

THE ECONOMIC BENEFITS OF AUSTRALIAN THEOLOGICAL EDUCATION

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ACKNOWLEDGEMENTS

I am grateful to the Australian Research Theology Foundation for providing core funding for this project, and to the Council of Deans of Theology, ANZATS, Alphacrucis College Australian Catholic University, University of Divinity, Christian Heritage College, and BBI-TAITE for additional support. The project working group provided valuable comments and I thank the chair, Dr David Perry, and members, Professor Neil Ormerod, Professor Peter Sherlock, Dr Mark Harding, Nick Jensen, and Professor Andrew Dutney. The referees' comments were also helpful and improved the paper. I thank Courtney Hodson for her assistance with some of the charts, the Social Research Centre for their assistance with QILT data, the Australian Taxation Office for access to data on religious practitioners, and the Department of Education for data on Australian higher education providers, along with individuals at various institutions who assisted in clarifying financial and demographic information about their institutions.

ABSTRACT

Religious and theological education is an important, though often neglected part of Australia's higher education system. There are 24 universities and colleges (or 58 if we count colleges within theological consortia), teaching the equivalent of 6200 fulltime students from undergraduate to PhD levels. Research output is significant.

Theological education contributes to the government budget through additional taxation revenue from graduate earnings, for a much smaller government contribution than any other area of study. This net contribution is estimated at \$37 million, representing a 7.2% rate of return on government contributions. The

economic benefits to Australia of theological education are larger through additional income for graduates, giving, volunteering, better health, and lower crime. These benefits accrue through the well-documented direct spillovers from graduates and through theology graduates generating further spillover benefits in the churches they lead. The total of these net benefits is estimated to be \$300 million, representing a rate of return to society on its investment of 12.7%.

Besides estimating the value of religious and theological education, it is crucial to understand the effect of various policy changes on this value.

- Abolishing the 25% loan surcharge currently levied on students at private colleges would increase net benefits to society by \$11 million to \$311 million, and the corresponding rate of return by 0.8% to 13.5%. About half of these additional benefits would accrue to theology graduates from the loan repayment savings, and about half are additional spillover benefits to others in society. Abolishing the loan surcharge would be approximately revenue neutral for the government as the lost surcharge revenue would be compensated by Commonwealth Supported Places (CSP) savings as students move out of public universities to private providers, and tax revenue rises with more theology graduates.
- Removing eligibility for FEE-HELP loans from theology students is projected to reduce student numbers by 20%, which would reduce net benefits of theology graduates by 9.3 million, damage the budget balance by 10.3 million mostly due to lost taxation revenue, and reduce spillover benefits, with a net cost to society of \$60 million. Such a policy change would be a costly ideological indulgence for the government and wider society.
- Extending CSP eligibility to all theology undergraduates is projected to reallocate students from public universities to private providers with a net increase in theology enrolments of about 10%. Students would gain \$6.5 million, government expenditure would rise by \$19 million, and society would gain slightly overall.
- Extending access to Research Training Program (RTP) places for all theology postgraduate research students would level the playing field between public universities and private providers accredited to offer PhD students. Students

are projected to move to private providers with no net increase in PhD enrolments.

These results are based on an economic model of theological education, including graduate earnings, taxation, fees repaid through student loans, loan default, direct spillover benefits from graduates, and indirect spillover benefits generated by churches that theology graduates lead. The model is calibrated with QILT, Department of Education, and ATO data, with conservative parameter estimates.

The scope of the project is limited and data imperfect. Further research is needed on issues such as demand responses to price changes, the degree of substitutability between theological and other degrees, the effect of student loans on demand, social capital and other spillover benefits of religion (including religious schools and social service NFPs in Australia), and the functioning of religious labour and product markets.

KEYWORDS

higher education, theological education, Australia, economics, cost-benefit analysis, education policy

INTRODUCTION

This paper estimates the economic value of Australian theological education, and the sensitivity of this value to different public policy settings.¹ It is the first attempt to apply economic valuation techniques to theological education, and as far as I am aware, private higher education.²

Economics is the language of public policy in Australia, and theological educators increasingly need fluency in this language in their dealings with governments (for example, over accreditation, student funding, research funding, grant applications) and their dealings with other potential funders of theological education. This, of course, does not mean that theological education has been or should be driven by economic imperatives. Staff and students are motivated by the pursuit of truth, the pleasure of teaching and learning, ministry to the faithful, and blessing the wider community, among other things. Theological education is not the only activity pursued for other reasons which generates significant economic benefits.

One way of seeing the paper is as an exercise in translating some of the traditional arguments for theological education into economic language. Such a translation exercise means engagement with the culture of those with whom you wish to communicate. For instance, putting aside ethical concerns other than

1 The project report and supporting spreadsheets are linked to this paper and available online. Discussion of technical issues and references to literature are much more extensive there. Please find these on the ANZATS website, www.anzats.edu.au and the Council of Deans of Theology website, <http://www.cdt.edu.au/>.

2 There have been many economic studies of Australian higher education in recent years reflecting the increasing questioning of the public expenditure on education and the associated political debate. Chapman and Lounkaew estimated benefits in conjunction with one of the many recent government reviews of higher education: Bruce Chapman and Kiatanantha Lounkaew, "The Externalities from Higher Education," *Higher Education* 70 (2015): 767–85. Andrew Norton's research at the Grattan Institute is more sceptical of there being substantial benefits beyond the private benefits of higher earnings: "Graduate Winners: Assessing the Public and Private Benefits of Higher Education," Melbourne, Grattan Institute, <https://grattan.edu.au/report/graduate-winners-assessing-the-public-and-private-benefits-of-higher-education>. The most comprehensive study is one conducted by Deloitte Access Economics for the Department of Education which uses a mixture of benefit cost and computable general equilibrium methods: Deloitte Access Economics, *Estimating the Public and Private Benefits of Higher Education*, Report for Department of Education, <https://docs.education.gov.au/documents/estimating-public-and-private-benefits-higher-education>. For a recent study which focuses on the humanities see: John O'Mahony, Rohan Garga, Michael Thomas, and Max Kimber, "Valuing the Humanities," *Australian Economic Review* 52, no. 2: 226–35.

the consequences of actions or adopting the willingness of a rational maximising individual to pay as the measure of value. Another is expressing values in a common unit, money. The particular economic tool that will be employed in this paper is cost-benefit analysis, which embodies the contemporary mainstream economists' view of the world, with some additional assumptions.

