What price education: Australian higher education, the state and the industry commission report

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The evaluation of universities and its effects on the financing of higher education

The release of the Industry Commission's Report, Exports of Education Services on 26 September 1991 provoked the reaction from DEET that it would not bother commenting on the grubby proposals of some right wing idealogues who had clearly exceeded their brief and reached naive conclusions. David Kemp, the Opposition spokesman on Education, hailed its findings as a further vindication of the Opposition's criticism of the Government's highly centralised regulation of universities.

The report had been commissioned by the government. Paul Keating, the then Treasurer, on 10 December 1990 referred the exports of education services to the Industry Commission for inquiry and report specifying that among other considerations,

> the Commission have regard to established social objectives of governments and the potential impact of export development on access to, and the cost of, education services for the Australian community[1].

The Commission interpreted this very widely. Among its recommendations was that 'the Government accept the need to alter current arrangements so that qualified domestic students are not precluded from a place in public universities'[2]. In fact, the Commission wants to do more and has asked for a public inquiry which it would undertake over an 18 month period to recommend ways and means of altering the current arrangements by which higher education is funded.

The Commission advocates that qualified local students who do not meet University quotas should be able to buy a place. Hence, the debate: the retreat of the State from the provision of higher education.

The Industry Commission report can be viewed as a blueprint for the State abdicating its responsibilities for educating its citizens. It poses such philosophical questions as whether there is an optimal size for the higher education sector either in terms of the Government's contribution or in some **absolute sense**[3]. It features a curious emphasis on **value** throughout (for example, the value which a student places on University entry should be taken into account and measured against that of another student).

How did the Commission reach this position ?

From the premise that all qualified international students should be accepted by public universities, that is, be able to buy places (a curt nod is given to capacity issues), the Commission precedes with seemingly unassailable logic down the track of equity. Thus, if such a situation

prevailed it would contrast with the treatment of qualified local students who as we all know annually miss out in their tens of thousands on university places (and this before the Minister for Higher Education, Peter Baldwin's, October 4, 1991 statement)[4] that universities could cut intake by up to five percent of target figures to better use the additional money being provided by the government, signalling a loosening of the nexus between commencing student numbers and funding. This is obviously untenable. Solution. Allow qualified local students the opportunity to buy a place. And those that value a place will.

What about the poor. The Commission in its draft report in June was not totally unaware of the potentially socially divisive nature of its thinking on this issue. From responses to the draft report, and at a series of public hearings in the state capitals in July, the strength of opposition became apparent and the Commission's final report sketches some ways by which those students who value a university place would not miss out because of lack of money. Also, part of its urging for a public inquiry, and one meant to be persuasive to a Government that still has the rhetoric of a social democratic party, is that it will allow the Commission time to develop the mechanisms to ensure access to disadvantaged groups.

The Government policy from 1986 that universities be allowed to charge fees at full cost recovery to overseas students set up the dynamic of difference - same service, different costs. In 1991 at the University of Melbourne, a qualified local student would receive a government subsidised place in Medicine paying the HECS fee of $1,993 (if deferred) and Amenities and Services fee of $324 whereas a qualified overseas student would pay $22,000 for the same place. With the introduction of the HECS fee in 1988 the government further flagged that the user pays approach to education was on the agenda.

John Dawkin's spokesman commenting on the report said proposals for upfront fees or vouchers could lead to education apartheid. However, in some ways it is not such a great leap from current government policy to propose that some local students should be allowed to buy university places in the same way as overseas students can. In this interim stage, universities would have a four class system:

- the highly achieving overseas students who met course cut-off scores in many cases at a considerably higher level than local students.

- the overseas students who were qualified for a place but whose score was not good enough.

- highly achieving local students who met course cut-off scores and so received a government subsidised place and

- local students who were qualified for entry but needed to buy a place because they did not meet course cutoff scores.

Three of these classes of students are full fee paying. How long before total deregulation, when all qualified students pay tuition fees because of the value they accord to a university place. But before this occurs, the Commission postulates that full fee domestic students may displace HECS domestic students from some courses.

