objective. Cuts and changes to funding arrangements, both in the short-term and over the longer-term, will impact heavily on higher education, as they will to the provision of education across the entire education sector.

The impact of deregulation, greater competition and choice in the higher education sector

The Government’s rationale for the higher education reform measures centres on the need for expanding opportunity and choice, and ensuring that Australia is ‘not left behind’ by better performing universities around the world:

*The Bill reforms higher education by deregulating fees and extending demand driven funding to higher education qualifications below the level of bachelor degree, including higher education diplomas, advanced diplomas, and associate degrees, and also to private universities and non-university higher education providers. The Bill will enable providers to determine the amount that students contribute to the cost of their courses. These changes will encourage innovation and competition among providers, and deliver greater choice and higher quality courses for students. The Bill also restructures Commonwealth subsidies for Commonwealth supported places to ensure a more equal sharing of costs between taxpayers and students.1*

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However the Regulation Impact Statement: 2014-15 Budget Higher Education Reforms accompanying the Bill makes the ideology driving these measures clear. The Bill is framed around removing the ‘current constraints’ on the development of the market in higher education. ‘Capping the price of higher education’ is seen as a regulatory barrier which has led to ‘market failure’:

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\text{In a demand driven system, these price caps have led to a regulatory failure, where the government is dictating the price for various disciplines rather than allowing the market to dictate them, thus distorting the efficient functioning of the market.}^2
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So too ‘insufficient competition between providers’, as evidenced by the ‘almost entire’ discriminatory exclusion of private universities and non-university higher education providers [NUHEPs] from receiving Government subsidies for student places. A student’s choice to enrol with a NUHEP deprives them of ‘benefits’ which accrue to students enrolled in public universities, which “acts as a disincentive and establishes competitive asymmetry among providers.”^3

The higher education sector does not currently operate in a truly competitive market. The introduction of demand driven funding for undergraduate bachelor degrees at public universities has reduced the ability of private sector Higher Education Providers [HEPs] to compete. It has also encouraged students to accept subsidised places in bachelor courses where they may be more suited to enrolling in other types of undergraduate courses. It has also hindered the development of private providers of higher education services, limiting them to markets where Commonwealth contributions were not available or where the caps on student contributions restricted access.^4

The Government has talked down the price impact of these changes on current and future students. It says that opening up higher education to competition will put pressure on the price per student place charged by universities and other HEPs, with Christopher Pyne arguing that “increased competition from new entrants and competition between universities will drive price competition and prevent exorbitant prices”.^5

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\text{Prices for some courses will go up. If institutions wish to maintain their current revenue from Commonwealth supported places they will need to increase student contributions (fees) by 26 per cent on average. Others will go down, for example as NUHEPs reduce the cost of their courses to take account of the Commonwealth}
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2 The Bill, *Explanatory Memorandum*, p.24
3 *Ibid.*, p.6
subsidy, and as institutions begin to use price to send signals to the market in ways that they have not been able to do in the past.\(^6\)

There is ample evidence from the other education sectors, early childhood education, schooling and VET, that ‘competition’ does not lower prices. Those in the schooling sector are all too aware of Government promises that the measures they are planning to implement will act to keep costs down. The same argument was made for the Howard Government’s SES funding model which significantly increased funding levels for non-government schools. It was confidently asserted that higher government subsidies would allow them to reduce their fees, thereby opening up schooling to much greater choice by making non-government schools affordable for more students and families. It is a matter of history that the promised fee reductions never came to pass, although their levels of government funding continued to rise.

The Government's intention to deregulate higher education to allow for-profit private providers to enter the sector will almost certainly result in an expansion of low quality, under-regulated courses, the poor quality of which will drive down standards.

