



---

# Barriers to university participation: ACOSS submission to the Senate Inquiry into higher education

*ACOSS Info 350 – October 2003*

---

## Abstract

This submission to the *Senate Inquiry into higher education* finds that poorer students already have a significantly lower level of university participation and that this is likely to worsen under the Government's proposals. It argues that the package will contribute to growing divides in three areas: a divide between those people able to attend university and those who do not; inequality between the universities that poorer and wealthier students attend; and a disparity in the capacity of universities to deliver quality education.

ACOSS Info 350 — October 2003  
ISBN 0 85871 430 2 — ISSN 1442 486 X  
Australian Council of Social Service — [www.acoss.org.au/media](http://www.acoss.org.au/media)  
Level 2 619 Elizabeth St Redfern — Locked Bag 4777 Strawberry Hills NSW 2012  
Ph [02] 9310 4844 Fax [02] 9310 4822

---

## Introduction

This submission to the *Senate Inquiry into higher education funding and regulatory legislation* addresses how the Government's proposed changes to higher education will affect potential students from a low socioeconomic status background and what its implications are for equity of participation in higher education. This focus accords with the role of ACOSS as the national peak council for the community services and welfare sector, and voice for people affected by poverty and disadvantage.

Currently there are significantly lower levels of university attendance by students from lower socioeconomic backgrounds, with only about 15 per cent instead of 25 per cent of students coming from a low income family. It is expected that the changes announced in the *Our Universities: Backing Australia's Future* package, will further lower the participation of students from low socioeconomic backgrounds. It is anticipated that there will be an increased stratification amongst those who are able to attend university and those who do not, a divide between the universities that poorer and wealthier students attend, and a growing disparity in the capacity of universities to deliver quality education. The reasons for these predictions are outlined below.

## Equity of access and potential students choosing higher education

Potential students have a range of factors to consider when contemplating higher education. Factors that may influence a student's decision to undertake higher education include: expectations of family; the unemployment rate; the usefulness of a course in the labour market; sufficient academic merit; the cost of a course; living expenses; foregone income; accumulated debt; and overall family resources. Richard James' (2002) study shows that the influence of these factors on a young person's aspirations and intentions to attend university are correlated with a person's socioeconomic background, gender and geographical location.<sup>1</sup> James found that, compared with other secondary students, those from a low socioeconomic background are:

- More likely to believe that a TAFE course is more relevant to them than university;
- Less interested in subjects they could study at university;
- Less confident that their parents want them to do a university course;
- More interested in earning an income when they leave school;
- Less confident that their academic results would be good enough and that they have done the required subjects; and
- More likely to believe that cost of university fees may stop them attending university.

Some of these factors require addressing at the attitudinal level in order to increase participation rates. However, the factors relating to "interest in earning an income" and "belief that university fees may stop them attending" are about having an income and the cost of university, and may be directly affected by the funding package.

## University fees

When the HECS system was introduced, the deferred payment income contingent option was intended to be a way for students to contribute to the cost of their university education without unduly disadvantaging poorer students. A recent draft report suggests that when HECS was first implemented in 1989 it did not have any definable affect on participation rates, with any impact being offset by a significant rise in available places.<sup>2</sup> However, the same study also suggests that the 1996 changes, which took effect in 1997, did affect participation levels. These changes included higher HECS rates, differential rates across three different bands, and lower repayment thresholds, and saw a decrease of 9,000 school leavers and 17,000 non-school leavers applying for university.<sup>3</sup> The decline was especially apparent amongst older students who had never previously undertaken tertiary study, external students and part-time students. There was also a reduction in the number of students from low socioeconomic backgrounds undertaking the most expensive (HECS Band 3) courses.<sup>4</sup>

---

<sup>1</sup> James R 2002, *Socioeconomic Background and Higher Education Participation: An analysis of school students' aspirations and expectations*, Department of Education, Science and Training.

<sup>2</sup> Aungles P, Buchanan I, Karmel T, MacLachlan M 2002, *HECS and Opportunities in Higher Education*, Draft, DEST.

<sup>3</sup> Aungles et al 2002.

<sup>4</sup> Aungles et al 2002.



Qualitative studies have found debt aversion to be a real factor in families on low incomes deciding whether their children will undertake higher education, especially where neither parent has a tertiary education. In James' study of students' aspirations and expectations, there was a significant difference in students from low socioeconomic status backgrounds, with 39 per cent compared with 23 per cent of other students, believing that university fees may be prohibitive to attending university.<sup>5</sup> This suggests that perceptions about fees are likely to be a significant consideration in a student from a low income family deciding to attend university.