The Commission maintains that Australian students are displaced by international students from high demand courses. Whatever the accuracy of this observation (and the Commission admits it is hard to determine), it certainly adds fuel to the current debate on access to the university by qualified school leavers. Such displacement would not occur, so the argument goes, if universities had the same financial incentive to take local students as they have for overseas students.

The University of Melbourne's original submission to the Commission stated that

> Departments will not enthusiastically offer to teach more students, local or overseas, if there is no inducement to do so. For practical purposes, the inducement to teach overseas students is the amount by which the allocation to departments exceeds that for an extra local student.[5]

Under current practice, any HECS revenue that an institution receives is reflected in cuts to its operating grants. Income from full fee paying overseas students, on the other hand, represents a source of investment funds to institutions and the institutions have almost total control over the use of these funds. How the income is distributed within institutions is another matter but there is autonomy to put funds towards expanding capital projects in a way that is not possible under funding arrangements for local students.

Higher education institutions expect to earn $200 million this year from fees charged to overseas student[6]. Exporting education is big business.

Exports of all education grossed in the order of 1 billion dollars in 1990. The Government recognises that there is potential for substantially increasing this and wants to remove impediments to efficiency delivery of this service, hence the Treasurer's reference to the Industry Commission last December. By not taking all qualified overseas students, Australia is turning down export income[7].

The Commission does see it starkly admonishing that

> a choice needs to be made whether to continue to constrain the growth of the export sector or to move more rapidly to give market demand and, therefore prices, a larger role in defining the provision of domestic places at universities[8].

With approximately 3,000 overseas students, the University of New South Wales has by far the largest number of overseas students of any university in Australia, Curtin University is next with 1,749 followed by Monash University with 1,654. Yet the University of New South Wales' submission to the Commission stressed that the current touting of education as an industry was quite crass.

> The continuing emphasis on education as an export industry, with public announcements of export income earnings, is inimical to the whole education enterprise, and is steadily alienating the students who we wish to attract[9].

However, under this Government, education is a commodity, is in the market place and is discussed in these terms. Thus we find the report riddled with the terminology of the economist with references to **market-based solutions; pricing signals; a marketing advantage** Australia may have over other countries because of its work rights for overseas students; the rights of students as **consumers** under Australian law.

> The Commission indeed finds it surprising that there have not been more problems arising out of the grafting of a dynamic market-oriented export sector onto a highly regulated, largely government funded-sector[10].

Through its selection of words in the report - such as the potential for **displacement** of domestic students by **foreigners**[11] (significantly no longer overseas/international students), and domestic students being **precluded** from a place at university - the Industry Commission is making its own contribution to creating an oppositional framework between local students and international students and fuelling the potential for the expression of xenophobic attitudes within the community.

The semantics of the report could be endlessly dissected. Of particular interest is the appropriation of the language of equity. Thus

> Universities are denying places to suitable overseas students because of their equity concerns over similarly placed domestic students. We are therefore limiting the size of this industry, and concomitantly, Australia's and international students' welfare[12].

Just stopping short of asserting that it constitutes a denial of natural justice that local students cannot buy places. Interestingly, most of the time when 'equity concerns' of individuals, groups or institutions are mentioned, 'alleged' is included as a qualifier making clear that this is a misreading of the situation which the Commission, with its clear understanding of what equity means, is redressing in the report.

Up to 29,000 qualified local students missed out on a place at university this year in Australia. Yet, as is well known, universities conspicuously over-enrolled with 14,000 students receiving places for which the universities were not funded by government. More places are needed at universities. The argument centres on who should provide the funding.

The Commission has a number of proposals for how these places might be funded. Since it was not at all certain whether it would have another chance to recommend on this issue, it gave some details about possible schemes[13] and urged immediate adoption of one of these by the government should its call for a public inquiry fall on deaf ears.

These options are :

1. To increase government funding.

   That is, the government would finance the needed places and the student would contribute to costs through HECS.

