IS THERE A FATE WORSE THAN DEBT? - The effects of the Nelson reforms on life long learning

Abstract: Life long learning, post Nelson reforms, has the potential to further reinforce the divide between the haves and the have-nots. The rise in HECS costs, the greater movement toward a “user pays” system and the movement toward on-line teaching requiring additional resources for the student, all have the potential to impact upon enrolments from equity groups.

Education is not an economic commodity with benefits only for the individual…it has benefits for the whole of society, but only if the whole of society is able to access such education. In applying economic rationalism to tertiary education we risk marginalizing the sectors of our society most in need of human and social capital. With the rising cost of tertiary education the present-value calculations don’t add up for the mature learner who does not have the time left in the workforce to reap the income benefits of greater formal qualifications.

Is Life Long Learning an agent of change? Can it make a difference to people’s lives for the better? For the low socio-economic who may be unemployed or “trapped” in the secondary labour market, does LLL represent an opportunity or a threat? Life long learning should not mean life long debt! It is becoming apparent that increasing numbers of prospective students are unwilling to shoulder the levels of debt required to obtain tertiary qualifications. This debt aversion has serious implications for the well being of individuals and indeed the benefits to be derived from having more ‘knowledge workers’ in the wider society.

We need to ensure that life long learning is open to all, not just the privileged in our society whose access to education reinforces their privilege. Limiting opportunities for certain groups may result in unforseen eventualities that transcend just being in debt.

Is there a fate worse than debt?

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Introduction

Economic rationalism is the prevailing ideology behind the recent changes in higher education financing in Australia. The individual benefits of university education are given a higher priority than the external benefits the community enjoys. Increased earnings of graduates are indeed the expected benefits to the individual of university qualifications. The benefits that accrue to society as a whole are increased taxation revenue, reduced welfare dependence and a lower propensity to commit crime (Johnson & Wilkins 2003). This paper focuses upon the individual's supposed benefits, of higher life-time earnings for university graduates, to argue that the increasing cost of higher education to the individual may be a disincentive to life long learning; especially for those from equity groups and mature aged students. The outcome of pursuing an economic rationalist agenda, in respect of higher education financing, is an increasing move toward a "user pays" system. It is not just the individual who is the end user of the product and the social benefits derived from a more highly educated community and workforce may be the price this nation will pay.

Nelson reforms to Higher Education

The Nelson reforms herald a new era in higher education based much more upon 'user pays' principles.

> *"The reforms will establish a partially deregulated system of higher education, in which individual universities are enabled to capitalise on their particular strengths and determine the value of their course offerings in a competitive environment"…" New arrangements for student financing will encourage lifelong learning, and ensure equity of access to higher education - no eligible student will be required to pay their fees up front when they enrol at an eligible higher education institution" (DEST 2003).*

To achieve this aim the following will be implemented:

- The Commonwealth Grant Scheme (CGS) will replace the current system of block operating grants to each university.
- A suite of income contingent loans under the new Higher Education Loan Programme (HELP) will underpin student financing.
- Performance and incentive funding will be available to encourage universities to differentiate their missions and to achieve reform in the areas of learning and teaching, equity, workplace productivity, collaboration and quality.

Rising HECS costs

The outcome of these reforms is that universities will need to operate much more as businesses. Students will be expected to shoulder an increasing amount of the financial burden of their education. Universities have the capability to increase the student's HECS fees for their courses by 25%. Already 13 of the nation's universities have announced an increase in HECS of the maximum 25%, two have increased HECS by 20% and two have increased HECS by 15%. Thirteen universities have yet to decide upon HECS increases. Seven universities have announced that they will not be increasing HECS in 2004 but this does not give any guarantees for 2005 and beyond (*The Australian, Higher Education 26.05.04)*. According to Education department estimates, university students will pay an extra $663 million in HECS fees over the four years from 2005 to 2008. The National Union of Students president Jodie Jansen said the "*figures showed the extent to which the Government was shifting its responsibility to fund universities onto students and their families"* (Guerrera 2004).

The rationale behind some of these changes is that those who complete a university education have the capacity to achieve a higher income stream over their working life. The belief is that those who benefit from higher education should have a responsibility to pay for it and I don't disagree with this sentiment. However, those who start from a position well behind the starting gate will have less time in the workforce in which to accrue the benefits of this increased income stream. There are social and economic benefits of education that accrue to the community, to employers and to the nation. On the other side of this argument is the social cost of having some people locked out of higher education. Ensuring an education for all allows us to maximise these social benefits and minimise the social costs.

