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Senate Inquiry into Higher Education Support Amendment (Job-Ready Graduates and Supporting Regional and Remote Students) Bill 2020

The University of Sydney Students' Representative Council (SRC) welcomes the opportunity to contribute to the Senate Inquiry into the Higher Education Support Amendment (HESA) Bill 2020 ('the Bill'). As the undergraduate student union at Australia's oldest University, the SRC is an unincorporated not-for-profit whose objective is *"to defend and advance the interests of students at Sydney University and in the community."*¹

This submission will assess the impact of the Bill on students, concluding that it will discourage the most risk-averse students from higher education while significantly increasing debt for many. It will also assess whether the Bill will achieve its broader aims, demonstrating that it is ultimately not worth the debt and deterrence it engenders.

Background

This submission has been created following extensive consultation with students at the University of Sydney and with caseworkers at the SRC. These caseworkers are experts in policies and practices that affect University of Sydney students, and, through their advice and consultation work, are at the coalface of the University system. Drawing from their well-researched knowledge and, in most cases, decades of first-hand experience, these caseworkers have offered extensive thoughts and guided us towards studies and papers that clarify the likely impacts of the HESA Bill 2020. This research, combined with our own experience as students and surveying of our peers, underpins this submission's predictions, concerns, and recommendations.

Recommendations

1. That students are not punished if they struggle to pass subjects.
 - a. That section 36-13 of the Bill, which would result in students being denied HECS-HELP support should they fail 50% of their first 8 subjects, be removed.

¹ Section Eight(a) of the Students' Representative Council Constitution and Regulations (as at August 2020).

- b. That any future amendment(s) to the funding of higher education does not alter HECS-HELP support for students unless it is accompanied by the abolition of student contributions.
2. That students do not have to pay more to access higher education.
 - a. That section 93-10 of the Bill, which would increase maximum student contributions for any field, but particularly for Law, Accounting, Administration, Economics, Commerce, Communications, Society and Culture be removed.
 - b. That any future amendment(s) to the funding of higher education does not increase the maximum student contributions for any field.
 - c. That either a new Bill be introduced, or the HESA Bill 2020 amended, so that there are no student contributions to the cost of higher education (including postgraduate and international students).
3. That areas of study and / or educational institutions do not have their funding reduced.
 - a. That any amendments in Schedule 1 of the Bill which would reduce net funding for any area of study or educational institution be removed.
 - b. That any future amendment(s) to the funding of higher education does not reduce funding for any area of study or educational institution.
 - c. That either a new Bill be introduced, or the HESA Bill 2020 amended, so that government funding for higher education is significantly increased, such that student contributions are unnecessary, Universities have access to more net funding than they did pre-COVID, and Universities can resource and operate according to best-practice.

Regards,



Liam Donohoe
92nd President of the University of Sydney Students' Representative Council

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I IMPLICATIONS FOR STUDENT AND GRADUATE WELFARE

A Economic Impacts for Students and Graduates

By increasing fees, the proposed amendments in section 93-10 of the Bill will significantly increase the debt burden on students as they pay an amount close to full fees for their course. Increased fees and HECS debts shift debt and risk (and the concomitant anxiety) away from the government and towards the individual. As detailed in section II A of this submission, this is likely to deter some students, particularly disadvantaged students, from higher education or specific courses altogether.

But for the vast majority of students who persist with higher education, and the great many who continue in courses facing an increase in maximum student contributions, these amendments will increase debt for students. Indeed, these amendments will lead to a situation where at least **a third of students would now have to pay for almost all (93%) of the funding for their courses**. This is in line with historical trends, which has seen the balance of government to student ‘contribution’ shifted over time, with the burden increasingly falling on the shoulders of students and their families. When HECS was first proposed, and free education abolished, in the late 1980s, the student share was set at 20%. While a third have to pay 93% of the load, **the average contribution will now be around 60%**. And just as student contributions have increased, government share of funds to public institutions has decreased. Recent OECD figures demonstrate that the comparative public (to private) share of funding of tertiary education in Australia is now greater than the private share and well below others in the OECD.²

Beyond its deterrent effect on the most disadvantaged students, this debt will exacerbate the already corrosive economic impacts of the HECS-HELP system. Debt is, in and of itself, an economic relationship people generally want to avoid, regardless of the creditor. Debt has significant impacts on mental health and decision-making and deprives people of the ability to enjoy the fruits of their labour. Moreover, debt has significant economic impacts, especially when debtors’ repayments come through the taxation system and are therefore unavoidable. Because their wages are reduced by an amount equal to their repayment, graduates finance debt instead of amassing savings or spending their disposable income on improving their quality of life. This not only manifests as an opportunity cost—as they are unable to use that money to invest or secure their wealth—but also makes it harder to live comfortably, own a home, start a family, or achieve other basic dignities and entitlements of our society.

