

IRU Job-Ready Graduates briefing

More paying more: the rise and rise of student charges

In 1989, a business student was charged \$1,800 for the year, or about \$3,800 in today's terms. In 2020 a business student pays \$11,155. The Government proposes that this be increased to \$14,500 in 2021. Allowing for inflation this is a fourfold increase.

This IRU briefing compares how much current students would pay for university under the rates for the Higher Education Contribution Scheme (HECS) from its beginning in 1989 through to the proposed charges for 2021.

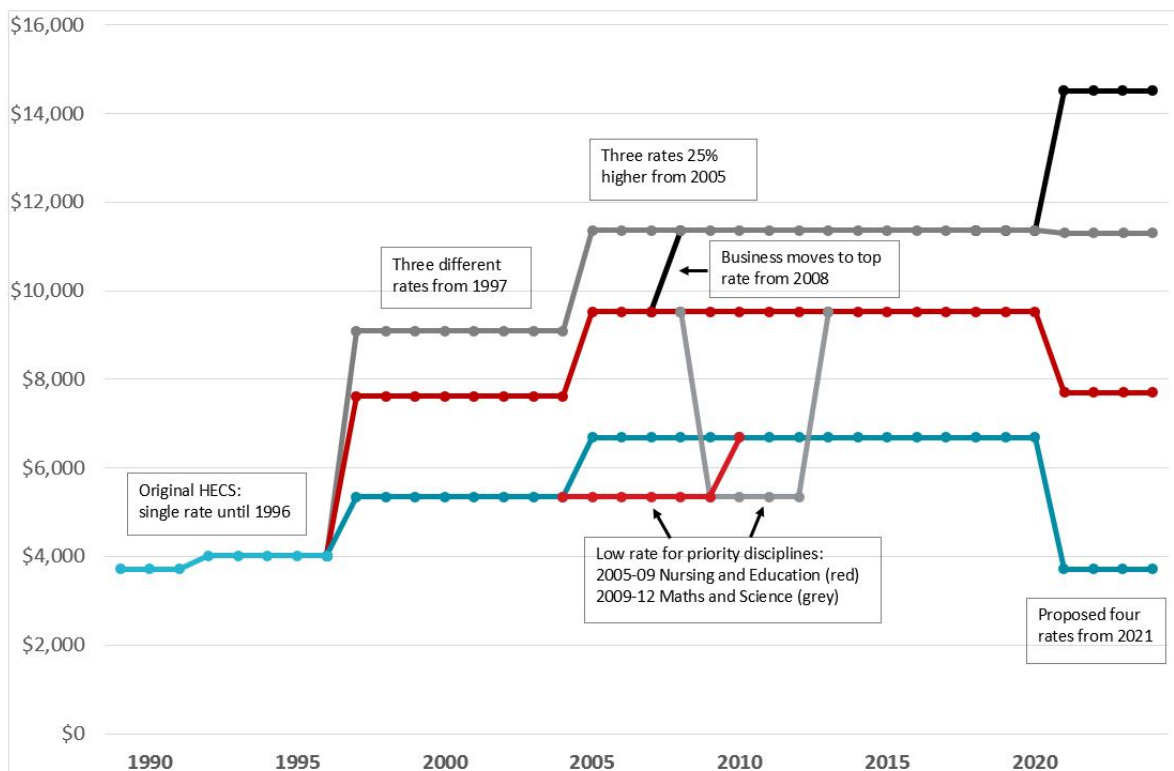
Figure One shows the student charges under HECS since 1989, adjusted to 2021 dollar value.

The changes show thirty years of governments consistently lifting student charges and placing more subjects into the highest band, mixed with targeted reductions for priority disciplines.

The student contributions through HECS have assisted the major expansion of university enrolments, underpinning the modern workforce and active citizenship.

Australia requires graduates across a range of disciplines to ensure a well-balanced graduate workforce with a mix of knowledge and skills. Against a post Covid-19 world where little is certain, supporting each person pursue her or his natural strengths makes the most sense.

Figure One: The changing student contribution amounts, 1989 to 2024 (2021 dollar value)



Charging students greatly different amounts for the benefit of their degree either punishes them for pursuing their interests or encourages them to choose something that interests them less. If the result is that students change their natural choice, it will reduce longer term productivity; a loss not just to them but to all of us.