Life long learning should not mean life long debt.
A supposed advantage of HECS is that it can assist students from financially disadvantaged backgrounds to access higher education because repayments depend upon future ability to pay rather than on current income (Chapman & Ryan 2003). However, the repayments are based upon the HECS liability and the person's current income without any reference to the person's current financial responsibilities. There is no differential in the HECS repayment between the mature aged graduate with family responsibilities and the young graduate who may have no family financial responsibilities.

Students who come from a low socio-economic background will feel the impact of increasing HECS much more than others. Those who have the financial means to pay for their HECS at the time of study can receive a 25% reduction on their HECS bill. If a student comes from a Low socio-economic background this usually means no build up of personal wealth and no family assistance with paying up-front HECS costs. These students usually have no option but to defer their HECS payment. This debt, while it does not attract interest, will be adjusted for rises in the consumer price index (CPI) therefore over time it can, and does, grow. Remembering that those who must, of necessity, defer their payment of HECS until they are earning $36,000 are already being levied with 25% more costs than those who can pay up-front.

When I studied geography of underdevelopment I learned about the problems of distribution within some countries. Those who controlled the land also controlled the wealth and social status of others. We learned sad stories of fathers who may have indentured themselves to the landowner for many years, in return for a small loan that may pay for a necessary expense that was customary to that culture (eg: a daughter's wedding). Within a 'user pays' higher education environment we could have a situation where those who control the distribution of education have the power to control the wealth and social mobility of others. Do we want to see people in our country indentured to the HECS repayment system for years?

Additional to HECS, which can be deferred, are the increasing costs associated with on-line learning, which cannot be deferred. In addition to accruing a HECS debt for their degree, students will require regular, reliable access to computing facilities capable of accessing the Internet. Most universities do provide computing labs for students use. However, for those with primary carer responsibilities for others the only regular, reliable access that allows them to continue to meet their carer responsibilities is home computers with Internet access. This will impact heavier on females because they still carry the greatest percentage of primary carer responsibilities and make up the largest percentage of sole parents.

Debt aversion

As we move into an era of education that is much more focused on 'user pays' we are seeing an increasing number of people unwilling to shoulder the levels of debt required to obtain university qualifications. Increasing debt aversion may impact upon enrolments of university students – particularly those from non-traditional university students. Student's debt aversion could prove to be a disincentive to life long learning.

Although students can defer the payment of their HECS debt until their income reaches $36,000 many were still worried about getting into debt at an early age. For those students whose parents pay the HECS fees up-front, gaining a 25% reduction, this will not be an issue. The FEE-HELP loans may prove an even greater disincentive than HECS. For the student from a low socio-economic background without such supports, the prospect of leaving university with between $20,000 and $50,000 worth of debt hanging over their heads may dampen their enthusiasm for the university qualifications. This level of debt may affect such decisions as home ownership, marriage and reproduction.

Even, the architect of HECS, Bruce Chapman, has warned of the negative consequences of the FEE-HELP loans that will attract 3.5% interest. This is to assist students to access a fee-paying place at university. If a student has a combination of HECS and FEE-HELP debts they must pay the HECS first. The time frame for repayment will mean that most students will pay the maximum interest on the FEE-HELP (Kyriacou, President NUS, quoted in Maiden 2003). This debt aversion may also underlie a social problem in the making, as we look to a future of shortages in necessary professionals to continue a vibrant economy. This lack of professionals will have a greater impact upon the rural areas further disadvantaging those who are geographically isolated.

A UK survey of secondary school students showed a sharp loss of interest in university entrance for boys when the British Government announced plans to increase university tuition fees in 2006. Many students cited worries about getting into debt, with the effect being more pronounced for those from a disadvantaged background (Halpin 2003). A report by James Cook University analysed the aspirations of students from years 10 to 12 in regional Australia and found many were concerned about the high cost of university education (Karvelas 2004). Dr Nelson was quoted in Karvelas'article as saying the report showed many students did not understand that HECS was an interest free loan "which was only repayable through the tax system when they are earning more than $36,000 a year".

Whether the HECS debt is Interest free is probably irrelevant to these students. It is the bottom line with debt of between $20,000 and $50,000 for the possibility of earning a figure of $36,000 that they would hear, and that does not sound appealing. This sentiment was echoed by Jodie Jansen, president of NUS, who said that the main concern of students was the size of their HECS debt and the length of time it would take to repay (Rood 2004).

