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Community Attitudes to Income Contingent Loans

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Abstract

A survey of community attitudes to income contingent loans was conducted in May 2008. The predominant focus of the survey was to ascertain the level of support, or otherwise, for the Higher Education Contribution Scheme (HECS) and for the (hypothetical) application of income contingent loans (ICL) to various other policy areas, including drought relief, child care, research and development, and elite athletes. Public debate over the potential application of income contingent loans to a number of these areas has increased in recent times.

The survey results indicate strong community support for HECS, an ICL for Research and Development, and repayment of government assistance to elite athletes. By contrast, there is little support for introducing such a scheme for child care, and especially so from those who have received government assistance for child care. Opinion on repayable assistance for farm businesses for drought relief is evenly balanced for and against.

1. Introduction

This paper examines how the community views income contingent loans, including in potentially new areas of application.[1] This knowledge is clearly of relevance to governments in their policy development. Existing community attitudes may not be binding. Governments can lead as well as follow. But either way enhanced information seems sensible, especially where new ideas are being considered.

To assist in this way, an online survey was conducted in May 2008 as part of an Academy of Social Sciences of Australia research project funded by the Australian Research Council. The survey asked questions of 1,505 Australians representative

[1] For background on income contingent loans as pursued in this article see Chapman (2006).

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of the community aged 18 years and above.[2] Since one early and well developed application of income contingent loans has operated for some time now in Australia, through the Higher Education Contribution Scheme, an Australian location for the survey provides an appropriate jurisdictional base for reasonably well-informed responses, even for new areas of application. This reduces the problem of 'hypothetical bias' in such analysis.

Nine questions were asked of respondents relating to income contingent loans. The administrative details of the survey and a full list of the questions are included in appendices 1 and 2. The predominant focus of the survey was to ascertain the level of support, or otherwise, for HECS and for the (hypothetical) application of income contingent loans to other policy areas, including drought relief, child care, research and development, and elite athletes. Five of the nine questions involved this line of questioning, one for each policy area.

So as to examine whether an individual's receipt of government financial assistance colours their attitudes towards income contingent loans, respondents were also asked whether they, or an immediate family member, had incurred a HECS debt, had been a recipient of financial assistance for child care, drought, or sports training, or had worked in a firm that had received R&D funding. Those who responded favourably to the application of income contingent loans to one or more of the policy areas, were subsequently asked what level of income should be earned by debtors before repayments are required (i.e. what income threshold is appropriate?).[3]

In section 2 of this paper the motivation and context for this research is presented, drawing on a basic public economics and policy framework. Section 3 contains the key results, namely presentation and basic analysis of the responses to the main questions. In section 4 we provide a brief summary and discussion of the findings.

2. Motivation and Context

The conventional economic approach to policy design begins with establishing that a market failure exists and then chooses the instrument which addresses the market failure with least net efficiency cost. Formally, benefit-cost analysis of the alternative instruments can facilitate that choice. This is a normative approach built by economists seeking to maximise utility in terms of the outputs produced.[4]

It is assumed typically in economic research that people have preferences over the output changes being sought and the policy intervention will better cater to those preferences than under free markets (e.g. reflection of an externality not incorporated in the competitive market price of the commodity). The policy design seeks to accommodate those preferences in the social decision-making. It is not usually considered that preferences may extend to the instrument of intervention. Yet widespread

[2] As the survey was conducted online, all respondents required internet access. Although this implies response bias, this was mitigated by applying weights by age, gender and geographic location to the sample. A discussion of the survey process, including descriptive sample statistics and potential bias, are provided in appendix 1.

[3] In addition to this information, various socio-demographic variables were captured for each respondent, including: age, gender, relationship status (single, couple), presence of dependent children, individual and household income, labour force status, broad occupation group, and geographic area. This data enables analysis of how such variables are correlated with attitudes towards income contingent loans. These results are to be subject to a separate future report.

[4] For a guide to the economic and policy framework presented in this section see any good public economics text (e.g. Abelson, 2008).

public discussion around the use of income contingent loans in higher education did seem to indicate for this approach that attitudes toward the instrument were present.

One source of preference may have been the differing income distribution impacts of the instrument compared to alternatives (e.g. a loan targeted to the poor may be viewed differently than a grant to the same group). In normative choice this could be accommodated in principle by adding equity weights, subject to equity-efficiency trade-offs. But beyond Paretian compensation there is actually little agreement as to appropriate principles of justice to guide decisions on those weights normatively.

Moreover there can be more intrinsic concerns, 'merit' issues, over the nature of some instruments. For example, slavery is felt to be inconsistent with human rights values by most in a democratic society, and so is not admitted as a valid instrument choice.

There are also the complications of positive public choice.[5] Decisions regarding any collective intervention are made in practice by politicians and bureaucrats as influenced by public opinion and voting and by the activities of interest groups, within the framework defined by the constitution. Economists suggest that notions of median voting, budget maximisation and rent-seeking can help explain the behaviour of these agents.

In a democracy the basic currency is public opinion as reflected periodically in voting. It is therefore important if not fully determinative to ascertain public opinion to understand and/or inform public decision-making, including over the instruments to be chosen to address a market failure and/or pursue an equity or merit objective.

There is accumulated practical political knowledge of attitudes toward long-standing public policy instruments such as most forms of taxation, expenditure and regulation. But there is limited wisdom as to attitudes to more novel instruments. Australia's adoption of an income contingent loan system as a funding instrument for higher education (HECS) was a first.

