

SUBMISSION TO THE REVIEW OF AUSTRALIAN HIGHER EDUCATION



AUSTRALIAN LIBERAL STUDENTS' FEDERATION

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EXECUTIVE SUMMARY

The Australian Liberal Students' Federation (ALSF) welcomes the opportunity to contribute to the debate surrounding the future of higher education in Australia.

The ALSF is a key stakeholder at the student level of higher education. As is well known, the Federation has had a substantial impact on public policy through the debates on voluntary student unionism for more than thirty years, and was the most prominent organisation to pursue the reforms that were brought into law in 2005.

The ALSF contends that excessive government regulation has led to the higher education sector experiencing a funding shortfall in domestic Higher Education Contribution Scheme (HECS) places, requiring universities to make up for this shortfall with (recently abolished) domestic full-fee paying places, as well as full-fee paying places for overseas students.

Therefore, the ALSF calls for market-based reforms to the sector to ensure the financial prosperity of higher education institutions and the higher education sector more broadly.

Such reforms should include (but not be limited to):

- the removal of Commonwealth imposed caps on student contributions to their higher education
- scrapping quotas that limit the number of places in a particular course at any higher education institution

Importantly, the financial cost of higher education for students should reflect the value obtained from the course that they undertake.

The ALSF also calls for a change in university governance structures, from a largely appointee-based system to more democratic and accountable university councils that comprise in part of elected alumni of that particular institution.

INCOME & REGULATION

Given the direct relationship between Commonwealth governance of the higher education sector and the income of universities, these two issues will be addressed concurrently.

One of the most important aspects of any market system is its ability to rapidly adapt to any change in its surrounding environment. As is generally accepted, private enterprise is most effective at tailoring production to meet demand, be it through reading price signals or otherwise. Governments will intervene when there are significant externalities (in this case, having an educated and skilled populous), but this does not mean that market signals need to be circumvented completely.

PUBLIC FUNDING

Students that undertake higher education generally do so for the purposes of pursuing a career that will typically result in higher salaries than those that do not. With this in mind, by extension, many taxpayers without higher education qualifications that are also earning relatively low wages are indirectly contributing to increased wealth of those that have attended university.

Critics of the user-pays system are typically very quick to raise arguments relating to equity and socioeconomic status in resisting moves towards a purer user-pays system, which would be less reliant on public money. The Australian Labor Party have consistently ridiculed the former Howard Government for the increase in the number ‘\$100,000 degrees’ within the domestic higher education system, claiming that such developments made higher education inaccessible for low-income students.

The ALSF rejects such rhetoric as ideological class warfare and point to statistics that suggested that the twenty-five per cent increase in HECS fees in 2003 (under the ‘Nelson reforms’) had no impact on demand for university place, and more importantly, the demographics of students attending university did not markedly change.¹

The ALSF argues that ideals of equity should be pursued with these two points in mind rather than emotive and simplistic arguments that equity within the higher education sector is entirely dependent on the price of a university degree.

QUOTAS

The ALSF argues that having the Commonwealth allocate funding for universities is a system vastly inferior to having the market determine intake for a particular degree. As has been explained elsewhere, university enrolment figures suggest the degree of skills shortages would have been minimized had places not been allocated on the basis of supply.²

Naturally, the quota system that is administered by the Commonwealth is resulting in poor outcomes for industry.³ Thus, addressing skills shortages is hindered because of the reactive nature of bureaucratic allocation of university places per course per institution.

The ALSF suggests that universities themselves would actually prefer a system whereby they were able to meet changing demand patterns on their own volition rather than be forced to

¹ Buly A. Cardak and Chris Ryan, *Why are High Ability Individuals from Poor Backgrounds under-represented at university?* Department of Economics & Finance, La Trobe University, <http://econrsss.anu.edu.au/Staff/ryan/pdf/La%20Trobe%20DP%20A06-04.pdf>

² Andrew Norton, ‘Forecasting for our Universities’, <http://www.onlineopinion.com.au/view.asp?article=7020&page=1>

³ Ibid.

wait for a bureaucrat to alter the number of places funded for each domestic HECS place at universities around Australia.