Mature aged learners

Some people come to embrace the concept of Life Long Learning after a period away from formal education. Many students who can be considered as members of particular equity groups do not follow the traditional linear pathway into higher education. Leaving school early and taking employment in the secondary labour market[1] leaves some people a long way back from the starting gates of life long learning. Child rearing and caring also have an impact upon some peoples lives, particularly women, further delaying their return to education. However, these people provide very fertile ground for further education. University qualifications can improve employment prospects and provide the opportunity to enter the primary labour market[2]. University studies can increase human capital, and therefore social capital, and improve social mobility.

Many adults from rural and regional areas turn to education as a means of overcoming the consequences of significant social, industrial and economic change in their communities (Nelson 2003). At a time when they are already financially vulnerable they are asked to bear large amounts of debt in the quest for the qualifications that may give more security in uncertain economic times and a changing labour market. Many females turn to higher education as a means of up-skilling for financial independence after a marriage breakdown.

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1. Secondary Labour Market – This a labour market "*…characterised by the absence of internal labour markets…". Here labour turnover is high and insecurity rife, job tenure rates are low, internal training and promotion prospects poor, and wages low*" (King 1990, p144).
2. Primary Labour Market – "*…is defined by the existence of highly structured internal labour markets which provide 'good' jobs with security of employment, relatively high pay and prospects of advancement*" (King 1990, p 143-144).

Is Life Long Learning an agent of change? Can it make a difference to people's lives for the better? For those from a low socio-economic background, who may be unemployed or "trapped" in the secondary labour market, does life long learning represent an opportunity or a threat? Does it mean that those who are already in privileged positions will be supported toward greater professional development and education? If so this will increase the education divide between this group and those who are still struggling to the starting gate.

In my own work I have witnessed the fact that some students, who are already employed in the primary labour market, are supported by their employers. Some have their textbooks paid by their employer and some employers will pay the students HECS costs for them. The rising cost of HECS will not trouble this group - they enjoy a vastly different experience than the student who is in the secondary labour market, unemployed or living on Cenrelink benefits. Not only do the latter group get limited assistance with the up-front costs they must await the reality of the rising HECS debt which will eat away at their financial improvements after they graduate and begin to earn a salary. Even if students do not graduate they are still burdened with a HECS debt without the higher income.

Standardised HECS repayments

Consider the example of the sole parent who has been on Centrelink benefits for 10 years plus while rearing her family with no opportunity to build up either any physical assets or savings. According to a study conducted by Birrell and Silbey "… the vast majority of separated mothers remained poor even when their former partners' incomes improved" (Horin 2004). The longer you are on a low income the less wealth you may have - depends upon your starting point; remembering that income is a flow concept and wealth is a stock concept. This sole parent may feel that higher education will provide an escape from poverty. She, who must provide a home for her family, will accrue the same debt as a younger student. More than that, she will be expected to repay her HECs debt at the same rate as the 21 year old who is not burdened by heavy financial responsibilities toward a family.

In this context Life Long Learning has the potential to marginalise certain sections of society and to further extend the time frame of financial disadvantage suffered by these groups. We need to promote Life Long Learning in such a way as to include all sections of the community. We need to differentiate the costs to ensure the development of human capital for those who need it most. In doing this we will also improve the social capital of the communities to which these students belong. We must not ignore the social benefits of tertiary education.

Labour market impacts

We have already seen that University of Sydney has raised its fees by 25%. At the same time University of Sydney has announced that it will stop accepting nursing students from 2005 because nursing is one of the two degree programs, teaching being the other discipline where fee rises are banned in order to attract more students. There are fears that this may have impacts upon nursing enrolments at a time when NSW has a shortage of nurses with 154 vacant positions across the state (Robotham, et.al 2004). There is constant conflict between the state and federal governments over nursing and teaching. The federal government funds tertiary education but the states have to manage the workforce numbers.

Lumby (2004) laments that the undergraduate nursing program at the University of Sydney is a high-profile victim of the "pincer movement" of privatising health care and also privatising the programs preparing practitioners for this system. These nursing places are to be moved to other universities but the fear is that this "shifting" process will cause leakage of numbers from undergraduate nursing programs. Will we see the new regional universities picking up on the low HECS programs that the city universities withdraw from? Would this mean a two-tier system of universities in this country akin to the previous "College of Advanced Education" mould where these regional universities originated?

The rise in credentialism evidenced in the workforce today is an expensive screening device for employers. Universities are running a business in life long learning that benefits employers. Do workers really need the qualifications? Graduate starting salaries have fallen as a proportion of average national earnings. This decline may be attributable to the rising number of new graduates, combined with the effects of a slow labour market and changes in the economy. This has resulted in graduates entering jobs that only 15 to 20 years ago were considered suitable for secondary school leavers (Stott Despoja 1996). These graduates, however, carry the additional burden of HECS debt.