   As may be expected, student and staff association responses to the draft report advocated with suitable vigour that the government should fund these places. The AVCC leant this way but volunteered that if this could not occur the 'existing restrictions on charging fees to Australian students should be removed' a view put publicly on a number of recent occasions. The AVCC believes also 'that institutions should be free to charge whatever level of fees market conditions and commercial responsibility justify'[14].

   The Commission argues, somewhat oddly, (or 'weakly' to borrow from Greg Sheridan's analysis[15])that to hold the view that the Government should fund the additional places in the same way that it is now doing implies not only satisfaction with the HECS but belief that it accurately reflects the private costs and benefits of higher education to students.

2. to charge up front fees to non funded domestic students.

   To counter charges that the thick and the rich would commandeer these places, the Commission proposes that this could be associated with a loans scheme which either could be commercially based (that is, students could borrow on commercial terms against expected future income) or publicly subsidised. The Commission recognizes that scholarships may be needed for those students not able to meet borrowing criteria but provides no details of sources.

3. to charge full fees but provide HECS pay-back facilities.

   By this scheme, institutions would be able to charge fees, the Government would fund such places and the students eventually repay the Government through the taxation system. What could be fairer .... as the Commission proudly states

because under a HECS scheme individuals repay their fees only when they are earning salaries above a particular threshold, the nexus between parental income and access to higher education is broken in a way that up-front fees schemes cannot achieve[16].

4. to vary the HECS charge to meet unmet demand.

   The logic here is that course costs vary (for example, HECS as presently implemented recovers approximately 40 percent of the DEET recurrent funding levels for an accounting course but only 15 percent for medicine) and it may be more efficient (and equitable) for the HECS charges to be directly related to the cost of providing the course. The comment is also made that if HECS fees rise, excess demand might dry up, presumably because students are not sufficiently serious to place enough value on a university place.

   The Commission does, however, have strong reservations about this scheme working.

5. to provide education vouchers

   that is the Government could issue all qualified students with vouchers which would be redeemable at any institution. The amount of the voucher would be 'set at a rough estimate of the valuation of the external benefits of higher education to Australia'[17]. Under the deregulated system the Commission is advocating, an institution would be charging fees it thought the market could bear. A student would use a voucher to pay for a place which would be immediately redeemable from the government and be liable for the difference between the course fee and the value of the voucher. This difference would be provided to the institution by the Government in the first instance and then recovered from students through HECS.

The last four options are all predicated on the user pays principle and the Commission maintains that adoption of any of them will lead to greater equity, that is, a situation which is fairer than the current situation in which thousands of qualified school leavers are missing out on a place at university. Not surprisingly, David Kemp, said the options the Commission identified for funding higher education are central to the coalition's alternative policy.

Although the Commission is certainly not in favour of the government subsidising more places, it expresses a certain world weariness regarding adoption of any of these options .... "Depending on which option is selected, inequities and inefficiencies may remain or be created. Inevitably, this will require a review at some future time'[18].

In fact, there is some interesting talk in the Industry Commission's Report about the public and private benefits of education. That is, the external benefits to Australia of having educated citizens (including increased levels of tolerance, the communication of flexible attitudes to technological change and improved voting decisions) and the private benefits which accrue to the individual (including the enjoyment the individual obtains from being educated by way of more career choices and consequent higher job satisfaction, the desire for further education for reasons other than earnings - the closest the Commission comes to recognising that education may have an intrinsic value - and the potential for higher lifetime earnings). The potential earnings aspect is one that is made much of in the report because it is finite, able to be measured and one that is guaranteed to engage the community. Although with current graduate unemployment rates there will need to be all sorts of sophisticated qualifiers built into any equation.

The Commission states that those who support the government funding of education must believe that higher education generates benefits to Australia over and above the private benefits which accrue to the student such as higher lifetime earnings[19]. A ledger view of education, as can be appreciated from the Commission's view that the charging of up front fees for qualified students who missed out on a government funded place would make the demand for education respond to a price and the benefit of price as an allocator of resources is that it can 'ration the goods or services concerned to those who value them most highly'[20].