Thus in the survey reported in this paper, public attitudes to the HECS scheme is the foundation for the poll. It means that the poll starts with eliciting preferences over the use of HECS, preferences well-grounded in knowledge of a system that has been in place and evolved over several decades. In survey work grounding in real systems helps significantly.

In this survey, the real system is then able to be contrasted with its possible extension to new areas, which by definition are hypothetical. The new areas chosen have emerged in discussions in Australia, and those selected reflect a range of types through loan provision to business, farming, sports and social service. The proposition that preferences may exist over the instrument might suggest the hypothesis for income contingent loans that it will be better supported for those activities more normally dependent upon loan finance and more business oriented. By contrast for more socially oriented activities, where a sense of social obligation exists irrespective of benefit from investment of loan monies, it is hypothesised that there will be reduced relative support.

At the same time in this survey effort is made to provide further realism for each area by also stating the present government support provided in each case as a basis for contrast with the hypothetical option provided by a new income contingent loan arrangement.

It is also acknowledged that there is a potential survey bias resulting from personal benefit.[6] It is hypothesised that where provision of an income contingent loan

[5] See, for example, Mueller (2003).

[6] For an early analysis of this problem approached through survey methods see Throsby and Withers (1986).

is less favourable than current alternatives to individuals who themselves, or through immediate family, receive government support, they will have an incentive to be less supportive of such a mechanism being adopted.

For this reason family use of the service areas considered is a crucial variable important to the survey, alongside the more conventional socio-economic and demographic status variables used to explain differences in behaviour (e.g. age, gender, relationship status, parental status, individual and household income, geographic area, employment status, and broad occupation group). Results for the conventional explanators are not reported here and are the subject of further research.

Finally, there is an issue regarding how far adoption of income contingent loan approaches are supported according to one key feature of their operation, namely the income threshold at which repayment provision comes into operation. Accordingly, for each possible applicable area of intervention considered, the definition of the appropriate income threshold arrangement is sought.

Variations of conditions could be considered (e.g. interest rates charges, discounts for pre-payment etc.) but these are not further pursued here. It is assumed that pursuit of such specifics may be better a matter for focus group methodology than on-line survey, where limited scope for explanation exists.

In sum, three specific hypotheses for testing emerge from this discussion of the public economics and policy framework applied to the specific policy instrument of income contingent loans.[7] These are that, all else equal:

1. Public support for the use of ICL will vary directly with the extent of social rather than business content of the activity.
2. Public support for the use of ICL will vary directly with the extent of private consumption of the activity by the respondent.
3. Public support for the use of ICL will vary directly with the extent of progressivity in the determination of the income threshold for repayment.

These hypotheses are to be tested through a representative survey that builds in these dimensions of ICL operation for interrogation and allows for sufficient understanding of the instrument and its present and potential applications.

3. Key Results

Attitudes Towards Income Contingent Loans

In this section we present column charts showing the proportion of respondents who strongly agree, agree, are neutral, disagree or strongly disagree (i.e. a Likert scale) with the application of income contingent loans to the policy areas considered, including HECS. The column charts shown include the five categories of response, and for comparison a chart is presented for each policy area where categories of strongly agree and agree, and strongly disagree and disagree, are combined into three categories.

For the examples where the number of data points is sufficient, the results have been disaggregated by whether or not the respondent has incurred a HECS debt, has

[7] The primary purpose of this paper is to present initial results as reported at the ICL workshop. Although individual preferences may vary with individual socio-economic and demographic characteristics, modelling and hypothesis testing of the statistical significance of these characteristics is the subject of ongoing research in the associated project.

received financial assistance from government for drought, child care or sports training, or has worked for a company that received R&D support. Chi-square tests were performed to determine if there is a statistically significant difference in the responses between the groups. The number of persons responding to each survey question is given in appendix 2. The numeric results underlying the column charts are tabulated in appendix 3.

HECS

The first area for examination of preference naturally is the existing and known income contingent loan system of a Higher Education Contribution Scheme, introduced in Australia in 1989. HECS arrangements are available as loans for the student contribution component, determined by government regulation, of domestic undergraduate tuition fees, also determined by regulation by government.

The personal contribution required in addition to government subsidies provided varies by discipline and also has varied over time as a share of the tuition fee. The survey question anchored the reference point at the then current average of 40% personal contribution.

Loan repayment is made through the Australian Taxation Office as part of personal income tax and takes place after an income threshold is reached and a defined repayment sequence is then triggered over time.

In question 2 of the survey respondents were given a basic description of HECS, including the fact mentioned that HECS pays only a proportion of course provision costs with the rest met by the general taxpayer (see appendix 2 for the exact wording for this and other questions). Following this description they were asked whether they agreed that HECS was a good procedure for higher education. The aggregate responses, and the responses disaggregated by whether the respondent had incurred a HECS debt, are presented in figure 1.