The downward pressure on entry standards for initial teacher education is already evident courtesy of the demand-driven system operating over recent years. A recent AITSL study found that entry standards to many of Australia’s 48 teaching degrees have fallen markedly since 2005, “with Labor’s shift to full demand-driven university funding in 2012 exacerbating the trend”.\(^7\) It reached the point last year where there were more students entering initial teacher education courses with an ATAR of between 31-50 than there were entering with an ATAR of over 90.\(^8\)

The total deregulation of the higher education market will make it impossible to address this important issue. This is a time when we should be seeing the development of government policy to increase standards, not decrease them.

Further, the explosion in numbers is also contributing to a problem with practicum with universities not being able to guarantee placement leaving individual students to try and find placements themselves. Research undertaken in New South Wales found that 75 per cent of pre-service placements administered by 13 tertiary institutions offering teacher education programs were arranged by the institutions. However, 22 per cent of placements had to be arranged by the students themselves.\(^9\)

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\(^6\) The Bill, *Explanatory Memorandum*, p.8


\(^8\) See Justine Ferrari, *Brightest students dismiss teaching*, The Australian, 23 June 2014; *Teachers still chosen by academic results*, The Australian, 24 June 2014.

These developments are at odds with the AEU’s evidence-based position, consistent with AITSL Standards, on the need for: (1) a minimum ATAR for selection to ITE to achieve the preferred policy objective of attracting and recruiting the top 30% of students into the profession, with equivalent measures for those seeking entrance to ITE from points/pathways other than completion of schooling; (2) capping total enrolments into ITE, informed by comprehensive workforce planning across the states and territories, to provide more focussed and better resourced delivery of ITE and maximise the retention of high quality entrants and graduates in the teacher workforce; and (3) further strengthening the practicum component to raise its status.

We urge this Inquiry to be fully cognisant of these issues in its consideration of the relevant aspects of Schedule 1 of the Bill.

It is abundantly clear that the operation of the market in early childhood education has also failed to deliver on the promises of quality and lower costs to students and families, as has the opening up of the VET sector to market forces over several decades.

The Government claims that their reforms will open up access to higher education for greater numbers of students, with 80,000 additional students accessing government subsidies for their education. They also claim that this demand-driven expansion, together with the benefits of increased competition and the downward pressure on prices they say will flow from this, will lead to a higher quality of provision, increased standards and a ‘more effective and efficient market for the supply of skills developed by higher education’.

Much of the Government’s language, and the claims which they make for the benefit of their reforms, are similar to those which accompanied the market-driven reforms to the VET sector. The AEU sees this as matter of both concern and caution.

The negative aspects of the deregulation of the VET sector, and its impact on the TAFE system, have been extensively covered and documented in the AEU’s many submissions to inquiries and consultations into the impact of the VET sector reforms, most recently in our submissions to the 2012 House of Representatives and 2013 Senate Inquiries. In the context of this submission we will simply highlight several issues of direct relevance to this Inquiry.

While the reforms have certainly delivered an increase in the total number of students enrolled, the vast majority of the enrolment increases have been with private providers rather than the TAFE system, with private providers increasing their market share from 10 per cent

10 This is discussed and extensively referenced in the AEU’s submission to the Productivity Commission Inquiry into Child Care and Early Childhood Learning (February 2014). See section The role of government in child care and early childhood education, pp.9-12. Available at http://pc.gov.au/projects/inquiry/childcare/submissions; Submission Number 374
11 The Bill, Explanatory Memorandum, p.8
12 AEU Submission to the House of Representatives Inquiry into the role of Technical and Further Education system and its operation (May 2013); AEU Submission to the Senate Inquiry into Technical and Further Education (TAFE) in Australia (March 2014).
to almost 40 per cent. Despite overall reduced levels of VET funding, this has seen a 207.5 per cent increase in payments to private VET providers from 2008 to 2012 and funding of more than $1.4 billion in 2012.\textsuperscript{13}

