

HECS

Origins, Politics and Lessons

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OUTLINE

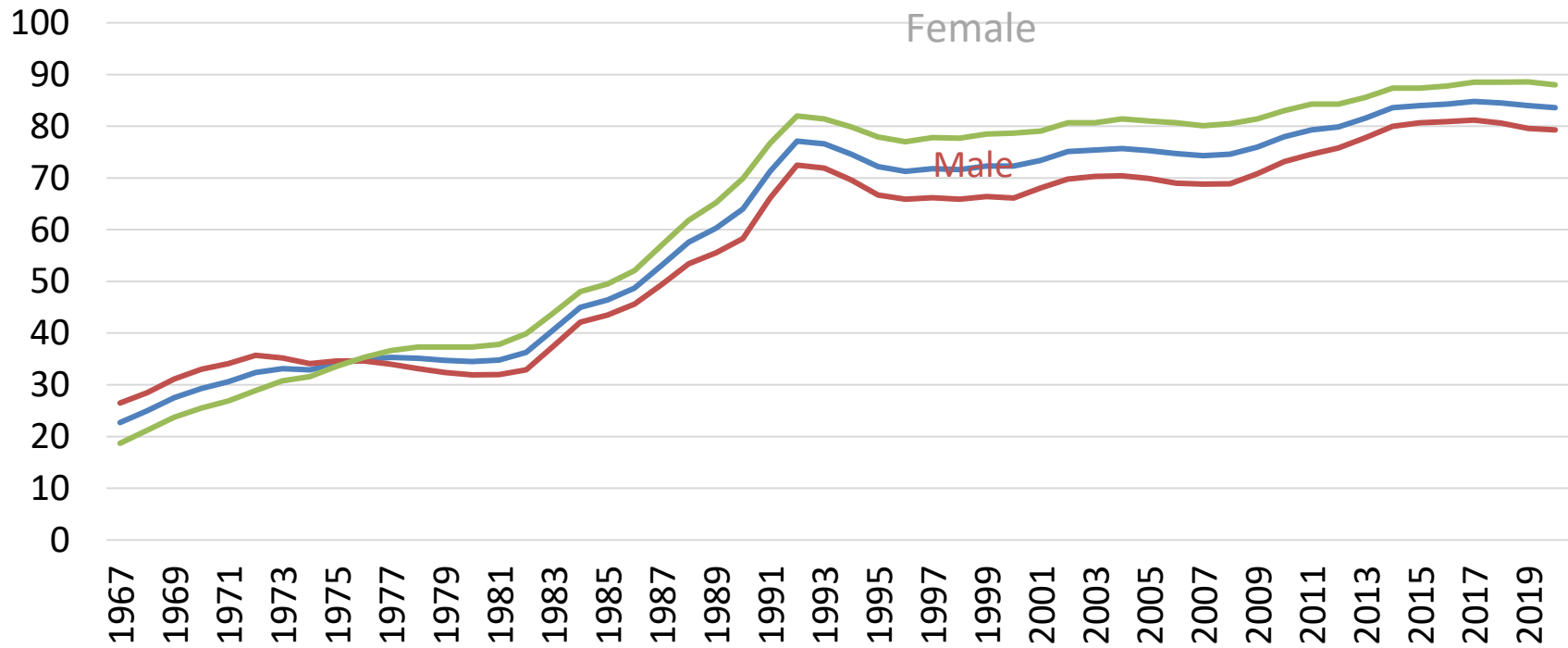
Meeting Lord Dearing

- 1 Two aspects of HECS: fee reintroduction and ICL.
- 2 The case for tuition charges and the need for loans.
- 3 The options paper and the benefits of ICL
- 4 Why did Labor adopt ICL?
- 5 HECS Effects
- 6 Bottom line
- 7 Lessons

Why did Labor want to reintroduce fees?

- (i) They needed the money for growth; and
- (ii) Strong view that “free” HE is regressive

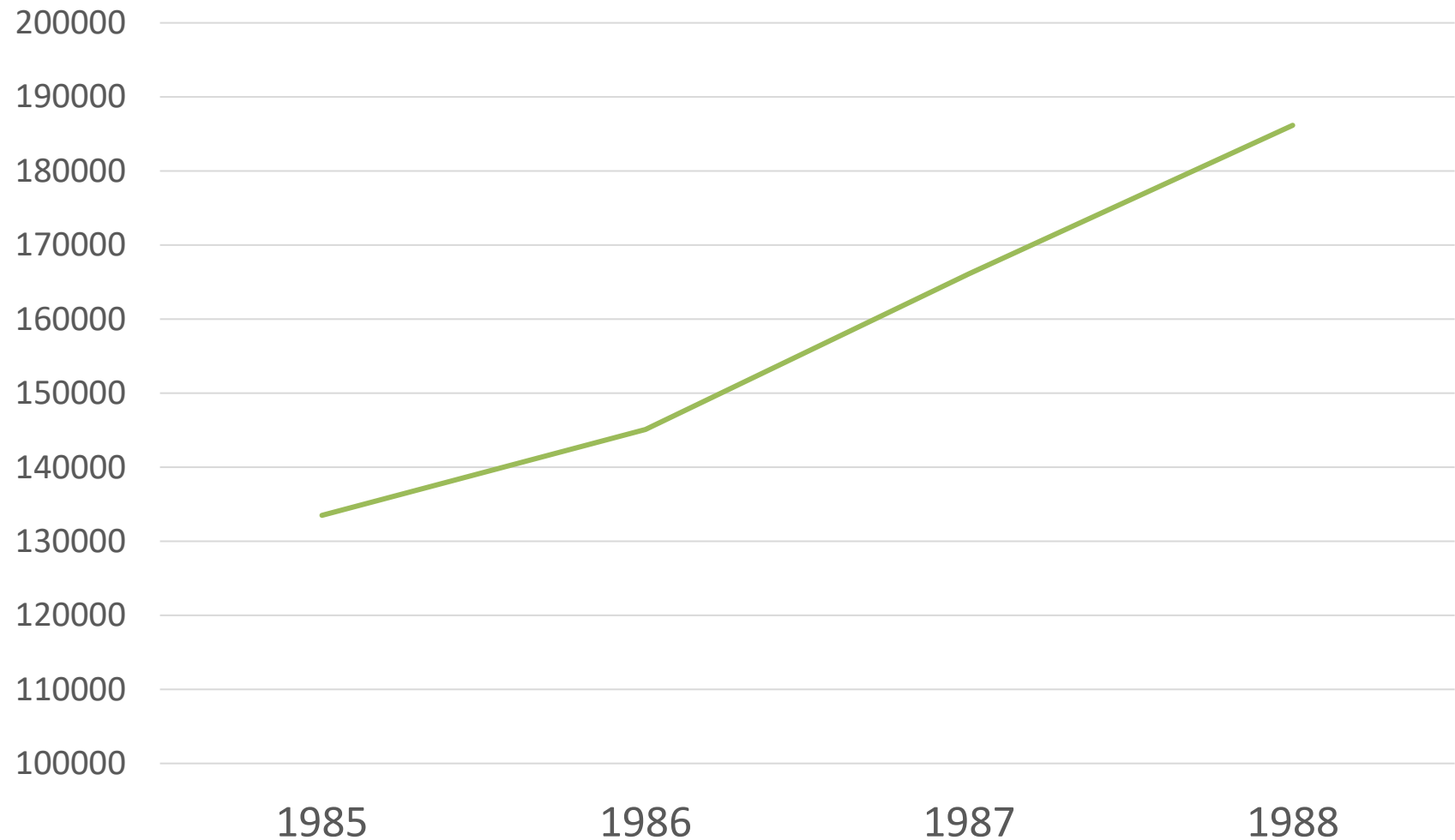
Year 12 Completion Rates from Start of Secondary School