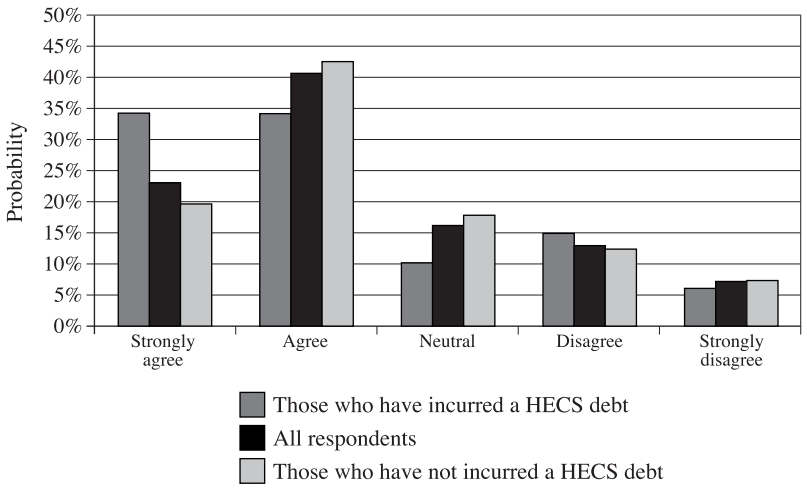
It is immediately clear that a substantial proportion of respondents support HECS. It is also clear that this support is considerable irrespective of whether or not the respondent had incurred a HECS debt. A chi-square test ($p<0.01$) applied to the data using three categories of response confirms that attitudes differ according to whether or not the respondent had incurred HECS.[8] Those who had incurred HECS are more favourably disposed to the policy than those who hadn't. In particular, the proportion of respondents strongly agreeing is dramatically greater among those who had incurred a HECS debt, whereas the neutral response is under represented.

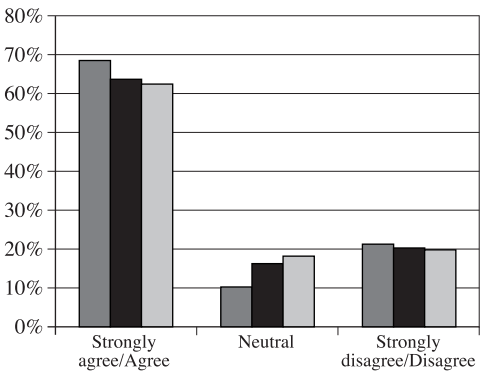
That those with a HECS debt have a less neutral opinion on HECS is not surprising. However, that this manifests primarily as greater approval of the policy is at first unexpected in relation to the notion that respondents would prefer no such debt. When one reflects that the era of no tuition fees for tertiary education is in the past, and the counter factual for many graduates is unaffordable full fees rather than free education, it may be that many respondents see HECS as an enabling policy, rather than a burden.[9] This is to say that 'counter-factuals' may matter. This would be a good topic for further research.

[8] Similarly results hold when those who had a HECS debt were combined with those whose immediate family had incurred a HECS debt.

[9] Although not displayed here, the survey data shows that support is reduced for older respondents, possibly due to their counter factual being free education. In a study of tax morale among graduates, Braithwaite and Ahmed (2005) similarly found a positive relationship between age and opposition to HECS.

Figure 1 - Respondent Attitudes to HECS (Question 2)





Drought Relief

One possible new application of income contingent loans that has been proposed (e.g. Botterill and Chapman, 2004) is loans for drought assistance for farmers. Support in lean times would be repaid by those who rebuild successful farm enterprises subsequently. Traditional assistance during drought has been welfare payments to support families, in the same manner as for other welfare provision, plus grants to support the farm business.

There is little specific challenge to questions of rural access to universal welfare provisions, but the specific farm business grants and related provisions (e.g. income averaging), have been reviewed from time to time. Most recently the National Farmers Federation (2009) has advocated inclusion of income contingent loans as an element in the armoury for responding to drought.

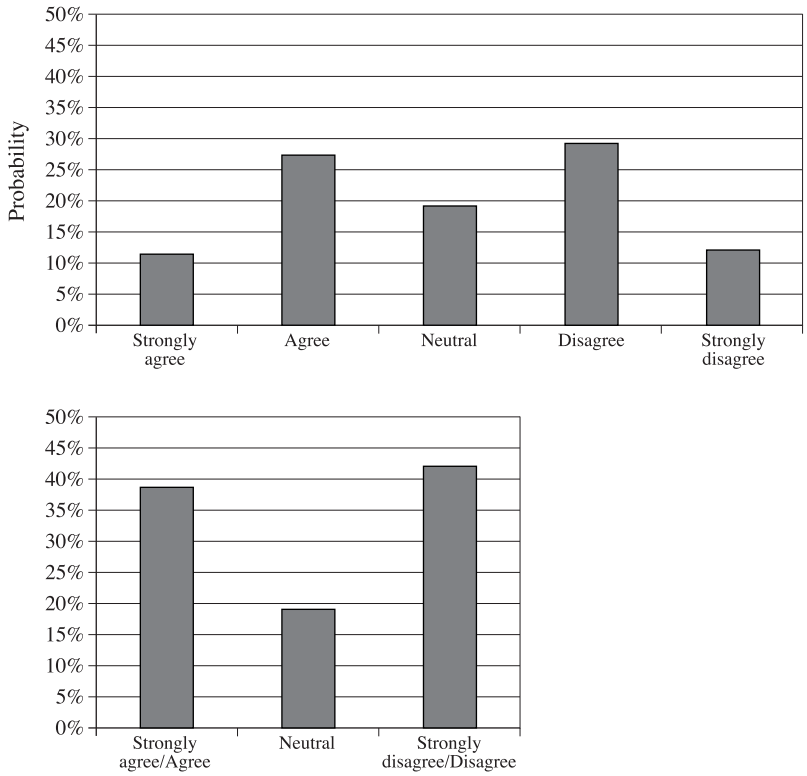
In reporting the attitude of respondents to an idea of this kind, it is notable that a clear 'agrarianism' was present for some respondents. This refers to a belief in a special place in national culture for those who farm (e.g. see Botterill, 2006). Thus

six per cent of respondents added a separate comment that farmers should not have to pay off assistance, that money should be put back into the farm, or that farmers are the backbone of the country. This applies even with the agricultural industry now accounting for a much reduced share of national output and exports over historical patterns. For example, education exports exceed agriculture exports.

