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Two Paths on Student Fees

While the Australian parliament debates increasing student fees and lowering the income threshold for HECS repayments the New Zealand Labour Party has re-committed to free education and announced plans to accelerate the shift if it wins the NZ election.

Drawing on the electoral success of Jeremy Corbyn and Bernie Sanders in attracting young voters; with promises that include free tertiary education, the new NZ Labour leader, Jacinda Arden, last week unveiled a new time-frame for the shift. NZ Labour had been polling around 25% when Arden became leader a few months ago. The most recent poll since the free education announcement, has put NZ Labour at 43% and ahead of the Nationals (41%) for the first time in 11 years.

If NZ Labour wins the election free education will be introduced for first year students from 2018, for second year students from 2021 and third year students in 2024. The slogan is 'three free years fee freeze'. Students enrolled in longer degrees will still pay fees for the subsequent years. The NZ Labour Party had previously adopted this limited free education model in 2016. The Arden model accelerates the time frame by a year. The three years of free education will also apply to apprenticeships and approved industry training schemes.

She has also announced that NZ Labour will increase student allowances by \$50/week, and increase the amount that students who are not eligible for allowances are able to loan. About a third of students are eligible for the allowances.

Arden argues that higher education is a public good: "The tax paid by those that continue to further their education is of course much higher, their long-term contribution to the public good is higher in that sense. So I think we all benefit when we make sure we have an educated society."

New Zealand currently has an income contingent loans model of domestic student financing although it is different from Australian HECs in that the individual student debt is only the amount above the repayment threshold (18K) and is not indexed to account for inflation. Students can also take out loans to cover living expenses. The accumulated student debt is \$16 Billion.

The NZ Union of Students' Associations (sister organisation to NUS) President, Jonathon Gee, said that the (Labour) policy was not an election bribe but "an example of Labour being bold in what it believes the future of New Zealand should look like and that was what students were looking for."

Both Australia and New Zealand are currently amongst the seven OECD countries that charge high student fees. According to the OECD Education At A Glance Report the other 80% of OECD countries have either free education or charge relatively low fees of under \$2000 a year. In a previous edition of Ed News we looked at the new free education model that has just been introduced in the state of New York (equivalent in size to half the

Australian higher education system in enrolments), where tuition fees for students for low and middle income families have been abolished. In the USA, the States control most of the funding for higher education rather than the federal parliament.

Australia, which currently has the sixth highest average tuition fees in the OECD is going the other way and looking to increase student fees. While the fee increase in the current package is modest (a staggered 7.5% increase over four years) it is heading in the wrong direction. The reduction of the repayment threshold to 42K could also have a significant financial impact of students who use other parts of the welfare system, such as single mothers with dependent children.

In Australia the higher education reform package debate resumes in earnest this week in the House of Representatives. We need Shorten's Labor Party to not just oppose the core changes to HECS (increased student fees, lowering repayment threshold). A possible future Shorten government also needs to be looking at the recent examples across the world of moving to a more affordable system for students to access higher education. It is not good enough to just shift the repayment of high fees to after graduation and then claim that higher education is affordable.

Analogous to secondary education in the mid 20th century, we are now moving to the era where tertiary education (uni or VET) has become a basic requirement for most professional work. Governments have to get out of the mentality of treating tertiary education as an elite privilege or as some onerous tax burden. It is an essential part of the development of the skills of the future workforce. The NZ example confirms that there is popular electoral support for affordable (or even free) education that young people should expect from future governments.

The next question is what sort of "free education" are we demanding. Vicki Thomson (CEO) of Go8 Universities, in an article in The Australian during the 2015 fee deregulation debate, was candid about Australian university administration's attitude to free education:

"In the last year Australia's higher education was "free", only 382,725 undergraduate students were enrolled in universities because that was all the federal government was willing to pay for. So, the reality is, "free" was for the lucky few. The low number of student placement caps was absolute, and as demand for places always exceeded supply, Universities were able to cherry pick the very brightest and the best students for their small allowable intake... Universities don't ever want to return to the elite days of the so-called "free" education for a few with strictly capped student numbers. It would be helpful if those who advocate a "free" for all actually understood what they were asking for.

A return to free education (or low cost education) doesn't have to be tied to the capped system (university targets were set on a triennial basis) that operated before the demand driven system was introduced over 2009-2011. It could be tied to the demand driven system if the government was prepared to fund it. After initial expansion the level of domestic undergraduate student enrolments have stabilised. A shift to a more affordable model of student fees may well increase student demand and further increase the government financial commitments. However contemporary student demands are not a nostalgic call to revive the Whitlam-esque free education model of the 1970s. We need to

be looking at how the rest of the OECD is faring in delivering affordable education to a much larger and diverse student body than in the 1970s, and that the vast majority of countries are able to do so with no or low fees. Why can't Australia? Why do we have the second lowest level of public investment in the OECD?

Another important question to determine is who gets free education. In the original Whitlam model it applied to all students including postgraduates, those doing a second degree and overseas students (when they were regarded as foreign aid rather than an export market). In the New York model the fee exemption applies on a family income basis so that students from low and middle income families are exempted. In the NZ Labour model the free education is for the first three years of undergraduate study. This briefing note won't be debating the relative costs and merits of particular free education models.

However, if we took a hypothetical approach that all currently commonwealth funded students would be given free education what are the costs. That total cost of higher education teaching and learning in 2016 is \$11.845 billion per year. The student contribution from HECS is \$ 4,845 billion per year. If we allow for some increase in extra demand then we are looking at \$5-6 billion cost range for providing free education to current commonwealth funded students. While this sounds like a lot it is only a fraction of the cost of promised tax breaks for corporations. New Zealand Labour has done exactly this to fund the three years of free education. The ball is in Bill Shorten's court to match his counterpart's policies across the Tasman.