The market settings put in place by governments to encourage this rapid growth in enrolments and funding of private provision, have not however led to significantly higher quality VET provision or delivered a solution to skills shortages in the workforce, and there is no evidence that this model of the delivery of education is more efficient or more effective than public provision through the TAFE system.\textsuperscript{14} Rather, the market settings put in place by governments have allowed many private for-profit providers to refocus their profit-making activities, and engage in actions such as cherry picking and delivering high profit-generating courses in low cost-high volume industry areas to consolidate and expand their operations using the profits made from public funds.\textsuperscript{15} It has also led to a growth in unscrupulous practices by a number of private providers, which has been extensively documented elsewhere, and which will be potentially exacerbated by the Abbott Government’s commitment to ‘light touch’ regulation and the reduction of red tape.\textsuperscript{16}

The diversion of the delivery and funding of vocational education away from TAFE institutions to private, largely for-profit, providers has seriously undermined the function and capacity of the TAFE system, with profound social and economic consequences. The Victorian experience is instructive.

From 2008 to 2012 recurrent government VET expenditure under the demand-driven system increased by 79.6 per cent, three times higher than for the rest of Australia, with 80 percent of the increase going to non-TAFE providers.\textsuperscript{17} This cost blow-out led the Victorian Government to cut TAFE funding by $1.2 billion in 2012, which has resulted in significant increases in student fees, high levels of student debt, cuts in student support services and courses, campus closures and job losses. The extent of these cuts has seriously undermined the financial viability of a number of TAFE institutes across Victoria with about half making an operating loss in 2013, which jeopardises their ongoing operation.

In 2013, the Australian Workforce and Productivity Agency (AWPA) made a recommendation to the Australian Government concerning the determination of an appropriate price for the delivery of high quality VET and the long-term viability of the TAFE system. In making this recommendation, AWPA said:

\textsuperscript{13} NCVER, \textit{Australian vocational education and training statistics: financial information 2012}, NCVER 2013, p.10
\textsuperscript{14} AEU Submission to the Senate Inquiry into Technical and Further Education (TAFE) in Australia, March 2014, p.20
\textsuperscript{15} \textit{Ibid}.
\textsuperscript{16} John Ross, \textit{Critics say the VET sector’s new freedom is cause for concern}, The Australian, 17 September 2014
... TAFE institutes remain the bedrock of the national VET system, offering vital programs in industry areas and geographical locations that many other providers find challenging... AWPA supports those authorities that have recognised TAFE’s distinctive role and position in the national VET system and have funded it appropriately. There are great risks if the balance tips beyond efficiency to cuts in quality and services for the diverse student cohort and geographical localities often provided by TAFE.18

Similarly, the conclusion of a report by the University of Sydney’s Workplace Research Centre into the dominance of ‘market design’ and the increasingly narrow construction of the public sector in contemporary VET policy notes:

The public sector has a critical role to play in nurturing public goods. And it can do far more than just ‘design markets’ or be a ‘government owned provider’ in the contestable market for ‘education services’.19

We would urge this Inquiry to consider warnings such as this and the lessons to be learnt from the deregulation of the VET sector in its considerations of the deregulation of the higher education system.

Similar concerns have underpinned the public responses of experts in the higher education sector. While there is a widespread consensus that the complexities of higher education funding, structures and course provision make it difficult to outline the precise impact of lower federal funding combined with fee deregulation, there is also a high degree of consensus that it will be considerable, and that the measures will shift an increasing share of the cost of a university education on to students and their parents.

Melbourne University Vice-Chancellor Glyn Davis notes the complexities and uncertainties, but says with certainty that a 20 per cent cut would leave universities out of pocket and require restructuring.