Furthermore, while HECS may enable access for some students who would not otherwise access higher education,³ it does not eliminate inequalities in education and social mobility, but rather shift them downstream and change their form. Upon employment, graduates who paid upfront fees will be taxed less than graduates with HECS debts. As such, they have a larger disposable income, and more opportunity to save and invest, even where they have the same qualifications or work in identical jobs with identical pay. In fact, due to interest rates and slow repayment rates, students who could not pay upfront end up paying more overall for the same service. Ultimately, **these increased costs and the increased future taxation are regressive**, in that tax repayments on HECS contributions will be

² <https://data.oecd.org/eduresource/spending-on-tertiary-education.htm>

³ Although the debt load created by these amendments would even drive them away

proportionally greater for graduates with lower lifetime earnings. Beyond the unfairness of this regression, the general increase in prices will leave a generation of Australians indebted to the government and with less disposable income, potentially for their lifetimes, during the worst economic downturn in recent memory and during a century which is likely to feature unemployment crises, increased costs of living, and lower social security nets. Beyond the significant anxiety of the debt itself, these increased repayments and tax burdens will be an unnecessary economic penalty for a cohort that needs government help, not hindrance.

In the past, the government has justified HECS increases by pointing to the long-term benefits that accrue to graduates, arguing that the ‘users’ should pay. However, we believe that any ‘benefits’ are better captured and returned to society by progressively taxing individuals earning high levels of income, of whom many are likely to be graduates, and greater taxation of corporations who benefit from the education of future employees. Moreover, in many cases students accumulate HECS debt but see no monetary benefit (via a finished degree) from accruing that debt, like when they drop out. Beyond challenging the claim that HECS payments are justified by returns to the debtor, this is also at odds with the rationale for the amendment, which is to prevent an unjust or non-beneficial accumulation of debt. And perhaps most concerningly, students who struggle and from disadvantaged backgrounds—low SES students, Indigenous students, and students with disabilities—are the most likely to fail subjects or drop out before finishing degrees and so the most likely to incur increased debt for no benefit.

The SRC urges the Inquiry to recommend that the issue of costing of the teaching of courses be re-examined so that the overall contribution truly reflects the actual cost of best practice teaching and learning in a quality public education.

Moreover, the SRC urges the Inquiry to recommend that relative public and private contribution amounts be re-examined and re-balanced with the eventual objective of a return to full public government funding through a progressive tax system. Additionally, the SRC urges the Inquiry to recommend that student debt through HECS be made redundant by such a system of fully funded, free education.

B Implications for Students who Fail

Sections 36-13 of the Bill, which stipulates that domestic students must pass 50% of their units to continue receiving a Commonwealth Supported Place, would have a devastating effect on many students. These amendments would withdraw Commonwealth Supported Places (and HECS loans) to students who do not successfully pass 50% of their Units of study in a undergraduate course, effectively denying them higher education. This would mean, for example, that a student at the end of first year would not be permitted to continue if they failed 5 of their 8 Units. While it is worrying that students would fail this many units, it is by no means uncommon, nor does failure of this many units prevent students from completing their degrees.

The effect of these amendments would be to prevent students from ever returning to their course, even if their circumstances changed in the future and they were unlikely to fail a similar number of units. No options or time limits on the prohibition are proposed. A full fee option is not available under HESA, and were it to be proposed, we would also oppose it.

The students most likely to fail courses are students with disabilities, students with carer responsibilities, students who have to juggle study with work, students with mental health issues, and countless others. The proposed amendments would exclude these students from study, and, as a result, will disproportionately impact students who are ‘first in family’, from migrant or NESB backgrounds, and / or from indigenous and regional families. It is these students whose general circumstances are not exempted under the individual ‘special circumstances’ exemptions, but whose relative disadvantage is evident in Higher Education statistics. Decades of equity studies demonstrate that a lack of social and educational ‘capital’ has an impact early in a student’s degree. However, the same studies demonstrate that if a student perseveres through their first year, they can go on to success. Universities have a role as public institutions to support and develop these students, and governments should not compound their disadvantage.

