



# **Centre for Tax System Integrity**

**Research School of Social Sciences**

**Australian National University**

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## **WHAT DO OUR GRADUATES SAY ABOUT THE HIGHER EDUCATION CONTRIBUTION SCHEME (HECS)? – A PILOT REPORT ON COMPLIERS AND DEFIERS**

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**Centre for Tax System Integrity Research Note 7**

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## **EXECUTIVE SUMMARY**

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This report contains the results of a pilot study of 30 graduates in Canberra. The primary aim of the study is to obtain a snapshot of the beliefs and attitudes toward the Higher Education Contribution Scheme (HECS) held by a snowball sample of Australian graduates who recently received their tertiary degrees.

This report is based on data collected primarily through questionnaire surveys and personal interviews. A structured questionnaire was used. Four focus group discussions were held to capture detailed information on this issue. All groups included no more than 3 to 4 graduates in addition to the researcher who acted as a facilitator. The focus group participants spoke enthusiastically about their perceptions of the HECS. A copy of the pilot questionnaire appears at the end of this report, together with some comments made by the participants. Finally, some issues that were raised during the focus group discussions are mentioned.

Participants were grouped into three categories based on their self-report:

- Upfront – those who paid at the beginning of each semester (n = 7);
- Complied – those who deferred their HECS debt and commenced repaying (n = 16); and
- Defied – those who deferred their HECS debt but are not repaying even though they are required to (n = 7).

Four major themes were explored in this pilot study:

- a general evaluation of the HECS;
- the issue of the fairness of HECS;
- felt shame and obligation over repaying one's HECS debt; and
- perceived citizen rights versus citizen duties.

Detailed findings on these themes are reported in terms of cross-tabulations (percentages, chi-square) against each question to explore the pattern of responses for different categories of participants. Findings are briefly reported below.

### **Upfront group**

Less likely to -

- want to abolish the HECS;
- believe they should have higher education free;
- view the government / community as having responsibility to pay for their higher education;
- blame the government for putting them in the situation of having a debt;
- view the HECS as unfair because:
  - students who pay up front are eligible to have a 25% discount rate;
  - differential rates of HECS apply to commencing students depending upon the type of course; and
  - the threshold for compulsory payments of HECS debt was too low.

More likely to -

- hold the view that the community should contribute to higher education, not the Government;
- have a sense of mutual obligation over repaying their HECS debt (if they did have);
- feel a moral obligation to pay their HECS debt (if they did have); and
- feel shame if caught for not repaying their HECS debt (if they did have).

### **Complied group**

Less likely to –

- blame the government for putting them in the situation of having a debt.

More likely to -

- want to abolish the HECS;
- believe they should have higher education free;
- hold the view that the community should contribute to higher education, not the Government;
- have a sense of mutual obligation over repaying their HECS debt;
- feel a moral obligation to pay their HECS debt;
- feel shame if caught for not repaying their HECS debt;
- view the HECS as unfair because:
  - students who pay up front are eligible to have a 25% discount rate;
  - differential rates of HECS apply to commencing students depending upon the type of course; and

- the threshold for compulsory payments of HECS debt was too low.

### **Defied group**

Less likely to -

- have a sense of mutual obligation over repaying their HECS debt;
- feel a moral obligation to pay their HECS debt; and
- feel shame if caught for not repaying a HECS debt.

More likely to -

- blame the government for putting them in the situation of having a debt;
- view the HECS as unfair because:
  - students who pay up front are eligible to have a 25% discount rate;
  - differential rates of HECS apply to commencing students depending upon the type of course; and
  - the threshold for compulsory payments of HECS debt was too low.

The above findings must be considered with caution as they are based on a convenience sample meaning whatever individuals were available for piloting at that time. Limitations also include small sample size. A survey (Graduates' Hopes, Visions and Actions Survey) with a larger sample of graduates is currently underway, which will provide more reliable and objective information. The information will then facilitate informed development of effective and specific policies targeted at the younger generation. For example, the practical policy options to address non-compliance in relation to the HECS may include awareness campaigns and/or training sessions to educate young generation about civic duties, feelings of shame and moral obligation over paying HECS debt. Further work will tease out political views about who pays for the higher education, who collects the HECS debt particularly focusing on the implication of the current administration of the HECS on tax compliance.

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## **RESULTS**

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As Table 1 shows, 85.7% of the graduates in the Defied group agreed (frequently and very much) with the view that the HECS should be abolished and they should have the higher education free. About 38% of the graduates in the Complied group and none in the Upfront group agreed (frequently and very much) with this view. This result is presented in Figure 1.

Table 1.

Q1. We should axe the HECS system and have the higher education free

	Upfront	Complied	Defied
Never Agree	42.9%	12.5%	-
Occasionally Agree	42.9%	12.5%	-
Fairly Agree	14.3%	37.5%	14.3%
Frequently Agree	-	18.8%	28.6%
Very much Agree	-	18.8%	57.1%

