



Adelaide University Postgraduate Students' Association Inc

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The Secretary
Senate Employment, Workplace Relations, Small Business and Education Reference Committee
Suite S1.61 Parliament House
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Dear Secretary,

Innovation and Education Legislation Amendment Bill 2001

Please find enclosed our submission to the Senate Inquiry into the Innovation and Education Legislation Bill 2001. Our submission will focus on the Postgraduate Education Loans Scheme (PELS).

We ask that the Employment, Workplace Relations, Small Business and Education Reference Committee consider our submission in its deliberations on *the Innovation and Education Legislation Amendment Bill 2001*.

Yours sincerely,

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The Postgraduate Education Loans Scheme (PELS)

The Postgraduate Education Loans Scheme (PELS) has been established in the wake of growing concerns about the impact of fees on postgraduate coursework education. These concerns include:

- evidence that the high cost of fees and the removal of HECS places has created barriers to participation in postgraduate coursework for students from equity groups;
- evidence of reduced numbers of domestic enrolments in postgraduate coursework awards; and
- evidence of alarming drops in enrolments in particular fields of study at the postgraduate level.

On the question of equity two major studies commissioned by the Higher Education Council have provided strong evidence to demonstrate that fees act as a barrier to postgraduate courses. Anderson et al (1997) concluded that:

*fees have a clearly observable deterrent effect on enrolment in postgraduate courses and in practice direct some groups, particularly women and those of low socio-economic status, towards HECS-liable courses.*¹

With the abolition of most HECS-liable places for postgraduate coursework since 1996, the postgraduate sector has become almost entirely fee-paying, with few opportunities open for postgraduate coursework study for people from equity groups. A second study by Anderson et al (1998) included an analysis of the effects of the 1996 Budget cuts and a survey of potential students to examine the impact of fees on those people who chose not to enrol. This second study found that of those who indicated they were unlikely to enrol, one in five stated that the costs of studying and the lack of availability of HECS were important factors in this decision. The study also found that students from low socio-economic backgrounds were less likely to continue on to postgraduate study. For those students who did make the transition to postgraduate study, the high costs of study were more of a barrier than for students from higher socio-economic groups.²

In terms of enrolments in postgraduate coursework programs, analysis of DETYA data by the Council of Australian Postgraduate Associations (CAPA) found that between 1996 and 1999 overall effective full time equivalent domestic postgraduate coursework student numbers (EFTSU) fell by 7.5%. When broken down by field of study CAPA found that this trend varied significantly between fields of study. They found that enrolments in the fields of Health Sciences, Education, Social Sciences and Engineering had fallen significantly. The situation was even more alarming in the fields of Humanities, Sciences, Agriculture and the Visual and Performing Arts where enrolments had dropped by more than 25%. It was only in the fields of management and information and communication technology – areas likely to provide significantly financial returns and employer subsidies - that enrolments increased.³

Adelaide University has experienced even more dramatic problems with postgraduate coursework enrolments. Between 1995 and 2000 the total domestic postgraduate coursework load has declined by 154.2 EFTSU or 20.8%. As with the national figures, declining enrolments have not been uniform across different fields. There has been a 97% reduction in the Faculty of Science, a 56% reduction in the Humanities and Social Sciences, and 42% decline in postgraduate coursework numbers in the Faculty of Engineering, Computing and Mathematical Sciences.⁴

As a consequence many suitably qualified Australians are prevented from upgrading or enhancing their skills, and there are declining numbers of graduates with advanced skills in key fields necessary for the social and economic development of the nation. The question that the Senate Employment, Workplace Relations, Small Business and Education References Committee must address is whether the Postgraduate Education Loans Scheme (PELS) adequately addresses these problems. In our view, while PELS will reduce the impact of up-front fees for many students, there will be people from some backgrounds who will still be deterred by the prospect of significant debt. Moreover, without the provision of operating grants it is unlikely that PELS will rectify declining enrolments in some fields of postgraduate study. These will be discussed in more detail below.

¹ Anderson D, Johnson R, and Milligan B, The Effects of the Introduction of Fee-paying Postgraduate Courses on Access for Designated Groups, Higher Education Council, NBEET, May 1997, p. 69.

² Anderson D, Johnson R, Milligan B, *Access to Postgraduate Courses: Opportunities and Obstacles*, Higher Education Council, 1998, p.66.

³ B Smith, "Market Sinks Postgrads", *The Australian Higher Education Supplement*, May 17, 2000.

⁴ Adelaide University Postgraduate Students' Association Submission to the Senate Inquiry into The Capacity of Public Universities to Meet Australia's Higher Education Needs, pp.4-5.

What is PELS?

PELS as proposed is an income contingent loan scheme that is available to domestic postgraduate students to cover the cost of tuition fees. The repayment mechanisms for PELS are modelled on HECS. In other words students will repay their loans through the tax system when their income exceeds a minimum threshold. The amount of PELS debt is indexed each year in line with the CPI.

There are two significant differences between PELS and HECS. Firstly, in the case of HECS the fees that are charged for a course of study are regulated by the Government and apply uniformly across the higher education system. Postgraduate coursework fees, however, are not regulated and higher education institutions can therefore charge fees without any limit on the size of that fee.

Secondly, higher education institutions receive operating grants on the basis of the number of HECS places enrolled. In the case of postgraduate coursework fees and PELS, institutions receive no operating grants for postgraduate fee-paying enrolments.

What are the problems with PELS?