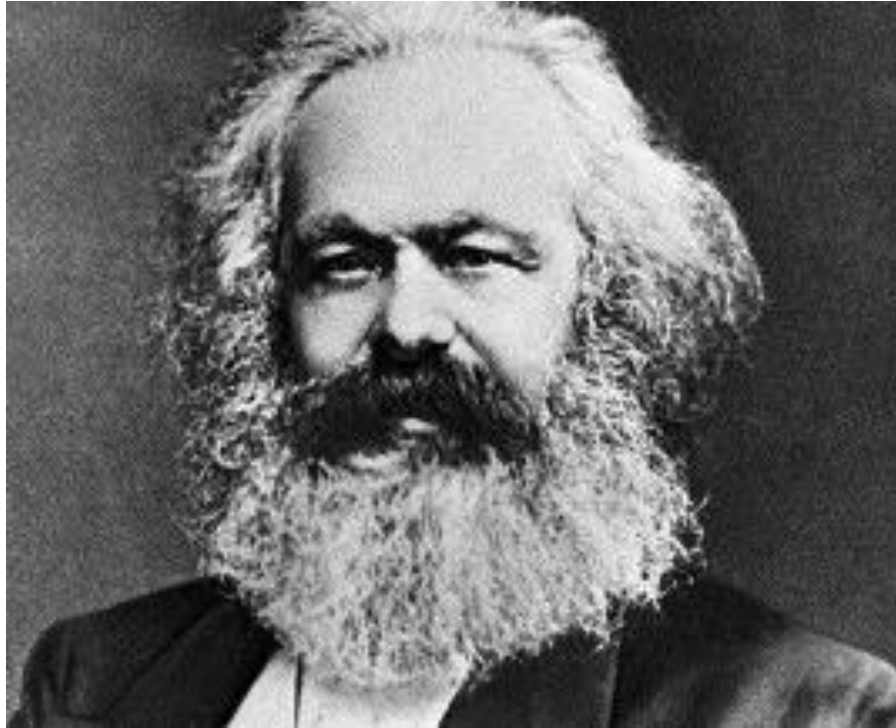
Sources: ABS Schools; National Report on Schooling; Karmel report; Gerald Burke centenary Year Book chapter; Anderson, Access to privilege.

The case for tuition reintroduction

Fast growing university applications



The case for tuition reintroduction 2: distributional equity



“ If ... higher education institutions are also “free”, that only means in fact defraying the cost of education of the bourgeoisie from the general tax receipts.. ”

Karl Marx, *Critique of the Gotha Program*, 1875

Quotes from the Wran Committee Report, 1987

Wran Committee Report, 1988
THE MAIN FINDINGS

WHO USES HIGHER EDUCATION AND WHO BENEFITS

The Committee found that access to higher education in Australia continues to be inequitable. People who make most use of the Australian higher education system tend to be or become, privileged and affluent members of the community. Higher education students:

- tend to come from high income backgrounds; and
- are more likely to have attended a private school, and have parents who are higher education graduates or work in managerial and professional occupations, than are their peers who are not participating in higher education.

Society in general benefits from higher education, but considerable private benefits accrue to those who have the opportunity to participate.

When graduates commence employment [they are]:

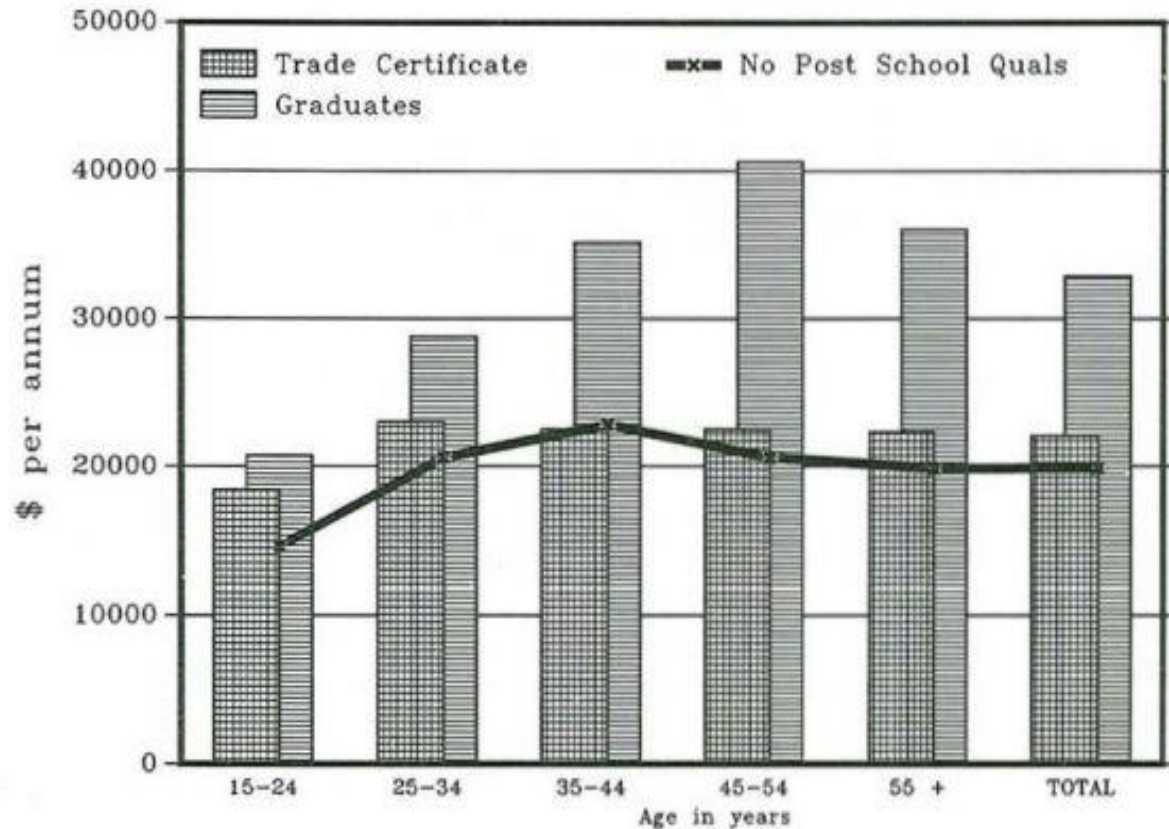
- in the top 37 per cent of all wage and salary earners: and
- in the top 22 per cent of all income earners.

Over the working lives of graduates, the differences between their incomes and those of the rest of the community become much larger.

The original age-earnings data for the Wran Committee Report: 1987/88

Earned Income by Age and Education

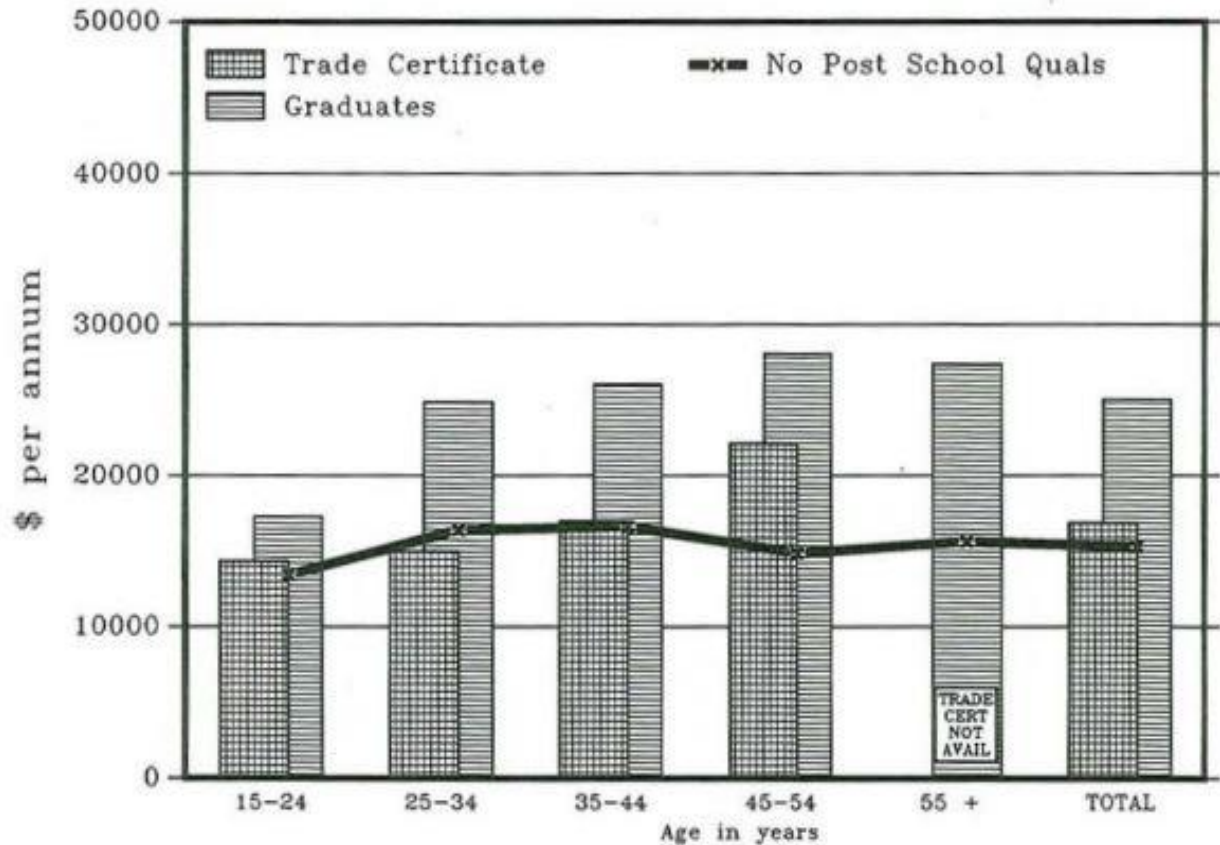
Males: Full-year Full-time Workers; Mean Gross Annual Earned Income; 1985-86.



