

## Emeritus Professor Steven Schwartz AM

### Failing by Degrees: The High Cost of Degree Inflation

Following some amusing introductory remarks, Steven provided some historical background to his talk about degree inflation. He pointed out that of all the social institutions, around 85, that have survived since the year 1500, the large majority are universities that serve vital social functions.

He contends that higher education is necessary to preserve culture, develop new knowledge and provide an opportunity for bright students to fulfil their potential, but uncontrolled growth in universities and student numbers is bad for students, graduates and the nation.

In the early 1900s, each Australian state had a university with a combined enrolment of 3000. Numbers picked up after WW2 with universities seen as useful in integrating returned servicemen into the economy. With the Commonwealth providing most of the funding, the view developed that increasing the number of graduates was of benefit to all Australians.

A further, major boost in numbers occurred as a result of a policy adopted enthusiastically by John Dawkins which was to transition various institutes and technical colleges into universities, mostly by simply changing their name, then encouraging them to grow. "University growth was turbocharged".

In addition to the growth in domestic students, in the last 20 years, international student numbers quadrupled. "The average Australian university is now twice the size of its American counterpart and four times larger than the average British university". They are large businesses with the Universities of Sydney and Melbourne, for example, having annual revenues exceeding \$3 billion.

This growth has been good for universities, but not so for students and the economy. Many of the students, who would not normally have been admitted, struggle and quit with no degree and a debt.

With employers attracted to the idea of requiring a university qualification, students who would normally undertake a trade or similar vocational course were encouraged to enter a university, leading to trades' skills shortages and wage inflation.

Concurrently the financial premium over a lifetime from having a degree diminished from 25% in 1990 to 15% in 2000 and is now the third smallest premium in the OECD.

38% of employed graduates have said they are working in roles that do not require their degree.

Universities face a cost squeeze due to rising wages and salaries and limited scope for productivity improvements. The outcome is increased student numbers and higher fees are needed each year.

Students experience crowding and may receive a lower standard of higher education. Given the financial demands of growing universities, the vocational and technical education sector is underfunded. The increased number of degree holders (ie “degree inflation”) has not increased national productivity.

Steven offered these insights:

“It is time for a reset” including requiring universities to pay a share of the cost of unpaid loans. Their having “skin in the game” would discourage them from admitting students with low potential to complete their course and pay back their student loans.

It is also time to reconsider the need for degrees for particular roles, pointing to the leadership provided by a US state governor who reduced the number of roles in his state’s public service requiring a degree by 92%.

Continuing to fund the growth currently sought by universities would be a major misallocation of resources.

In summary, degree inflation is bad but we still need universities to enlighten the mind, refine understanding and elevate the soul, including of potential leaders.

Following questions including the nature of recent protests on campuses, the proliferation of courses being offered, higher education standards and caps on foreign student numbers, Professor Max Irvine proposed the vote of thanks for Steven’s insightful and informative address.

If you would like a copy of Steven’s slides, please contact him directly.

***Alan Locke***

Check out Steven’s Free Newsletter, **Wiser Every Day**:

<https://stevenschwartz.substack.com/>