

The Public Opposition to University Deregulation

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Abstract

This study examines findings from recent surveys conducted to understand public opinion towards the Federal government's proposed changes to higher education. Frequently labelled 'deregulation', these changes include modifications to the HECS-HELP system, government funding reductions, and provision for universities to determine tuition fees for domestic students. Our research shows that public opinion amongst those familiar with universities strongly oppose deregulation and will impact voting behaviour. The overwhelming feedback is to maintain the existing HECS-HELP system, with possible modifications in the form of flexible repayment parameters and refined tuition bands. With such negative market responses, this study indicates a potential higher education policy failure. However, our findings also indicate alternative policy changes to appease public expectations. *Keywords: university deregulation, HECS-HELP, student contribution band, higher education policy*
Track: Macromarketing and Marketing and Public Policy

Introduction

Internationally, there has been a significant decline in government funding to higher education, particularly following the Global Financial Crisis, with a pattern of cost-shifting from the public to the private purse (Mazzarol and Soutar, 2012). Even in the US, this has seen new loan arrangements with investment firms based on graduate incomes (Whigham 2015). In Australia, the Higher Education and Research Reform Amendment Bill 2014 proposed "*the most radical changes to the higher education sector*" (Ey, Bills Digest 2014, p3), reducing government subsidies for Commonwealth Supported Places (CSPs) by an average of 20%. To compensate, the bill concurrently proposed that universities would determine their own tuition fees, rather than the current system by which charges are uniform, with variations only across three sets of degrees (bands). Much debate has centred on how high tuition fees will reach under this proposal. For example, in a submission to the Senate Committee inquiry, the University of Western Australia proposed a flat tuition fee for all courses at \$16,000 per annum for five undergraduate degrees (BSc, BA, BCom, BDesign, BPhil), about \$9,000 more than the lowest HECS band and about \$5,000 more than the highest HECS band. There has also been uncertainty about the capping of deregulated fees, including options to restrict charges to be lower than those imposed on international students. The Bill also proposed major changes to the HECS-HELP system (the Higher Education Contribution Scheme-the Higher Education Loan Program), including: 1) removing the maximum student contribution amounts, 2) using new loan indexation, 3) changing repayment parameters (e.g., threshold; rates), and 4) abolishing some student benefits.

The government has argued that deregulation will increase the international competitiveness of Australian universities, make HECS-HELP fair, and allow funding to be more sustainable (Bills Digest, 2014; Pyne, 2014). It also suggests low socioeconomic status (SES) students will be given more opportunities by via a possible scholarship system. However, the Bill has since been rejected by the Senate in December 2014 and in March 2015. Undeterred, the government has not ruled out reintroducing the Bill in the future, with possible amendments or delayed to seek further approval from Senators holding the balance of power (Knott, 2015).

Despite the potential tangible benefits to the Commonwealth budget, there remain questions regarding public views of the proposed policy change. Much media commentary has

suggested a negative sentiment exists amongst the public, which has been visibly evident in several public protests and demonstrations. However, this level of disapproval may potentially be unrepresentative of a larger majority or among those with a vested interest or knowledge of the system. There is also commentary on the varied levels of support that may exist for the alternate ways changes could be carried out. For example, the three-tier HECS contribution system was first introduced by the Howard Government in 1996 to promote equity of access. At present, a student can contribute from less than 40% to over 80% of course costs depending on their areas of study (see Table 1). However, some debate has focused on whether in a deregulated market, students should pay an equal proportion or an equal amount, or allow deregulation, but modify the band system to be even more aligned with degrees in terms of earnings potential and related funding received.

The aim of this research is to understand public opinion with respect to the proposed changes. We present findings from recent surveys we conducted using a randomly selected set of New South Wales (NSW) respondents who are familiar with higher education. We consider public opinion directly related to the HECS-HELP system, the three-tier HECS bands, general views on university deregulation and impact on voting intentions. We first review the recent history of the sector to understand where public opinion has emerged and related literature that offers better insights into the merits and criticisms of various funding systems.

Arguments for and against HECS style university funding presented in the literature

The Australian higher education system has experienced many changes. Of particular note for the current research context was the introduction of HECS by the Hawke Government in 1989. Discounts for up-front payments and deferred repayment system using a threshold amount tied to taxable income were similar to present arrangements. A later amendment by the Howard Government in 1996, introduced the present three-tier HECS banded system in which degrees are categorized resulting in substantial differences in both Commonwealth funding and tuition fees. In 2005, a reform to the HECS system saw the growth of tuition fees by 25% and some further modifications to become the HECS-HELP system (see, Stokes & Wright 2010). In Table 1, annual government and student contributions in 2014 for main disciplines are summarised (Ey in Bills Digest, 2014).