This said, those opposing ICL arrangements for agriculture for drought relief on agrarian or other grounds are almost equally counterbalanced by those supporting such possibilities- both in magnitude and strength of attitude.

There were insufficient respondents who had received drought relief funding, or who had immediate family who had received funding, to enable statistically reliable data analysis. Therefore, the analysis reported here is for all respondents only.

Figure 2 - Respondent Attitudes to an ICL for Drought Relief (Question 3)



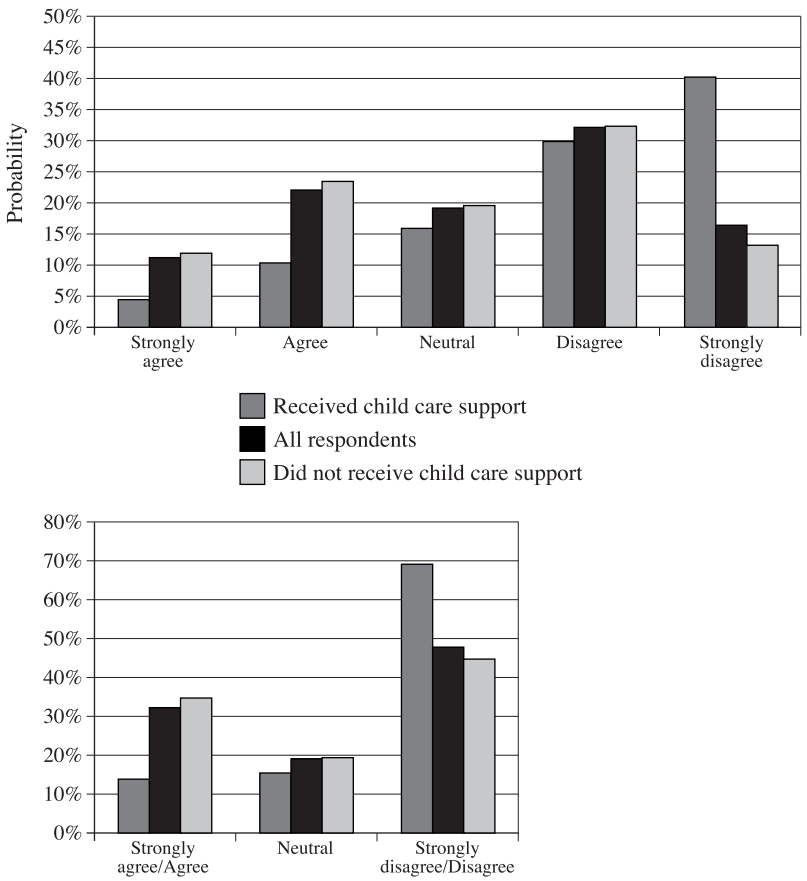
Child Care

The second new area of application of ICL considered in the survey was child care. Motivation for considering an ICL for child care came partly from frustration by some analysts over what they saw as ongoing deficiencies in family and child care policies (e.g. see Toohey, 2005).

One principal instrument of support for child care was the Child Care Rebate

that compensated a proportion of out-of-pocket costs and was provided well after the parent was required to pay for the costs of care, leaving many with liquidity issues. Additionally, there was evidence that the costs of child care still affected a large number of parents and children and deterred labour force participation, even after government assistance through the Rebate and Child Care Benefit payment.[10] It was hypothesised in 2005 that an ICL arrangement might provide the funds required to incentivise parents back into the labour force (Martin, 2005).

Figure 3 - Respondent Attitudes to an ICL for Child Care (Question 4)



[10] For example, see the ABS Child Care Survey (2005) and the Taskforce on Care Costs (2005) for empirical evidence of the high costs of child care, and the relationship between labour force participation and child care costs. Also, see Wooden (2002) for a discussion of the economic and societal implications of unaffordable care, and EPAC (1996) for an earlier policy review.

Since that time, the Rebate has increased from 30 to 50 per cent and the timing of the payment has been brought forward to coincide more closely with the payment of fees. Hence, some of the motivation for an ICL in this area has diminished. Nevertheless, a threshold question remains as to whether the taxpayer should be funding as large a portion of child care costs, and whether an alternative public financing mechanism that shares the costs of services, such as an ICL, has a place to play in this social policy area.[11]

The survey suggests that the answer here is that the community is generally against the idea of an ICL for child care, with close to 50 per cent of all respondents either disagreeing, or strongly disagreeing, and 30 per cent agreeing or strongly agreeing compared with approximately 20 per cent neutral.

As seen in figure 3, the negative responses are markedly greater, and positive responses lesser, if respondents are separated according to whether or not they had received child care assistance (as expected a chi-square test confirms the statistically significant difference). Since the survey question implied that the proposed ICL would require repayment of at least some of the assistance provided, the high proportion of negative responses is unsurprising.

Responses might differ substantially if the question had instead indicated that the ICL should supplement, rather than replace, an existing government benefit. This would be a good focus for further research, as might other novel variants in ICL policy in this and other areas. One further example of the latter might be the issue of extending HECS itself to assist with student income support and not only fees. Experiments in this direction do exist in New Zealand and the UK and could also be examined. The specification of new alternatives may further alter support for already named options.

4. Research and Development

A third potential new application that has had some discussion in policy circles is the possible use of ICL for innovation or research and development, with a particular focus emerging on small business because of demonstrated difficulties in finance access for such activities for such businesses.

