Council of Australian Postgraduate Associations (CAPA)

Submission to Senate Inquiry into the Provisions of the Higher Education Support Legislation Amendment (Student Loan Sustainability) Bill 2018

February 2018

capa
Council of Australian Postgraduate Associations Incorporated

Compiled with the assistance of the staff and office bearers
of the Council of Australian Postgraduate Associations (CAPA)
and its affiliated member organisations.

Prepared by Natasha Abrahams (National President) and Lara McKenzie (Research Officer)
Level 1, 120 Clarendon Street, Southbank, VIC, 3006

www.capa.edu.a

Foreword

The Council of Australian Postgraduate Associations (CAPA) is the peak body representing the interests of the over 400,000 postgraduate students in Australia. This includes over 243,000 domestic postgraduate students, comprised of over 198,000 coursework and 45,000 research students, who will be impacted by the proposed changes. CAPA is comprised of 27 university and campus based postgraduate associations, as well as the National Aboriginal and Torres Strait Islander Postgraduate Association (NATSIPA).

CAPA carries out its mission through policy, research, and activism, communicating the interests and issues of postgraduate students to higher education stakeholders as well as Federal and State Governments, Opposition parties, and minor parties.

We thank the Senate Education and Employment Legislation Committee for investigating the proposed changes to the Higher Education Loan Program (HELP) made by the 2018 Higher Education Support Legislation Amendment (Student Loan Sustainability) Bill, and we appreciate the opportunity to make a submission to this inquiry.

In our response below, we identify some of the proposed changes as likely to have an extremely negative impact on university students, and on postgraduate students in particular. While we are not opposed to an increase in the rate of HELP debt recovery from high-earning graduates, we recommend that plans to lower the repayment threshold, index it to CPI, and introduce a lifetime cap on all HELP loans be abandoned. If the Government is truly concerned with reducing HELP debt, we propose that the upfront payment discount be reintroduced. This discount incentivised early repayment from those with the means to do so.

Risks to access and equity for Australian students

The proposed changes to HELP must be viewed in the context of the recent university funding freeze. The current Government is already making substantial savings by restricting Commonwealth support to October 2017 levels. We are troubled by these further attempts to not only make cuts to the higher education sector, but to place an even greater financial burden on students and graduates, and on low-earning graduates in particular. Education needs to be valued by Australia's Government, rather than being seen as an easy target when undergoing budget repair.

We note that, in 2017, the Government attempted to reduce the minimum HELP repayment threshold to $42,000. This change was rejected by the Senate, along with other cuts to the higher education sector. Furthermore, this legislation was roundly dismissed by higher education experts, students, peak bodies like Universities Australia, as well as the general public.

We believe that the changes proposed under the 2018 Higher Education Support Legislation Amendment (Student Loan Sustainability) Bill are out of line with Australian values. The lower repayment threshold would target some of Australia's most vulnerable graduates. Furthermore, the changes send a clear message that the Government does not value or seek to foster an educated workforce. Nor does it support the Government's previously stated dedication to creating a more innovative workforce that is able to adapt to Australia's changing society, economy, and environment, through a renewed dedication to lifelong learning.[1] Finally, the retroactive lowering of the income repayment threshold is unfair and would lower Australians' confidence in the HELP system, as the Government would be changing the terms of students' previous loan agreements.

Issue 1: Lowering the HELP repayment threshold

The key objective of HELP loans is to allow Australians large-scale access to higher education, including for those who come from difficult financial circumstances. HELP is predicated on the loan terms being benevolent and interest-free, in contrast to the predatory, high-interest loans seen in the U.S. higher education system. CAPA is concerned that the central purpose of HELP loans—which have facilitated many students in accessing the transformative power of education—is being eroded to deliver relatively small savings for the Government.

The proposed legislation would introduce a new minimum repayment threshold of $45,000 (before tax), with a repayment rate of one percent of gross income. $45,000 is just over half the average full-time wage of an adult in Australia,[2] and is only marginally higher than the national full-time minimum wage.[3] Someone earning $45,000 a year has a take-home pay of $37,928 once income tax and the Medicare Levy are subtracted.[4] Removing a further $450 from their take-home pay is onerous for those who are struggling with the cost of living. The current minimum repayment threshold of $55,874 enables students to undertake their education with the security of knowing that they will only need to repay their loans once they are earning a decent, stable income.