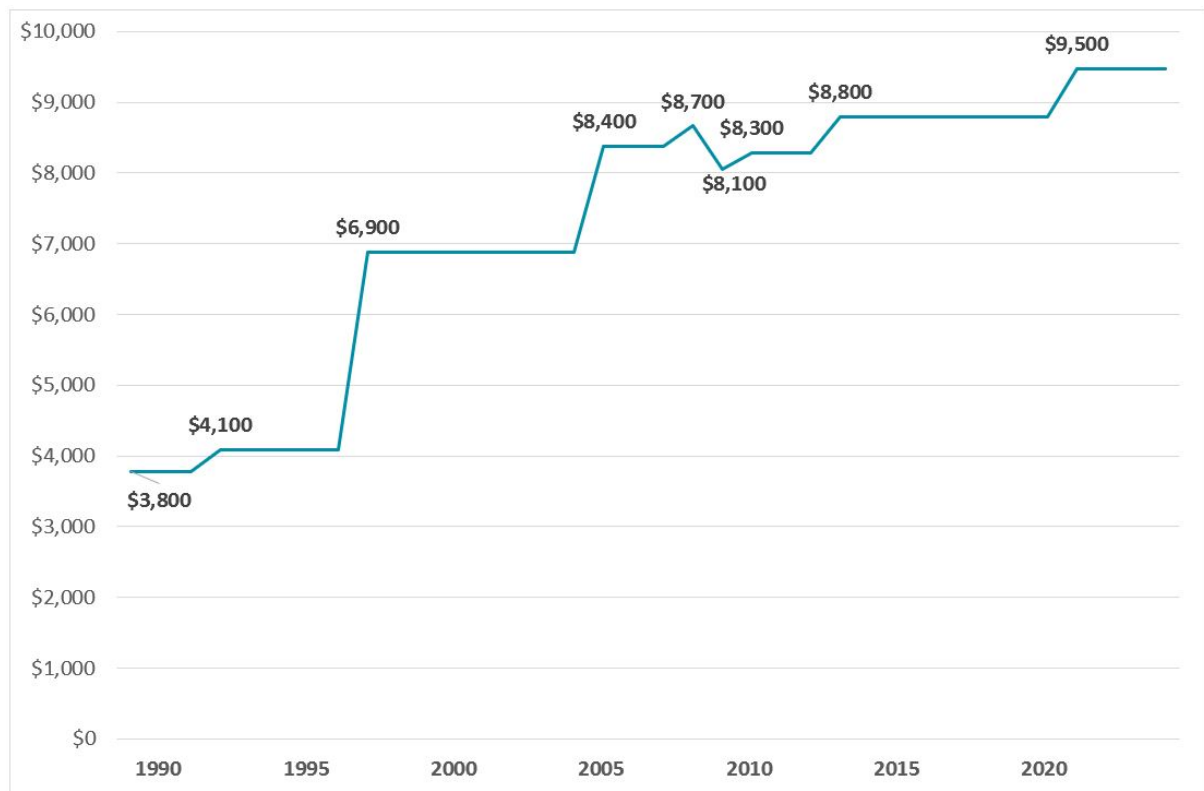
This is the risk from the Government’s proposed changes. They would widen the current two-fold gap between the cheaper disciplines and the most expensive. The Government would make this a fourfold difference.

Figure Two shows how the average charge steadily rises, with the exception across 2009 to 2012.

Originally HECS was simple. Each student paid the same for every subject, about \$3,800 in current terms.

In 1997 it was split into three bands: broadly one for humanities, education, nursing and social sciences; a second for science, technology and business; and the third and highest for law and the high-status health disciplines. The charge went up for all three. In 2005 the charge for each of those was raised a further 25%, setting the level that has applied since.

Figure Two: Average student contribution charge, 1989 to 2024 (2021 dollars, 2018 mix of units)



Governments have altered which disciplines are in each group.

Figure Three shows how over time more and more students pay the higher rates.