In recent Australia policy some businesses have received government grants and tax concessions to assist them with developing new products and processes, including assistance for research and development. Less commonly, subsidised loans have been made available, but any income-contingent dimension has been lacking in policy design.

Nevertheless analysts have suggested a number of reasons why such ICL approaches could well be a creative element in the Government policy portfolio in the innovation field. The earliest proposal seems to be Dadd and Withers (2004). This idea was picked up in the recommendations of the Review of Australia's National Innovation System (2008) which concluded that the Government should indeed consider the development of income contingent loans for sole traders seeking to fund innovative projects.

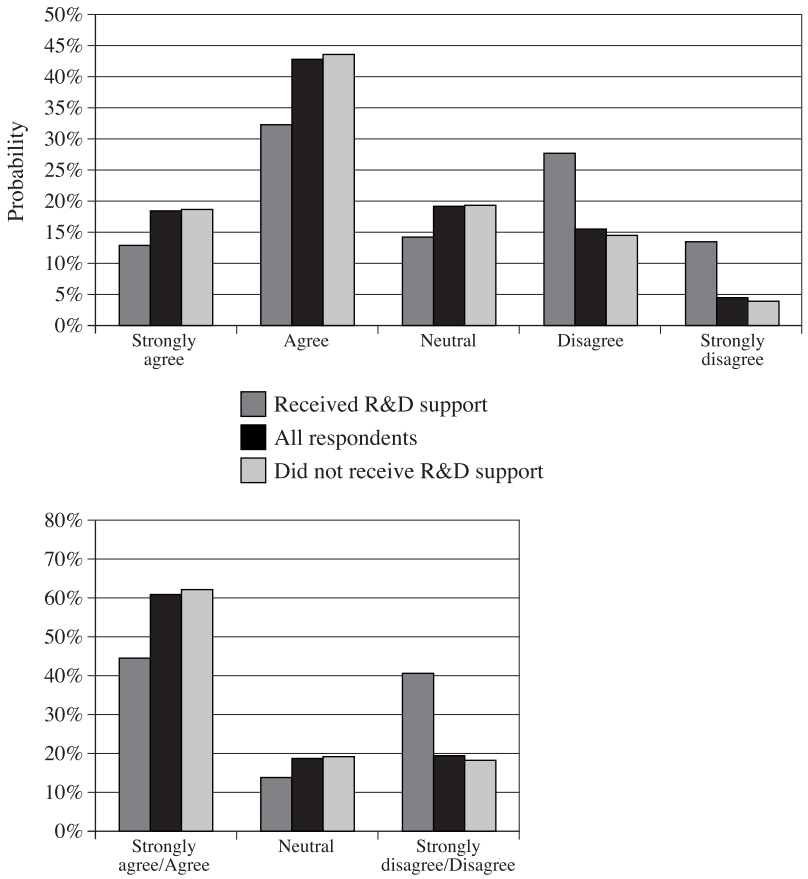
It is clear that a majority of respondents support this idea (over 60 per cent), and notably, very few (less than five per cent) strongly disagree.

[11] Irrespective of the funding mechanism used, any economic arguments for government intervention in financing child care must be considered in light of developmental and psychological evidence as to what constitutes a sensible amount of non-parental care.

With regards to variability in attitudes among respondents who worked for employers who they thought had, or had not, received R&D support, a chi-square test reveals a statistically significant difference. Those working for employers who were said to have received support are more likely to disagree with application of an ICL to R&D than those who hadn't received support. One might question whether respondents genuinely knew whether or not their employer received R&D support, though perception is of course what is being reflected here.

Unfortunately, the option of a 'do not know' response to this question was not included in the survey. Nevertheless, assuming that those who did not know had an equal chance of selecting 'received support' as 'did not receive support', the significant difference in attitudes remains informative, and provides a prompt as to the need for further detailed research in this area.

Figure 4 - Respondent Attitudes to an ICL for Research and Development (Question 5)

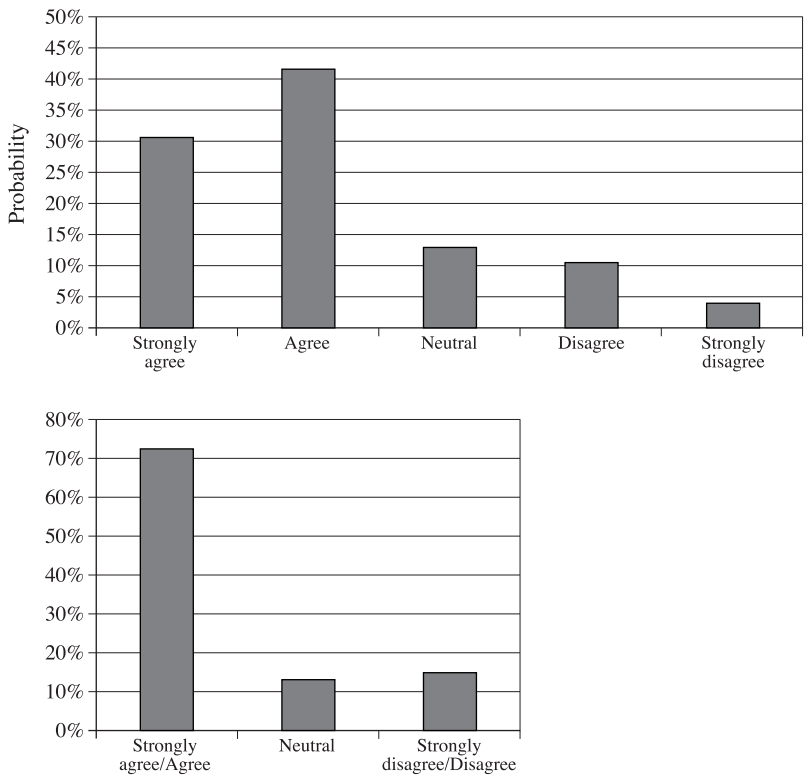


Elite Athletes

The final new area of potential application of ICL arrangements examined in the community attitudes survey reported here was the financing of support for elite athletes during their training and development. In some sports, government plays little or no role in subsidising or funding training and development, but in a number of areas government has come to play a prominent role.