Note. Chi-square (df = 8) = 16.95,  $p < .05$

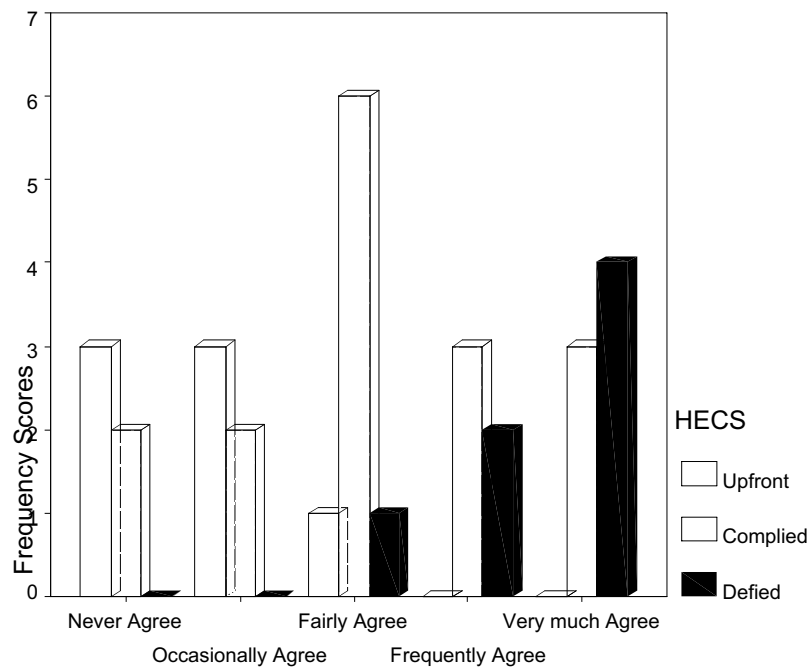


Figure 1. Frequency scores on “We should axe the HECS system and have the higher education free”



When asked about contributors to the HECS, all graduates in the Defied group agreed (frequently and very much) that the Government should be the contributor (Table 2). Accordingly, 85.8% of the graduates in this group agreed (frequently and very much) with the view that it is government's responsibility to pay for their higher education (Table 3).

From Table 2, most (62.5%) graduates in the Complied group agreed (frequently and very much) that both the community and the government should be the contributor of the higher education. Interestingly, 57% of the graduates in the Upfront group agreed (frequently and very much) that the community should be contributing to their higher education (Table 2). When asked whether it is the community's responsibility to pay for their higher education, only 28.6% of the graduates in this group agreed (frequently and very much). This reflects that they are not in favor of having the higher education free. However, the group differences on this question were not significant.

Table 2.

Q2. Is it the Government or the community should be contributing to the higher education through HECS?

	Upfront	Complied	Defied
Comm. / Govt.	14.3%	62.5%	-
Government	28.6%	25.0%	100%
Community	57.1%	12.5%	-

Note. Chi-square (df = 4) = 18.41,  $p < .001$

Table 3.

Q3. It is the Government's / community's responsibility to pay for higher education

	Upfront	Complied	Defied
Never Agree	14.3%	-	-
Occasionally Agree	28.6%	31.3%	-
Fairly Agree	28.6%	6.3%	14.3%
Frequently Agree	28.6%	50.0%	42.9%
Very much Agree	-	12.5%	42.9%

Note. Chi-square (df = 8) = 11.99,  $p < .15$

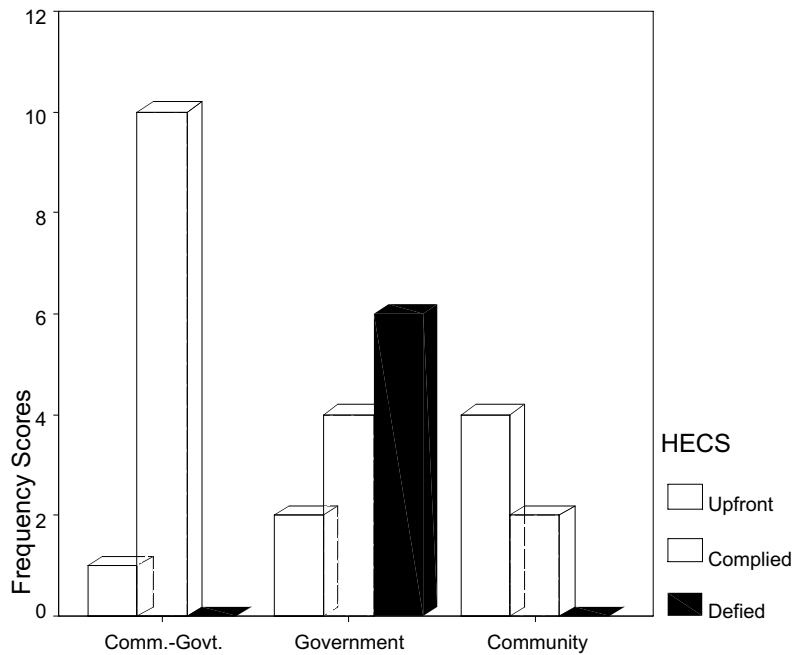


Figure 2. Frequency scores on “Is it the Government or the community should be contributing to the higher education through HECS?”

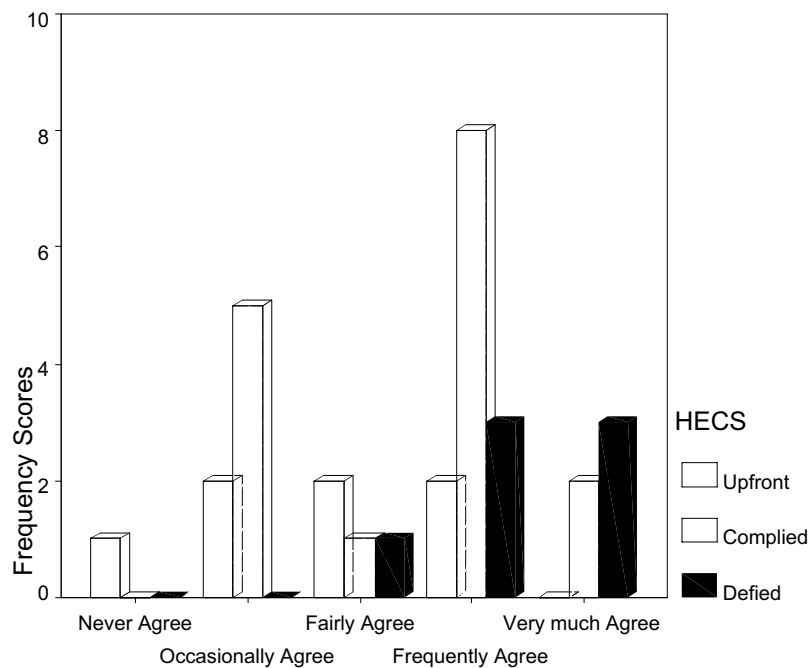


Figure 3. Frequency scores on “It is the Government’s / community’s responsibility to pay for higher education”

In accord with this view, 71.4% of the graduates in the Defied group agreed (frequently and very much) that they should have the right to pursue higher education without paying fees. 37.6% of the graduates in the Complied group and none in the Upfront group agreed (frequently and very much) with this view. Interestingly, 71.4% of the graduates in the Upfront group never agreed with this view. Figure 4 displays these results.