Moreover, the proposed amendment will create high levels of stress which in turn will generate increased levels of failed Units. In this we draw on our considerable experience supporting stressed and disadvantaged students through our casework service. The proposal appears to be based in part on an spurious underlying assumption that exclusion will incentivise improved outcomes. The opposite is likely true, particularly as the 50% metric proposed in the Bill is far earlier than the existing system operating through Universities, in which students receive support until it is clear on-going study is ill advised.

Proposed exemptions are insufficient to deal with an individual’s circumstances and disadvantages. The amendment has exemptions based on the potential to consider ‘special circumstances’ beyond a student’s control but the bar to meet that requirement is very high; generally being an concrete event, arising only after the census date, from a limited range of problems, with very significant and well-documented adverse impacts. This does not recognise structural disadvantages that would lead to a student failing numerous subjects in the first instance.

Moreover, ambiguities in the amendment and procedures will make its implementation problematic and exemptions inconsistent. A range of results can occur on students' records (varying across Universities) that do not constitute a ‘fail’, but also do not constitute a ‘pass’. We note that a Unit has not been defined by weight, and therefore could encompass anything from 0.0625 to 0.25 of a full study load. The Act’s definition of a ‘course’ is itself open to interpretation and is not precisely defined (for example, what would count in past attempts if a student in a combined degree ‘transferred’ to a single component of that degree?)

Perhaps most concerningly, large numbers of students would potentially be required to cease their studies because of this proposed amendment. We are not aware of Government modelling which would justify the rolling 50% level specified in the Bill, but there is the possibility that it will impact far more students than even they expect. To get some sense of this the SRC analysed the Commonwealth Selected Higher Education Statistics (2018),⁴ looking at success rates across the sector, defined as: the proportion of actual student load (EFTSL) for units of study passed, divided by the total units of study attempted (passed + failed + withdrawn). The success rates for 2016, 2017 and 2018 have hovered around 84%. This suggests

⁴ Available at: <https://www.education.gov.au/selected-higher-education-statistics-2018-student-data>

that, in any given year, 16 in 100 students on average have failed or withdrawn from any given Unit. Across the sector, that constitutes around 170 000 students (assuming this was evenly distributed across all students).

Moreover, we looked at completion rates over time at the University of Sydney for domestic students in Commerce, Science, and Arts and Social Sciences ('Society and Culture'). Each of these are large generalist fields of study with degrees typically spanning 3 years in length (commencing 2015). We note that the University of Sydney has relatively good completion rates compared to the rest of the sector, so these figures are a conservative estimate of the whole University sector. The most recent figures of still enrolled students show that 42% of Commerce students, 37% of Science students and 43% of Arts and Social Science students had not completed their degrees after 4 years. This may suggest they have failed more than a year of study (9 Units). This would be enough to satisfy the 50% fail rate requirement set out in s36-13, meaning these students would lose their Commonwealth Supported Places. In contrast, comparing the difference between those still studying at 4 years and the few at 6 years demonstrates that many students end up passing even when they may have struggled earlier. Completion statistics (for students at the University of Sydney commencing 2013) show that after 6 years only 5.5% of Commerce students, 12% of Arts and 11% of Science students were still studying. That is, only a small majority of students complete within the minimum time, while most students eventually complete within 5-6 years. The proposed amendment risks throwing out up to 30% of students who fail Units but work through their problems and complete their degrees over time. Two important considerations proceed from these facts. First, assuming that 15% of these students were merely studying part-time (according to the University's Annual Report) or had suspended their studies, a third of students who commence and do not drop out would be at risk of losing their CSP. Second, it shows that students can complete degrees if they are given enough time.

We believe that, because of the 50% threshold it uses, the variable timing through a degree, and its irrevocability, the amendments to the Bill are, at best, and, at worst, punitive. The SRC urges the Inquiry to recommend the removal of sections 36-13 of the Bill and to recommend increase funding to University so they can better support students and enable their academic progression.

II IMPLICATIONS FOR STUDENTS, GRADUATES, AND THE AUSTRALIAN ECONOMY

A Enrolment decisions

By increasing the cost of higher education, the amendments to the Bill will deter risk-averse prospective students from study. However, it will not cause large scale changes in course choices and therefore fail to alter the macro composition of Australian higher education graduates. In other words, price increases are enough to deter the disadvantaged prospective students, but not enough to deter the majority from studying what they otherwise would have.