I cannot here provide a full description in defence of the culture and methods of economists, nor a theological engagement with them. Both are available elsewhere.³

The scope of the project is limited. One limitation is the lack of reliable and comparable data on theological education. The next section of the paper provides a brief statistical map of the sector, updating the pioneering work of Charles Sherlock. The project values theological education, excluding research, which is difficult methodologically and data is even more limited than for education. Case studies may be more powerful in communicating the benefits of theological research. The focus is on domestic students who make up the majority of Australian theological students. VET studies in theology are excluded.

3 Good accessible introductions to contemporary mainstream economics include: Paul Heyne, *The Economic Way of Thinking* (Chicago: Science Research Associates, 1973); Diane Coyle, *A Soulful Science: What Economists Really Do and Why It Matters* (Princeton, NJ: Princeton University Press, 2007); and John Quiggin, *Economics in Two Lessons: Why Markets Work So Well, and Why They Can Fail So Badly* (Princeton: PUP, 2019). For a sample of theological engagements with economics see Paul Oslington, *Political Economy as Natural Theology: Smith Malthus and Their Followers* (London, UK: Routledge, 2018), and some of the important contributions are collected in Paul Oslington, (ed.), *Economics and Religion* (Cheltenham, UK: Edward Elgar, 1991) and in Paul Oslington, Mary Hirschfeld, and Paul S. Williams (eds.), *Recent Developments in Economics and Religion* (Cheltenham, UK: Edward Elgar, 2018). Another example of translation between the language of economics and the language of religion is the new sub-discipline of the economics of religion, surveyed by Laurence Iannaccone, "Introduction to the Economics of Religion," *Journal of Economic Literature* 36, no. 3 (1998): 1465–95; and Sriya Iyer, "The New Economics of Religion," *Journal of Economic Literature* 54, no. 2 (2016): 395–441.

MAP OF RELIGION AND THEOLOGY HIGHER EDUCATION IN AUSTRALIA

History

Theological education in Australia has mostly been conducted in colleges set up by Christian denominations to train their clergy. Many of Australia's older universities excluded theology, and consciously separated from the churches.⁴

In recent years higher education in religion and theology has changed dramatically, including:

- Theological education increasingly being regulated by governments, with institutions and degrees now accredited with TEQSA. Funding has generally not followed regulation, with some exceptions.
- The growth of research and research training within the sector. Many institutions now offer PhDs.
- Many students studying theology, especially at postgraduate level, with no intention of seeking ordination.
- A small but increasing number of international students coming to Australian institutions to study theology.
- The foundation of two Catholic Universities, ACU and Notre Dame Australia.
- The growth of Christian institutions which teach business, education, counselling, and other subjects alongside theology. Examples are Avondale, Alphacrucis, Tabor, and Christian Heritage College.

4 There is further discussion and references to fuller histories of the sector in: Paul Oslington, Nick Jensen, and Ingrid Ryan, "Enhancing the Evidence Base for Australian Theological Research," *Colloquium: The Australian and New Zealand Theological Review* 51, no. 1 (2019): 5-24, <https://anzats.edu.au/journal/back-issues/51-1/>; and Paul Oslington, "Religion and Australian Universities: Tales of Horror and Hope," *The Conversation* (February 2014), <https://theconversation.com/australian-universities-and-religion-tales-of-horror-and-hope-23245>.

Based on a project initiated by the Council of Deans of Theology and partially funded by the government, Charles Sherlock, *Uncovering Theology: The Depth, Reach and Utility of Australian Theological Education* (Melbourne: ATF Press, 2009) is a landmark portrait of the sector, including history and much data on teaching and research. For a discussion on the current situation of theological education see Mark Harding, "The Current Environment of Theological Education in Australia," in *Theological Education: Foundations, Practices, and Future Directions*, eds. Andrew M. Bain and Ian Hussey (Eugene, OR: Wipf & Stock, 2018), 274-86.

Staff Numbers

Academic staff numbers by institution, excluding sessionals, are given in the table below, though in many cases they are very imprecise estimates from institutional websites. If the numbers are at all reliable, there would seem to be considerable variations in staff/student ratios across the sector, reflecting the generosity of funding of different institutions, and accreditation demands (which affects the research/teaching/administrative loads of staff, and requirements for staff rather than sessionals).

Financial Health

In the table below, I have collated financial data for non-university institutions teaching religion and theology. The sector is financially marginal, with many institutions posting losses and others posting small profits. A few institutions have substantial assets, mostly real estate, to fall back on, but it is likely that financial issues will drive mergers and the exit of many institutions in the years to come. Some colleges receive financial support from the churches they are affiliated with, but with mainstream churches static or shrinking, and cash flow tight, this support is likely to decline in the future. Future directions in government funding are unclear.

METHODS

This study will estimate the net benefits of Australian religion and theology graduates, using standard cost-benefit analysis techniques from economics.⁵ As noted above, cost-benefit analysis shares the worldview of contemporary mainstream economics, including:

- Consequentialism. Actions are to be evaluated according to their consequences.
- Individualism. The individual is the appropriate unit of analysis, and groups such as universities or society are no more or less than the sum of the individuals who make them up.
- Preference satisfaction view of welfare. The welfare of individuals is the extent to which their preferences are satisfied. No restrictions are placed on preferences other than minimal consistency requirements.
- Preferences of the economist or anyone other than the relevant individual actor must be kept out of the analysis. Other moral considerations, such as rules, virtues, and the good, are irrelevant.
- Rational choice. When we combine this account of individual preferences with a view of the individual as a maximiser, and add income and time constraints, then the distinctive cost-benefit analysis measure of value as willingness to pay emerges.