This change targets lower-earning university graduates. While a university degree can confer earning benefits, many graduates struggle, particularly in the first few years after completing their studies. The 2017 Quality Indicators for Learning and Teaching (QILT) survey found that, while around 70 to 80 percent of graduates find full-time employment in the year after

---

[1] Innovation and Science Australia 2017. *2030 Strategic Plan Issues Paper, 20 March 2017*.
[2] Australian Bureau of Statistics [ABS] 2017. *6302.0 - Average Weekly Earnings, Australia, May 2017*. http://www.abs.gov.au/ausstats/abs@.nsf/mf/6302.0.
[3] Fair Work Ombudsman 2018. *Minimum Wages*. https://www.fairwork.gov.au/how-we-will-help/templates-and-guides/fact-sheets/minimum-workplace-entitlements/minimum-wages
[4] Australian Securities and Investments Commission [ASIC] 2018. *Income Tax Calculator*. https://www.moneysmart.gov.au/tools-and-resources/calculators-and-apps/income-tax-calculator.

completing their degrees, this figure has fallen about 10 percent in the past decade.[5] Secure employment (and thus a stable income) is more and more difficult to find, and recoupment of HELP loans need to reflect this reality.

We are particularly concerned about the impact of this Amendment on those without access to family financial support, those with dependents, and those residing in areas with a high cost of living. In particular, this will unfairly impact new graduates with postgraduate qualifications. With the older average age of those undergoing postgraduate study, many are in a life stage where they are starting or supporting a family. A lower-earning graduate with no dependents may be able to absorb their unexpected loan repayments more easily, yet the Government should not assume that all graduates are in such a position.

Finally, lowering the repayment threshold will disproportionately impact women and low SES graduates. As noted in the Explanatory Memorandum:

> "The Government currently carries a higher deferral subsidy from demographic groups that tend to have lower incomes. This includes women, individuals in part-time work, or individuals in low paid professions. As a result, some of these individuals, including women, may be making repayments for the first time as a result of the introduction of a lower minimum repayment threshold" (p. 6).

The Memorandum continues, however, that "addressing... income inequality... is not the role of the higher education loans system" (p. 6). CAPA strongly disagrees with the Government's contention that HELP loans need not address income inequality. Rather, we find that the core purpose of HELP loans is to ensure that higher education can be accessed by *all* Australians. It is also the central reason for indexing repayments to income, and making lower-income Australians exempt from such repayments. It is crucial that students are not only able to *get* loans, but that they are able to repay them in a way that is not unnecessarily and unfairly burdensome.

<u>Recommendation One</u>: Retain the current minimum repayment threshold and rate.

Issue 2: Introducing a lifetime cap on HELP loans

The Government proposes the introduction of a borrowing limit that will include all vocational and university student loans, including HECS-HELP loans. We believe this goes against the spirit of the HECS-HELP system, which seeks to promote upward mobility for students. Under

[5] Quality Indicators for Learning and Teaching [QILT] 2018. *2017 Graduate Outcomes Survey National Report.* https://www.qilt.edu.au/docs/default-source/gos-reports/2017/2017_gos_national_report_final_accessiblea45d8791b1e86477b58fff00006709da.pdf?sfvrsn=ceb5e33c_4.

the existing system, the FEE-HELP borrowing limit is $102,392 (in 2018),[6] while HECS-HELP loans have had no borrowing limit. Under the proposed system, the total limit would be $104,440 (or $150,000 for medicine, dentistry, and veterinary students). This $2,000 increase is equivalent to only one or two undergraduate units,[7] making the amount effectively meaningless for students.

Introducing a lifetime cap on HECS-HELP loans will disproportionately impact future postgraduates. These students need to complete an undergraduate degree before commencing their studies, and this, in combination with the higher cost of postgraduate coursework degrees, means that they have significantly higher HELP debts. The majority of Australian postgraduates are engaged in coursework rather than research degrees,[8] and these degrees add substantially to students' existing HELP debts (with research degrees currently not attracting tuition fees).

The introduction of a loan cap would effectively end equitable access to higher education, restricting lower income students from accessing advanced degrees (such as Law degrees). In Australia, what is known as the "Melbourne Model"—in which students undertake generalist undergraduate degrees followed by specialist professional Masters degrees—has become increasingly prevalent. The model was introduced to Australia by the University of Melbourne in 2008, and is in line with how degree programs are taught at top universities overseas. In a world of increasing global mobility, students need an internationally comparable higher education. The proposed HECS-HELP cap would restrict the development of such a higher education system, with access to many advanced degrees exclusive to those able to afford sizable upfront fees.