A Tasmanian Anglicare study (2002) of low income parents' expectations showed that while many parents had high aspirations for their children, many also considered university fees to be unaffordable. Even when parents understood the deferred payment option, they were concerned about their children subscribing to that level of debt. The report noted the concern of parents about the state of the labour market which might mean their children would only gain casual and part-time employment or face unemployment, and therefore not be able to easily pay off their HECS debts leading to a long-term incapacity for their children to establish themselves. The following quotes are from two low-income Tasmanian parents:

*If they want to go to university to be a doctor, I want to be able to encourage my children and say, 'well you go for that'. But we can't at the moment for the simple reason that it's going to cost us to send them there and it's money that we just don't have. And if they come out of it, it's \$14-15,000 they're in debt. And what's to say that they will get a job straight away? I know a lot of people who've put themselves through uni and are still unemployed.*

*I'd like my children to be able to go to university, if that's what they want to do. But the way things are at the moment, it's going to cost too much to have them at university. There are HECS fees, and they can be delayed, but then the kids are left with a debt to pay off, and Austudy isn't enough for them to live on.<sup>6</sup>*

It is clear from the above report of parents' expectations and the report of young people's own expectations, that both the **cost of courses** and the **cost of living while studying** are seen as significant potential barriers to their participation in higher education. The findings of the report referred to above, *HECS and Opportunities in Higher Education*, also indicate that for older people who have not previously undertaken any higher education, the HECS quantity and repayment threshold is a real deterrent to attending university.

## Partial fee deregulation

Under the Government's proposals, universities will be able to charge anything from a nil amount to up to thirty per cent above the current HECS course costs. This change will affect:

- The choices a student makes about if and where they study
- Each university's revenue and consequent teaching and research capacity
- A university's reputation and consequent value associated with its awards.

---

<sup>5</sup> James 2002, pX.

<sup>6</sup> Anglicare Tasmania 2002, *The Costs of Education: Two classes in one room*, Anglicare Tasmania, pp51-52.

The outcomes of fee deregulation will depend on how universities respond to their options. If all universities increase fees to the maximum amount allowable, then the effect will be to increase the number of students deferring their HECS payment and to deter students who are sensitive to fee costs. The 1997 rise in HECS fees would have been at least partially responsible for the decline in university applications by particular groups of students. A further increase of fees by 30 per cent is likely to cause a further decline in participation, especially by low income groups.

The most likely scenario in introducing fee deregulation is that universities that are centrally located with strong reputations, the 'sandstone universities', will increase fees while other universities will not, or will do so for some courses but not others. The introduction of three bands of course costs in 1997 showed that there was a 22 per cent decline in the number of young students, under the age of 24, taking courses that were in the most expensive band. Furthermore, there was a 38 per cent decline in the number of males from a low socioeconomic background undertaking these courses.<sup>7</sup> These students who are responsive to course costs are even more likely to select their university based on what it will cost. A student who is prepared to change what course they choose to study based on what it will cost them, would be even more likely to change university to do the same course at a cheaper cost. While the numbers are small, the indications are that these young males from a low socioeconomic status background are actually aware of, and concerned about, the level of debt they may be acquiring through undertaking a particular course. It is likely that this concern will be more apparent amongst other people from lower socioeconomic backgrounds if the same courses are offered at different universities at different costs.

It is likely that the amount a university charges for a course will be used as a proxy indicator of the quality of the course. There will be an assumption that a university that charges more will be offering a superior course. With time this has the potential to become a reality as, through higher fees, universities will have greater revenue and will be able to spend more on teaching and facilities. This then has implications for those students who are influenced by course costs when choosing a cheaper university. In a competitive labour market these students may find that their qualifications are undervalued and that they are unable to compete equally for employment.

## Full fee places

The differential in potential university revenue and consequent spending capacity created by fee deregulation, will be further exacerbated by high demand universities being able to enrol up to fifty per cent of domestic students paying full-fees. These fees are not set or capped and therefore can be a significant additional source of revenue for universities who have this potential student base.

While it will be some time before the actual number of full-fee paying places in universities reach fifty per cent of the student population, the fact that the model contains this possibility suggests, that at some stage, there will be these levels of full-fee paying students. This will have a direct negative impact on the proportion of students from a low socioeconomic status background attending university compared with other students.

---

<sup>7</sup> Aungles et al 2002.