Net benefits to students, government (representing taxpayers), and society as a whole will be measured by willingness to pay in dollars. This approach is to be contrasted with measuring gross economic activity generated (as in the US

5 Cost-benefit techniques are described in: Peter Abelson, *Public Economics*, 3rd ed. (Sydney: McGraw Hill, 2013); Leo Dobes, George Argyrous, and Joanne Leung, *Social Cost Benefit Analysis in Australia and New Zealand: The State of Current Practice and What Needs to Be Done* (Canberra: Australian National University Press, 2016); and Anthony E. Boardman, David H. Greenberg, Aidan R. Vining, and David L. Weimer, *Cost-Benefit Analysis: Concepts and Practice*, 5th ed. (Cambridge: Cambridge University Press, 2018). The use of economic modelling in Australian public policy has attracted controversy in recent years, see Richard Denniss, *The Use and Abuse of Economic Modelling in Australia: Users Guide to Tricks of the Trade* (Canberra: The Australia Institute, 2012), www.tai.org.au/sites/default/files/TB%2012%20The%20use%20and%20abuse%20of%20economic%20modelling%20in%20Australia_4.pdf; and Paul Oslington, "Pushing Back against the Politicisation of Economic Modelling," *The Conversation* (March 9, 2016), <http://theconversation.com/pushing-back-against-the-politicisation-of-economic-modelling-55830>).

Portrait of Higher Education in Religion and Theology

Institution	Website	Year Founded	Type	Church Affiliation	Location	Net Assets (\$'000)	GR (S)
Adelaide College of Divinity [comprises Uniting College (Adelaide) and Trinity College (Uniting, Brisbane)]	www.acd.edu.au	1979	TC	Ecumenical Consortium	Adelaide, Brisbane	176	
Alpha Crucis College (formerly Southern Cross College)	www.ac.edu.au	1948	ACHEA	Pentecostal ACC	Parramatta, Melbourne, Brisbane, Perth, Adelaide, Hobart, Auckland.	29,071	
Australian Catholic University	www.acu.edu.au	1991	UT	Catholic	Sydney, Melbourne, Brisbane, Canberra, Ballarat		
Australian College of Theology [comprises Christ College (Presbyterian, Sydney), Chinese Theological College (Sydney), Mary Andrews College (Anglican Deaconess Ministries, Sydney), Morling College (Baptist, Sydney), Sydney Missionary and Bible College (Sydney), Youthworks College (Sydney Anglican), Laidlaw College Auckland, Brisbane School of Theology, Malvern College (Baptist, Brisbane), Queensland Theological College, Bible College of South Australia, Melbourne School of Theology, Reformed Theological College (Melbourne), Reformed Theological College (Geelong), Ridley College (Anglican, Melbourne), Trinity Theological College (Anglican, Perth), Vose Seminary (Baptist, Perth)	www.actheology.edu.au	1891	TC	Consortium with Anglican roots	Sydney, Melbourne, Brisbane, Perth, Auckland	4,822	
Avondale College	www.avondale.edu.au	1890	ACHEA	Seventh Day Adventist	Central Coast, NSW	10,398	
BBI - The Australian Institute of Theological Education	www.bbi.catholic.edu.au/	1969	TC	Catholic	Sydney	295	
Camplion College	www.camplion.edu.au/	2006	TC	Catholic	Sydney	9,227	
Charles Sturt University [incorporates St Barnabas College (Anglican, Adelaide), St Marks National Theological Centre (Anglican, Canberra), United Theological College (Uniting, Parramatta), St Francis Theological College (Anglican, Brisbane)]	arts-ed.csu.edu.au/schools/theology/home	1989	UT		Canberra, Parramatta, Brisbane, Adelaide		
Christian Heritage College	www.chc.edu.au	1986	ACHEA	Citypointe Church	Brisbane	2,445	
Curtin University - Religious Studies	humanities.curtin.edu.au	1966	UR		Perth		
Deakin University - Religious Studies	www.deakin.edu.au	1974	UR		Geelong		
Eastern College Australia (formerly Tabor Victoria)	www.eastern.edu.au	1988	ACHEA	Evangelical Christian	Melbourne	806	
Excelsia College (formerly Wesley Institute)	excelsia.edu.au	1989	ACHEA	Wesleyan Methodist	North Ryde, NSW	2,378	
Flinders University [Associated with Adelaide College of Divinity]	www.flinders.edu.au/eh/theology	1965	UT		Adelaide		
Griffith University - Interfaith & Cultural Dialogue	community/centre-interfaith-cu	1971	UR		Brisbane and Gold Coast		
John Paul II Institute for Marriage and Family (now closed)	www.jp2institute.org	2001	TC	Catholic	Melbourne		
Macquarie University - Ancient History	departments/faculty-of-arts	1964	UR		North Ryde, NSW		
Monash University - Religious Studies	www.monash.edu/arts/philosophy	1958	UR		Melbourne		
Moore Theological College	moore.edu.au	1856	TC	Sydney Anglican	Perth	83,437	
Murdoch University	www.murdoch.edu.au	1976	UT		Perth		
Nan Tien Institute	www.nantien.edu.au	1995	TC	Buddhist	Unanderra NSW	-18,025	
Perth Bible College	www.pbc.wa.edu.au	1928	TC	Interdenominational Church	Perth		
Sydney College of Divinity (comprises Australian College of Christian Studies (formerly Tabor NSW and Emmaus Bible College), Australian College of Ministries (Churches of Christ), Booth College (Salvation Army), Catholic Institute of Sydney, Nazarene Theological College, College of Clinical Pastoral Education, St Andrew's Greek Orthodox Theological College, St Cyril's Coptic Orthodox Theological College)	scd.edu.au	1983	TC	Ecumenical Consortium	Sydney	2,227	
Tabor College	tabor.edu.au	1979	ACHEA	Pentecostal Christian Revival Crusade	Adelaide	5,202	
University of Divinity (formerly Melbourne College of Divinity) [comprises Australian Lutheran College (Adelaide), Catherine Booth College (Salvation Army), Catholic Theological College, Pilgrim Theological College (Uniting), St Athanasius Coptic Orthodox Theological College, Jesuit College of Spirituality (Catholic), Stirling Theological College (Churches of Christ), Trinity College Theological School (Anglican), Whitley College (Baptist), Yarra Theological Union (Catholic)]	divinity.edu.au	1910	UD	Ecumenical Consortium	Melbourne	5,720	
University of Melbourne - Arts, Islamic Studies	arts.unimelb.edu.au	1853	UR		Melbourne		
University of New England	www.une.edu.au/study/studies-in-religion/	1954	UR		Armidale, NSW		
University of Newcastle	pols/faculty-of-education-and	1965	UR		Newcastle, NSW		
University of Notre Dame Australia	www.notredame.edu.au	1989	UT	Catholic	Fremantle, Sydney, Brisbane		
University of Queensland - Studies in Religion	hpi.uq.edu.au/studies-in-religion/	1909	UR		Adelaide		
University of South Australia	www.unisa.edu.au/	1991	UR		Adelaide		
University of Sydney	sydney.edu.au/arts/schools/	1854	UR		Sydney		
Western Sydney University	sydney.edu.au/religion_and	1988	UR		Parramatta		
Total						138,179	