Table 4.

Q4. I should have the right to pursue higher education without paying fees

	Upfront	Complied	Defied
Never Agree	71.4%	6.3%	-
Occasionally Agree	14.3%	31.3%	14.3%
Fairly Agree	14.3%	25.0%	14.3%
Frequently Agree	-	31.3%	57.1%
Very much Agree	-	6.3%	14.3%

Note. Chi-square (df = 8) = 18.43,  $p < .05$

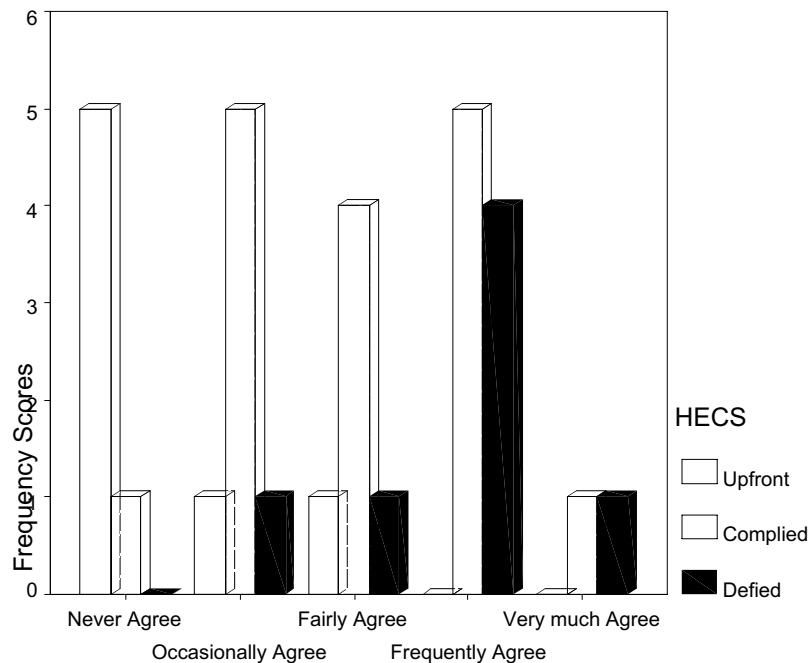


Figure 4. Frequency scores on “I should have the right to pursue higher education without paying fees”

When asked about reciprocal duty in relation to HECS, only 14.3% of the respondents in the Defied group at least frequently agreed with this statement. A large number of the graduates in the Complied group (62.6%) agreed, at least frequently, with such a view. In the Upfront group, the figure was even larger. 85.7% of the respondents in this group agreed (at least frequently) that they should repay a HECS debt. Results on mutual obligation can be seen in Figure 5.

Table 5.

Q5. As the Government / community has a duty to offer students a chance for higher education through HECS, students also have a duty to pay the debt off to the government / community

	Upfront	Complied	Defied
Never Agree	-	-	-
Occasionally Agree	-	-	42.9%
Fairly Agree	14.3%	37.5%	42.9%
Frequently Agree	14.3%	6.3%	-
Very much Agree	71.4%	56.3%	14.3%

Note. Chi-square (df = 6) = 14.53,  $p < .05$

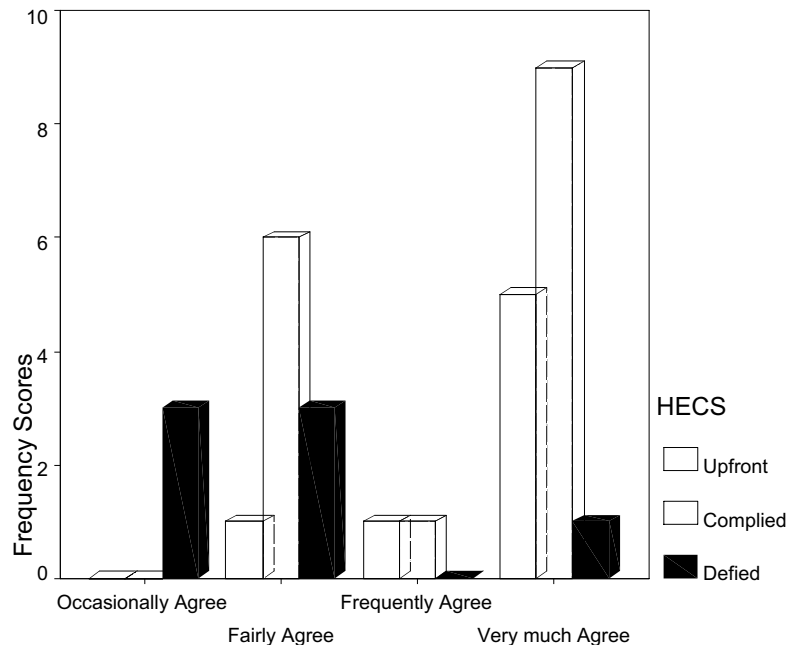


Figure 5. As the Government / community has a duty to offer students a chance for higher education through HECS, students also have a duty to pay the debt off to the Government / community

One question was posed to seek responses in relation to civic right versus duty. As can be seen from Table 6, none of these groups agreed very much to this statement, and most of their responses fall in the categories of fairly agree and occasionally agree. No distinguishable feature can be seen among the groups on this question item.

Table 6.