The introduction of an interest bearing loan – FEE-HELP – for students who are unable to pay full fees up-front will only slightly address this problem of equitable access, and it introduces a range of other problems. It may enable students who are from middle income families with a history of higher education, and who have some certainty about its benefits, to obtain a university place even if they are unable to pay the fees up-front. However, information about students from low socioeconomic backgrounds suggests that these students would be very reluctant to acquire an interest bearing loan with the level of debt that would be required with full fees. Of further concern is that if once students complete their study they are unable to enter sustained full-time employment, through events such as unemployment, illness or pregnancy, the accumulation of debt will be even greater (these loans do not stop accumulating interest until after ten years). The debt will become an ongoing burden not experienced by those students with the capacity to pay up-front or who have a non-interest bearing HECS debt.

Further, the cap on the FEE-HELP loan amount of \$50,000 means that the courses that a person can undertake under this scheme are limited to those that cost less than this amount. While it is responsible to cap the loan amount to avoid crippling levels of student debt, this restriction illustrates the inherent inequitable nature of any type of full-fee scheme and its limitations for people from lower income families.

Full-fee paying university places are always likely to have a much higher take-up rate amongst students from higher socioeconomic backgrounds than students from lower socioeconomic backgrounds, whether it be through paying the fees up-front or through having the confidence and security to take on a high level of debt. Therefore, as more full-fee paying places become available the proportion of students attending universities from lower socioeconomic backgrounds will decline. Universities that reach a full-fee paying enrolment level of fifty per cent, will have much greater proportions of students from higher socioeconomic backgrounds, unless some type of alternative equity program is also introduced. These universities will also have proportionately fewer students who have entered purely on academic merit rather than on their capacity to pay or willingness to go into debt. Full-fee paying students will have lower university entrance scores than other students.

## HECS repayment threshold

Analysis of the 1996 HECS changes suggests that the reduction of the HECS repayment threshold had a negative impact on part-time students earning between \$20,000 to \$29,999 (around 17 per cent of all part-time students).<sup>8</sup> The changes meant that these students had to pay back some of their HECS while they were still studying. This is likely to be one of the reasons why participation of part-time students declined markedly from 1997. It is likely that the lowering of the repayment threshold, as well as higher rates, contributed to the overall decline in participation by mature aged students. Mature aged students are more likely to have ongoing financial commitments, such as mortgages, and a concern about having an adequate income in the future, especially as they are more likely to also have the extra cost and responsibility of children. The anticipation of having to pay back a HECS debt while still on a relatively low income may be a significant deterrent to undertaking further study for people in these situations.

---

<sup>8</sup> Aungles et al 2002.



The lifting of the HECS repayment threshold to \$30,000 per annum may have a positive impact on increasing participation by mature aged and part-time students. However, it should be noted that when HECS was introduced in 1989 the repayment threshold was indexed to average earnings. If the repayment threshold were to be similarly indexed now it would be at \$35,000. Lifting it to this level would be more helpful in increasing participation by mature aged and part-time students, as well as alleviating the financial burden for people on below average incomes who need to repay HECS before gaining the advantages of higher income.

## Students' living expenses

An essential dimension to undertaking a university education is the ability to be able to support oneself, or have financial support, while studying. With forty-one per cent of high school students from low-income families believing their families could not afford the costs of supporting them at university<sup>9</sup>, policies relating to income support and scholarships are significant.

Students who are in a low income family, or who are assessed as independent and have a low income themselves, may receive Youth Allowance or Austudy income support payments while studying. However, these payments are well below the poverty line:

- A 16-24 year old Youth Allowance recipient living away from home receives \$155 per week plus Rent Assistance – this is 17% below the poverty line;
- A student over 25 receives \$155 per week from Austudy, but receives no Rent Assistance, and few concessions – this is 36% below the poverty line.

For young people dependent on their parents, combined family income is also under pressure when they continue their education rather than getting a job. Young people who are studying are not considered to be financially independent until they are 25 years of age. A young person who is unemployed will receive a full rate of unemployment benefit from the age of 21 regardless of their parental income. However, a student will often only receive a partial Youth Allowance payment until they are considered by the social security system to be independent of their parents.

One low-income parent commented:

*And we feel like we're failing our children, because we can't give them what they want and what they need. I'm sort of hedging my children into maybe going into a trade where they can get an apprenticeship, because they're not going to be able to become doctors and lawyers, or vets, or whatever they want to be, because realistically we can't afford it.<sup>10</sup>*

The financial pressure that students are experiencing is also indicated by the number of hours they are working. Since 1984 there has been an almost three-fold increase in the amount of paid work that full-time university students are undertaking. In 2000, full-time students worked an average of 14.4 hours per week during semester<sup>11</sup> – suggesting they are facing significant financial pressure that requires undertaking levels of work that may well detrimentally affect their studies.