Religion in Australia (ASCED code 91703)

Gross Revenue (000)	Net Profit/Loss (\$000)	Religion and Theology Academic Staff FTE (excluding sessional)	Religion and Theology Undergrad EFTSU DOMESTIC	Religion and Theology Postgraduate Coursework EFTSU DOMESTIC	Religion and Theology Research Degree EFTSU DOMESTIC	Proportion of Domestic Research Degree EFTSU	Religion and Theology Undergrad EFTSU OVERSEAS	Religion and Theology Postgraduate Coursework EFTSU OVERSEAS	Religion and Theology Research Degree EFTSU OVERSEAS	Religion and Theology Total EFTSU	Proportion of Sector EFTSU
1,508	46	10	41	0	0	0	11	0	1	53	1%
20,876	-1228	25	678	82	1	0%	191	42	0	994	16%
		37	277	192	42	18%	6	4	5	526	8%
5,595	508	50	694	629	35	15%	36	42	5	1441	23%
28,685	-620	9	87	16	0	0%	5	1	0	109	2%
3,095	-471	5	91	0	0	0%	0	0	0	91	1%
678	409	10	18	0	0	0%	0	0	0	18	0%
		15	176	95	33	14%	7	4	2	317	5%
7,109	123	8	76	13	0	0%	11	0	0	100	2%
		2	0	0	0	0%	0	0	0	0	0%
		2	33	0	0	0%	4	0	0	37	1%
2,168	71	6	12	16	0	0%	0	9	0	37	1%
7,735	-1,763	2	0	0	0	0%	0	0	0	0	0%
		2	13	11	13	6%	0	0	0	37	1%
		1	0	0	1	0%	0	0	0	1	0%
		2	0	4	0	0%	0	2	0	6	0%
		0	0	0	0	0%	0	0	0	0	0%
		3	3	0	3	1%	0	0	0	6	0%
14,853	-371	21	218	18	15	6%	13	0	1	265	4%
		4	36	0	0	0%	0	0	16	52	1%
718	-3885	6	0	10	0	0%	0	10	0	20	0%
		0	31	2	0	0%	3	2	0	38	1%
8,373	43	45	306	160	9	4%	52	37	1	565	9%
7,396	-386	6	63	45	2	1%	0	0	0	110	2%
15,226	408	48	219	321	51	22%	54	52	10	707	11%
		4	16	0	0	0%	3	0	0	19	0%
		2	51	12	0	0%	0	0	0	63	1%
		2	0	0	2	1%	0	0	2	4	0%
		20	348	70	2	1%	7	1	0	428	7%
		4	75	0	9	4%	3	0	1	76	1%
		2	9	16	0	0%	0	0	0	25	0%
		6	31	0	17	7%	2	0	1	32	1%
		4	11	0	0	0%	0	0	0	11	0%
124,015	-7,116	363	3613	1712	235	100%	408	206	45	6188	100%

Council for Christian Colleges and Universities 2018 or the Cnaan et al. studies⁶) or government fiscal impact as in the Australian SEIROS studies to date.⁷ The methods of such gross economic activity studies have been criticised by Siegfried et al.⁸

All streams of benefits and costs in future periods are discounted back to present values using a discount (or interest) rate of 5% per year. This rate is fairly arbitrary, but 5% is in line with current cost-benefit analysis practice. In the report linked to this paper, I have investigated the sensitivity of the results to variations in the discount rate and several other key parameters in the analysis.

DATA

The most significant data for the project comes from the Quality Indicators for Learning and Teaching (QILT) Graduate Outcomes Survey (GOS) conducted by the Social Research Centre.⁹ In addition to the publicly available data, the Social Research Centre provided detailed data on graduate numbers, employment, labour force participation, and earnings for the field of education religion. For the purposes of analysis, institutions were aggregated into the following categories: comprehensive universities teaching religious studies, comprehensive universities teaching theology, University of Divinity, comprehensive colleges teaching theology, i.e., ACHEA colleges, and theological colleges. Data was provided for bachelor degrees, postgraduate coursework degrees, and higher degrees by research for each group of institutions.