Such separation of the public and private spheres (as in so many other contexts, for example the feminist demand of the '60s that the 'personal is the political') is problematic since the two spheres are highly integrated, intersecting in many complex ways.

The response from the government to the report has been vehement in its intensity and, at least in these early days, sweepingly dismissive. The options put forward for funding increased numbers of places in universities have been rejected out of hand. In fact, the government breezily remarked that students, parents and academics seemed to be happy with the present funding system.

Thus, there will be no need to pump in more government funds because the current situation reflects recessionary times and demographics. One the economy has recovered and the population bulge flattened out, the government argues, these pressures will be released and the size of the sector revert to its apparent ideal steady state.

Peter Baldwin rejected outright the option of up-front fees for Australian undergraduate students stating that 'any measures that would restrict access to quality education and training on the basis of economic means would be disastrous'[21]. However, he is convinced that if universities were allowed to charge upfront fees, they would restructure their courses to attract fee paying students. Hardly a statement of confidence in the mission of

universities and one presumably arising from a conviction that unless the State defines, and provides for, the public good, no one else will.

At least under the present government, the Industry Commission appears unlikely to be allowed to define the mechanism for weighing up the private against the public benefit and using this as a basis for allocating university places, something it would obviously dearly love to do.

In fact, the public good is currently under some scrutiny by government after the August 1991 release of the Finn Report on young people's participation in post-compulsory education and training. That report gives figures which show that virtually all growth in participation rates in the last ten years has been in school and university enrolments with the proportion of students in TAFE remaining the same. Yet in mid 1990, approximately one third of 15 - 19 year olds (400,000 young people) were not participating in any form of education and training.

John Dawkins, in partial response, is advocating that vocational education and training need to be strengthened through increased investment by state governments in the TAFE sector. As he said in a recent address, cleverness has been far too narrowly defined; Australia needs a skilled workforce, it needs to be a **capable** as well as a **clever** country[22].

The re-energisation of TAFE has been in the news much since. The debate has moved on.

As Geoff Maslin somewhat plaintively ends a recent article in **The Age**

> the great fear in universities now is that Mr. Balwin and Mr. Dawkins might have decided to put a cap on the growth in higher education while channelling more funds across to TAFE. This was one option the Industry Commission did not consider. For Australia it could be the worst of them all[23].

1. Exports of Education Services, Industry Commission, Canberra, Report No. 12, 14 August 1991, pp xii.

2. Ibid., p 12

3. Ibid., p 180

4. P. Baldwin 'Over-enrolment and Overcrowding:the Government response', Australian Campus Review Weekly, 10-16 October 1991, pp 10-11.

5. Submission to the Industry Commission Inquiry into the Export of Education Services, The University of Melbourne, 28 February 1991, p4.

6. G. Maslen, 'University Fear of Funding Gap', The Age, 2 October 1991, pp 13.

7. Exports of Education Services, op.cit., pp 171.

8. Ibid., p 1

9. Submission to the Industry Commission Inquiry into Exports of Education Services, University of New South Wales, 10 March 1991, pp 3.

10. Exports of Education Services, op.cit., p 7

11. Ibid., p 1

12. Ibid., p 8

13. Ibid., pp 175-79

14. Submission to Industry Commission Inquiry into the Exports of Education Services, Australian Vice-Chancellors' Committee, 14 March 1991, p 5

15. G. Sheridan, 'Report Calls for Funding Rethink', The Australian, 2 October 1991, pp 13

16. Exports of Education Services, op.cit., p 178

17. Ibid., p 179

18. Ibid., p 175

19. Ibid., p 178

20. Ibid., p 180

21. Australian Campus Review Weekly, 3-9 October 1991, pp 3.

22. J. Dawkins 'Australian - Clever enough to be Capable ?' Address to joint session of the Australian College of Education and the Australian Council of Deans of Education, Canberra, 1 October 1991.

23. G. Maslen, op.cit., pp 13