If the government puts through the cuts of 20 per cent to teaching that it’s proposing, of course, cuts that we oppose, fees will rise on average by about 30 per cent ... all that will do is cover the loss of Commonwealth money.20

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The architect of the HECS scheme, Bruce Chapman (now Director of Policy Impact at the ANU’s Crawford School of Public Policy), says that while it is not yet known exactly how fast and by how much fees will increase from 2016, and what impact it will have on student access, it is “a safe bet that all institutions will increase their charges because not to do so would cost them money”:

*Domestic fees will increase significantly and rapidly from 2016. How fast and by how much we just can’t know. However it would be unlikely for universities to increase them above international student fee levels, which are currently about two and a half to three times higher than domestic fees.*

Professor Chapman dismisses as “silly” the expectations that such a fee market would operate efficiently, and adds that he is sceptical that elite universities will not restrain their fees when they know students will pay for them. Tim Pitman (Senior Research Fellow, National Centre for Student Equity in Higher Education at Curtin University) also argues that it is ‘extremely unlikely’ that fees will drop due to competition.

The announcement by La Trobe University on 16 September that it would offer a cap on student fees to students enrolling at La Trobe as the result of early acceptance offers, if the deregulation of prices universities can charge for degrees goes ahead in 2016, is an early indication of the likelihood of substantial increases. The cap, says the announcement, would limit any increase in fees to *just 10 per cent above current regulated pricing levels* [our emphasis] for the duration of an undergraduate degree commencing in 2015.

Emeritus Professor Graeme Turner from the University of Queensland encapsulates all these concerns when he says:

*The 2014 budget is taking the higher education sector into uncharted territory. One imagines that a deregulated market for university fees cannot be good for students from lower socio-economic backgrounds but, as Bruce Chapman says, no-one really knows what the social effects of this will be. It is certainly true, however, that this will bring us much closer to a privatised higher education sector where those with the greatest ability to pay will receive the greatest benefit. ... It is not clear how this initiative will affect enrolments across the sector, nor how it will affect particular areas of study – law, the humanities, social sciences and so on. However, if we want the sector to provide the skills, knowledge and training the nation requires, there is no reason to believe that the market is the appropriate mechanism to ensure that this happens.*

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23 The Conversation, op.cit.

24 Campus Review, *La Trobe first to cap fees*, 16 September, 2014.
Education, like health, is one of those areas where the principles of the market do not necessarily work in the national interest. In these areas, we do not all enjoy the same levels of access and opportunity: we don’t choose our parents’ socio-economic status and we don’t choose to be sick.25

The Impact of Fee Increases and Student Debt

While the impact of some aspects of the higher education reforms is not known with absolute certainty, there is no question that the changes to student HECS-HELP debt repayments will increase the level of student debt. These changes are centred on: (1) charging students market interest rates on outstanding HECS-HELP loans by indexing them to the 10 year government bond rate, rather than CPI as is currently the case, starting in 2016; and (2) lowering the income threshold at which HECS debts will begin to be repaid to $50,638 per year.

The AEU has serious concerns about the combined financial impact of these changes combined with funding cuts and increased student fees on our current members and on prospective members in the future.

Education Minister Christopher Pyne has rejected criticism of these measures, and dismissed modelling of the impact of the changes on the potential fees and debts students are likely to face in a deregulated higher education environment undertaken by The Greens, the NTEU and others. Together with saying some fees will rise but others will drop due to competition, as outline earlier, he has released figures which he claims show that ‘typical’ university graduates would pay just $3 to $5 a week extra in loan repayments.26

Along with many expert analysts, the AEU disputes the Minister’s claims. We consider that the detailed modelling conducted by the National Centre for Social and Economic Modelling (NATSEM) at University of Canberra, the Melbourne Institute of Applied Economic and Social Research and others is more realistic and credible, and legitimates our concerns about the impact the changes will have on teachers and the teaching profession.