Source: Income Distribution Survey (ABS 6546.0)

Earned Income by Age and Education

Females: Full-year Full-time Workers; Mean Gross Annual Earned Income; 1985-86.



Source: Income Distribution Survey (ABS 6546.0)

Where did ICL come from: the BC 1987 fee options paper

Emphasising:

- (i) lifetime income distribution (so no payments at entry);
- (ii) Equity, so poor don't pay
- (iii) an aversion to bank loans because of defaults;
- (iv) collection through the tax system (it just seemed obvious)

The Unfortunate Meeting with John Dawkins: December 12, 1987

BC presents his options paper and answers
some questions, very badly

John Dawkins: 2.55pm Dec 12, 1987



Some Q & A:

JD and BC, December 12 1987 (3.06PM-3.23PM)

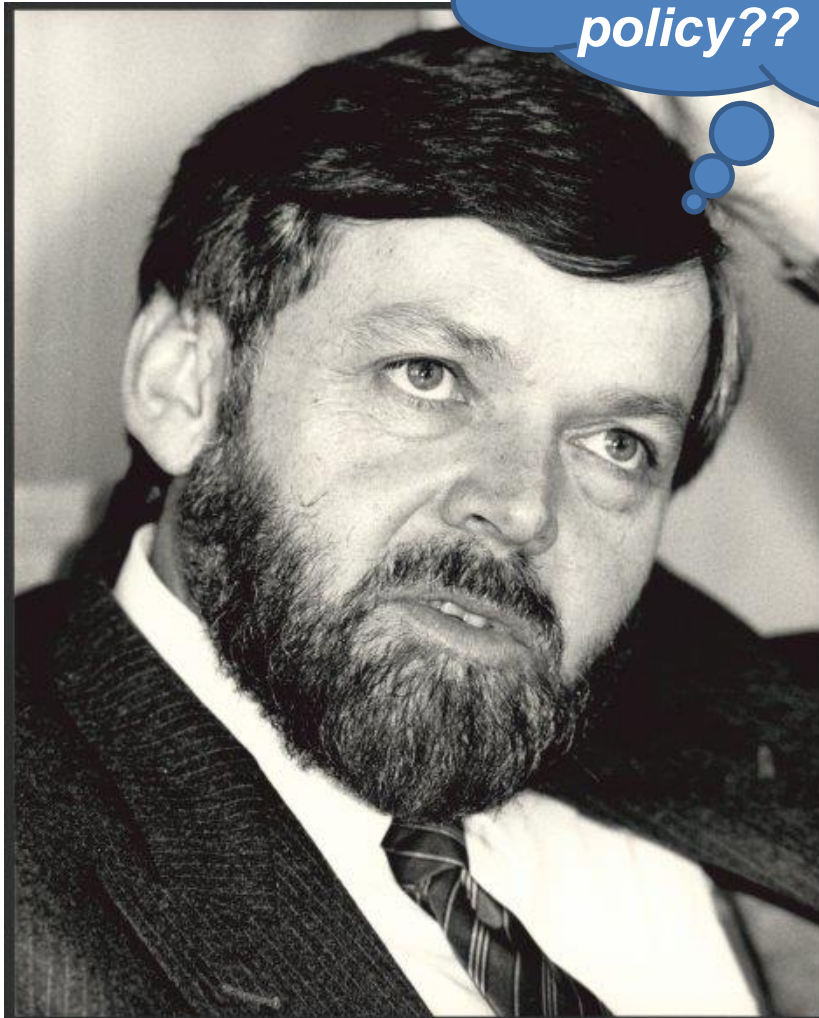
- (i) How do you know it will work?
- (ii) How many other countries do it this way?
- (iii) What will the students think?
- (iv) What will the universities think?
- (v) When do we get the money?

John Dawkins: 3.23pm Dec 12, 1987



Courtesy of the National Library of Australia

***WHAT THE F....?
Who let this moron
near economic
policy??***



**John Dawkins:
3.25pm Dec 12, 1987**

Why did John Dawkins opt for ICL anyway?

The politics of the ALP and 1974 fee abolition

The main reason for ICL (a speculation): Fee abolition in 1974 ...



Edward Gough Whitlam

Investigating the 1974 Labor Fee Abolition

- (i) The power of the mythology, starring Cate Blanchett;
- (ii) The mythology of the benefits of fee abolition explained: scholarships and Retention Rates;
- (iii) “Only the rich dumb ones paid, Minister”

HECS Effects

- (i) Major increase in enrolments (40% by 1995, 250% to 2020);
- (ii) Increased participation of all groups, disadvantaged in particular;
- (iii) Spread of ICL to post-graduates, O/S studies, private universities, some (but universal) VET.

Bottom Line

- 1 HECS is/was a budget (revenue) measure to help finance more HE places;
- 2 HECS is/was a progressive/distributional policy because “free” HE is regressive;
- 3 No banks, therefore no defaults;
- 4 The design of HECS meant it is not a resource allocation instrument;
- 5 Major goals achieved, **but**
- 6 There are big post-1989 lessons:

HECS Lessons

- (i) Joe Stiglitz and transactional efficiencies;
- (ii) The secret to access: a large system which fees allow (best work from the UK);
- (iii) Importance of CS (see RBS data); and
- (iv) The potent role of the bureaucracy