For example, a student at the University of Melbourne who studies a Bachelor of Arts with a Commonwealth Supported Place pays approximately $20,000 for their undergraduate degree[9]. If they were then to study a Juris Doctor degree at the University of Melbourne, at a full-fee cost of $124,385,[10] the student's total contribution would be $143,717. This exceeds the proposed loan cap by $39,277. Therefore, only students who could afford to pay $39,227 upfront would be able to undertake this degree pathway.[11]

The proposed HECS-HELP cap would be implemented from 1 January 2019. CAPA is concerned about the impact this would have on students who are partway through their studies. Such changes are unfair to students who are already working toward qualifications they are

---

[6] Study Assist 2018. *FEE-HELP*. http://studyassist.gov.au/sites/studyassist/helppayingmyfees/fee-help.
[7] Costs per unit vary substantially depending on the course students are studying.
[8] Department of Education and Training [DET] 2017. *2016 All Students*. https://docs.education.gov.au/node/45161.
[9] $19,332 = 3 x 2018 rate from The University of Melbourne 2018. *Fee Tables and Calculations*. https://futurestudents.unimelb.edu.au/admissions/fees/ug-dom/subject-fees.
[10] The University of Melbourne 2018. *Fees and Scholarships*. http://law.unimelb.edu.au/study/jd/fees-and-scholarships.
[11] This is approximately double the upfront payment that students are required to pay under the existing FEE-HELP system.

only able to afford under the current system. In the above example of a student working toward a Juris Doctor degree, this student's plans would be dashed unless they were either nearing the end of their studies or able to pay tens of thousands of dollars upfront. If this student had been aware of the Government's proposed amendments to HECS-HELP, they would likely have chosen a different degree program.

A lifetime loan cap also contradicts the Government's recent commitment to creating a more innovative, adaptable workforce through a renewed dedication to lifelong learning. As noted in last year's 2030 Strategic Plan Issues paper:

> "To make the most of a more dynamic future economic landscape, we will need an excellent education system encouraging an innovation mindset and lifelong learning across our community".[12]

Here, the Government argues that—in order for our nation's future workforce to adapt to Australia's changing society, economy, and environment—lifelong learning needs to be emphasised. Introducing a fee cap will prevent those who are seeking to begin a new career, or learn a new skill, from returning to higher education in later life.

Finally, we are concerned that the loan cap is being introduced to compensate for the excesses of the VET sector, as indicated by Assistant Minister for Vocational Education and Skills, Karen Andrews, in the Bill's second reading. We note that issues in the VET sector can be traced to private providers' abuse of deregulated fees and the spread of low-quality degrees of little benefit to students. It is important that the same mistakes are not repeated in the university system. Placing a cap on student borrowing does not address these issues; rather, it punishes students for private providers' previous misuse of government funds.

Assistant Minister Karen Andrews also argues that "a small number" of students have used HECS-HELP as a "blank cheque", and that they "cluster below [repayment] thresholds". This is scaremongering, and not grounded in how students and graduates actually utilise the system, as she herself acknowledges when she refers to only "small numbers". There is no incentive for students to engage in such practices in the system as it stands. HELP loans only cover study expenses, not living expenses. Furthermore, earning a very low or minimum wage throughout one's lifetime—and doing so simply to avoid making repayments—is unlikely to be an attractive option for anyone.

<u>Recommendation Two</u>: Abandon plans to introduce a lifetime cap on HELP loans.

Issue 3: Indexation of HELP repayments to the Consumer Price Index (CPI)

[12] Innovation and Science Australia 2017. *2030 Strategic Plan Issues Paper*. https://industry.gov.au/Innovation-and-Science-Australia/Documents/2030-Strategic-Plan-Issues-Paper.pdf.

The amendment proposes altering how HELP repayments are indexed. Rather than being indexed according to Average Weekly Earnings (AWE), repayments would be indexed to the Consumer Price Index (CPI), which essentially tracks the cost of living. Under the current system, the repayment threshold is increased in line with rises in Australians' average weekly earnings. Indexing repayments to CPI rather than AWE means that increases in minimum (and all other) repayment thresholds will most likely be smaller and occur more slowly, as the Government acknowledges in the Bill's Explanatory Memorandum (p. 5). Repayment thresholds will therefore fall further and further behind Australians' average weekly earnings, as well as moving closer and closer to the national minimum wage.[13] Not only will the proposed changes impact low-earning graduates extremely negatively, this negative impact will increase over time.

Recommendation Three: Index increases to the repayment thresholds to Average Weekly Earnings (AWE) rather than the Consumer Price Index (CPI).

Summary and recommendations

We find that the Government's proposal to amend the HELP system is deeply flawed. The proposed amendments are inequitable, as they prevent low SES and other less advantaged students from engaging in particular degree courses, while forcing lower-income students to repay their loans at higher rates. Unlike the Government, we believe that it is the core purpose of HELP loans to allow students to have equal access to higher education. The proposed amendments go against this purpose.

On this basis, CAPA makes three key recommendations:

1. Retain the current minimum repayment threshold and rate;

2. Abandon plans to introduce a lifetime cap on HELP loans; and

3. Index increases to the repayment thresholds to Average Weekly Earnings (AWE) rather than the Consumer Price Index (CPI).

[13] Fair Work Commission 2018. *Statistical Report—Annual Wage Review 2017–18.* https://www.fwc.gov.au/documents/sites/wagereview2018/statistical-reporting/statisticalreport.pdf.