NATSEM was commissioned by The Conversation to evaluate the modelling which had been undertaken. NATSEM used their HELP Repayment Scenario Modelling27 to make these evaluations. Their modelling compares the expected repayments under the existing policy to those in a deregulated system under a range of scenarios for price increases. It uses Census data for expected future incomes streams, across different occupations, gender and age

25 The Conversation, op.cit.

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groups, assuming a 5 per cent bond rate for the repayments proposed in the 2014-2015 Bill and subsequently included in the Bill.\textsuperscript{28}

NATSEM found that calculations by The Greens and the NTEU which predict significant increases in both the repayment time and dollar repayments as a result of the reforms were more realistic and reliable than the Minister’s $3-$5 a week figures. His figures were based on the assumptions that student fees would remain constant and that the interest rate charged would be the current Treasury bond rate of 3.8%, whereas those of The Greens and the NTEU were based on a more realistic assumption of a 4.9% bond rate and assumed fee increases relating to deregulation. The likelihood of student fees remaining constant has already been widely dismissed, while NATSEM argues that the current bond rate is at near-record lows and it is not realistic to assume this low rate will remain for decades to come.\textsuperscript{29}

\textit{The true extent of university fee increases is not yet known, but we do know the increases are likely to be significant and will mean that for many students the repayments of their HELP loans will be larger and take longer to pay off. Deregulation of fees will have different impacts on students depending on gender and the course of study. For certain degrees, such as science, there is the potential for the time taken to repay a loan doubling and the total dollars repaid to almost triple.}\textsuperscript{30}

NATSEM’s own modelling used various fee scenarios, based on the cost of degrees at the University of Canberra, rather than trying to predict what the fees would be. Its first scenario modelled the impact of universities raising their fees to a level which would simply recover the income lost through government funding cuts to bring it to an equivalent level of the current funding envelope.

\textbf{The Base Case – Universities attempting to fully recover costs}

<table>
<thead>
<tr>
<th>Occupation/Course</th>
<th>Repayment length (years)</th>
<th>Initial Debt</th>
<th>Total Repayment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>New</td>
<td>Current</td>
<td>Difference</td>
</tr>
<tr>
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<td>8.3</td>
<td>3.3</td>
</tr>
<tr>
<td>Science, Male</td>
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<td>6.9</td>
<td>3.9</td>
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<tr>
<td>Science, Female</td>
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<tr>
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<td>8.8</td>
<td>2.2</td>
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<tr>
<td>Teacher, Female</td>
<td>12.8</td>
<td>9.2</td>
<td>3.7</td>
</tr>
</tbody>
</table>

\textsuperscript{28} Ibid.
\textsuperscript{29} Ben Phillips, Principal Research Fellow, National Centre for Social and Economic Modelling (NATSEM) at University of Canberra, \textit{HECS upon you: NATSEM models the real impact of higher uni fees}, June 25 2014. http://theconversation.com/hecs-upon-you-natsem-models-the-real-impact-of-higher-uni-fees-27808
\textsuperscript{30} Ibid.
The second and third scenarios modelled the base case plus the impact of a 10 per cent and 20 per cent increase in fees respectively.

**Scenario Two – base plus 10 per cent**

<table>
<thead>
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<th>Occupation/Course</th>
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**Scenario Three - base case plus 20 per cent**

<table>
<thead>
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<th>Occupation/Course</th>
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<tr>
<td>Teacher, Female</td>
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<td>9.2</td>
<td>6.5</td>
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</tbody>
</table>

The NATSEM modelling clearly shows that all student debts will significantly increase over time and the differential impacts depending on the degree and the gender of the student. For teaching graduates, the AEU’s constituency, female teachers will be hit harder by deregulation than males due to different income trajectories.

An important driver of this difference is that female income trajectories are impacted by motherhood while males enjoy strong growth in incomes through their late twenties, thirties and beyond. Occupations that are dominated by females such as nursing and teaching are also occupations with relatively poor prospects for income growth... With a higher interest rate and potentially several years out of the work force or working part-time (and thus not paying off the debt) it would be highly likely that such persons ... could be paying off their degrees for well in excess of 20 years.\(^{31}\)

\(^{31}\) Ibid.
The NATSEM findings are reinforced by the University of Melbourne’s Melbourne Institute of Applied Economic and Social Research recent policy brief on the impact of the deregulation of university degrees.\textsuperscript{32} The analysis, undertaken by Professor Chris Ryan, concluded that even in the unlikely event of no fee increases from university fee deregulation, the package of other measures will result in significant increases in the time graduates will take to repay student debt.