Table 1: Government and student contributions for main disciplines

Disciplines	Funding cluster	Band	Student contribution	Government contribution
Law, accounting, administration, economics, commerce	1	3	\$10,085	\$1,990
Humanities	2	1	\$6,044	\$5,530
Maths, statistics, built environment, computing, health	3	2	\$8,613	\$9,782
Behavioural sciences, social studies	3	1	\$6,044	\$9,782
Education	4	1	\$6,044	\$10,178
Psychology, foreign languages, visual/performing arts	5	1	\$6,044	\$12,031
Allied health	5	2	\$8,613	\$12,031
Nursing	6	1	\$6,044	\$13,432
Engineering, science, surveying	7	2	\$8,613	\$17,104
Dentistry, medicine, veterinary, medicine	8	3	\$10,085	\$21,707
Agriculture	8	2	\$8,613	\$21,707

Several reasons supported the introduction of the HECS system. First, there was burgeoning demand for higher education at the time. Second, abolishing tuition fees since 1974 caused little in changing the socio-demographic composition of the student population. Third, for the government and taxpayers to fund higher education fully was considered unfair and regressive in income distribution terms. Bringing out an income-contingent, risk sharing loan system

(i.e., risk shared by taxpayers) like HECS was well valued and necessary (Chapman & Ryan 2005; Johnstone 2009). Long (2002) states that HECS has maintained a good balance between public and private costs for higher education. Rasmussen (2006) used qualitative interviews to study the main concerns of students such as motivation, costs, self-judgment and pre-university experience and reasoned that the HECS system was a model for both public and individual growth that can bring many benefits to higher education.

One of the more contentious issues in relation to funding tertiary education is how any proposed system will impact the study intentions and performance of potential and enrolled students from low SES backgrounds. Stokes & Wright (2010) show that tuition fees did negatively impact low SES enrolments. In arguing for decreasing tuition, they encouraged governments must not just consider a monetary comparison of private versus social returns, but also consider non-monetary benefits. However, Chapman & Ryan (2005) and Beer & Chapman (2004) indicated that the negative impact of tuition fee increase among low SES students is not significant if using present values of loans in the calculation and taking into consideration of other factors like repayment threshold. Birch and Miller (2006) contend that students from (lower) higher SES can(not) afford to make more up-front payment so they are less (more) affected by fee increases. Looking across OECD countries, including Australia, Maani (1996) demonstrates that demand for higher education is price elastic among low income groups, but inelastic for the high income group. Flores & Shepherd (2014) examination of tuition deregulation in public institutions in Texas found that deregulation can affect certain ethnic groups more so than others. They conclude that the potential disproportional presentation of certain groups at two-year, open-access institutions relative to elite four-year institutions can be mitigated by increasing resources, information and outreach for students of higher financial needs, but also via government funding formulas that provide incentives and oversights for institutional behaviors that anticipate such negative outcomes.

Another point of debate has been with respect to the band system's potential to decrease the attractiveness of some study areas, even those of interest to a student (Harman, 2002), including enrolments in science (Dobson, 2006). Using national data on higher education in the US, Shin & Milton (2008) found that enrolments in different majors are sensitive to tuition increase. They suggest a cost-related tuition policy by adjusting tuition fees based on costs for different majors. In Canada, tuition fees for professional programs (medicine, dentistry and law) experienced large increases relative to other discipline areas following deregulation in the late 1990; however the relationship between enrolment patterns among different socioeconomic groups and qualifications of parents were mixed (Frenette, 2008).

Other research examines the impact of repayment systems and students' lives after graduation. Braithwaite & Ahmed (2005) investigated tax morale among Australian graduates. They found that graduates who experience dissatisfaction throughout their university studies have a lower 'HECS morale', which they define as a graduate's internal obligation to pay back loans. Birch & Miller (2008) called for more research to quantify the relationship of HECS on students' lives during and after university. They argue that deferring HECS payments presents several negative outcomes for both periods, resulting in higher failure rates, lower academic achievement, and a negative impact on work choices following graduation. Dobson (1997) also warns of potential significant cash flow shortfalls for governments because of the long cycle from issuing loans to receiving repayments via taxation.

Flacher & Harari-Kermadec (2013) argue that population heterogeneity should be introduced in policy making to offset both the existence of imperfect information between students and

universities, and the absence of a safety mechanism to guarantee talented lower SES students have opportunities for higher education. Duckett (2004) argues that increasing tuition fees profoundly changes how universities operate. In a market-driven environment, universities face heavy penalties if wrongly positioned, with either over-enrolment or under-enrolment problems, potentially overfocusing on fees and markets more so than students and staff.