For disadvantaged prospective students increased debt, and denial of HECS-HELP support, will act as a deterrent (particularly for risk-averse students). Cost is already a significant concern for many students. A joint report undertaken by the National Union of Students and Australian Council of Social Services in 2019 found that 80.1% of respondents on income support struggled with cost of essential study items and fees.⁵ The same study found that 35.2% of students had withdrawn from studies due to cost, while 36.8% had strongly considered it.⁶ Increasing costs will only worsen this: fearing the consequences of an unavoidable debt, particularly the reduced disposable income and increased taxation it will engender, some students will simply avoid higher education. And while the overall amount of people who fit into these categories may be low, they are specifically, and necessarily, among the most disadvantaged in our community. The prospect of losing HECS-HELP support is most impactful for students with disabilities and mental health issues, who fear never being able to get an education. The prospect of increased fees is most impactful for working class people, who fear for their long-term employment and wage prospects. And the prospect of increased debt is most impactful for low socioeconomic status students, who are familiar with debt and acutely aware of the way it crowds out future investment / consumption, punishes people's reputations, and increases precariousness. These stakeholders deserve special consideration, and their interests should be prioritised even if they are not necessarily a majority or plurality of cases. The SRC strongly opposes any measures which would actively or passively deny such students an education and the social mobility with which it comes.

For the majority of students, the changes to student contributions are unlikely to change enrolment patterns to an extent that actually changes the skill sets or qualifications of Australian University graduates. More specifically, decreasing student contributions in "job-ready" courses, while increasing student contributions everywhere else, will not change decisions about enrolment for the reasons below. .

First, there is negligible evidence that changes to the cost of degrees meaningfully impacts choices about degrees. Because of HECS loans, students tend to pay their fees at a future point in time. As such, the threat of a greater tax burden in the future, and less disposable income, is unlikely to outweigh immediate factors such as a students' interest or long-term projected career prospects. As recent research by the Parliamentary Library summarises, existing research indicates that students are widely sensitive to price

⁵ Australian Council of Social Services, 2019. *Starved Of Opportunity*. Sydney, Australia: ACOSS

⁶ *Ibid.*

changes.⁷ For example, lower student contributions in Education and Nursing from 2005 to 2009 did not result in increased enrolments.⁸ A study by Deloitte Access of the effects of fee decreases for degrees in “national priority” fields found mixed effects by degree, suggesting that other factors remain significant in student degree choice.⁹ Indeed, under the status quo students can already save money by selecting cheaper courses, and yet have not flocked in droves to those cheaper courses. At best, price signals are blunt instruments that affect some (but certainly not most) students’ decision-making. At worst, price signals have next-to-no effect, and this is especially likely to be the case in HASS subjects, where students’ interest and curiosity frequently, and consciously, trump concerns about costs.

Most responses from a survey of undergraduate students, conducted by the University of Sydney SRC this year, confirm the aforementioned rationale. Students stated, for example, that they would not have changed their degree choice because of their strong interest in their degree field:

If such changes were made before I enrolled, I would have been extremely disappointed, but I would not have changed my enrolment simply because I know this is the degree I want to do. Studying English at university is what I have always wanted, and to be punished for that would have been beyond upsetting, but it would not have changed my mind.

Or because they did not believe that the cost of the degree was a significant factor in their degree choice:

Choosing to study Law was affected more by long-term career prospects and likely salary than by the immediate cost of the degree. This would be true even if the degree had cost more.

HECS debt is paid in the future and gradually with no interest, it has no bearing on what degree I take.

Students, including myself, do not change what they have a desire to study in response to carrot-on-a-stick pricing models.

Moreover, according to the 2019 Graduate Outcomes Survey, employment prospects for graduates of Science and Mathematics are slightly worse than graduates of humanities, culture and social sciences, and significantly worse than graduates of Law and Business. Given this, it appears doubtful that the cost of delayed loans would outweigh the more substantial effects of degree choice on employment outcomes over the course of graduates’ lives.

⁷ Parliamentary Library, Higher Education Support Amendment (Job-ready Graduates and Supporting Regional and Remote Students) Bill 2020, p. 17

⁸ Deloitte Access Economics, The impact of changes to student contribution levels and repayment thresholds on the demand for higher education, report prepared for the Department of Education, Employment and Workplace Relations, 2011

⁹ Ibid; see also, Grattan Institute, Graduate Winners: Assessing the public and private benefits of higher education, 2012, p. 77-8

Table 1 Comparison of graduate outcomes, by degree¹⁰

| Degree field | 2019 full-time employment | 2019 total employment |
|---|---------------------------|-----------------------|
| Law and paralegal studies | 77% | 87% |
| Business and management | 77% | 88% |
| Humanities, culture and social sciences | 64% | 84% |
| Science and mathematics | 63% | 82% |

The minority of responses that stated students may have reconsidered enrolling in courses with increased fees do not state that these students would have alternatively enrolled in STEM degrees. Several students stated they may have deferred enrolment or never enrolled:

I might've not gone to university all together because STEM subjects aren't exactly my calling - because of the combination of fee hikes and changes to HELP support.