6 Ram A. Cnaan, "Valuing the Contribution of Urban Religious Congregations," *Public Management Review* 11, no. 5 (2009): 641–62; Ram A. Cnaan, How Much Is a Congregation Worth?, *ABC Religion and Ethics Report* (June 14, 2017), <http://www.abc.net.au/radionational/programs/religionandethicsreport/dr-ram-cnaan/8618434>; and Ram A. Cnaan, Tuomi Forrest, Joseph Carlsmith, and Kelsey Karsh, "If You Don't Count It, It Does Not Count: A Pilot Study of Valuing Urban Congregations," *Journal of Management, Spirituality and Religion* 10, no. 1 (2013): 3–36.

7 Deloitte Access Economics, *Economic Value of Donating and Volunteering Behaviour Associated with Religiosity*, *SEIROS Report* (2018), <https://www2.deloitte.com/au/en/pages/economics/articles/donating-volunteering-behaviour-associated-with-religiosity.html>.

8 John J. Siegfried, Allen Sanderson, and Peter McHenry, "The Economic Impact of Colleges and Universities," *Economics of Education Review* 26, no. 5 (2007): 546–58.

9 Quality Indicators for Learning and Teaching (2019), *Graduate Outcomes Survey*, <https://www.qilt.edu.au/about-this-site/graduate-employment>.

Data on enrolments by field of education and institution is from the Department of Education, Higher Education Statistics,¹⁰ including additional data provided for the project, which separated out religion from other humanities fields.

The Australian Taxation Office (ATO) provided data for the project on taxable income and fringe benefits of religious practitioners.

Financial data for private higher education institutions was obtained from the Australian Charities and Not-For-Profit Commission (ACNC).

I am also grateful for the Council of Deans of Theology members who provided additional data for the institutions.

There are many gaps and inconsistencies in the data available for private higher education in Australia. For instance, the collegiate or consortia structure of several theological institutions means that the student and especially financial data is reported inconsistently, making it difficult to gain a consolidated picture of these institutions. It would be a great help for researchers on private higher education if data were reported for the teaching and research of private institutions at the same level of detail, and in a manner consistent with public universities. The inclusion of private institutions in QILT shows the way here.

ECONOMIC VALUATION

In any economic valuation exercise, it is necessary to specify a counterfactual or base case against which value is being measured. Here, the counterfactual case is the nonexistence of theological education—the value of theological education as the losses to Australian society resulting from a disease which selectively wiped out all Australian religion and theology teachers and students.

The components of the value of religion and theology higher education are summarised in figure 1, and each component will be further explained below.

¹⁰ Department of Education, *Higher Education Statistics* (2019), <http://highereducationstatistics.education.gov.au/>.

TOTAL BENEFITS TO SOCIETY

Private Benefits to Graduates	Benefits to Government	Wider Social Benefits	
Additional earnings less taxes and less cost of degree	Taxes less government funding of degrees	Direct Spillovers from Graduates <ul style="list-style-type: none"> ● Graduate giving ● Graduate volunteering ● Better health ● Lower crime ● Social capital 	Indirect Spillovers from Theology Graduates Working in Churches <ul style="list-style-type: none"> ● Religious giving ● Religious volunteering ● Better health ● Lower crime

Figure 1: Summary of Benefits and Costs

Private Benefits to Graduates

Estimates of the earnings of theological graduates utilised QILT median earnings for graduates employed full-time for four months after graduation, and standard assumptions about the shape of earnings profiles from the economics of education literature. This implicitly assumes that all graduates are in the labour force and fully employed, and that earnings above the baseline median earning for non-graduates are attributable to the theological degree. Discussion of some particular issues for theology may be found in the report (such as the older age profile of theology graduates that reduces the expected number of earning years to retirement, and the earnings of theological graduates often being in the form of fringe benefits because of the fringe benefits tax exemption for religious practitioners).

Net benefits to graduates are earnings, less the cost of the degree. The greatest component of the cost is forgone income while studying, which I have taken to be the average full-time earnings for the duration of the degree (three years for bachelors, two years for masters, and five years for PhD) less a modest estimate of income theology students earn while studying. The other component of cost for students is the fee paid for the degree. Fees are fixed for domestic undergraduates at public universities and available on the Department of Education website. Average fees for other degrees at different types of institutions for domestic and international students have been estimated from institutions' websites. It is assumed that domestic

graduates pay these fees through Australia's income contingent loans scheme, including the 25% government surcharge added to the loans of undergraduate students at private providers, assumed to be paid in equal instalments over the first ten years after graduation.

Benefits to Government

Government fiscal benefit from theological higher education is the additional tax revenue flowing from additional graduate earnings, less government contributions through Commonwealth Supported Places (CSPs) for undergraduates at public universities and Research Training Program (RTP) contributions for postgraduate research students.

WIDER SOCIAL BENEFITS¹¹

Direct Spillover Benefits

It is well established empirically¹² that graduates have better health outcomes and live longer than the general population. This is both a private non-monetary benefit to the graduate, and also a direct spillover benefit to society through lower public health expenditures. These could be substantial, with Haveman and Wolfe suggesting the private non-monetary benefits of a degree are at least as great as the monetary benefits. McMahon emphasises the non-monetary benefits because he believes potential students, especially those from disadvantaged backgrounds, are less well informed about them than the monetary benefits, and this leads to substantial market failure.

I have estimated the giving, volunteering, public health, crime reduction, social capital, and other benefits that accrue to society from having more graduates to be

11 See excursus on social capital at the end of this article.

12 For instance, Robert Haveman and Barbara Wolfe, "Accounting for the Non-Market and Social Benefits of Education," in *The Contribution of Human and Social Capital to Sustained Economic Growth and Well Being*, ed. John F. Helliwell (Paris, OECD, 2001); Walter McMahon, "The Social and External Benefits of Education" in *International Handbook on the Economics of Education*, eds. Geraint Johnes and Jill Johnes, (Edward Elgar, 2006), 211–59; Walter W. McMahon, *Higher Learning, Greater Good: The Private and Social Benefits of Higher Education* (Baltimore, MD: Johns Hopkins University Press, 2017).