Q6. As a citizen, I feel that having my rights is more important than performing duties

	Upfront	Complied	Defied
Never Agree		26.7%	28.6%
Occasionally Agree	28.6%	6.7%	42.9%
Fairly Agree	42.9%	46.7%	14.3%
Frequently Agree	28.6%	20.0%	14.3%
Very much Agree	-	-	-

Note. Chi-square (df = 6) = 6.95,  $p < .33$

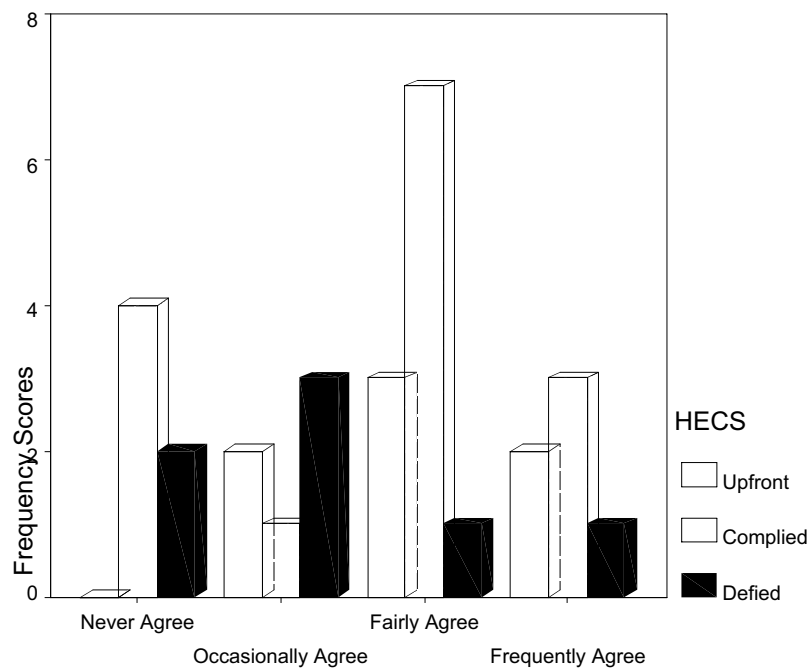


Figure 6. As a citizen, I feel that having my rights is more important than performing duties

Only 42.9% of the respondents in the Defied group at least frequently agreed with the view that they should feel moral obligation to repay their HECS debt. 75.1% of the respondents in the Complied group and 85.7% of the respondents in the Upfront group at least frequently agreed with such a view of feeling moral obligation to repay the HECS debt. This result can be viewed in Figure 7.

Table 7.

Q7. We should feel moral obligation to pay the HECS debt off (if any)

	Upfront	Complied	Defied
Never Agree	-	-	-
Occasionally Agree	-	-	14.3%
Fairly Agree	14.3%	25.0%	42.9%
Frequently Agree	57.1%	18.8%	42.9%
Very much Agree	28.6%	56.3%	-

Note. Chi-square (df = 6) = 11.16,  $p < .08$

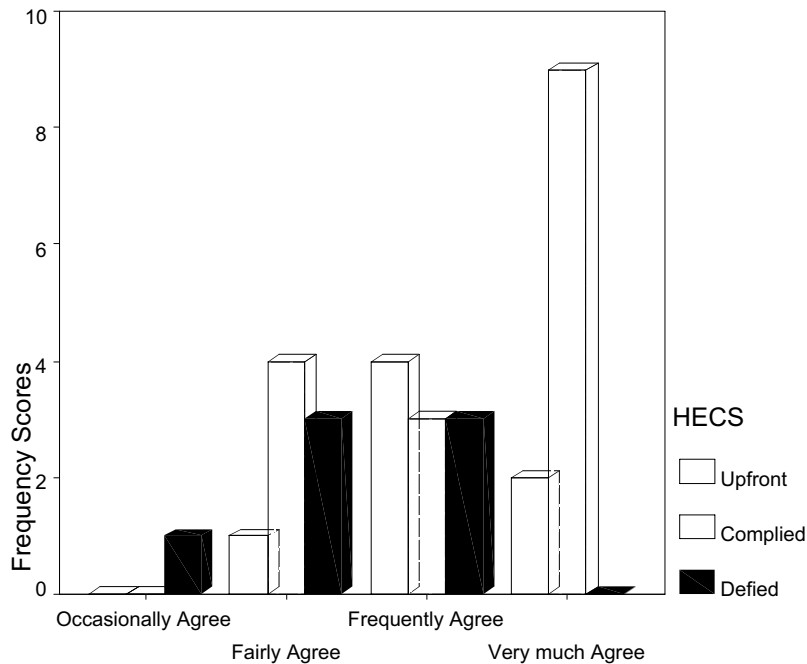


Figure 7. We should feel moral obligation to pay the HECS debt off (if any)

As Table 8 shows, only 14.3% of the Defied group frequently agreed that if the HECS is not repaid, they should be ashamed if caught. Surprisingly, 73.3% of the Compliers and 100% of the Upfront group at least frequently agreed about feeling shame if caught for not repaying the HECS debt.

Table 8.

Q8. If the income is above the threshold and one does not pay the HECS debt off, he/she should be ashamed if caught

	Upfront	Complied	Defied
Never Agree	-	-	28.6%
Occasionally Agree	-	-	57.1%
Fairly Agree	-	26.7%	-
Frequently Agree	28.6%	53.3%	14.3%
Very much Agree	71.4%	20.0%	-