I was lucky to finish my Arts degree before these changes were proposed. I deferred my Masters course because the costs are too high. If the costs were raised for an Arts degree I might have had to do the same for that course too.

One student who reported already studying a job-ready degree stated that they may have reconsidered studying humanities electives, which they believe have contributed significantly to their overall education.

I originally was enrolled in a law degree which admittedly I was in with my career in mind. I felt a pressure to do a job ready degree. However I always enjoyed my arts subjects so much more. My perspectives were broadened and I learnt so much in that first year. If this bill were to get through I'd definitely reconsider my arts degree. Even if I didn't unenrol I'd feel a constant pressure from the amount of debt I was accruing. I know that my mental health would deteriorate and my career plans would change in order to do a job that earns me the most money in order to pay off the debt.

Taken together, these testimonials and the research make clear that students consider more than just the cost when assessing whether to pursue higher education or what they pursue. The factors affecting their decisions vary, but non-financial factors almost always trump financial factors. Increasing prices may lead to students to weigh financial factors more in their decision-making, but in most cases non-financial factors are so compelling that no price increase will change their ultimate decision. And, even in the event it does make a difference, it will only be to deter the student from higher education altogether, rather than guiding them towards an alternate path.

¹⁰ QILT, 2019 Graduate Outcomes Survey

Secondly, even if prices were likely to change decision-making, the Bill will reduce net funding for most “job-ready” courses while increasing overall funding (and surpluses) for other subject areas, particularly Arts and Law, creating an incentive for universities to over-enrol students in these degrees. UNSW Vice-Chancellor Ian Jacobs has explicitly stated this is the case.

Thirdly, even if the fee changes were effective at shaping degree choice, students commencing degrees in 2021 will not have had the opportunity to change their Year 12 subjects to meet the requirements of STEM degrees. Most STEM subjects have specific mathematics prerequisites, which require several years of planning for secondary school students to plan for and obtain.

It is reasonable to want to produce more knowledge and expertise in STEM and other “job-ready” fields. However, the Bill will not influence student decision-making such that they pursue these courses. Moreover, it will not lead to more graduates in “job-ready” fields, especially in the short-run. Accordingly, it will not produce more knowledge and expertise in these fields for the Australian economy.

We urge the Inquiry to recommend the removal of section 93-10 of the Bill, which would increase maximum student contributions for Law, Accounting, Administration, Economics, Commerce, Communications, Society and Culture. We further urge the Inquiry to recommend that any future amendment(s) to the funding of higher education avoid increasing maximum student contributions for any field, and that either a new Bill be introduced or the HESA Bill 2020 amended, so that there are no student contributions to the cost of higher education (including for postgraduate and international students).

B Graduate Employability

Despite it being the key aim, the Bill will not make graduates any more likely to find a job, particularly in the fields for which graduates are meant to be “job-ready”, even if it were to change enrollment patterns or the macro composition of Australian University graduates.

As the 2019 QILT Graduate Outcomes Survey(s) demonstrate, there are already significant problems with graduate employability, including in “job-ready” fields, across most metrics:

- With respect to full-time employment: over 35% of Science and Mathematics graduates failed to find full-time employment within 4 months of graduating.¹¹ This is also true of 20% of nurses, 30% of computer specialists, and 35% of psychologists.
- With respect to unemployment: 50% of the graduates who did not end up with a full-time job reported that it was due to labour market factors, particularly an absence of available jobs.
- With respect to skill utilization: 27.1% of overall respondents reported that their skills and education were not fully utilised.¹² The most common reason given for this is that there is an unavailability of jobs in the graduates’ area of expertise (this accounted for 20% of the responses).

¹¹ QILT, 2019 Graduate Outcomes Survey, p. 7. 12

¹² QILT, 2019 Graduate Outcomes Survey—Longitudinal, p. 15

Clearly there are not presently enough jobs for graduates in “job-ready” fields—if there were there would be no unemployment, no one reporting that they cannot find a job in their field, and no one reporting that they are not using their skills because they could not find a job that utilises them. Therefore, even if the Bill does produce more graduates in these fields, it is likely to create a glut that will make employment rarer and drive down wages.