CAPS

The ALSF believes that caps placed on student contributions towards the cost of their university degree are an inexcusable political tool that governments use to portray an image of fairness in the education system. The results of the caps are that for many university degrees, the sum of the maximum student contribution and the government subsidy is below the cost price of providing the degree itself.⁴

In the event that the centralized allocation of university places is ever replaced by a market based system, unmet demand in some disciplines will result until either a) the caps are lifted, or even better, scrapped or b) public funding is increased.

For reasons already outlined, increasing public funding is undesirable, thus the ALSF is of the firm opinion that the cap on student contributions for domestic HECS places should be abolished.

GOVERNANCE

CURRENT SYSTEM

Universities are typically governed by a university council, which is responsible for the regulation, governance and strategic planning of the university.

Typically, members of council will include the Chancellor and Vice-Chancellor; representatives from staff, student; as well as appointees of the government and the council itself.

PROBLEMS WITH THE CURRENT SYSTEM

With more than fifty per cent of university council members being appointed, questions remain as to the accountability of the governance of Australian universities.

⁴ Report by Access Economics for the Department of Education, Science and Training, *Higher Education: Cost Relatives and Pipeline*, http://www.dest.gov.au/NR/rdonlyres/5F4324AF-2E68-4960-B8D9-AE2103DD7C63/16862/AttachmentA_AccessEconomicsReport.pdf

The ALSF sees current models as somewhat undemocratic, unrepresentative and unaccountable given the number of appointees on each university council. Having a system that has council appoint other voting members leaves open the possibility of council members appointed as a result of personal back-scratching or quests to solidify their own power within the council.

PREFERRED MODEL

The ALSF prefers a model whereby alumni of the university are elected to the council in lieu of Governor-in-Council appointees. Firstly, the composition of elected members vis-à-vis appointed members of council would be positively increased; meaning members were more accountable for the performance of the university and decisions taken at a council level.

Secondly, it would reduce the likelihood of government appointees seeking to maximize political interests over the interests of the university on the council.

Thirdly, it would foster stronger ties between universities and its alumni, potentially aiding philanthropic donations to universities because potential donors (alumni) would have a greater sense of connection with the university itself.

STUDENT EXPERIENCE

VOLUNTARY STUDENT UNIONISM

The ALSF believes the introduction of voluntary student unionism in 2006 has been of great benefit to the student population. Students are no longer subjected to a compulsorily acquired fee that was historically used for political purposes and for services which students may or may not use.

University services are now provided in response to market demand, and some universities have recognized the commercial value in taking control of these services from student organizations. Whilst student organizations generally don't have a good track record in providing efficient and transparent services to students, universities are able to use attractive support services in addition to academic services in marketing their brand to prospective customers.

CLASS SIZES/STAFF: STUDENT RATIOS

The ALSF has no firm view on the impact of diminishing staff: student ratios in Australian universities but suggests that should this trend be detrimental to academic performance and student experience, significant opportunities exist for higher education providers to

increase staff: student ratios in a bid to attract stronger demand from students for places within that institution.

CONCLUSION

The ALSF believes that the solution to the underfunding of some disciplines is to free the higher education of unwarranted regulation, particularly with regard to caps on student contributions and quotas on government funding of university places.

The ALSF argues that maximizing university revenue should be done not by increasing public funding, but by increasing the size of student contributions to university degrees. Statistics have proven that increasing student contributions has not adversely affected overall demand, or the socioeconomic dynamics of university students.

Finally, reforming university governance will increase the accountability of those responsible for the decision making of universities and possibly develop stronger connections between universities and their graduates, expanding possibilities for philanthropic donations – of which the Review of Australian Higher Education Discussion Paper show to be severely lacking in Australia.