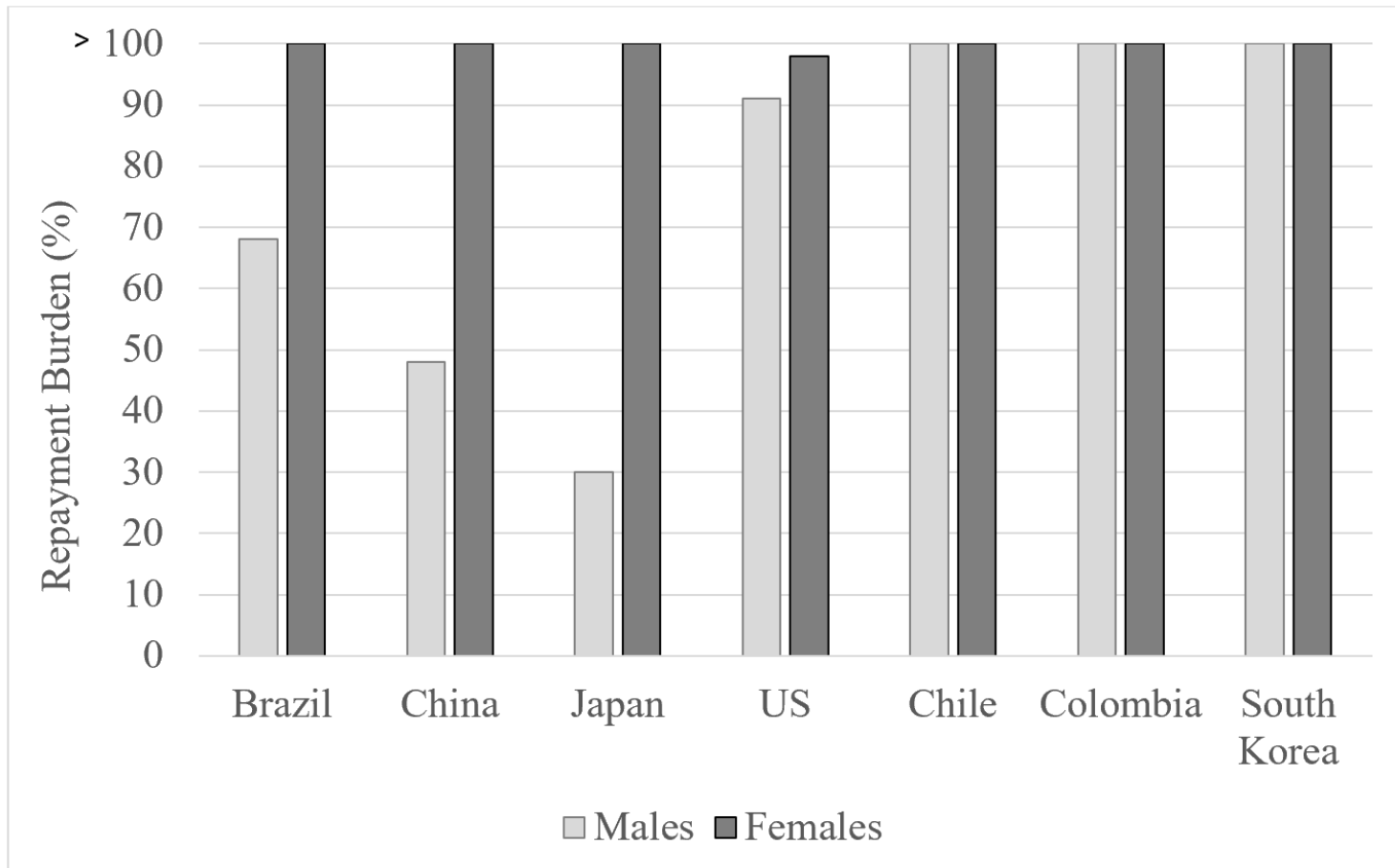
Illustrating CS: Repayment Burdens for TBRL

?

?

$$\text{Repayment burden in period } t = \frac{\text{Loan repayment in period } t}{\text{Income in period } t}$$

CS: Repayment burdens in TBRL countries (poorest 20% of graduates by sex)



Students Defaulting on TBRLoans (percent)

US: 25-35

Colombia: 35-50

Thailand: 40-50

Malaysia: 30-50

Canada: 15

ICL countries: Australia, NZ, England,
Hungary, South Korea, Netherlands = 0

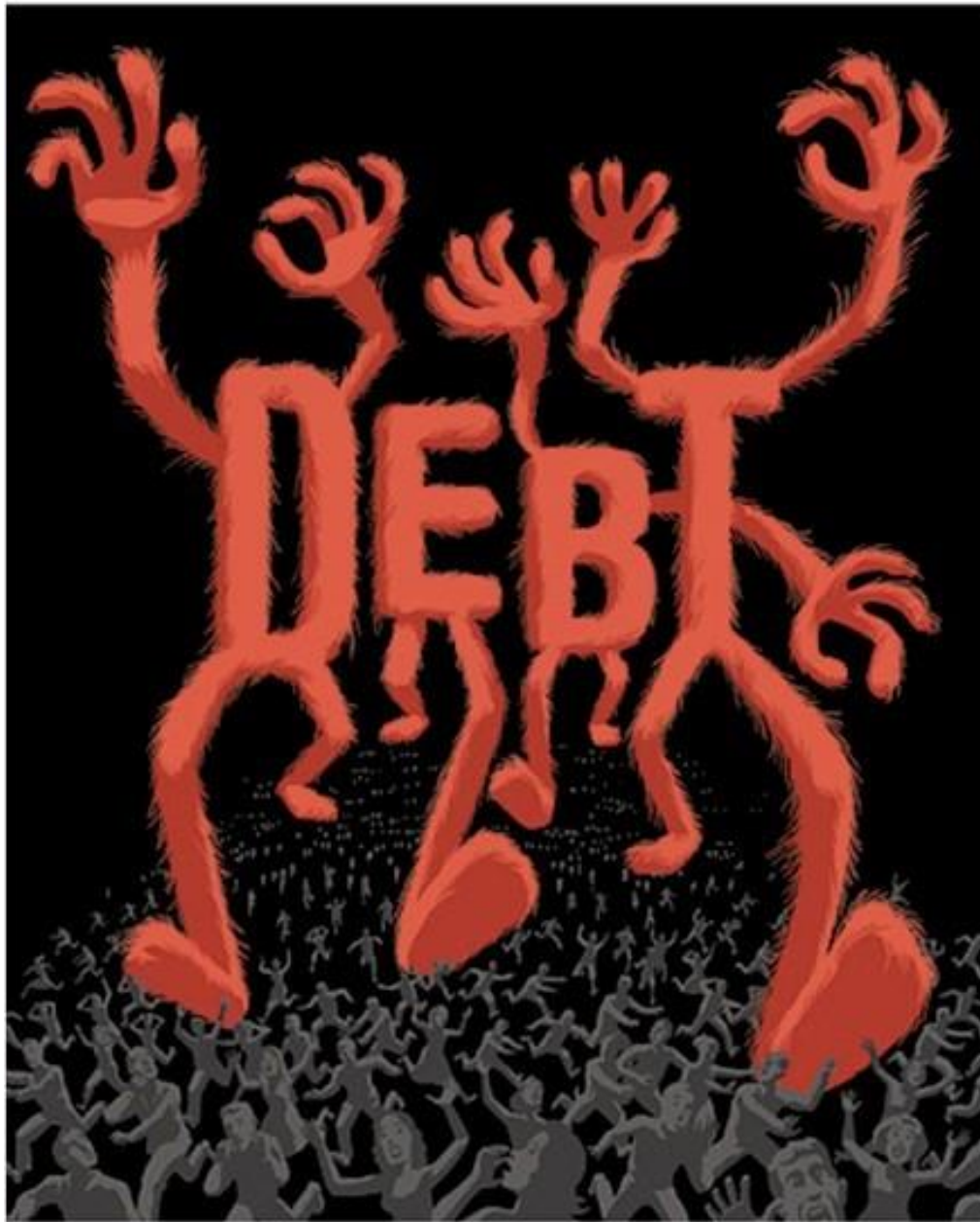
Maximum RBs for ICL (percent)