The high levels of debt associated with these loans, when added to accumulated HECS debts will still present a significant disincentive for some groups of people intending to undertake postgraduate coursework degrees. Secondly, PELS unlike HECS is not linked to the provision of operating grants to universities, and in many fields, this lack of funding will prevent the restoration of postgraduate courses previously cut or no longer offered.

1. The high costs of Postgraduate Courses will still be a deterrent

Prospective postgraduate students considering whether to enrol in a postgraduate course have to weigh up a number of factors. These include the value of their course to their future employment prospects and the costs involved. Some of these costs relate to forgone income for students who chose to take time out of employment to enrol in a postgraduate course. Other costs are directly related to study – and the largest of these costs is the cost of tuition fees.

The creation of a loans scheme for postgraduate coursework fees removes the requirement for postgraduate students to pay their tuition fees up-front, and will thus remove this barrier to study for postgraduate students who are confident they will have the earning capacity to pay the PELS loans off. However, it needs to be recognised that the cost of postgraduate study is not cheap. At Adelaide University postgraduate courses in the social sciences and humanities are of the order of \$9,000 per annum, while postgraduate courses in the science fields are of the order of \$16,000 per annum. The cost of the Master of Business Administration is \$26,400.

Many potential postgraduate students will already have a HECS debt, and some may have accumulated debt through the Student Financial Supplement Loan Scheme. Our concern is that prospective students who already have significant debt, and are not confident of a stable or high future income will be averse to entering into even greater debt. Consider the example, of a student from a low SES background who has completed a four year degree and taken out the Student Financial Supplement Loan, and is considering enrolling in a two year Masters program. The level of the debt they would have accumulated at the end of the Masters program would be:

HECS debt for four year undergraduate program (mid-range debt)	\$18,000
Student Financial Supplement Loan (maximum \$7,000 per annum)	\$28,000
PELS (say \$9,000 per annum over two years)	\$18,000

Total education debt, not taken into account indexation is \$64,000. This level of debt represents a major financial burden irrespective of the mechanism that is available to pay off the debt.

What also needs to be recognised is that many people returning undertake postgraduate study are older and more likely to have a mortgage and family. It is precisely this group of mature age students with existing financial pressures, as well as students who come from low socio-economic backgrounds who are most averse to entering into even greater debt. For people from these groups, PELS debts on top of education debts from previous study will still act as a disincentive to enter into postgraduate study. Thus it is not clear that PELS will address all the equity concerns related to coursework fees.

2. Lack of operating grants will mean that Universities will not be able to restore postgraduate courses that have been cut or are no longer offered.

As pointed out above, one of the consequences of the impact of fees and removal of postgraduate HECS places has been declining postgraduate coursework enrolments in a number of discipline fields. As a result large numbers of courses in these fields have been cut or are no longer offered by universities.

At Adelaide University there are 39 postgraduate coursework programs listed in the University Calendar that will not be offered this year. In addition there are a number of programs where none of the subjects that make up the course are to be offered in 2001. These postgraduate coursework programs include postgraduate programs in urban design, applied demography, Asian studies, languages, and cognitive science. Further, it should also be noted that while the Faculty of Science advertised 13 fee paying postgraduate courses in the year 2000, it only attracted 0.75 EFTSU (less than one equivalent full-time student) in that year.

In the deregulated fee-paying environment of postgraduate coursework, universities are no longer able to sustain courses in a range of fields due to the low levels of student enrolments. Yet many of these academic programs provide vital advanced skills in fields ranging from agriculture, engineering to social policy and visual arts at a time when social and economic growth has increasingly become dependent on the application of knowledge. Universities have attempted to offer courses charging fees less than full-cost recovery but this either reduces the quality of the courses provided (the recycling of undergraduate subjects) or involves a cross subsidy from other areas. Moreover, such practices are unsustainable in an environment of low enrolments and tight university budgets.

Changing the way that students can pay their fees via PELS does not address this problem. In order for universities to restore postgraduate programs in these fields they need to make these courses less expensive and thus more attractive to students. Universities also need funding that is secure over a planned period of time so they can put in place the necessary infrastructure and staffing to re-establish the programs and guarantee their continuation.

In our view this can only happen through the restoration of HECS places in these fields. This will reduce the course costs, thus attracting more students, and provide operating grants to enable universities to adequately fund these programs.

Conclusion

The Adelaide University Postgraduate Students' Association is opposed to the imposition of fees for postgraduate coursework degrees. We acknowledge that the mechanism through which fees are paid can diminish the impact of those fees. Certainly an income contingent loan scheme makes the current up-front fee-paying arrangements for postgraduate coursework programs less regressive. It will reduce the impact of up-front fees and allow greater access to postgraduate study. However, what needs to be recognised by the Senate Employment, Workplace Relations, Small Business and Education Reference Committee is that the high cost of postgraduate courses will remain a major deterrent to study for students from low SES backgrounds and for students with substantial household or educational debts. Moreover, the introduction of a loans scheme will do little to assist universities to restore much needed postgraduate coursework programs in fields where such programs are no longer available.

To address these problems, two critical changes need to be made to PELS. First, a cap must be placed on postgraduate coursework fees to make these programs more affordable. Secondly, there needs to be a transparent and public process for allocating operating grants funds to universities to allow the higher education sector to restore postgraduate coursework programs in fields that have experienced declining enrolments.

The most effective way to do this would be to incorporate into the PELS scheme the fee-regulating and operating grant provisions provided under the HECS scheme. This would have the administrative advantage of effectively combining the two schemes. At the very least, we ask that the Reference Committee support the creation of a substantial pool of HECS places in future budgets to provide for a greater number of equity places in postgraduate coursework and to enable the restoration of programs in fields of low postgraduate enrolments.