The particular success in Australia through the Australian Institute of Sport in producing some considerable sporting achievers through fully government subsidised scholarship processes, without tuition fees and with significant income support, has raised the question of possible consideration here too of ICL mechanisms. The motivation seems especially to be via analogy with the use of HECS in higher education and the pursuit of the question of why similar logic does not apply to investment in sporting prowess as for investment in intellectual prowess.

Figure 5 - Respondent Attitudes to an ICL for Elite Athletes (Question 6)



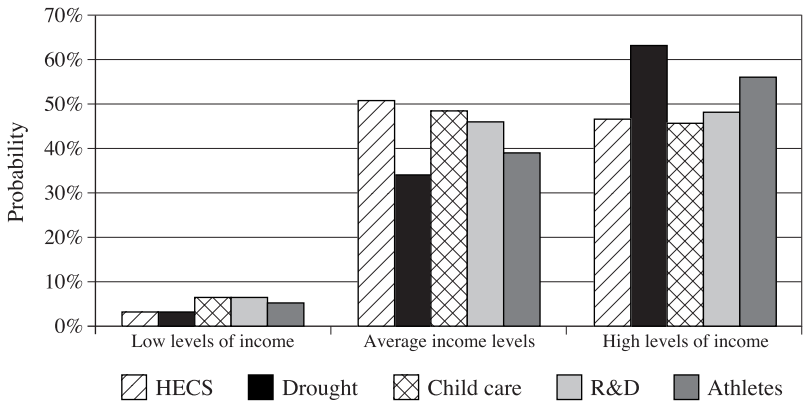
Replacing government subsidisation of the training of athletes with an ICL was raised by Denniss (2003), and Denniss and Hamilton (2003). They argued that an ICL might be considered superior to the regressive use of taxpayer funds which are '…being delivered to some individuals who are or who become extremely advantaged over their lifetimes' (Chapman, 2006, p. 231).

It appears that the community generally agrees with this logic or attitude, as support for the idea is very strong, with 72 per cent strongly agreeing or agreeing with the policy suggestion.[12]

Income Thresholds

For each area, the question was asked as to what income level should apply as the threshold for repayment. The option given for answering was whether low, average or high levels of income should be earned before repayments commence. The patterns of response on the question of what income thresholds should apply show strong support for average and high levels of income. As is seen in figure 6 there is widespread acceptance across all areas of application that low income earners should indeed be exempt from repayment, but more mixed views over whether average or only high income levels should provide the repayment trigger. Higher thresholds were especially favoured for farmers and athletes.

Figure 6 - Respondent Attitudes to Income Thresholds (Question 7)



5. Discussion

This study has looked at community attitudes to the present and potential use of income contingent loan arrangements in Australia by means of a survey conducted in May 2008. Australian experience with the Higher Education Contribution Scheme for university fees makes the survey viable and relevant. That the majority of the adult population have heard of HECS (as evidenced by a 90 per cent positive response

[12] Only 34 respondents out of the sample of 1,505 were cases where the respondent, or immediate family, had received sports training assistance. Consequently the results have only been presented in aggregate in figure 5.

to this question in the survey), suggests at the least a base level of familiarity with income contingent loan policy among respondents. Success of HECS as evidenced by continued existence after 20 years and its subsequent adoption by numerous countries outside Australia, raises the question of whether income contingent loan policy should be extended to applications outside of higher education.

The survey results indicate strong community support for HECS, an ICL for Research and Development, and income-related repayment of government assistance to elite athletes. Opinion on repayable assistance for farm businesses for drought relief is evenly balanced for and against. Little support is found for introducing such a scheme for child care, and especially so from those who have received government assistance for child care.

It is concluded that the attitude to the adoption of ICL arrangements is significantly influenced by the areas of application. Broadly it can be suggested that the more the loan applies to areas of economic investment paying potentially high financial returns for the recipient, such as through support of education and training and research and development, then the greater is the support. However the more the recipients of the loan also or instead reap their returns through what are seen as also culturally or socially worthy activities then the support is reduced and/or higher income thresholds for repayment accepted.

The way in which support is expressed is at the same time intermediated through personal involvement with the government support provided. In the case of HECS, the ICL itself is actually more supported where there has been personal provision of support through HECS. However, although not explored in this paper, underlying data does show that this is less true for older respondents possibly due to their awareness of free education prior to HECS. Thus, knowledge of existing and past policy may influence attitudes. In the case of the hypothetical ICL options, where sufficient data is available, current receipt of government assistance reduces support for ICL from those respondents. So availability and receipt of alternatives to ICL does matter and influences attitudes, though in complex ways. Finally, respondent opinions on appropriate income thresholds seem to imply that the equity outcome aspect of ICL arrangements is an attractive feature of such schemes.