Note. Chi-square (df = 8) = 31.84,  $p < .001$

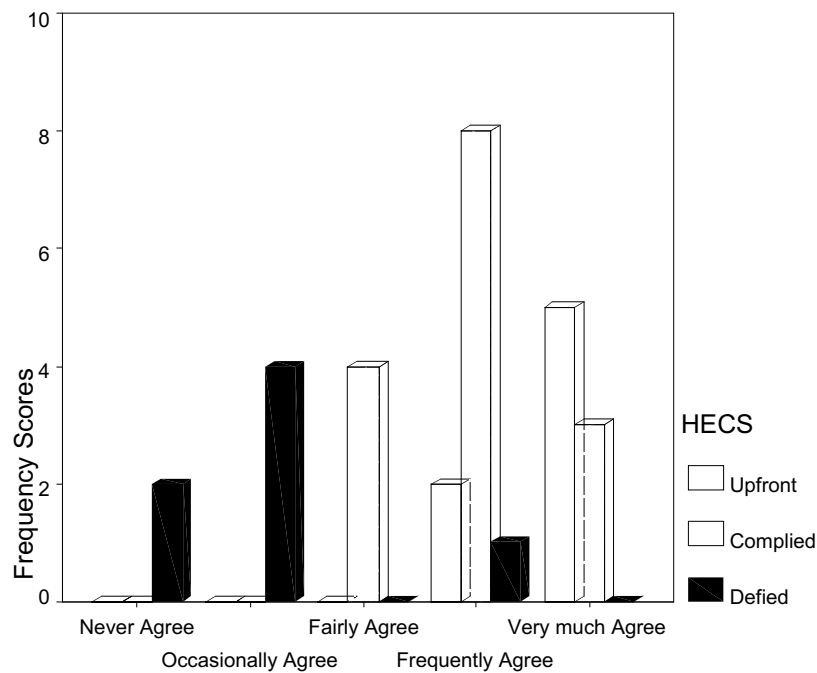


Figure 8. If the income is above the threshold and one does not pay the HECS debt off, he/she should be ashamed if caught

The opposite was the case when asked whether Government / community should be ashamed as it has put students in such a debt situation. 42.9% of the graduates in the Defied group at least frequently agreed with this view. Only 6.3% of the graduates in the complied group agreed with this statement and none of the upfront group agreed (frequently and very much) with this viewpoint.

Table 9.

Q9. The Government / community should be ashamed as it has put students in this debt situation

	Upfront	Complied	Defied
Never Agree	28.6%	56.3%	-
Occasionally Agree	42.9%	18.8%	28.6%
Fairly Agree	28.6%	18.8%	28.6%
Frequently Agree	-	-	28.6%
Very much Agree	-	6.3	14.3%

Note. Chi-square (df = 8) = 13.40,  $p < .10$

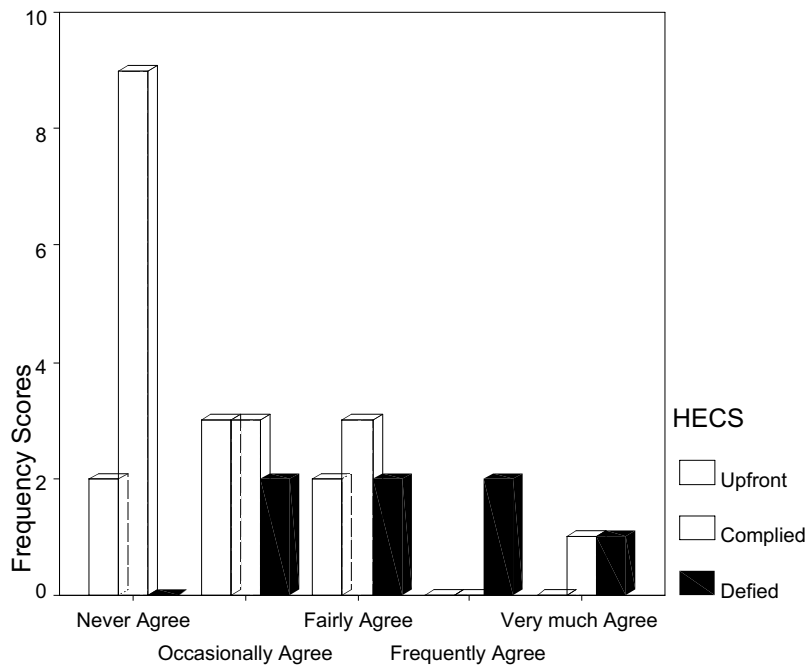


Figure 9. The Government / community should be ashamed as it has put students in this debt situation



Accordingly, compared to other groups, the Defied group blamed the government / community a greater amount. All respondents (100%) in the Defied group agreed (frequently and very much) that the government / community put them into a debt situation.

Table 10.

Q10. The Government / community should be blamed as it has put students in this debt situation

	Upfront	Complied	Defied
Never Agree	71.4%	43.8%	-
Occasionally Agree	28.6%	43.8%	-
Fairly Agree	-	6.3%	-
Frequently Agree	-	-	71.4%
Very much Agree	-	6.3%	28.6%

Note. Chi-square (df = 8) = 28.34,  $p < .001$

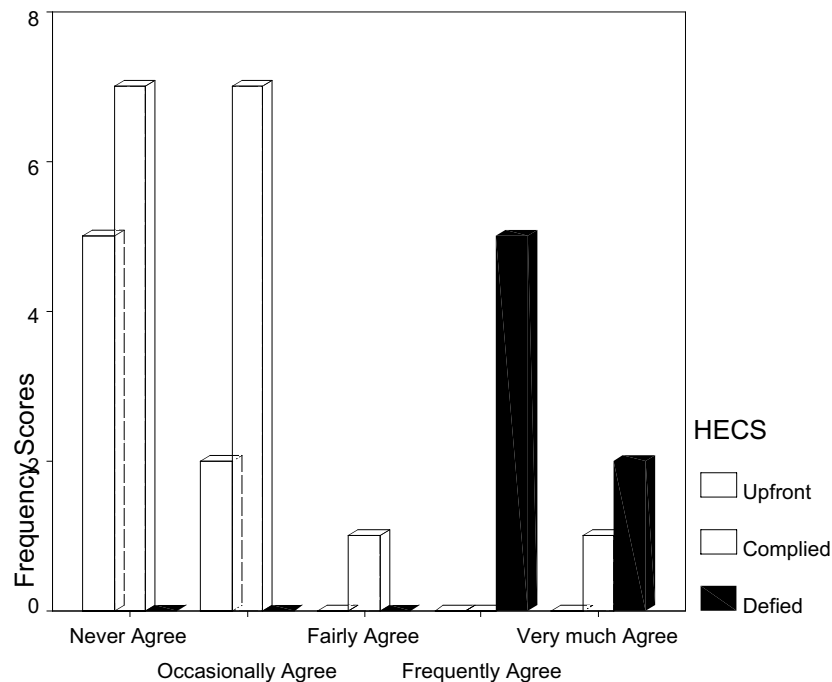


Figure 10. The Government / community should be blamed as it has put students in this debt situation

When fairness issues were raised, none of the Defied group and Complied group agreed (frequently and very much) that HECS is a fair system. Only 31.3% of the respondents in the Complied group agreed (frequently and very much) with the view that HECS is a fair system.