\$10,000 per graduate based on the Australian work of Chapman and Lounkaew¹³ who suggest a range of \$6000 to \$10,000 per year of higher education. We have no data on theology graduates, and direct spillovers are assumed to be similar to other graduates.

Indirect Spillover Benefits

These arise because theology degrees are an input to churches which generate public benefits. The proportion of theology graduates who enter church ministry generate church attendees which generate benefits through religious giving, religious volunteering, better health, and lower crime.

Estimation of the 40% proportion of theology graduates entering church ministry and 100 attendees per minister are based on the work of Reid, Hughes, and NCLS estimates of church attendance.¹⁴

Additional religious giving is estimated to be \$196 per attendee. This is based on Deloitte's estimates of the value of additional religious giving at \$142 million, divided by 726,600 religious transitioners.¹⁵ Deloitte confined attention to religious transitioners; in other words, those who become religious after previously not being so. For comparison, Stark estimates the additional benefit of religious giving for the US as \$31 billion, or \$269 per attendee.¹⁶ Additional religious volunteering is estimated to be \$467 per attendee. Deloitte estimated value of additional religious volunteering at \$339 million, divided by 726,600 religious transitioners gives \$467.¹⁷ For comparison, Stark estimates the benefit of religious volunteering for the US as \$47 billion, or \$411 per attendee.¹⁸

13 Chapman and Lounkaew, "Externalities from Private Education."

14 Stephen Reid, "Profile of Australian Christian Clergy," *Pointers - Bulletin of the Christian Research Association* 22(2) (2013): 1-7; and Philip Hughes, "Providers of Religious Services in Australia." *Pointers - Bulletin of the Christian Research Association* 28(2) (2018): 1-10.

15 Deloitte Access Economics, *Economic Value*.

16 Rodney Stark, *America's Blessings: How Religion Benefits Everyone, Including Atheists* (Radnor, USA, Templeton Press, 2012).

17 Deloitte Access Economics, *Economic Value*.

18 Stark, *America's Blessings*.

Public health cost savings are estimated to be \$1000 per attendee. This is a conservative estimate in the light of Stark who estimated the benefit of better physical and mental health for the US as \$341 billion, or \$2965 per attendee.¹⁹ Crime savings are estimated to be \$1000 per attendee. By comparison, Stark estimated the benefit of lower crime for the US as \$2.1 trillion, or \$18,260 per attendee.²⁰

Total Benefits to Australian Society

Compared to a baseline of non-existence, higher education for religion and theology has a value to Australian society of approximately \$300 million, representing a rate of return to society on its investment of 12.7%.

This value comprises private benefits to graduates amounting to \$52 million (rate of return 6.3%), benefits to the government of \$37 million (return of 7.2 % on government investment through CSP and RTP contributions), and wider social benefits of \$211 million. The estimates of government benefits are particularly conservative as giving, volunteering, better health, and reduced crime that are counted as wider societal benefits will have a fiscal impact.

These benefits from theological education can be compared to benefits calculated using a similar methodology for all higher education. Higher education across all subjects has a value to Australian society of \$67 billion, representing a rate of return to society on its investment of 11.8%. These comprise private benefits to graduates of \$50 billion (rate of return 12.0%), benefits to the government of \$14 billion (return of 9.6 %), and wider social benefits of \$3 billion. Compared to theology, other graduates have much higher private rates of return (12.0% compared to 6.3%) because earnings for other graduates tend to be higher (especially in fields such as medicine and law) and because the government contributes much more to the cost of other degrees than to a theological degree. Government rates of return are higher for other graduates (9.6% compared to 7.2%) than theology graduates, with the higher tax take from higher earnings in other fields counterbalancing the lower government contributions to theology. Importantly though, overall rates of return to society are higher for theology than other subjects (12.7% compared to 11.8%), driven

19 Stark, *America's Blessings*.

20 Stark, *America's Blessings*.

by the strong spillover benefits from theological education. This demonstrates the economic benefit of theological education to Australian society as a whole, at very low cost to the taxpayer.

Besides these economic benefits of Australian theological higher education, it is worth noting:

- There are 24 universities and colleges (or 58 if we count colleges within theological consortia) teaching the equivalent of 6200 full-time students from undergraduate to PhD levels.
- For the \$4 million per year the government contributes to religion and theology education through CSPs and RTP contributions, the churches provide approximately \$12 million and students \$52 million. It is overwhelmingly the churches and theology students who are paying for the wider social benefits generated by theological education.
- Private colleges teaching theology contribute to economic activity and employment. Their turnover is in excess of \$150 million per year, and they employ over 1000 people. If we add in the teaching of education, counselling, chaplaincy, business, and other subjects by Christian colleges, the contribution to economic activity would be even larger.
- Although comprehensive data is lacking, these colleges are pathways into higher education for many disadvantaged and first in family students.

POLICY SCENARIOS

The economic values reported in the previous section are sensitive to government policy settings, and this section explores the response to some possible alternative policy settings.

Abolition of 25% FEE-HELP Surcharge for Private Higher Education Students

The main difficulty with simulating the effects of the elimination of the 25% surcharge is the lack of information about price elasticity of demand in Australian

higher education. There is also surprisingly little research on this internationally,²¹ and international estimates are probably not applicable to Australia with its income contingent loan system. In view of these difficulties, I have individually estimated changes in undergraduate enrolments in different types of institutions. I have estimated there will be reallocation from public to private institutions, and a net increase of 6% in undergraduate theology graduations (or 2% increase in all theology graduations) in response to the abolition of the 25% surcharge. If students, most likely postgraduates, are close to their FEE-HELP loan ceilings, then enrolments will be even more price sensitive, but quantifying this is not feasible here.

Re-estimating net benefits with these enrolment changes means that the overall benefits to society increase \$11m to \$311m, corresponding to an increased rate of return to society from theological education by 0.8% to 13.5%. About half of the additional benefits accrue to theology graduates, because of the saving from the abolition of the surcharge and a slight increase in the number of graduates, and about half are additional spillover benefits.