The prior literature presents a solid debate regarding Australian universities and tuition arrangements. The support of the public, however, remains a further source of evidence for what they believe works, should be supported and whether changes in terms of deregulation or to the band system should be considered as part of the government's strategy for tertiary funding. In the next section we describe the method and results by which this was done.

Method

The study was designed with two rounds of online surveys consisting of a mixture of open-ended questions, associated follow-up or pre-cursor quantitative polling style questions, as well as various sociodemographic measures. All questions were preceded by a factual explanation of the current HECS-HELP system, three-tier banded system and proposed deregulation. A smaller sub-sample who did not view this information were used to examine whether this information affected responses, however, there was no evidence to suggest this. The first round of collection occurred in December 2014 with a pilot of 169 respondents. A sample of 315 respondents was then surveyed in March 2015. The results did not change across these two time periods, so we report on the combined set of 484 respondents. Data was collected using an online panel company. Invited respondents, all from New South Wales, were over the age of 16 (average 42 years), 54% males, and included two-thirds living in Sydney, 19% in larger towns, with the remaining living in smaller towns (11%). The average gross household income was approximately \$1,735 per week (\$90,256 per year). Qualifying respondents were required to be familiar with the higher education system. As such, respondents or dependent family members had studied, were studying, or were intending to study in the very near future at university. On average, there were 2.98 'occasions' that respondents had some relationships with universities, indicating an extremely knowledgeable and relevant group. As such, 68% of the sample held a university degree qualification, much higher than the 23.7% of Australians reported by the ABS (ABS, 2012).

Results

The results indicate strong support for the current HECS-HELP and three-band system, with a strong disapproval for the government's proposed deregulation. This sentiment is indicated in answers to all styles of questions, including an 11-point scale of disagreement (0) to disagreement (10) (see, Table 1). In total, 77% of the sample supported the current HECS-HELP system and 66% supported the current three-band system. In contrast, the proposed deregulation of tuition fees is supported by only 31%, with almost half (48%) of respondents in disagreement with the proposed change. However, around 15 to 20% were neutral on the various systems and views on deregulation appear less extreme relative to the existing systems. In that regard, the open-ended questions provided additional insights into the support or conditional support of respondents for various programs.

The opposition to negative deregulation and support for the current HECS and three-tier fee structure was mirrored in open-ended responses. In each case, responses were classified as being positive, conditional, neutral, or negative, and further grouped with the various suggestions about modifications being made. In this regard, an overwhelming 69% of the 353 valid responses suggested the HEC-HELP system to be fair and retained with no changes. On

the other hand, around 15% suggested keeping the scheme, but suggesting modifications, including those relating to extending or shortening the duration for repayments and lowering or increasing thresholds (10%). Only 5% suggested the scheme be entirely abolished, 9% suggested lowering fees, whilst 5% argued that education should be entirely free.

Table 2: Levels of support for existing and proposed systems (n=315)

Level of agreement with system:	HECS-HELP	Three band system	Deregulation
Strongly disagree (0,1)	2%	6%	28%
Somewhat disagree (2,3,4)	5	10	20
Neutral (5)	16	18	21
Somewhat agree (6,7,8)	41	44	17
Strongly agree (9,10)	36	22	14

With respect to opinions on the system that sees courses grouped into three bands, which then determines differing levels of student contributions, 336 responses were made. Whilst not as strong as the support for retaining the HECS-HELP entirely, 53% wrote comments suggesting that the three-band tiered system was fair and should be kept unchanged. Only 12% suggested the system was unfair and that fees should be the same for all courses. There was also a much set of varied responses regarding suggestions about further modifications. Specifically, 12% suggested more bands, whilst 3% suggested the system was unfair to those paying more in Bands 2 (e.g., mathematics, science) and 3 (e.g., law, commerce.). In particular, some respondents protested that business graduates were not necessarily guaranteed a job or high income relative to others in Band 3, particularly those in medicine orientated professions. In contrast, 2% suggested that fees should be lower for people providing care for others and higher for high income occupations. In general, respondents did not question the existence of tuition bands, but rather desired a fairer system of bands better reflecting differences in terms of potential income and career prospects.

As shown in Table 2, the level of support for deregulation was more varied relative to that of the existing HECS-HELP and banded tuition systems. Around 48% were opposed, 31% supported and 21% neutral. Combining answers from both surveys, 367 respondents further elaborated on their opinions and responses summarised in Table 3, suggesting those voicing their opinions were more likely to be those uncertain or negative in their original response.

