Queensland University of Technology
2 George Street GPO Box 2434
Brisbane Qld 4001 Australia

Professor Margaret Sheil AO
Vice-Chancellor and President

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Secretary
Senate Education and Employment Legislation Committee
Department of the Senate
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Senators

Thank you for the opportunity to comment on the ***Higher Education Support Legislation Amendment (Student Loan Sustainability) Bill 2018***.

QUT's response should be read in conjunction with the submission by the Australian Technology Network (ATN), to which we subscribe, particularly its governing principle of the importance of access to all Australians of a high quality higher education, regardless of their means.

Like the ATN's submission, these further comments are structured around the Bill's four main components.

1. New HELP repayment threshold measures from FY 2018-19

QUT commends the design of the new repayment profile, commencing at 1% and escalating in more and smaller increments. This significantly reduces the hypothetical perverse incentive to artificially maintain income below the minimum threshold level, to avoid activating the trigger to repay a substantial proportion of total taxable income (now 2% but until recently 4%).

However, QUT shares concerns harboured by the ATN, Universities Australia and many commentators around and beyond the higher education sector that the new lower taxable income thresholds are set too low.

The lowering of the minimum repayment threshold may deter some students from undertaking higher education, particularly from those groups within the community who are currently under-represented in higher education student and graduate populations, such as first-in-family Australians, rural and regional Australians, low socio-economic status Australians, indigenous Australians, and Australians living with a disability, among others. Many potential students within these groups are also most sensitive to additional financial pressure, including deferred obligations, and the real impost entailed by bringing forward the repayment obligation to a stage in their future worklife to a lower threshold may dissuade otherwise capable Australians with much to give from pursuing university study.

We are also concerned that, if the new lower thresholds are set at the proposed levels, they will introduce genuine economic hardship to some people just setting out on their adult working lives, with their new repayment obligations contributing to a perfect storm of financial challenges. For people establishing themselves in the workforce and often out of the family home for the first time, the reduction in disposable income can be significant, particularly if they are still dealing with the residual effects of meeting their costs of living while studying. This effect is compounded where the HELP obligation, being 'downstream' of taxable income calculation, is not factored in when determining eligibility for many forms of low-income support, despite its impact on spending power. Even without taking into account the opportunity cost of the years they have given to study, recent graduates are often substantially worse off financially than those of their peers who did not go to university. The situation is very likely even harder for women, with lower starting salaries and slower salary progression than their male peers,, and career interruptions while shouldering the majority of the parenting burden. The imposition of a new lower threshold will make their financial establishment even more difficult.

The cumulative effect is potentially very significant with many graduates in this income range, and these measures can be expected to produce a dampening effect on economic participation by this large cohort. Particularly in light of difficult labour market conditions for young people and a markedly expensive housing market, the likely effect of the new measures at the lower income scale will be a reduction of discretionary spending, further dragging on economic growth.

Philosophically, the lower threshold violates the founding rationale of the HELP system, that co-payment is invoked once personal financial benefit has been derived from publicly-subsidised education. While this formulation does not suggest any particular value for this threshold, logically the income level that reflects such a benefit must be somewhat greater than the minimum wage, presumably closer to the average wage. Arguably that is where the threshold sat before the Omnibus Act 2016 introduced a lower tier; certainly the present Bill pushes still harder at the integrity of the system's rationale.

2. Change of indexation

The effect of shifting indexation from AWE to CPI on the quantum to be repaid is obvious and widely remarked upon, but other rationales for change are not. In terms of design philosophy, it stretches the coherence of the system's logic to link indexation of an income-contingent liability to anything other than the movement of incomes, particularly since increases in the cost of living tend to be factored into mechanisms that determine income.

3. Redesign of the SFSS repayment schedule

The establishment of a repayment priority for the SFSS repayment obligation that places it subsequent to the HELP repayment obligation (rather than concurrent with it) is sensible, as is the move to align the SFSS repayment tiers with the full range of HELP repayment tiers. QUT supports both of these reforms.

However, we are concerned about the impost upon some earners of the delayed implementation of these measures, with the SFSS repayment obligation remaining concurrent with the HELP repayment obligation in 2018-19. If immediate implementation is impractical, an alternative transitional protocol might be considered that would give similar effect in 2018-19 to the ongoing arrangement from 2019-20, such as a repayment pause on the SFSS in 2018-19 only, for any taxpayer who also has a HELP debt.

Separately, the transitional SFSS repayment tiers for 2018-19 are defined by a schedule derived from three existing HELP threshold amounts (ie not the Bill's new HELP threshold income levels, but those the Bill is replacing). Unless there is a reason to prefer this additional complexity, it could be avoided by scheduling the SFSS repayments to the corresponding figures specified by the Bill for the new HESA table 154-20, should the Senate agree to the Bill's current transitional arrangements for 2018-19.

4. Introduction of an overall lifetime HELP limit

QUT is concerned that this measure places an arbitrary limit on public support for ongoing learning, precisely at a moment of significant uncertainty about the advanced training and education needs of the workforce of the future. We know the Australian economy will need a lot more skilling, reskilling and new skilling, at all levels from certificate to advance diploma, from sub-bachelor to postgraduate, and public support through the income-contingent loan system will presumably continue to be central to the national skilling enterprise. An absolute lifetime limit is inimical to the nation's requirement for flexibility and responsiveness to emerging needs.

Should the Senate be disposed to implement a limit despite these concerns, QUT would support the ATN's proposal to shape it not as a lifetime maximum mileage but as a pro tempore ceiling, allowing redraw beneath the cap as continuing education and training demands require. A redesign would also afford the opportunity to introduce further nuance into the proposal, to better reflect the significant range of plausible legitimate costs, rather than reducing this variation to a coarse binary of medicine/dentistry/veterinary vs the rest.

Thank you again for the opportunity to contribute QUT's views, and I wish you well in your deliberations.

Yours sincerely

Professor Margaret Sheil AO FTSE FRACI
Vice-Chancellor and President