

Conceptual Issues and the Australian Experience With Income Contingent Charges for Higher Education

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Extract

I. Introduction

Seven years ago the Australian government introduced its first substantial charge for university tuition since fees were abolished in 1974.¹ While university fees are commonplace elsewhere, the scheme has a feature which made it unique internationally at the time: payment of the student's obligation is income contingent. The Higher Education Contribution Scheme (HECS) was a defining and radical policy decision that has influenced permanently how higher education financing is thought about in Australia, and possibly in many other countries.

HECS was a response to a combination of forces, most of which are familiar elsewhere. First, the government was faced with the prospect of a burgeoning demand for higher education services financed almost solely from general taxation. A demographic bulge and rapidly increasing high school retention rates meant it was clear that pressures were emerging for a considerable expansion in the number of university places.

Second was the widely held view that having a higher education system financed almost completely from tax revenue was regressive in income distribution terms. In the view of some, this was the most regressive and hardest to justify of all public expenditure.

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