Table 3. Attitudes to university deregulation

Exemplary statement classified by sentiment valance	(%)
Positive (21%)	
More tuition fees for students are fair for taxpayers (P1)	17
It makes universities more competitive (i.e. Better students and staff) (P2)	4
Uncertain, Neutral or Conditional (8%)	
I only support it if some conditions are met (scholarship, affordable, price ceiling) (U1)	3
I don't know whether the change is good or bad (U2)	2
The change does not matter to me (U3)	2
It is up to universities how they pass tuition increase to students (U4)	1
Negative (71%)	
The deregulation is a terrible/bad idea and not acceptable; I strongly oppose it (N1)	34
It will only benefit the rich, and disadvantage those who cannot afford university (N2)	14
It will lead to higher fees and unpaid loans, and fees will keep going up (N3)	8
It will be unfair and create inequality in society (N4)	7
The government should reduce, not increase tuition fees (N5)	3
It will encourage buying of degrees and promotion of bad courses (N6)	1
Other (N7)	4

The predominant negative sentiment was not necessarily tied to a particular reason (see N1 in Table 3), When specified by respondents, negative reasons were more commonly cited as

relating to the creation of inequity and access (N2 and N4), and affordability more generally (N3). Some of this was reflected in conditional support such as U1. The issues of equity were largely reflective of the types of responses on tuition bands, but interestingly, this is one benefit that the government has proposed for introducing deregulation and linking to a scholarship scheme. There was also some mention of negative outcomes relating to quality of offerings (N6). The reasons for supporting deregulation were based on creating a fairer system for taxpayers (P1), followed by improving competitiveness (P2).

Respondents also reported on what changes they would like to see with respect to how the government supports students to study at university. Amongst 346 responses, the three dominant changes suggested were to: 1) increase government funding and reduced tuition fees (20% of respondents); 2) retain the current system entirely (18%); and, 3) provide more government support to particular groups, including students from low income families, those with an indigenous background, and students with talents (12%). Other changes included means testing for families, “chasing” non-payments or recovering loans regardless of threshold after a grace period, or including textbooks in the scheme.

The importance of the issue for the government is indicated in the impact it may have on qualified voters (88% of the sample). If the government proceeded to introduce university deregulation in the Senate, 52% indicated that it will negatively impact their vote for the current government in the next election, 17% said it would positively impact their vote, and 31% indicated it would have no impact on their vote for the current government.

Discussions and Conclusions

In summary, the public want to maintain or refine the existing HECS-HELP scheme and tuition bands for equity of access, lower fees and more hierarchy in fees to reflect job and income prospects. Public opinions do not match the direction suggested by the government proposed Bill for higher education. Finally, the issue does appear to have the capacity to influence support for the current government in the next election.

Our sample targeted those already familiar with universities to have better informed answers and gain relevant insights. In turn, it is unclear whether the negative sentiment amongst this group also exists among a wider sample. Negative concerns may be driven by speculation about preclusive higher fees, which could provide significant barriers to those from low-SES backgrounds, or represent a considerable burden of debt not easily eliminated after graduation relative to those from high-SES backgrounds. However, an unknown level of support for deregulation may be driven by the promise of a fair and equitable scholarship scheme that provides more places in higher quality institutions. However, in our own data, we did find that agreement was lowest and disagreement was highest among lower income households.

This study exposes a potential macro policy failure by the current government with respect to deregulation and the impact it will have on those familiar with universities, including their voting intentions. However, the responses provide useful insights into what is valued and could be better used to market the current bill or highlight where supported modifications could be made. For example, better categorized tuition bands supporting those professions with more identifiable social impact and taking into account earnings potential were highlighted. Conditions for deregulation, including tuition ceiling, more scholarships and equitable policies targeting low SES and talented students are also worth greater consideration by the government in negotiating and promoting the bill. In general, the public’s existing opposition is strong, but demonstrates their desire and support for a fair and equitable system.

Any impact of deregulation to the field of marketing education is largely going to occur in terms of its traditional containment within the suite of business degree offerings of universities. Since business degrees are in the highest band with students already paying most of the total costs (see Table 1), any further increase in fees undertaken by universities may require careful justification. As previously noted, opposition varies around whether a degree has the capacity to create positive change or meet societal needs (e.g., in terms of health-care), whilst the capacity for graduate employment and equitable earnings are taken into consideration too – it is clear that the marketing discipline will be presented challenges in both areas to demonstrate its value relative to other areas of study.

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