These conclusions should be conditioned by noting that the attitudes to ICL may vary according to respondent socio-economic and demographic characteristics, and these factors have not necessarily been fully controlled for in the current analysis. For example, while current consumption of child care or education by the respondent and family is examined, whether the respondent is a parent of young children could be expected to influence responses to the ICL for child care or education in anticipation of future possible use even in the absence of current use. Similarly, geography may affect attitudes towards an ICL for drought through option demand concern quite apart from the past or immediate use controlled for. Further there may be respondent characteristics that are consistently associated with greater or lesser support of ICLs as a policy option irrespective of the area of application. Such hypotheses are the subject of further research.

Appendices

Appendix 1 - Survey Administration and Respondent Statistics

The survey was conducted by The Nielsen Company. Respondents were selected from an online panel of over 100,000 Australians recruited specifically for research. Respondents are rewarded with 'e points' for answering surveys, which can be used for the purchase of retail consumer items. This ensures a broad base of respondents and high participation.

According to Nielsen, 80 per cent of the panel from which the sample for this survey was selected was recruited offline, reducing possible behavioural bias from recruiting exclusively over the internet. However, once recruited, participants completed the survey online, and hence the survey results will be biased towards persons with internet access.

Invitational emails were sent to 5,680 participants in the online panel providing the respondents with secure access to an online Omnibus survey containing the income contingent loan questions. Stratified sampling by quota group (consisting of different age, gender and location combinations) was performed to ensure that respondents were representative of the broad Australian population. 2,055 persons started the survey. 550 of these were excluded as they either did not complete the survey questionnaire, did not fit the required sample frame (e.g. they were under age 18), or the quota group in which they fell was already full at the time they completed the survey. Responses were collated for 1,505 persons.

In addition to responses to the survey questions listed in appendix 2, demographic and socio-economic information for each respondent was collected including: age, gender, relationship status, parental status, individual and household income, geographic area, employment status, and broad occupation group.

To reduce bias, Nielsen provides weights based on Australian population characteristics for each combination of age group, gender, and geographic location.[13] Notably, the results reported in this paper, which are derived from the weighted data, are almost identical to results derived from the unweighted data, indicating the close match between the broad age group, gender and geographic distribution of the sample and the Australian population.

A potential limitation of these weights is that certain characteristics which may be correlated with internet access, such as income, are not included in the matching. Despite this, there are close similarities in the distribution of most characteristics between survey respondents and the Australian population. This is shown in tables 1, 2 and 3, which have been included so the reader can form an opinion as to the representativeness of the sample.

[13] Geographic locations used by Nielsen in the quotas are Sydney, Melbourne, Brisbane, Adelaide, Perth, Tasmania, NT, ACT, and regional NSW, VIC, QLD, SA and WA. The following age groups were included for the quotas for Sydney, Melbourne, Brisbane, Adelaide and Perth: age 18-24, 25-39, 40-54 and 55+. For all other regions two age groups only were used for establishing quota groups: 18-39 and 40+.

Table 1 - Gender and Age Characteristics of Respondents Compared with Australian Population

	Survey Respondents (Number)	*Survey Respondents (%)*	*June 2008 Estimated Resident Population (%)(Age 18+)*
Gender			
Male	737	49.0	49.3
Female	768	51.0	50.7
Age			
18-19	32	2	4
20-24	123	8	9
25-29	163	11	9
30-34	136	9	9
35-39	156	10	10
40-44	159	11	9
45-49	137	9	9
50-54	157	10	9
55-64	309	21	15
65+	133	9	17

Note: June 2008 population sourced from ABS Cat.No.3201.0.

Table 1 shows that the proportion of survey respondents within each gender and age group corresponds with the Australian population aged 18+. Although there is a greater proportion of 55-64 year olds and a lower proportion of 65+ in the survey relative to the Australian population, the proportion of age 55+ in aggregate is similar (29.4 per cent versus 31.9 per cent).

Table 2 - Individual Income Characteristics of Respondents Compared with Australian Population

Survey Respondent Income Bands	*Survey Respondents (Number)*	*Survey Respondents (%)*	*Adjusted 2006 ABS Census Income Bands*	*Census Population (%)(Age 20+)*
less than $15,000	167	13	less than $14,000	26
$15,000 - $20,000	76	6	$14,000 - $22,500	15
$20,000 - $30,000	164	13	$22,500 - $34,000	16
$30,000 - $40,000	154	12	$34,000 - $45,000	13
$40,000 - $60,000	304	24	$45,000 - $56,000	9
$60,000 - $80,000	192	15	$56,000 - $73,000	9
over $80,000	203	16	over $73,000	12

Income statistics from the survey are not directly comparable with those from the Census due to a difference in the date of data collection and income categories reported. To allow for different collection dates the Census values reported in table 2 have been adjusted upwards by eight per cent, being the approximate growth in AWE between the Census and date of the survey. After making these adjustments, it is apparent that the proportion of survey respondents on low incomes is under-represented, whereas higher earners are over-represented compared with the Census.

Table 3 - Location, Employment Status and Marital Status of Respondents Compared with Australian Population

	Survey Respondents (Number)	*Survey Respondents (%)*	*2006 ABS Census (%)*
Location			*(all Ages)*
Sydney	311	21	18
NSW (excl. Sydney)	181	12	15
Melbourne	275	18	17
VIC (excl. Melb)	103	7	8
Brisbane	132	9	8
QLD (excl. Bris)	164	11	11
Adelaide	87	6	5
SA (excl. Adel)	30	2	2
Perth	112	7	6
WA (excl. Perth)	38	3	4
Tasmania	35	2	2
ACT	25	2	2
NT	12	1	1
Employment status			*(Age 20+)*
Employed FT	690	46	43
Employed PT or casual	309	21	19
Unemployed	32	2	3
Not in the labour force	462	31	34
Marital status			*(Age 18+)*
Married (registered)	865	58	56
Not married	631	42	44

As seen in table 3, the distribution of location, marital status and employment match closely with ABS Census statistics, though there is marginally higher representation from labour force participants in the survey.