Jansen also suggested that there was some evidence that the HECS differential between disciplines may cause a dramatic decrease in the number of students from lower socio-economic backgrounds studying high-status courses such as law and medicine. Will this lead into greater labour market segmentation where those from low socio-economic backgrounds are the nurses and teachers of the future because these courses have a lower HECS debt to bear?

An aging workforce

Over the next 40 years the proportion of Australians aged over working age is expected to rise to around 25%. By 2050 one in four Australians will be aged 65 and older (Nelson 2003). This will occur at the same time as the growth in the workforce is expected to slow to almost zero. We will require older, educated workers to help balance this effect. However, prospective mature aged students may be discouraged from university education by the high cost.

In order to make decisions concerning investment the individual can use the tool of present value[3] calculations. The opportunity cost of university study includes the tuition payments plus the four years of forgone earnings. The

3. Net Present Value – "… NPV = R – C … the difference between the present value of the returns, R and the present value of the costs, C" (Perloff 2001, p552).

expected benefit is the stream of higher earnings in the persons working life. The future benefit stream can be aggregated minus the opportunity cost. If the result is positive the investment is useful; if negative the investment should be reconsidered. For the 18-year-old school leaver it is easy to show how investment in education can bring higher lifetime earnings. However, older learners may not have the length of time in the workforce to capture enough of the positive benefits to make the investment in university education worthwhile from a purely individual perspective.

HECS repayments and tax avoidance

The DEST annual Report shows total HECS debts have reached $8.1 billion Maiden 2003). Much of this debt may not be recovered due to students who have moved overseas or are not earning enough. It is unlikely that the sole parent in my example will have the means to relocate her family overseas and avoid HECS repayments. For young graduates from high socio-economic backgrounds, however, this scenario is more possible. Additionally, a recent ANU study found higher levels of tax evasion among graduates who repay the HECS debt through the tax system than among graduates who had paid up-front HECS charges therefore gaining the 25% reduction (Maslen 2004).

Conclusion

Life long learning bestows benefits upon the community as well as the individual. Ensuring that all who desire higher education, and are prepared to commit to the discipline of university study, are not deterred will ensure that these social benefits are maximised and social equity addressed.

University education can provide individual benefits in higher life-time earnings. Those who can pay, should pay at least part of the costs for their education. However, having a “one size fits all” approach to HECS charges brings inequities into the very system that is supposed to ensure equity.

The rationale for a “user pays” system is that the individual who benefits should also pay the costs. The costs need to be levied on a pro-rata basis, as not everyone who gains university qualifications will have the opportunity to benefit equally from their qualifications. Mature aged learners who already posses qualifications for the primary labour market may go on to greater achievements and even higher benefits. This may further divide the haves from the have-nots as many older learners do the math and realise that they may never accrue the earnings stream to offset the costs of their study.

Discussion questions
I would dare to propose the following three options to bring more equity into the higher education payment process:

1. ***HECS places to be reserved for those on Centrelink benefits only***

Discussion: This could have a negative affect on those only just over the margin for eligibility for Youth Allowance. Especially since it has become increasingly difficult to gain income support from Centrelink in the past decade with a tightening of the eligibility criteria. Also the basis of eligibility for independent Youth Allowance payments does not necessarily indicate low socio-economic status and may confuse the assessment for places.

2. ***Means tested places at university***

Discussion: Eligibility criteria that take into account assets (ie: built up wealth) as well as income might be used to ration a number of free university places. All others to pay HECS or full fees. Could be open for abuse.

3. ***Sliding scale of HECS liability applied depending upon the age of the student at enrolment***

This would ensure that those who had less time in the workforce to benefit from higher incomes and expanded employment opportunities were contributing in an equitable manner. This would also ensure that in a time when Australia will be expecting older workers to remain in the workforce the nation could gain the social benefits of having more employable older workers.

My choice would be for Sliding scale of HECS dependent upon age. This is open, transparent, and when combined with the integrity of Australia's Births, Deaths and Marriages records, would leave open little option for abuse.

The sliding scale of HECS liability would also benefit those women who suppress their own desires for education and career while fulfilling cultural expectations to be the primary care giver to their children. These women whose education and/or career is interrupted by marriage and/or child rearing and who delay the development of themselves would then be able to access higher education without the higher HECS liability.

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