- Australia: 8 (soon to be 10)
- England: 9
- New Zealand: 10
- Hungary:

Therefore: ICL Repayment hardships = zero

Therefore ICL defaults = zero

Thus greater revenue recovery for the taxpayer



TBRL





Lesson 4: The Role of the Bureaucracy

The ATO:

Introducing Dennis & Geoffrey

The ATO principle

Dennis & Geoffrey go abroad

The Students:

Demos and more



Introducing Dennis and Geoffrey ATO, Canberra, 1988



“It’s our principle not to collect debt , and it won’t work anyway”

“Don't be ridiculous, that is impossible”

Dennis & Geoffrey

Australia
(1998)

Harold & Richard

United Kingdom
(1991, 1992, 1993)



“Don't be ridiculous, that is impossible”

Wayne & Brad

United States of America
(2000, 2003, 2006, 2014, 2016)

Alex & Ross

Canada
(1994, 1998)



“No seas ridículo, eso es imposible”

Roberto & Juan Felipe

Colombia
(2006, 2010)

Jose & Francisco

Mexico
(1998, 2004)



“Ne soyez pas
ridicule, c'est
impossible”

Christian & Joseph

Rwanda
(2001, 2002)

“Seien Sie nicht
lächerlich, das ist
unmöglich”

Christoph & Matthias

Germany
(1996, 1999, 2004)



“อย่าไร้สาระที่
เป็นไปได้”

“Jangan menjadi tidak
masuk akal, yang
mustahil”

“不要可笑，
這是不可能的”

Ketut & Kiet

Ahmed & Hakim

Li & Hong

Thailand

(1999, 2002, 2004)

Malaysia

(1996, 2009, 2015)