Perhaps the most interesting result is that the abolition of the 25% surcharge is approximately revenue neutral for the government. The government loses the substantial revenue from the surcharge, but this is almost compensated for by the reduction in CSP funding as students switch from public to private providers, and by the additional taxation revenue flowing from the increase in enrolments.²²

21 For example, Donald E. Heller, “Student Price Response in Higher Education,” *Journal of Higher Education* 68, no. 6 (1997): 624–59.

22 A previous attempt to estimate the impact of removing the 25% surcharge from all non-university higher education providers was Wells Consulting commissioned by COPHE (now IHEA) (Wells Advisory, *The Case for Removing the 25% Fee-Help Loan Fee for NUHEP Students* [Melbourne, Report for Council for Private Higher Education, 2018]). They argue that the surcharge “distorts access and equity and has not been adequately justified” and present calculations that if abolished “the extra taxes raised will equal if not exceed the forgone repayment of loan fees over the ten years 2019–2028.” They assume an overall 2% increase or 814 students or 555 EFTSU increase in enrolments in non-university higher education providers, which is very conservative. They calculate forgone revenue from the surcharge along with additional tax revenue generated by the growth in student numbers at non-university higher education providers. The Wells Consulting exercise is not directly comparable to the present project because it is for private higher education in all subjects, not just theology, and the responses of student numbers will be quite different in undergraduate business where university and private provider degrees are much more substitutable than university religion degrees and private provider theological degrees. It is also unclear in the Wells report how

Removal of HECS and FEE-HELP for Theology Students

There have been periodic political calls to end government support for theological education, and to end HELP loans for theology students. Here I investigate the effect of ending HELP loans.

Modelling the effect of student loans on enrolments is complicated. I assume that student loans do not alter the NPV of student contributions but change enrolments through their effect of the availability of loans on the decisions of cash-constrained and risk-averse students. These students will tend to be disadvantaged students who have lower higher education participation rates.

I have projected that removing HELP loans for religion and theology students reduces enrolments by 20% or 409 students. These students are lost to higher education as there is little substitutability between undergraduate theology degrees and other undergraduate degrees, because many students are studying following calls to ministry in their church denominations or other calls. Re-estimating net benefits with these projected enrolment changes suggests that removing HELP loans for religion and theology students would be very bad for all stakeholders. Theology students as a group lose \$9.3m due to the fall in their numbers. The government loses \$10.3m mostly through lost taxation revenue from the drop in student numbers, with only minimal CSP savings as most theology study is privately financed. Society loses spillover benefits as the sector contracts, and the total loss to society amounts to about \$60m.

Estimates of the effect of removing HELP loans on student numbers are really only guesses in the absence of studies, and I also calculated effects for a projected drop in theology enrolments of 50%, which some sector leaders suggested was possible. The effects are similar to my projections reported above, but they are magnified—students lose \$27m, the government loses \$21m, and society loses \$157m.

Removing support from theological education would be an ideological indulgence with significant costs for the government budget and wider society.

substitution with its effects on CSP expenditure and a number of other issues have been dealt with.

Extending Access to CSPs For All Theology Undergraduates

While the amount of CSP that private providers would receive under this policy change is known, the effect on fees charged to students at private providers is less clear. I will assume the CSPs received are fully passed through to student fee reductions and have projected the effect on student numbers at different types of institutions in the associated spreadsheet. I am projecting significant substitution from public universities to private institutions with an overall increase in religion and theology graduations of 83 students or 10%.

Students at private providers gain \$6.5m from the fee savings and the increase in their numbers. Government expenditure rises by \$19m because of the increase in CSPs, which is much bigger than the additional tax take from the extra students and other effects. Society overall gains slightly from the extension of CSPs because the gains to students and the spillover benefits from the expansion of theological education outweigh the additional government expenditure.

Extending Access to Research Training Program (RTP) to All Theology Postgraduate Research Students

Levelling the playing field between public universities and private providers accredited to offer postgraduate research degrees will allow private providers to reduce average student contributions to levels similar to public universities. I project that thirteen research students will reallocate from public to private between institutions, but total research student numbers will not change. Projected reallocations are detailed in the associated spreadsheet. There is considerable substitutability between religion and theology research degrees at different institutions, much more than at the undergraduate level where students are often training for ministry. These projections probably understate the reallocations as some research students currently enrolled in public university programs in history, philosophy, and other subjects closely related to theology may also reallocate to theology programs at private providers.

Re-estimating with my projected student number changes suggests that the fiscal cost to the government of extending RTP will be about \$2.5m, with benefits to students of \$0.8m and a net overall loss to society of \$1.5m. This reflects the

additional fiscal cost and benefits to students, with virtually no change in spillovers because total student numbers are not changing.

One critical factor which is not part of the analysis and which is very difficult to quantify is the improvement in the quality of postgraduate research flowing from extending RTP to all accredited providers. Removing the current funding distortion means students can now be matched with the highest quality provider, which they are in the best position to judge. It would not take much of an increase in the quality of postgraduate research to outweigh the additional fiscal cost of levelling the RTP playing field.

CONCLUSION

The clearest message of this study is that government and the wider society benefit significantly from theological education. Aside from the benefits to students, it generates tax revenue from increased earnings well in excess of government contributions, and also generates substantial direct and indirect spillover benefits from giving, volunteering, improved health, reduced crime, enhancement of social capital, and societal happiness. Most of the cost of theological education is currently borne by students and churches.

Some policy changes would make the net benefit from theological education even larger. These include abolishing the 25% loading on private provider HELP debts and extending CSPs to all theological providers. Levelling the playing field for postgraduate research would cost the government money but generate other benefits, which probably outweigh the cost to the government. Giving in to ideologically motivated advocacy to abolish HELP loans and other assistance to theological education would be costly for both the government budget and the wider society.