\textit{Increases in fees of the magnitudes envisaged here as part of the fee deregulation element of the package increase the additional time to repayment beyond fifteen years for some individuals…. Variations to the base case or analysis of specific groups do not result in qualitatively different results – typically, the average years required to repay the loan approximately doubles under variations to the new arrangements.}\textsuperscript{33}

Its analysis confirms the differential impact on graduates who will take longer to pay off their debts than others, with debts more than doubling over time; and that these increases will be felt most sharply for graduates with incomes nearer the first repayment threshold; around $50,000 than those on higher or lower incomes. The average time for women on median female graduate incomes, as is the case for female teachers, to repay student debt would increase from 12 years to 26 years. This brings with it the possibility that, together with the general uncertainty about the full financial impact of the changes, some would-be applicants (most likely women from disadvantaged backgrounds, single parents and those who take time out of the workforce and/or work part time due to child rearing and other carer obligations) will be deterred from higher education.\textsuperscript{34}

The combined impact of fee increases, changes to HECS-HELP and career breaks on student debt as a result of cumulative outstanding debt and compounding interest payments mounting up over time, and the level of outstanding debt being considerably higher on return from career breaks, as the analysis shows, would have a huge impact on teaching graduates, and the profession as a whole.

While it is commonplace to observe that teaching is a ‘feminised profession’, workforce data on the gender composition of the teaching profession over the last decade shows that the full-time equivalent female teaching numbers have increased by four times that of FTE male teaching staff.\textsuperscript{35} ABS figures show that of the over 260,000 full-time equivalent teacher workforce in schools across the sectors, 72 per cent are women; 81 per cent of teaching staff


\textsuperscript{33} \textit{Ibid.}, p.2; p.7

\textsuperscript{34} \textit{Ibid.}, p.10

\textsuperscript{35} ABS Catalogue 4221.0, \textit{ABS Schools Australia 2011} (released March 2012); SiAS 2010
in primary schools; 59% in secondary schools.\(^\text{36}\) This compares to less than half for the Australian workforce as a whole.\(^\text{37}\)

While the most recent ABS data does not break down the numbers of full-time and part-time teachers, we know that the majority of part-time teachers are women. The most recent SiAS data on the basis of employment for teachers is not yet publicly available, but we can be confident that the growth in contract and casual employment, more commonly associated with women, noted in previous reports will have continued, as will the increase in the proportion of teachers in the two youngest age bands of the profession since 2007. These developments, together with the fact that teacher salaries have not been growing as fast as salaries for other professions,\(^\text{38}\) have major implications for the teaching profession in general, and women teachers in particular.

Education Minister Christopher Pyne has brushed aside the issue of debt aversion, but it cannot be dismissed lightly. Griffith University Associate Professor John Rice (formerly Chief Researcher at the National Centre for Vocational Education Research [NCVER]) warns that higher fees and higher student debt repayments will create a student debt model similar to that of the United States. His review of recent research from the United States on the effects of high levels of debt on graduates shows that student debt is having “profound and negative effects, both at the individual and at the national level.”\(^\text{39}\) One significant effect highlighted by the research is that students with higher debts are showing greater interest in higher-paying careers rather than “public interest” jobs like teaching and community services, which over time will have a significant impact on the capacity of school systems to attract and retain the ‘best and the brightest’.\(^\text{40}\)