Amid declining government funding for research institutions, like the CSIRO, and the University sector, it is unclear whether there will be an increase in available jobs that utilise the specific skills and rewards the areas of study prioritised by the HESA Bill 2020. While demand from the private sector may increase, Australia already produced enough graduates to keep up: there is clearly slack in the labour market, and there is no reason to think that there will be a change to the relative proportion of students pursuing “job-ready” courses. Given broader population growth, and the long-run trend towards (absolutely and proportionally) increased numbers of University graduates, any increased demand for these skills is likely to be satisfied organically / by the current system anyway. At best, the HESA Bill 2020 will cause a glut that will make 5 years of study unnecessary. At worst, the HESA Bill 2020 will cause a glut that leaves graduates unemployed and drives their wages down.

We urge the Inquiry to recommend the removal of section 93-10 of the Bill, which would increase maximum student contributions for any field, but particularly for Law, Accounting, Administration, Economics, Commerce, Communications, Society and Culture. We further urge the Inquiry to remove student contributions and eliminate costs associated with higher education, so all prospective students are able to develop skills and accumulate knowledge. Eliminating cost barriers, by far the biggest deterrent to higher education, will significantly increase the quantity and quality of high skilled Australians, maximising their employment opportunities in a changing world while providing a large return to society in the form of world leading culture, greater technical skill, and, ultimately, greater economic performance. Moreover, we urge the Parliament to increase funding for Universities and other research bodies so that “job-ready” graduates actually get the job for which they’re allegedly ready.

III IMPLICATIONS FOR THE EDUCATION SECTOR

A Funding Impacts for the Higher Education Sector

Reduced funding for the higher education sector will reduce staff numbers and education quality, reducing the quality of student experience, educational attainment, and, ultimately, the quality and contribution of Australian University graduates.

Even before the devastating impact of the COVID-19 pandemic Australian Universities were struggling to fund their operations and were not using best-practice methodologies. Since the pandemic, Universities have faced acute revenue crises¹³ which have quickly resulted in staff cuts, curriculum reductions, overcrowding of classrooms, reduced feedback on assessments, and a worsened student experience.

The amendments to the Bill will change the overall level of funding that Universities receive in both the short- and long-run. While the ratio of funding sourced from student contributions will increase, in some cases up to 90% and on average up to 60%, in almost all cases there is an equivalent or even greater reduction in the amount of University revenue covered by the Government. While in theory this suggests that the gross level of revenue for Universities would remain the same (or increase), such a projection is contingent on levels of student enrolment remaining the same as they currently are. Numerous factors suggest that this is unlikely to be the case. Firstly, in the short term, the COVID crisis limits the extent to which international student enrolments can continue at current levels. Estimates have placed the potential revenue decline over the next three years to be around \$16 billion, due to the possibility of ongoing travel restrictions and continued international student deferment of study. This is likely to be exacerbated by geopolitical tensions between Australia and the People's Republic of China, the largest source of Australia's international student cohorts.

Secondly, and as has been previously explicated, the rising cost of degrees will deter some students from enrolling in University in the first instance, rather than incentivising enrolment in a "job-ready" degree. The Government is discouraging enrolment in areas of study that constitute about 40% of current study load, so the shortfall of revenue from decreasing enrolment would be a significant dent in the University's balance sheet.

Thirdly, the decline in student contributions in key "job-ready" fields is being met by an equivalent decrease in government contribution, so even if enrolment was incentivised into these areas, it would not be enough to keep pace with the loss of revenue from student fees. This will mean that quality in these "job-ready" courses will decline quickly. Take Science, for example, where (as table 1 indicates) student fees will fall by ~\$2000 while the Commonwealth contributions fall by ~\$2600, a \$600 or 16% overall reduction in revenue per enrolled EFTSL domestic student and \$5000 less total funding per student. At the same time, increases in student contributions for studying Law, Economics, Commerce, and Arts courses will see Universities pocket an extra \$2000 per student. This will not only incentivise

¹³ Universities Australia. 2020. COVID-19 to cost universities \$16 billion by 2023 (Media Release). URL: <https://www.universitiesaustralia.edu.au/media-item/covid-19-to-cost-universities-16-billion-by-2023/>

Universities to over-enrol students studying these courses but will also create inequalities as many of these courses are relatively cheap-to-run courses and will generate the surpluses needed to sustain loss-making “job-ready” courses with expensive technical requirements.

