

## THE ECONOMICS OF HIGHER EDUCATION WHO BENEFITS ?

Public funding of university education and the Government's proposals for a special tax on university graduates are now very much a matter of public debate. Judging the debate sensibly requires answers to several key questions:

- How much do university graduates earn?
- Is studying for a university degree a sound economic investment for the student?
- How much does it cost the taxpayer to fund a graduate?
- What sort of a return do the taxpayers get? Are taxpayers indeed subsidising a 'free' higher education?

The National Social Science Survey recently completed an analysis of the economics of higher education. The main findings are:

- A male student would invest about \$48,000 in income forgone in studying for his three-year university pass degree.
- Given his higher earnings over someone who went straight to work after leaving school, the graduate would reap a return of 9 per cent on this investment before tax.
- After tax, however, the return on his investment in a university degree drops to about 7 per cent - a reasonable rate, but not much better than if he had invested instead in property, the stock market, or buying a family home.
- If graduates had to repay a fifth of their tuition costs through the graduate tax proposed by the Wran Committee, the return would dip to 6 per cent. And if in the future the graduate tax were raised to recover half the costs, the return would drop to a mere 5 per cent. This would make higher education a poor investment in strictly economic terms, presumably discouraging some students from going to university.

- Even without the graduate tax, a male graduate would pay about \$141,000 more in taxes over his full working life compared to a man who left school after Year 12 and went straight to work. So the government already benefits handsomely from university graduates.

- The government invests about \$35,000 in each student - around \$27,000 in teaching costs for a standard three-year pass degree, and \$8000 in taxes it would have collected if the

student had gone straight to work instead of university. The government's return on this investment, in the form of higher taxes, is about 5.5 per cent.

- Since the government can usually borrow at less than that, after taking inflation into account, it already makes a handsome profit on male graduates. For example, at its normal 3 per cent cost of borrowing, each has a present value of \$30,000 to the government.

- Women graduates are not profitable to the government. Over a lifetime they pay only half the taxes male graduates

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## THE NSSS REPORT

Welcome to this first edition of the *National Social Science Survey Report*. The *Report*, to be published six times a year, will bring to its readers analyses from the National Social Science Survey, conducted by the Research School of Social Sciences at the Australian National University, together with results from the International Social Survey Programme.

We believe that the information in the *Report* will be of great value to decision-makers and leaders in politics, business, economics, labour relations and public policy. To date, the National Social Science Survey has been conducted four times. Rigorous statistical analyses of the data have yielded highly-respected results of importance to the academic social sciences, especially political science, sociology and economics.

It is our aim with the *Report* to share these results with a much wider audience. A list of some of the topics to be covered in future issues of the *Report* will be found on the back page with a subscription form.

Articles in this issue include:

- **Higher education** - the economics of higher education. How

much money does a graduate get for a university degree, and how much does the community get back in taxes? How will this be affected by the recommendations of the Wran Committee?

- **Women's work preferences** - women's views about paid employment, both full-time and part-time; how these preferences depend on the ages of their children; and the implications for public policy.

- **Party leaders and the 1987 election** - how public perceptions of the major party leaders were decisive in the last federal election, and the long-term implications both for Labor and the Coalition.

- **Privatisation** - Australian attitudes towards the privatisation of the airlines, the railways, Telecom and the postal services.

- **Compulsory retirement** - should people be compelled to retire at an age set by law? What Australians think, with comparable data from the International Social Survey Programme.

- **Obeying the law** - should the law be obeyed at all times, or are there exceptions when individual conscience must be the guide? Australian attitudes, together with comparable overseas ISSP data.