There is a clear body of research showing that equity groups are more likely to be debt averse. Major US studies, such as the report by the influential Institute for Higher Education Policy, *Student Aversion to Borrowing: Who Borrows and Who Doesn’t*, highlight the affordability barriers to participation in higher education, particularly for certain racial/ethnic or immigrant groups with cultural or familial perspectives on debt which make them averse to entering into loans.\(^\text{41}\) This has particularly significant consequences when “the students who are debt averse are also the ones who would be most likely to gain from earning a degree, … [an] opportunity cost [which] affects more than the students themselves; it may be a lost opportunity for society.”\(^\text{42}\)

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\(^{36}\) ABS Catalogue 4221.0, *ABS Schools Australia 2013* (released March 2014)


\(^{38}\) Productivity Commission, *Schools Workforce Research Report*, op.cit.; p111


\(^{40}\) Ibid.


\(^{42}\) Ibid., p.7
Australian research by the National Union of Students, undertaken in late 2013, prior to the measures in the Bill which will seriously exacerbate the issues it highlights, shows:

*Australian students already pay amongst the highest fees in the OECD. International studies of similar loan schemes show that high student debts deter many secondary students from disadvantaged backgrounds from aspiring to go to university. ...*Australian research literature (on study debt aversion) provides little guide to the tipping point where the level of accumulated study debts causes big changes to student enrolment patterns. Britain has reached such a tipping point with its student loan program. Applications by part-time entrants to British universities have fallen by an extraordinary 40 per cent since 2010 following the massive increases in the British HECS-style fees system in 2012. The percentage of accepted young applicants from the lowest socio-economic quintile fell by 2.9 per cent in 2012-13 despite extra scholarships funded from part of the extra fee revenue, reversing a trend of improving low socio-economic enrolments.43

The British research, undertaken by the Office for Fair Access, Annual Accounts and Report 2012-13, ordered by the UK House of Commons (July 2013)44, is particularly pertinent to Australia, given the Government’s stated intention of providing scholarships to increase access to higher education for students from disadvantaged backgrounds.45

Research undertaken by Universities UK found evidence that the social groups which were the most debt averse were those from the lowest social classes; lone parents; Muslims, especially Pakistanis; and black and minority ethnic groups. Not surprisingly, the least debt averse were those attending independent schools; from the highest social classes; and men.46

Similar findings are noted in Australian research on student debt aversion, particularly for females from low socio-economic backgrounds, and students from disadvantaged low SES regional and rural communities including Indigenous communities which suffer the most severe and multi-faceted educational disadvantage.47

The NTEU’s submission to the Senate Inquiry into Schedule 6 of the Social Services and Other Legislation Amendment Bill 2013 made particular note of research undertaken by Deloitte Access Economics in 2012 for the Department of Education (then DEEWR) in relation to the Federal Government’s Base Funding Review. The report, *The impact of*

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43 NUS Submission to the Senate Inquiry into Schedule 6 of the Social Services and Other Legislation Amendment Bill 2013, Submission 4, December 2013. pp.2-3
44 Ibid.
45 See also a London School of Economics, *Does the Fear of Deter Students from Higher Education?*, which found that for most it doesn’t, but that it does for students from low socio-economic groups. Cited by Peter Martin, *An education plan for kids of the upper crust*, Sydney Morning Herald, 27 May 2014.
46 Cited in Council of Australian Postgraduate Associations (CAPA) Submission to The Higher Education Base Funding Review Consultation Paper Response, April 2011. *Debt Aversion and Equity,* p11
47 NUS, op.cit.
changes to student contribution levels and repayment thresholds on the demand for higher education, concluded:

The findings of the analysis presented in this report suggest that demand for higher education has demonstrated a negative response to the price increases resulting from recent HECS policy changes. Consistent with the previous study by Aungles et al (2002) but counter to others, the analysis finds that HECS policy changes that result in an increase in the cost of higher education are expected to reduce demand for higher education.48

Additionally, the potential deterrent effect of these measures for the less socially and economically advantaged, including Indigenous students, has significant implications for the long-term national goal of a more culturally diverse teaching workforce in the complex environment of our schools, in order to make it more reflective of the cultural, ethnic and social diversity of our student population.

