Australian parliament adopts legislation to restructure universities

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On December 4, the Howard government finally succeeded in pushing though parliament one of its central agenda items—the restructuring of Australian universities into businesses that will be forced to survive by attracting full fee-paying students and corporate sponsorship. Just before going into Christmas recess, the Senate rubber-stamped Education Minister Brendan Nelson's Higher Education Reform Bill, with all its essential features intact.

The legislation will further shift education costs from the government to students in order to meet the demands of corporate Australia for ever-lower taxes. It will subject universities to the full destructive force of the market, widening the gulf between a handful of elite institutions and the remainder of the country's 38 public universities.

The restructuring marks a qualitative turning point in the "user pays" agenda that was inaugurated by the Hawke Labor government in the 1980s when it introduced the Higher Education Contribution Scheme (HECS). HECS forces students to repay a substantial portion of the cost of their degrees once they graduate. Despite its imposition, Australian universities have largely remained public providers of tertiary education. HECS fees have been pegged at uniform rates and all universities have continued to offer a relatively full range of disciplines.

That will now end, with individual universities substantially free to set their own fee structures, transforming their programs into commodities that are bought and sold. Students will become customers, with public and private degree providers competing to win the best-paying clients in the most profitable corners of the market.

Similar processes are underway internationally, from the United States—where privately-endowed "Ivy League" institutions cater for a privileged minority while local community colleges deteriorate—to Britain and Germany, where the Blair and Schroeder governments are currently demanding free market "reforms" that will boost prestige universities and reduce the rest to mediocre vocational colleges servicing the narrow requirements of employers.

Despite the Labor Party's hypocritical claims to oppose Nelson's legislation, the party's newly-elected leader, Mark Latham, spelt out the logic of the government's scheme as far back as November 1999, when he proposed a four-tier university system. On top would be a "small but significant group" of private universities, followed by a second layer of high-prestige institutions primarily relying upon full fee-paying international students and other private income sources. The third tier would consist of universities continuing to scrape by on HECS funds as they do at present. On the bottom would be "free" public universities providing short, vocational degrees in "depressed regional areas".

The Howard government's legislation represents a major step in this direction. First, it allows universities to increase HECS fees by up to 25 percent from the start of 2005—slightly less than the 30 percent ceiling originally sought by Nelson. Many universities are expected to raise their fees to the maximum level, driving students deeper into poverty and life-long debt. Typical fees will be about $15,000 for a three-year arts degree, $20,000 for a science degree and nearly $40,000 for a five-year law degree.

Second, universities will be permitted to increase the number of full fee-paying places from 25 percent to 35 percent of enrolments. Starved of public funds, they will become dependent on this highly lucrative market, where students pay up to $150,000 for an undergraduate degree. Australian universities already obtain more than $5 billion in full fees annually from overseas students, making the industry one of the country's largest export earners.

Third, the expansion of full fee places will inevitably curtail HECS places, lengthening the list—already at about 30,000—of qualified students denied a university place each year. Increasingly students will be compelled to pay exorbitant prices to get into the course of their choice, or to simply secure a university place.

Fourth, in order to facilitate the spread of full fees, students will be offered loans of up to $50,000. The "FEE-HELP" scheme will also cover post-graduate students, both domestic and overseas. Fully private universities, such as Notre Dame and Bond, will benefit enormously from FEE-HELP. Not surprisingly, they have hailed the changes, predicting major increases to enrolments.

Finally, the legislation will intensify the subordination of universities to business demands. It gives Nelson powers to pressure them into dropping critical or non-vocational courses and forces them to adopt corporate models of administration.

To get these sweeping changes through the Senate, Nelson accepted minor concessions, including an increase from $25,000 to $35,000 in the threshold income that graduates have to earn before starting to repay their HECS debts. He also agreed to provide some extra scholarships. The minister expressed “extreme” satisfaction at the outcome and predicted that the country’s universities would soon be forced to rationalise, share resources or amalgamate. “For the very first time, we have competitive pricing tensions between the universities,” he gloated.

Students, who already finish their degrees with HECS debts of $20,000 or more, will be the immediate victims. As well as providing for fees to rise, the government simultaneously scrapped an undergraduate loan scheme which allowed HECS students to pay their living expenses, leaving thousands of students in the lurch. An actuarial report revealed that students were so hard-pressed that outstanding loans had mushroomed to $2 billion over the 10-year life of the scheme.

These unprecedented changes to the entire system of tertiary education are the result of a protracted political process. The pro-market path began in the 1980s, when the Hawke government first re-introduced student fees, overturning their abolition by the Whitlam government in 1974.

Whitlam’s decision represented a high-water mark in the social reforms granted to the working class in the post-World War II economic boom. It opened the way for broader sections of the population to access tertiary education for the first time. Hawke’s reversal was an integral aspect of the program of free market economic deregulation that he and Treasurer Paul Keating imposed between 1983 and 1996.

Elected on the basis of the popular backlash against Labor in 1996, the Howard government set about deepening the attack on the right to education, slashing $600 million from university funding in its first budget. One of Howard’s most senior ministers, David Kemp, was assigned the task of substantially privatising tertiary education. Among other things, he touted the possibility of introducing a voucher scheme, whereby students would receive limited sums of money to buy university places.

Students and academics greeted Kemp’s plan, leaked to the media in November 1999, with such hostility that the Howard government subsequently disowned it. With business and media proprietors demanding the revival of the government’s stalled agenda, Nelson replaced Kemp after the 2001 election and initiated an 18-month “consultation” process to find ways to dress up Kemp’s proposals.

Nelson worked in close collaboration with several university vice chancellors, who concluded that the only way they could recover some of the $5 billion stripped from their funding since 1996 was to accede to the government’s “user-pays” agenda. The support extended to Nelson by the Australian Vice Chancellors Committee particularly reflected the interests of the best-endowed institutions, which stand to reap the greatest rewards from fee deregulation.

The final Nelson package was negotiated behind closed doors for several weeks with four “Independent” Senators, whose votes were needed for the legislation to pass. In order to avoid further protests or public outcry, the deal was struck at the very end of the parliamentary year, just after university and school students had finished their exams and dispersed to commence their summer holidays. The Labor Party, while formally against the package, offered no genuine opposition. Like the government, it remains committed to the escalation of “user pays” throughout the education system.

Perhaps the most cynical aspect of the deal, however, was the role played by the academics’ union, the National Tertiary Education Union (NTEU). Together with the vice chancellors, it urged the four key Senators to pressure Nelson to drop his initial demand for the forced introduction of specified industrial relations measures, as well as individual workplace agreements, in return for universities to access a $404 million “governance reform” fund.

After Nelson agreed, the union quickly fell into line. NTEU president Carolyn Allport described the resulting package, while “flawed,” as “a major win for universities and their staff who will now be able to negotiate collective agreements without the threat of losing government funding”. Even as Nelson continues to demand action against “under performing” academics and “inflexible” work practices—threatening to withhold payments from another $55 million “workplace performance pool”—the union is holding out to its members the prospect of obtaining improved pay and conditions through enterprise bargaining, university by university.

This is nothing but a public commitment by the union that, in exchange for remaining an active partner in the process, it will continue to work with the minister and the vice chancellors, as it has done for the past seven years, to implement the Howard government’s free market agenda—whatever the cost to students and staff. Already, staff-student ratios have fallen by 40 percent over the past decade, leading to larger classes, greater reliance on casual lecturers and reduced opportunities for independent research and writing.