---

<sup>9</sup> Aungles et al 2002.

<sup>10</sup> Anglicare Tasmania 2002, p52.

<sup>11</sup> Long and Hayden, *Paying their way: A survey of Australian undergraduate university student finances*, AVCC 2001.

## Commonwealth Learning Scholarships

The Commonwealth Education Costs Scholarships for Indigenous students and students from low socioeconomic backgrounds and the Commonwealth Accommodation Scholarships for rural students, will assist a limited number of students in meeting the costs of attending university.

The scholarships will be merit based and the Education Costs scholarship will be awarded to only about 17 per cent of commencing university students who are Indigenous or from a low-income family. Assuming that Indigenous and low-income background students continue to enter university at the current rate, only one in five such students will receive a scholarship. At a rate of \$2,000 per student, these scholarships will act to boost the low rates of Youth Allowance, Austudy and Abstudy, to levels closer (but still below) to the poverty line. However, the scholarships will be subject to income means testing for people in receipt of a Centrelink payment. This means that for students who supplement their income by part-time work, the scholarship will be of marginal real value.<sup>12</sup>

The cost of attending university is a particular barrier to rural students. The accommodation scholarships at a rate of \$4000 per annum will provide some assistance to approximately twenty per cent of commencing rural students.

The limited number of these scholarships for Indigenous, low income background and rural students means that not all students are given equal opportunity to participate in university, but rather more disadvantaged students are having to prove their academic superiority, beyond qualifying for university entry, to gain the support they need. A more equitable measure would be to increase Youth Allowance, Austudy and Abstudy rates so that all eligible potential students could attend university without needing to prove academic superiority or being prohibited through an insufficient living allowance.

## Summary

The changes to higher education are likely to reduce the proportion of students from low socioeconomic backgrounds attending university. Pertinent aspects of the package for low income students are:

- Increases in full-fee places – most of these places will be taken by students from high socioeconomic backgrounds. FEE-HELP is capped and is therefore really only applicable to shorter and cheaper courses. It is also the case that most students from low socioeconomic backgrounds would be reluctant to acquire a debt under this scheme. There will be a lower proportion of poorer students at universities with greater numbers of full-fee places.
- Fee deregulation and the optional increasing of HECS by thirty per cent – this will lead to students from low income backgrounds selecting universities that have cheaper fees. Where this is not possible, some potential students will avoid going to university. Universities with higher fees will attract wealthier students and receive greater revenue. These universities will become markedly more resource rich over time. The qualification from a more expensive university may become more highly valued in the labour market further disadvantaging those students who have done cheaper courses.

---

<sup>12</sup> Phillips Curran and KPA Consulting 2003 *Independent Study of the Higher Education Review: Stage 2 Report, Volume 2*, p80.



- Increases in HECS repayment threshold – this may lead to greater participation by a small group of part-time and mature aged students on incomes below the average wage.
- Introduction of Commonwealth Learning Scholarships – these will assist a select group of low income students. However, they are unlikely to increase overall participation by the cohort due to their insufficiency in number and value.

The combined effects of the package are to provide limited relief to students earning over \$24,000 and up to \$30,000 and to assist a proportion of students who will receive a scholarship. However, it will do nothing to make university more affordable or more attractive for the majority of low income students. The rises in HECS fees will see more low income students deterred from university attendance and the increase in full-fee places will see a greater proportion of wealthier students attending university, and proportionately fewer students entering purely on merit.

The equity impacts of university attendance go beyond simply whether or not a person obtains a higher education but to the benefits that such an education brings and its wider impact upon the community. At the moment those who are least likely to attend university are those who are most vulnerable to ongoing poverty without further education. This is not to argue that all people must attend university but that the opportunities should remain as equitable as possible. With employment opportunities increasingly polarised, contributing to a widening gap between the rich and the poor, the need for education to provide alternative opportunities is paramount. If education opportunities mirror the polarising of employment and poverty, then disadvantage will be further entrenched in Australia.

---

**ACOSS Info 350 — October 2003**  
**ISBN 0 85871 430 2 — ISSN 1442 486 X**  
**Australian Council of Social Service — [www.acoss.org.au](http://www.acoss.org.au)**  
**Level 2 619 Elizabeth St Redfern — Locked Bag 4777 Strawberry Hills NSW 2012**  
**Ph [02] 9310 4844 Fax [02] 9310 4822**