Table 11.  
Q11. The HECS is a fair system

	Upfront	Complied	Defied
Never Agree	28.6%	-	-
Occasionally Agree	28.6%	31.3%	28.6%
Fairly Agree	42.9%	37.5%	71.4%
Frequently Agree	-	18.8%	-
Very much Agree	-	12.5%	-

Note. Chi-square (df = 8) = 12.19,  $p < .14$

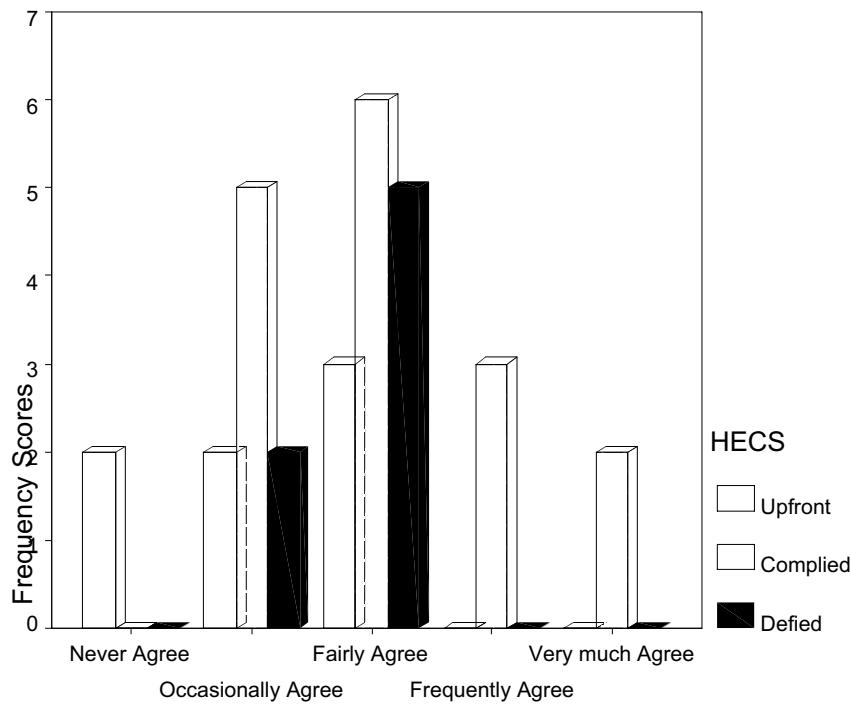


Figure 11. The HECS is a fair system

When asked about the discount rate applicable for those students who pay upfront, 100% of the graduates in the Defied group agreed that this was unfair. 31.3% of the graduates in the Complied group and 28.6% of the respondents in the Upfront group at least frequently agreed that the discount rate was unfair.

Table 12.

Q12. “We know that students who pay up front are eligible to have 25% discount rate”. This is unfair

	Upfront	Complied	Defied
Never Agree	-	25%	-
Occasionally Agree	14.3%	6.3%	-
Fairly Agree	57.1%	37.5%	-
Frequently Agree	28.6%	18.8%	100%
Very much Agree	-	12.5%	-

Note. Chi-square (df = 8) = 18.27,  $p < .02$

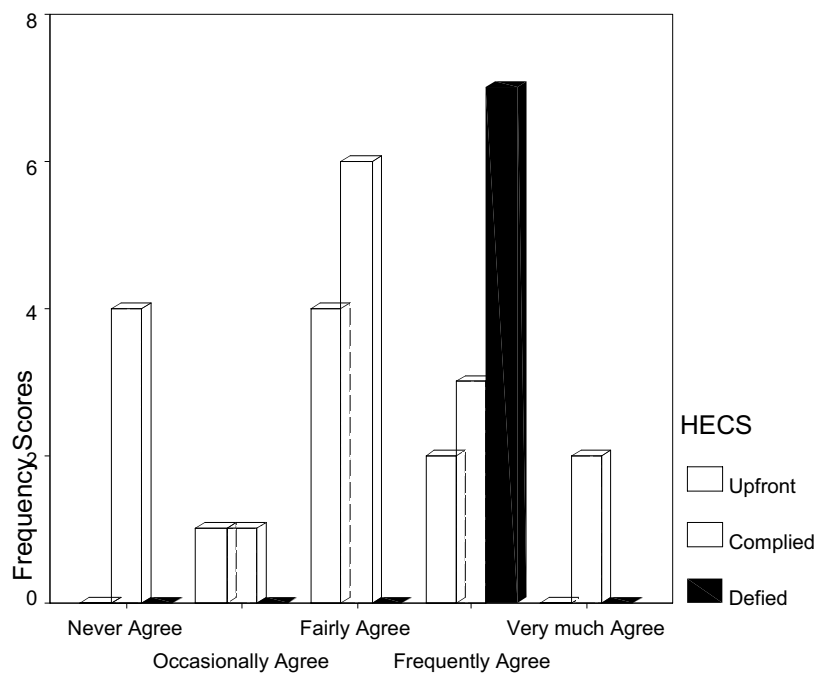


Figure 12. “We know that students who pay up front are eligible to have 25% discount rate”. This is unfair

The next question concerned differential rates of HECS for different types of course undertaken. When asked about this particular aspect of the HECS, 71.4% of the respondents in the Defied group and 31.3% of the respondents in the Complied group agreed, at least frequently, that this was unfair. Interestingly, none of the Upfront group frequently agreed that it was unfair.