By reducing government funding, the amendments to the Bill will ultimately reduce net funding for many subjects, particularly “job-ready” ones (see: Table 1: Proposed Student and Government Contributions, Department of Education, Skills, and Employment)

- Environmental Science, by 29%
- Engineering and Science, by 16%
- Nursing, by 8%
- Psychology, by 15%
- Communications, by 29%

| Field | Current contribution \$ | | | New contribution \$ | | | New Student Contribution | New total funding |
|--------------------------------|-------------------------|---------|---------|---------------------|---------|---------|--------------------------|-------------------|
| | Gov | Student | Overall | Gov | Student | Overall | | |
| Mgmt, Commerce, Law, Econ | 2,237 | 11,355 | 13,592 | 1,100 | 14,500 | 15,600 | ^ 27.7% | ^ 14.8% |
| Humanities | 6,226 | 6,804 | 13,030 | 1,100 | 14,500 | 15,600 | ^ 113.1% | ^ 19.7% |
| Architecture, IT, Other Health | 11,015 | 9,698 | 20,713 | 13,500 | 7,700 | 21,200 | v 20.6% | ^ 2.4% |
| Mathematics | 11,015 | 9,698 | 20,713 | 13,500 | 3,700 | 17,200 | v 61.8% | v 17% |
| Education | 11,462 | 6,804 | 18,266 | 13,500 | 3,700 | 17,200 | v 45.6% | v 5.8% |
| Clinical psych | 13,547 | 6,804 | 20,351 | 13,500 | 3,700 | 17,200 | v 45.6% | v 15.5% |
| Communications | 13,547 | 6,804 | 20,351 | 1,100 | 14,500 | 15,600 | ^ 113.1% | v 23.3% |
| Creative arts | 13,547 | 6,804 | 20,351 | 13,500 | 7,700 | 21,200 | ^ 13.2% | ^ 4.2% |
| Languages | 13,547 | 6,804 | 20,351 | 16,500 | 3,700 | 20,200 | v 45.6% | v 0.7% |
| Nursing | 15,125 | 6,804 | 21,929 | 16,500 | 3,700 | 20,200 | v 45.6% | v 7.9% |
| Engineering, Science | 19,260 | 9,698 | 28,958 | 16,500 | 7,700 | 24,200 | v 20.6% | v 16.4% |
| Agriculture | 24,446 | 9,698 | 34,144 | 27,000 | 3,700 | 30,700 | v 61.8% | v 10.1% |
| Medicine, Vet Science, Dental | 24,446 | 11,355 | 35,801 | 27,000 | 11,300 | 38,300 | v 0.5% | ^ 7% |
| Enviro studies | 24,446 | 9,698 | 34,144 | 16,500 | 7,700 | 24,200 | v 20.6% | v 29.1% |

(Table 1: Proposed Student and Government Contributions, Department of Education, Skills, and Employment)

These reductions in funding not only deter Universities from enrolling students in these courses, reducing the quantity of graduates, but undermines the education of the students they enrol, reducing the quality of graduates. 16% less staff, 16% less course choices, 16% less in equipment and materials quickly adds up to a worse experience. These funding declines are most significant in courses where students are offered marginal ‘fee relief’.

While overall deterrence is not likely to be large, the reduction in low SES students may lead to the collapse of regional Universities and increase monopolisation by elite Universities. Moreover, increased net funding for Law (up 14.8%), Humanities (up 19.7%), and Medicine (up 4.2%) is likely to result in those same elite Universities monopolising certain areas of study, making certain knowledge or skills accessible only to the wealthiest, most privileged, or most talented students.

Beyond this, there will also be dramatic impacts on research output. Mark Warburton of the University of Melbourne has estimated that the net reduction in teaching revenue caused by the Bill will be nearly

\$1bn a year,¹⁴ which would essentially wipe out any surplus that Universities would receive from teaching. A reduction in research funding is inherently bad and would limit the ability of Australian Universities to be global innovators. Moreover, it would mean that Universities hire greater proportions of teaching-intensive positions, which would reduce the quality of learning and increase the workload for staff that would still be interested in doing research. It is likely that staff will increasingly become casualised, while degrees with complex technical requirements but falling revenue (i.e. STEM) would experience significant reductions in teaching and learning quality.

All in all, we believe these changes to funding arrangements will deliver a fatal blow to the University system and the remnants of the quality education students once enjoyed. As things stand, the deterioration of the University system is resulting in economic and employment deteriorations equivalent to losing the Australian car industry, at its peak, every 6 months. The countless workers who make up the industry, and the countless future students who simply want to learn to the best of their ability, deserve better.