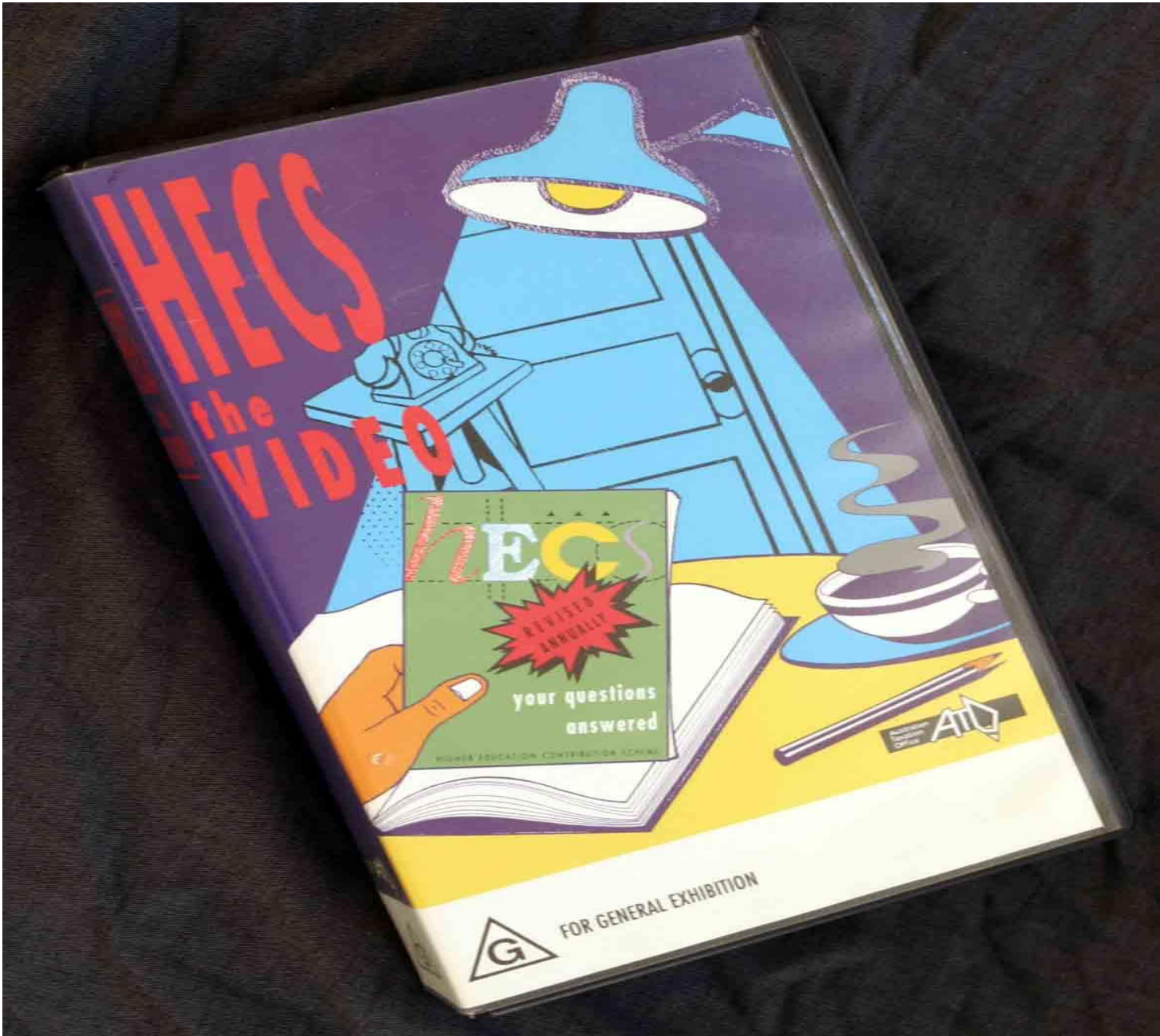
China

(1999, 2008)









Everything you need to know about **HECS** is now ...

... **ON THE INTERNET**

<http://www.ato.gov.au/hecs>

DEETIA

ATO

Internet Higher Education Contribution Scheme

HECS on the INTERNET

<http://www.ato.gov.au/hecs>

<http://www.ato.gov.au/hecs>

For everything you want to know about HECS

ATO

Calculation
 Fees & Links
 Enquiries
 Calculation
 Enquiries
 What's New
 Enquiries

THE HECS GAME

The game is a simulation of most of the steps you will progress through in your higher education. In this game you have to make a variety of decisions, and they are the consequences of those decisions. In every case part of the decision making process depends upon the Roll of a dice representing the different situations which people find themselves in.

The object of the game is to be the first to reach the end of the game. Any number can play. All that is needed is a dice, a token (such as a button or a coin) for each person, and your copy of the HECS (see Question Answered) 1982 booklet.

Once you start, just follow the instructions at each stage, and accept the consequences of the roll of the dice and your own decisions.

STAGE 1

You complete Year 12
Roll the dice. If you:

- Roll 1 - 3: Move straight on to stage 2.
- Roll 4 - 6: Receive letters that include better than expected Year 12 results. Check any available possibilities. Move straight to the next step.

STAGE 2

Holiday work experience
Roll the dice. If you:

- Roll 1 - 3: You did not have any part-time work over the holidays. You have 5000 money and no tax file number. Wait 1 turn.
- Roll 4 - 6: You had a good part-time job over the holidays. You have 10000 money and a tax file number. Move straight to the next stage.

STAGE 3

You accept an offer to a higher education institution
Apply for AUSTUDY
Roll the dice. If you:

- Roll 1 - 2: You are not eligible for AUSTUDY. Wait 2 turns.
- Roll 3 - 4: You are eligible for part payment of AUSTUDY. Wait 1 turn.
- Roll 5 - 6: You are eligible for full AUSTUDY payment. Roll the dice.

STAGE 4

You have to think about a budget for the year.
Roll the dice. If you:

- Roll 1 - 3: You have to think about a budget for the year. Wait 1 turn.
- Roll 4 - 5: You have to think about a budget for the year. Wait 2 turns.
- Roll 6: You have to think about a budget for the year. Wait 3 turns.

STAGE 5

You have to make a decision on accommodation for the year.
Roll the dice. If you:

- Roll 1: Live at home.
- Roll 2: Live at home.
- Roll 3: All College.
- Roll 4: Share a house.
- Roll 5: Rent alone.
- Roll 6: Stay with relatives.

Roll the dice again to see if the accommodation has suited you.

- Roll 1 - 3 and it has been unsuitable and unavailable. Max 7 turns.
- Roll 4 - 6 and the accommodation has worked out well. Move straight on.

STAGE 6

Enrolment Week
If you have your tax file number from stage 2: Move straight on.

If you do not have a tax file number from stage 2: Wait 2 turns while you fill in your Tax File Number Application/ Taxation Form.

STAGE 7

HECS Payment Option decision time
Write down the cost of your HECS debt for one semester of a standard full time course. Then consult your HECS (see Question Answered) 1982 booklet to find the correct answer.

If your answer is within:

- \$0 - \$200: Move straight on, and roll the dice.
- \$201 - \$400: Wait 1 turn and roll the dice.
- \$401 or more: Wait 2 turns and roll the dice.

If you: Roll 1 - 5: You choose the pay later option, for your HECS. Roll 6: You choose the pay up-front option for your HECS.

STAGE 8

Course Date
You decide to withdraw from part of your course or to drop. Write down the first semester HECS Course Date. Then look up the debt in your HECS (see Question Answered) 1982 booklet.

If you know the correct date: Roll the dice.

If you roll: 1 - 3: You decide after the course date and must still pay the full HECS. Lose 1 turn.

If you roll: 4 - 6: You decide before the course date and you can cancel part of your HECS obligation. Move on to the next stage.

STAGE 9

You become ill after the course date and cannot complete the semester's study.
You believe that there are special circumstances in your case which make it unfair that you have to pay HECS for the semester. You apply to the Secretary DEET, Canberra (for you later) or to your institution (for you later).

Roll the dice. If you:

- Roll 1 - 3: The Secretary of DEET, Canberra, advises that you have not established special circumstances and your HECS debt remains (pay later) (pay up-front) (pay up-front).
- Roll 4 - 6: The Secretary of DEET, Canberra, advises that you have not established special circumstances and your HECS debt remains (pay later) (pay up-front) (pay up-front).