Table 13.

Q13. “We know that differential rates of HECS apply to commencing students depending upon the type of course (e.g., medicine, law, history) undertaken”. This is unfair

	Upfront	Complied	Defied
Never Agree	71.4%	43.8%	-
Occasionally Agree	14.3%	6.3%	14.3%
Fairly Agree	14.3%	18.8%	14.3%
Frequently Agree	-	25.0%	57.1%
Very much Agree	-	6.3%	14.3%

Note. Chi-square (df = 8) = 10.56,  $p < .23$

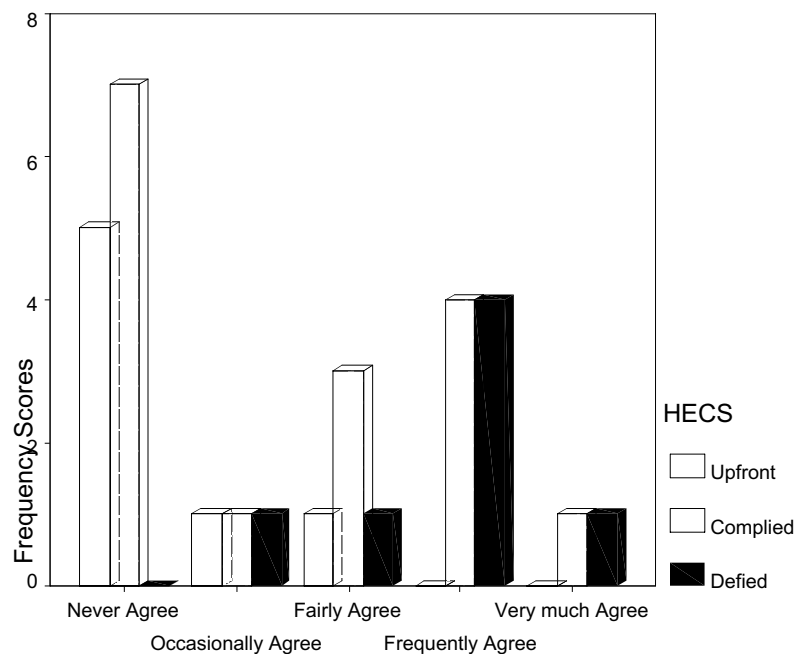


Figure 13. “We know that differential rates of HECS apply to commencing students depending upon the type of course (e.g., medicine, law, history) undertaken”. This is unfair

The final question concerned lowering the threshold for compulsory payments of a HECS debt. As Table 14 shows, 100% of the respondents in the Defied group and 37.5% of the respondents in the Complied group frequently agreed that such lowering was unfair. Once again, none of the Upfront group frequently agreed that such lowering was unfair.

Table 14.

Q14. “Recent years, some changes were made in the threshold for compulsory payments of HECS debt”. This decrease in the threshold is unfair

	Upfront	Complied	Defied
Never Agree	-	18.8%	-
Occasionally Agree	14.3%	-	-
Fairly Agree	85.7%	43.8%	-
Frequently Agree	-	25.0%	42.9%
Very much Agree	-	12.5%	57.1%

Note. Chi-square (df = 8) = 21.32,  $p < .01$

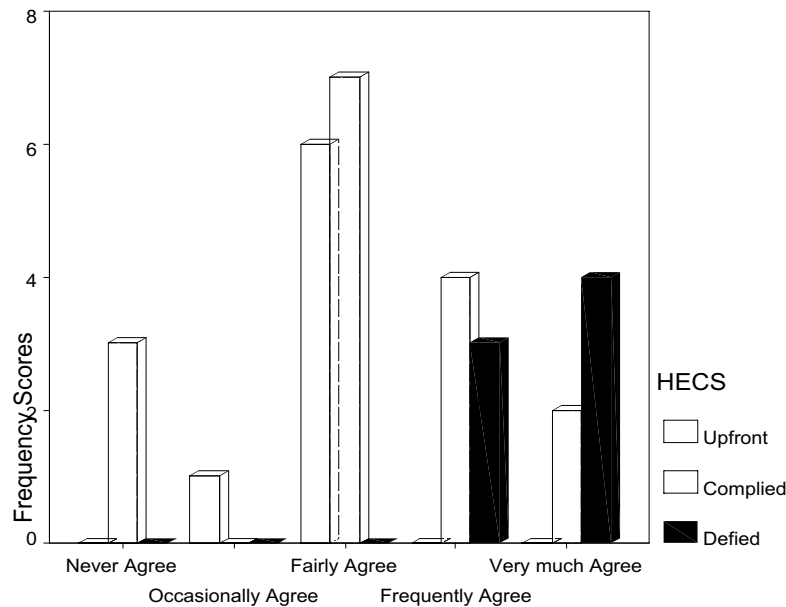


Figure 14. “Recent years, some changes were made in the threshold for compulsory payments of HECS debt”. This decrease in the threshold is unfair

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## **PILOT QUESTIONNAIRE**

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This is an anonymous pilot study to obtain some information concerning Higher Education Contribution Scheme (HECS) debt. No name or address will be kept in record. Please forward your responses as soon as you can. Your cooperation is very much appreciated. Thanks, Eliza

At first, please indicate whether you paid HECS up front (or deferred) at the beginning of each semester? (please write)

If payment was made up front,  
Who paid it (e.g., you, parents, employer, other)? (please write)

If deferred,  
Do you pay in cash to reduce HECS debt? (Yes / No)  
Does your employer know that you have a HECS debt? (Yes / No)  
Does your employer deduct additional tax installments for HECS? (Yes / No)