We urge the Inquiry to recommend that amendments in Schedule 1 of the Bill, which would reduce net funding for any area of study or educational institution, be removed. We further urge that the Inquiry recommend that any future amendment(s) to the funding of higher education does not reduce funding for any area of study or educational institution. Finally, we urge Australian policymakers to either introduce a new Bill, or amend the HESA Bill 2020, so student contributions are made redundant, Universities have access to more net funding than they did pre-COVID, and Universities can resource and operate according to best practice.

B Educational and job-market impacts on graduates

The funding impacts on higher education outlined in the previous subsection will be detrimental because they deprive universities of vital resources in a time of uncertainty and diminishing enrolments. At the same time, the proposed bill will hurt graduates and diminish their opportunities in the job-market, which is directly contrary to the stated aims of the bill.

Firstly, it is necessary to contextualise the current state of the labour market. The COVID crisis has produced the first recession in Australia since 1991, with GDP growth falling 7% in the last period. As with most recessions, the worst effects are being felt in the labour market. The RBA noted in July that unemployment is likely to grow over the next few months, even as we enter a period of recovery.¹⁵ Recent estimates expect the unemployment rate to reach about 10%, and argue that it is unlikely to reduce any time soon.¹⁶ This will only be exacerbated by the Government's decision to cut the COVID supplement to welfare payments and reduce the rate of JobKeeper, as consumer demand is likely to fall drastically. The Government cannot claim to act in

¹⁴ Mark Warburton, 'Unravelling the Tehan vision for higher education', Centre for the Study of Higher Education, University of Melbourne, August 2020, p. 2.

¹⁵ Phillip Lowe, 'COVID-19, the Labour Market and Public Sector Balance Sheets', 21 July 2020, <https://www.rba.gov.au/speeches/2020/sp-gov-2020-07-21.html>

¹⁶ Tom Stayner, 'Australia's unemployment rate is expected to peak at 9.25 per cent. That's another 240,000 people out of work', 23 July 2020, <https://www.sbs.com.au/news/australia-s-unemployment-rate-is-expected-to-peak-at-9-25-per-cent-that-s-another-240-000-people-out-of-work>

the interests of graduates if there are no gainful employment prospects for them once they graduate their degrees, and if they continue cutting fiscal spending in a time of unprecedented crisis.

Secondly, it has already been demonstrated that this bill will likely take away resources from crucial areas of STEM and reduce teaching quality. As students experience worse teaching and learning, and a poorer University experience in general, the depth of their learning also reduces. The cumulative effect over time is that Australian graduates in “job-ready” degrees will be less employable and less competitive than their international counterparts, which seems to be a result directly contrary to the intention of the bill.

Finally, the courses that are being neglected (those with allegedly poor employment prospects) are inherently valuable. We refer the Inquiry to other submissions¹⁷ which dispute the claim that HASS, Law and Commerce courses / skills are not relevant for employment, noting that employment outcomes are roughly equivalent (if not better) for those in the discouraged courses than those in the “job-ready” courses. But, beyond their functional and economic value, the courses being neglected are necessary if we want society to flourish. While the amendments to the Bill will not totally eliminate these areas of human inquiry, if successful it will certainly significantly reduce their overall size and the nature of the people involved. Only wealthy students at a handful of elite institutions will be able to engage in traditional University pursuits and develop traditional University skills, like critical thinking skills and a broad, interdisciplinary approach to knowledge. Beyond the inequalities this creates between Universities and between individuals, this will empower a small subset of people from wealthy backgrounds with the skills to succeed in the theoretical meritocracy of public opinion and career success, creating intergenerational privilege and reducing social mobility. It will better their chances of controlling the arms of power in society and make it harder for the rest of society to compete. Moreover, consigning these disciplines to the elite will not only reduce their relevance and the number of people who find them interesting, but will return them to the ivory tower, reducing the diversity and quality of art, culture, and public discourse.

We urge the Inquiry to recommend the removal of section 93-10 of the Bill, which would increase maximum student contributions for Law, Accounting, Administration, Economics, Commerce, Communications, Society and Culture. We further urge the Inquiry to recommend that amendments in Schedule 1 of the Bill, which would reduce net funding for any area of study or educational institution, be removed. We further urge that the Inquiry recommend that any future amendment(s) to the funding of higher education does not reduce funding for any area of study or educational institution. Finally, we urge Australian policymakers to either introduce a new Bill, or amend the HESA Bill 2020, so student contributions are made redundant and all Universities have enough funds to sustain high-quality faculties in all areas of study, including the HASS.

¹⁷ I direct the reader to the submission made by the Australasian Association of Philosophers.

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