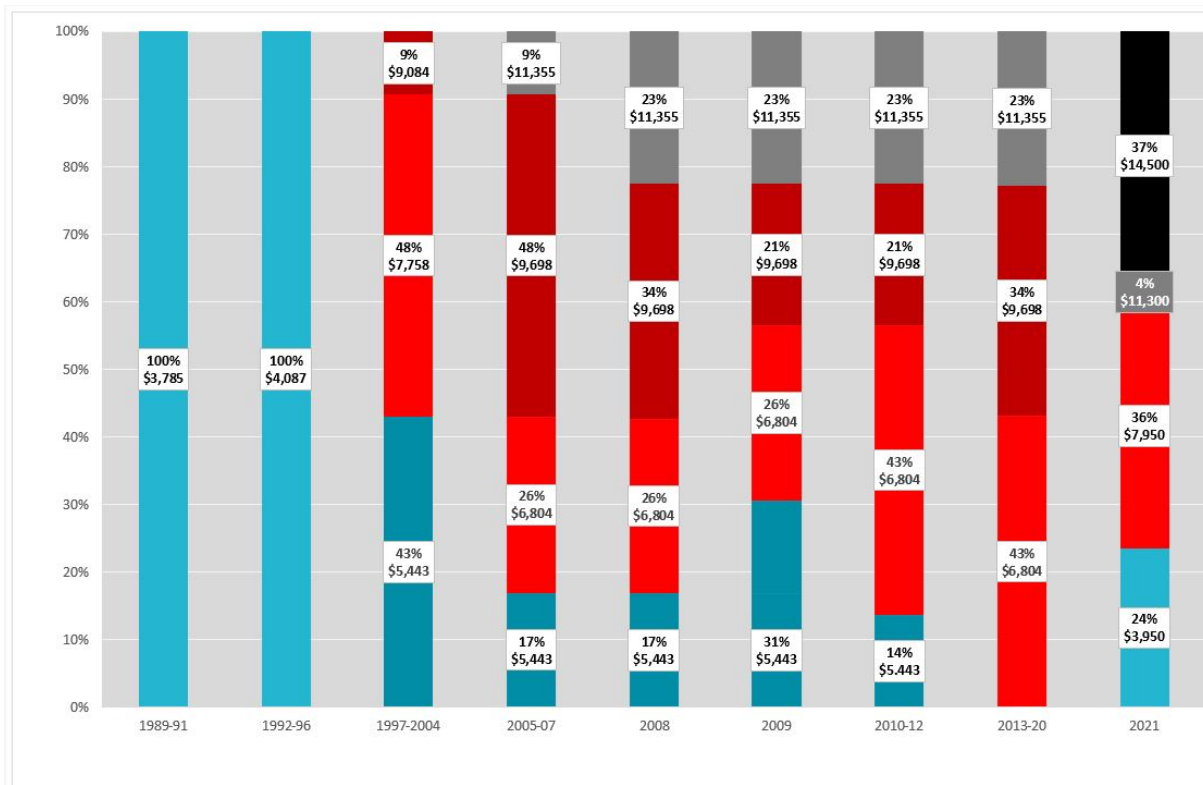
The most important change was in 2008 when the high-status band three was diluted to include accounting, business and economics. The high band was the charge for fewer than one tenth of units. It became the charge for almost a quarter of units.

Two changes were short lived. From 2005 to 2009, education and nursing were exempt from the 25% rise. Few extra students enrolled in those degrees. The disciplines demanded the additional funding denied them in 2005.

From 2009 to 2012, the charge for maths and science units was reduced. At the same time demand driven funding saw universities expand to enrol all suitable applicants. More students enrolled in these disciplines. How many more enrolled because it was cheaper is unclear. When the charge went back to previous levels there was no drop in student numbers but continued growth.

The Government now proposes four student contribution bands. A new high charge band of disciplines is created combining most of the low cost to deliver disciplines, nearly two-fifths of units. Students of these disciplines will pay \$14,500 a year, even more than the high-status health disciplines which remain at \$11,300. The additional payments from this change far outweigh the reduction to the sciences, other health professions and teacher education.

Figure Three: Proportion of students in each charging band and the amount, 1989 to 2021 (\$2021)



Rather than the Government's four extreme rates, it is possible to take the grouping of disciplines it proposes and, at no cost to students, universities or government, moderate the changes so that no unit is subject to a charge higher than the current top rate. This would still reduce the charge for the proposed two lower bands but not as much as the Government proposes. The low charge is simply not necessary to attract students.

Note on tables and charts

The charts set out the changes to HECS to assist assessment of the Government's proposals. The intent is to show how the different sets of charges would look applied to the current day students' choice of units.

The charts use the 2021 rates and adjust them back for earlier years to show where Government decisions altered the charge. To understand the difference, Figures Two and Three use students' mix of units for 2018, the most recent available.

The IRU is also publishing a support paper for this analysis, providing more detail including the actual rates, which show the annual indexation for inflation.

Last updated 28 August 2020