(1) We should axe the HECS system and have the higher education system free.  
**Strongly disagree    1       2       3       4       5       Strongly agree**

(2) Is it the Government or the community should be contributing to the higher education through HECS? (please write)

(3) It is the Government's / community's responsibility to pay for higher education.  
**Strongly disagree    1       2       3       4       5       Strongly agree**

(4) I should have the right to pursue higher education without paying fees.  
**Strongly disagree    1       2       3       4       5       Strongly agree**

(5) As the Government / community has duty to offer students a chance for higher education through HECS, students also have duty to pay the debt off to the Government / community.  
**Strongly disagree    1       2       3       4       5       Strongly agree**

(6) As a citizen, I feel that having my rights is more important than performing my duties.  
**Strongly disagree    1       2       3       4       5       Strongly agree**

(7) We should feel moral obligation to pay the HECS debt off, if any.  
**Strongly disagree    1       2       3       4       5       Strongly agree**

(8) If the income is above the threshold and one does not pay the HECS debt off, he/she should be ashamed if caught.  
**Strongly disagree    1       2       3       4       5       Strongly agree**

(9) The Government / community should be ashamed as it has put students in this debt situation.  
**Strongly disagree    1       2       3       4       5       Strongly agree**

(10) The Government / community should be blamed as it has put students in this debt situation.

**Strongly disagree**    **1**        **2**        **3**        **4**        **5**        **Strongly agree**

(11) The 'HECS' is a fair system.

**Strongly disagree**    **1**        **2**        **3**        **4**        **5**        **Strongly agree**

(12) "We know that students who pay up front are eligible to have 25% discount rate". This is unfair.

**Strongly disagree**    **1**        **2**        **3**        **4**        **5**        **Strongly agree**

Why? (please write)

(13) "We know that differential rates of HECS apply to commencing students depending upon the type of course (e.g., medicine, law, history) undertaken". This is unfair.

**Strongly disagree**    **1**        **2**        **3**        **4**        **5**        **Strongly agree**

Why? (please write)

(14) Decreasing in threshold levels (annual income of \$20,000) for compulsory payments of HECS debt is unfair.

**Strongly disagree**    **1**        **2**        **3**        **4**        **5**        **Strongly agree**

Why? (please write)

(15) Please write what are the possible reasons for not paying HECS debt even if the income rises above a certain threshold?

(17) Please suggest something about what could motivate people to pay off their HECS debt.

(18) Please write if there are any experiences/stories about HECS payment that you would like to mention?

Any concerns, comments are welcome.



## Comments from participants

*Participant 1:*

*“I feel like a victim here. I have a HECS debt – it’s not my problem, it’s Government’s problem .....*”

*Participant 2:*

*“Ideally all people should have access to all careers – higher HECS fees may stop some people from choosing certain careers .....*”

*Participant 3:*

*“Students who pay up front get a 25% discount. I don’t know. I think it is a good incentive for those who have the money up front, but it is a VERY unfair system – those that have money can save money. Those that don’t have money must pay more – even though the cost of the education is the same whether you pay upfront or not .....*”

*Participant 4:*

*“Despite notifying my employers that I have a HECS debt and filling out the appropriate form, often this information is lost. The consequence of this is that I have not been taxed the additional amount during the year and end up having underpaid tax at the financial year. A lump sum must then be paid at the end of the year .....*”

*Participant 5:*

*“People avoid paying their HECS by going overseas to work. There is an obvious loophole here .....*”

## **Issues raised from focus group discussion**

- All participants were aware of HECS.
- Most participants stated that sufficient information was given to them while studying, but they felt they needed to be reminded about their HECS debt, how they can repay the debt etc.
- It was mentioned that graduates working in business or with cash in hand need to be made aware of their HECS debt.
- An issue was raised concerning the threshold for compulsory payment. It was mentioned that the payments cut in at too low a level. It should be around 30K-34K.
- It was mentioned that the HECS is a fair system because it presents an opportunity for those who come from an impoverished family. Also it allows lots of people a chance to study without too much of a financial burden on individuals / families / the government.
- Punishment / penalties could motivate people to repay their HECS debt.
- An issue was raised about system error in the administration / collecting of the HECS debt (e.g., debts are not being withheld by the employers even though they have been notified about the debt).

## Descriptive statistics

Question items	N	Mean	SD
Question 1 - We should axe the HECS system and have the higher education system free ...	30	3.13	1.41
Question 2 - Is it the Government or the community should be contributing to the higher education through HECS? (please write) ...	29	na	na
Question 3 - It is the Government's / community's responsibility to pay for higher education ...	30	3.47	1.14
Question 4 - I should have the right to pursue higher education without paying fees ...	30	2.80	1.27
Question 5 - As the Government / community has duty to offer students a chance for higher education through HECS, students also have duty to pay the debt off to the Government / community ...	30	3.97	1.13
Question 6 - As a citizen, I feel that having my rights is more important than performing my duties ...	29	2.59	1.05
Question 7 - We should feel moral obligation to pay the HECS debt off, if any ...	30	4.03	.89
Question 8 - If the income is above the threshold and one does not pay the HECS debt off, he/she should be ashamed if caught ...	29	3.66	1.23
Question 9 - The Government / community should be ashamed as it has put students in this debt situation ...	30	2.20	1.21
Question 10 - The Government / community should be blamed as it has put students in this debt situation ...	30	2.27	1.41
Question 11 - The 'HECS' is a fair system ...	30	2.80	.96
Question 12 - "We know that students who pay up front are eligible to have 25% discount rate". This is unfair ...	30	3.20	1.13
Question 13 - "We know that differential rates of HECS apply to commencing students depending upon the type of course (e.g., medicine, law, history) undertaken". This is unfair ...	30	2.50	1.43
Question 14 - Decreasing in threshold levels (annual income of \$20,000) for compulsory payments of HECS debt is unfair ...	30	3.40	1.16