The scope of this study has been limited by time, budget, and data constraints, and much work remains to be done to gain a clearer picture of the place of theological education and research in the Australian higher education system, and in Australian society more generally. High priority extensions include:

- Investigating the economic contribution of theological research

- Investigating the potential for theological institutions to grow international student numbers, and the economic contribution of international theological students. There would seem to be significant potential for Australian institutions to capture some of this market currently dominated by US institutions. It is a sizeable market; for instance, there are many more Christians in Indonesia than Australia, and an even greater number of potential theological students in India and China.
- Investigating the participation of equity groups (including regional students, low SES background students, and students who are first in family in higher education). Anecdotally these equity groups are overrepresented among theology graduates, but we do not have systematic data.
- Further investigating the occupation and industry destinations of theology graduates
- Quantifying the indirect spillover benefits of theological education in Australian Christian NFPs and Christian schools
- Data envelopment analysis of costs of private higher education compared to public universities. The cost base of theological education and Christian colleges appears much lower than similar education in public universities, and if so, allowing competition on a level playing field could make possible significant savings for Australian students and taxpayers. We do not have systematic data on costs outside the public universities, and until we do, the potential savings are speculative.
- Further investigation of the religious labour and product markets in Australia, for instance, Granger causality testing of the relationship between clergy and attendee numbers. This would be part of developing the new sub-discipline of the economics of religion in Australia, building on the world-leading data on church life that has been collected by the Australian NCLS research over the past thirty years.

Appendices to this article may be found on the ANZATS website www.anzats.edu.au, consisting of the Project Report, the Model and Calculations Supporting the Report, and the Map of the Sector.

EXCURSUS – SOCIAL CAPITAL

These direct and indirect spillover benefits can also be discussed using the language of social capital. Robert Putnam defines social capital as “those features of social organisation, such as trust, norms and networks that can improve the efficiency of society by facilitating co-ordinated actions.” Putnam (1993, 167) quoted in Ruth Powell, Miriam Pepper, and Sam Sterland, *The Impact of Congregations on Australian Society* (Sydney, NCLS Research, 2015), 7. Based on invited paper for Workshop on Economic Value of Religion in Australia, Melbourne.

A distinction is often made between bonding social capital which is about strength of relationships within the group, and bridging social capital which is about the extent and strength of relationships between the group and other groups. Research on social capital (Partha Dasgupta, “Economics of Social Capital,” *Economic Record* 81(Conference) (2005): 2–21; John Ashcroft, Roy Childs, Alison Myers, and Michael Schluter, *The Relational Lens: Understanding, Managing and Measuring Stakeholder Relationships* (Cambridge, CUP, 2016); Robert D. Putnam, *Bowling Alone: The Collapse and Revival of American Community* (New York: Simon & Schuster, 2000); Robert D. Putnam and David Campbell, *American Grace: How Religion Is Reshaping Our Civic and Political Lives* (New York: Simon and Schuster, 2010)) and Australian studies (Andrew Leigh, *Disconnected* (Sydney: UNSW Press, 2010); Philip Hughes, *Spiritual Capital: An Important Asset of Workplace and Community* (Melbourne, Christian Research Association—Occasional Research Paper, no. 8, 2008); Philip Hughes, John Bellamy, Alan Black, and Peter Kaldor, *Building Stronger Communities* (Sydney, UNSW Press, 2007); Rosemary Leonard and John Bellamy, “The Relationship between Bonding and Bridging Social Capital among Christian Denominations across Australia,” *NonProfit Management and Leadership* 20, no. 4 (2010): 445–60) have increased our understanding of how social capital is generated and its effects. For the purposes of this project the strong association between religion and social capital is important. Putnam famously estimated that about half of social capital in the US is generated in religious contexts (Putnam, *Bowling Alone*). The strong association has led some researchers to develop a concept of spiritual capital (Theodore R. Malloch, “Spiritual

Capital,” in *Oxford Handbook of Christianity and Economics*, ed. Paul Oslington (Oxford: OUP, 2014); and Hughes, *Spiritual Capital*).

Another relevant finding is that graduates and communities with many graduates have higher levels of social capital than the general population. O’Mahony et al. present Australian evidence that humanities graduates have greater trust and tend to volunteer more than other graduates (see O’Mahony et al., “Valuing the Humanities”).

The approach taken to social capital in this study is to include it among the direct spillover benefits for all graduates. The strong association between religion and social capital suggests it should also be included among the indirect spillover benefits of theological education, but the difficulty of translating the well-documented positive effects of religion on social capital into dollar amounts, plus the desire to be conservative and avoid double counting means it will not be valued in addition to the other indirect spillover benefits I have included: giving, volunteering, better health and lower crime.

Graduates also tend to be happier than the general population, controlling for income and other differences (for instance, see P.R.G. Layard, *Happiness: Lessons from a New Science* (New York: Penguin, 2005)). It may well be that these health and happiness effects are stronger for theology graduates than other graduates. However, we do not have reliable estimates of the dollar equivalents (known in the literature as compensating differentials) of these health and happiness effects for graduates, and this plus a desire to be conservative in estimating benefits from theological education means excluding them from the private benefit calculations. Benefits to society from lower health costs for all graduates will be captured in the direct spillover benefits parameter to be discussed in more detail in a following section.

Research on religion and happiness suggests very strong positive effects, controlling for other differences between religious attenders and the general population (Richard A. Easterlin, “Religion and Happiness,” in *Economics and Happiness*, eds. Luigino Bruni and Pier Luigi Porta (Oxford: OUP, 2005); Nick Spencer, Gillian Madden, Clare Purtil, and Joseph Ewing, *Religion and Well-Being: Assessing the Evidence* (London: Theos Thinktank, 2016); and, Graham and Crown, “Religion and

Well-Being.” However, it is difficult to translate these into dollars, and so happiness effects of religion will not be included among the indirect spillover benefits. As well as being conservative in estimating benefits, I am also wary of double counting benefits from happiness and the indirect spillover benefits from religion I am including; giving, volunteering, better health, and lower crime.