STAGE 10

It is exam time
You are on the borderline of passing/failing a subject. Roll the dice. If you:

- Roll 1 - 3: You pass the subject. Move on to the next stage.
- Roll 4 - 6: You fail the subject. You still have to pay the HECS on subjects you fail, and will incur extra HECS when you take an extra subject to make up for the failure. Lose 1 turn.

STAGE 11

Second Course Date
You are uncertain what course you should take. You are considering withdrawing from one subject. Write down the second semester HECS Course Date. Then look up the correct date in your HECS (see Question Answered) 1982 booklet.

If you know the correct date: Roll the dice.

If you roll: 1 - 3: You did not know the correct date. Max one turn and then roll the dice.

If you roll: 4 - 6: You did not know the correct date. Max one turn and then roll the dice.

STAGE 12

Graduation
Congratulations! Having gone through the above stages for each year of your higher education course, you have completed your course and have graduated. You now look for a job. Once you reach a certain threshold of income you will be eligible to start repaying your HECS contributions. Your final roll of the dice will determine whether your salary will trigger you to contribute 0%, 2%, 3% or 4% of your salary through the income tax system to repay your HECS. The higher the salary, the greater the % repayment - so hope for a large repayment figure! But to get your final roll, you must know the minimum taxation figure needed to start repaying your HECS loan through the taxation system. Write down the figure at which income starts to incur a HECS repayment through the taxation system. Look up the correct answer in your HECS (see Question Answered) 1982 booklet.

If you were within:

- \$0 - \$1,000: Roll the dice.
- \$1,001 - \$2,000: Max 1 turn and roll the dice.
- \$2,001 - more: Max 2 turns and roll the dice.

If you: Roll 1 - 3: You pay 0%. Roll 4: You pay 2%. Roll 5: You pay 3%. Roll 6: You pay 4%.

Good luck!

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The object of the game is to be the first to reach the end of the game. Any number can play. All that is needed is a dice, a token (such as a button or a coin) for each person, and your copy of the HECS *Your Questions Answered 1992* booklet.

Once you start, just follow the instructions at each stage, and accept the consequences of the fall of the dice and your own decisions.

STAGE 1

You complete Year 12

Roll 1 - 3

Results not as good as expected. Need to revise your course choices. Wait one turn

Roll 4 - 6

Results better than expected. Your course choices are realistic possibilities. Move straight to the next step

STAGE 2

Holiday work experience

Roll 1 - 3

You did not have any part-time work over the holidays. You have little money and no tax file number. Wait 1 turn

DEFEAT THE LOANS SCHEME



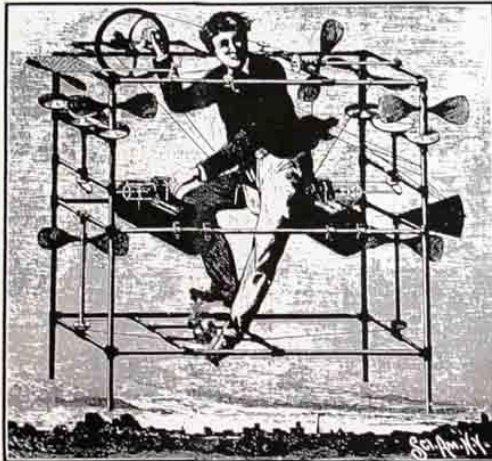
**Is this
how the
Chapman
loans will
be
collected
in 2020
AD?**

The proposed introduction of a loans scheme as a replacement to Austudy will put you tens of thousands of dollars in debt. Many students will not enroll, or will be forced out of education. Combined with tuition fees, the loans scheme would mean that you will still be paying of your education liability well into next century, perhaps until you die.

**DON'T LET THE LOANS
SCHEME TERMINATE YOUR
FUTURE**

**NATIONAL DAY OF ACTION
THURSDAY MARCH 26**

RIDICULOUS IDEAS No.1



"Apress'new serial machine / 1885!"

STUDENT LOANS

UWS, MACARTHUR STUDENTS ASSOCIATION
EDUCATION FORUM, MARCH 12TH, 1992
"WHO SHOULD PAY?"

**SAC AND THE PROPHETS PREDICT
"THE EVIL ONE HIMSELF IS COMING!"**

BUT DON'T TELL ANYONE 'CAUSE IT'S A SECRET!!

That's right girls and boys,
DR BRUCE CHAPMAN
who brought us HECS, THE
LOANS SCHEME and other
really neat ways to deprive
YOU of an education is
coming to a campus near
you.

Meet in the forum area (near main refec at Uni of Qld)
for a forum at 11am, on Friday, 5th June, then it's onto
the Economics Dpt.

**We've Tangoed with Kemp, We've
Waltzed with Howard, now let's
Dance with the Devil.**

WANTED
FOR CRIMES AGAINST
EDUCATION

★ Gave us
the HECS



...and now the
LOANS scheme

Bruce Chapman

Tuesday, October 13th, 1992
ECL Lecture Th 3, 12.30 p.m.

Dr Bruce Chapman
Centre for Economic Policy Research
Research School of Social Sciences
Australian National University
GPO Box 4
Canberra ACT 2601

Monday March 16, 1992

Dear Dr Chapman

Thank you for forwarding your "Article for Student Newspapers" for consideration by *Farrago*.

We have read your paper, and regret to inform you that it fails to reach the standards we usually require of our contributors.

Further, we view your comments as a cynical attempt to dampen the co-ordinated efforts of students across the country as we prepare to crush your loans scheme proposal.

Your science is a sham. Your co-conspirators are exposed. Your motivations are perverse. Your propositions are clumsy. Your philosophy is anti-social. Your employers are embarrassed. Your days are numbered.

Yours sincerely,

Thank you

Particularly to Nick Barr (story) and
Lorraine Dearden

It was not easy getting work
published at the beginning:
the *Farrago* rejection

Thank you