Although a component of the variation between the survey and broad population statistics in tables 1, 2 and 3 may be explained by different collection dates, ages or categories, it is likely that internet access can explain some degree of variation. The ABS (2007a) reports that married persons are more likely to have internet access than unmarried persons, employed persons have greater access than those not in the labour force or unemployed, and there is a strong negative relationship between age and internet access (which may explain the low proportion of survey respondents aged 65 and over.) The same report shows a strong correlation between income and internet access, and it is differences in income distribution between survey respondents and the Australian population which are most pronounced. Despite the potential bias that this may imply, preliminary analysis of the survey data indicates no correlation between income and the key survey question responses. Whether a statistically significant relationship exists between respondent socio-demographic characteristics (including income) and the survey responses is the subject of a separate paper under preparation.

Appendix 2 - Survey Questions

The responses of 1,505 individuals were analysed. For each question N denotes the number of persons responding to each question.

Q1 Have you heard of HECS ? (N=1,505)

Response options for Q2 to Q6:
Strongly Agree/Agree/Neutral/Disagree/Strongly Disagree

Q2 In Australia, most domestic undergraduates at universities incur a debt with the government and are required to repay this debt gradually as and when they receive a specified level of income. This is known as the Higher Education Contribution Scheme (HECS) or HECS-HELP. HECS on average pays about 40 per cent of the course provision costs and the general taxpayer pays the rest for these students. Thinking about HECS, how much do you agree or disagree with the following statement...*Such a repayment system is a good procedure for the government to adopt for higher education*. (N=1,505)

Q3 During droughts, farmers receive two forms of assistance which they are not required to repay: welfare payments to support their families and grants to support the farm business. Thinking about drought relief financial assistance provided to farm businesses, how much do you agree or disagree with the following statement...*Some or all of the financial assistance provided to farm businesses for drought relief should be gradually repaid when the business has a specified income in the future*. (N=1,505)

Q4 Parents receive assistance for the cost of child care, though the level of assistance depends on their financial circumstances. Thinking about financial assistance for child care, how much do you agree or disagree with the following statement...*Some or all of financial assistance provided to families for child care costs should be gradually repaid when their household incomes reach a specified level*. (N=1,505)

Q5 Some businesses receive government grants and tax concessions to assist them with developing new products and processes, including assistance for research and development. Thinking about these grants, how much do you agree or disagree with the following statement...*Some or all of the financial assistance provided to businesses for research and development should be gradually repaid when their incomes are at a specified level*. (N=1,505)

Q6 Some individuals in chosen sports receive government funded scholarships to be trained at the Australian Institute of Sport. Some of these individuals eventually become elite athletes earning a very high income. Thinking about financial assistance to athletes, how much do you agree or disagree with the following statement...*Some or all of the financial assistance provided to sports people should be gradually repaid when their incomes in the future reach a specified level*. (N=1,505)

Respondents who selected strongly agree or agree for questions 2, 3, 4, 5 or 6, were asked the following question (Q7) for the respective policy area.

Q7 You mentioned previously that [students, parents, athletes, farmers and/or businesses] should repay part of the financial assistance that they receive. Choosing between low, average or high, what level of income should be earned before repayments commence?

HECS (N=964)
Farm business drought assistance (N=590)
Child care financial assistance (N=492)
R&D innovations (N=923)
Athlete assistance (N=1,091)

Q8 Have you or anyone else in your immediate family (parent, child or sibling)...
- Incurred a HECS debt? (N=1,505)
- Been in receipt of any drought assistance for farm businesses over the last five years? (N=1,505)
- Been in receipt of any child care support from the government over the last five years? (N=1,505)
- Work in a firm that has received, to the best of your knowledge, government assistance for research & development over the last five years? (N=1,505)
- Been in receipt of any assistance from the government for sports training? (N=1,505)

Q9 Is there anything you would like to say or add about these questions we have asked and/ or about the use of a HECS style arrangement to provide public support for child care assistance/drought assistance for farm businesses/research and development assistance for businesses/assistance for sports training?

Appendix 3 - Summary of Key Results

Table 4 - Proportion of Respondents (%)

	Strongly Agree/ Agree	Neutral	Strongly Disagree/ Disagree
HECS	64	16	20
Drought relief	39	19	42
Child care	33	19	48
Research and Development	61	19	20
Elite Athletes	73	13	15

Note: Percentages in each row may not sum to 100 per cent due to rounding.

Table 5 - Proportion of Respondents (%)

	Strongly Agree	*Agree*	*Neutral*	*Disagree*	*Strongly Disagree*
Higher Education					
All respondents	23	41	16	13	7
Incurred a HECS debt	34	34	10	15	6
Did not incur a HECS debt	20	43	18	12	7
Drought Assistance					
All respondents	12	28	19	29	12
Child Care					
All respondents	11	22	19	32	16
Received financial assistance	4	10	16	30	40
Did not receive financial assistance	12	23	20	32	13
Research and Development					
All respondents	18	43	19	15	5
Employer received R&D support	13	32	14	28	13
Employer did not receive R&D support	19	44	19	14	4
Elite Athletes					
All respondents	31	42	13	11	4

Note: Percentages in each row may not sum to 100 per cent due to rounding.

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