The importance of equity and quality

The AEU has serious concerns that, like other areas of the Abbott Government’s 2014-2015 Budget, the higher education reforms contained in the Bill will not produce an overall increase in equity or quality across the higher education sector. This is antithetical to the best international evidence on the essential role of governments in creating education systems which enhance equity and quality and the social and economic consequences of failing to do so.49

Most recent OECD EaG adds to this growing body of evidence on the need for equity and social inclusion for healthy societies and economies.50 It notes that the world-wide increasing social divide between the educational “haves” and “have-nots” – and the risks that the latter are excluded from the social benefits of educational expansion – threatens societies as a whole:

*Education and skills have thus become increasingly important dimensions of social inequality; but they are also an indispensable part of the solution to this problem. Education can lift people out of poverty and social exclusion, but in order to do so, educational attainment has to translate into social mobility.*51

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48 NTEU Submission to the Senate Inquiry into Schedule 6 of the Social Services and Other Legislation Amendment Bill 2013, Submission Number 9, December 2013. p.2


The cross-sectional data on participation in tertiary education shows that the benefits of the expansion in education have been shared by the middle class, but have not “trickled down” to less-advantaged families.

In relative terms, the children of low-educated families became increasingly excluded from the potential benefits that the expansion in education provided to most of the population. And even if they were able to access education, the interplay between their disadvantaged background and the lower quality of education that these students disproportionately endure resulted in the kinds of education outcomes that did not help them to move up the social ladder.\textsuperscript{52}

This highlights the importance of higher education reform which does not increase the costs of higher education or potentially reduce access to a quality university education for many Australians, as this Bill does.

\textit{Conclusion}

The Australian Catholic University’s Vice-Chancellor Professor Greg Craven has publicly drawn attention to the significant differences between the funding requirements of universities and non-university higher education providers, and the possibility of some universities being ‘priced out of the market’:

\textit{Not the sandstones, which can Gucci their way through the market. But the universities that have driven educational opportunity – the Western Sydneys, the Deakins and the James Cooks – have no such brand-tag solution. ... Then there is quality control. Universities drive Brand Australia in our critical overseas education market. Safeguards and protections cost big in universities, the same way as they do in any other vital industry. Critically, universities also pour money into programs that will never pay, but just have to happen. ... And then the really pointy end. Brilliant but uneconomic education programs for the disadvantaged. Entire regional sub-campuses, run at a loss to service communities. No non-university will shoulder these burdens. And if profit-takers are subsidised to raid viable activities of universities that underpin them, all these programs will be the first to go.}\textsuperscript{53}

Writing recently in \textit{The Australian}, he warned against scrapping the current higher education funding in the pursuit of an “overseas nirvana”.\textsuperscript{54} He made the pithy observation that “the most important thing is not that you have the best university in the world but the best

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\textsuperscript{52} Ibid., pp.14-15


university system in the world … You don’t want to have one Rolls Royce and 12 clapped out commodores”.

The *Times Higher Education* World University Rankings, released on 15 September, highlight what the *Times* calls the “global obsession” with creating “world-class” universities and national strategies to develop competitive higher education and research systems. It notes that while there is no single model of excellence, the characteristics of the ‘average top-200 university’ (derived from data about what has contributed to them being ranked among the top 1 per cent of the world’s higher education institutions) provide some clear lessons for ‘any university or any government serious about building world class universities’:

*Firstly, you need serious money – it is essential to pay the salaries to attract and retain the leading scholars and to build the facilities needed; second, providing an intimate and intensive teaching environment for students, where they can expect to properly engage with leading faculty, can really help. Finally, and perhaps most importantly, a world class university really must be international – it must ... bring people together from a range of different cultures and backgrounds to tackle shared global challenges, and it must work and think across national borders.*

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55 Ibid.  