



**A SUBMISSION TO THE INQUIRY FOR THE SENATE EDUCATION  
AND EMPLOYMENT LEGISLATION COMMITTEE ON THE  
HIGHER EDUCATION SUPPORT LEGISLATION AMENDMENT  
(STUDENT LOAN SUSTAINABILITY) BILL 2018 [PROVISIONS]**

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**Submitted by – Liam O’Neill (Curtin Student Guild President)  
Prepared by – Corrie Fillmore (Executive Officer)**



## Introduction

The Curtin Student Guild welcomes the opportunity to provide a submission to the inquiry into the *Higher Education Support Legislation Amendment (Student Loan Sustainability) Bill 2018 [Provisions]*. The Curtin Student Guild also opposes a number of the changes outlined in the Government's revised higher education package announced in December 2017 as a part of the Mid-Year Economic and Fiscal Outlook (MYEFO).

The Government's proposals presented in the *Higher Education Support Legislation Amendment (Student Loan Sustainability) Bill 2018 [Provisions]* have a number of serious implications for Australian students, graduates, their families, and for the future productivity of the Australian labour market. Previous proposals to cut funding and shift a greater amount of the financial burden of education onto students have been extremely unpopular in the public's eyes and have been repeatedly rejected in the Senate over a number of years. As a result of strong public resistance and widespread opposition, the government has consistency failed in the passage of legislation to allow these changes to occur. We intend to see that the proposals contained within the bill meet a similar fate.

Australia continues to be ranked as one of the lowest OECD countries when it comes to public spending on universities, despite the fact that education as an export is at an all-time high, generating \$21.8 billion in 2016<sup>1</sup>. We argue that the changes presented in the bill are short-sighted budget saving measures that are still unpopular and do nothing to serve or improve the higher education sector as it currently stands. Furthermore, the bill does not address the issue of managing the costs of the demand-driven system without reducing the accessibility of education or disadvantaging students. In our submission, we outline our objections to a number of the amendments contained within the *Higher Education Support Legislation Amendment (Student Loan Sustainability) Bill 2018 [Provisions]*.

## Schedule 1 - Changes to HELP Repayment Thresholds

The proposal to lower the HELP Repayment Threshold to \$45,000 would disproportionately affect a number of lower income HELP debtors, including women, where it has been cited that this group would make up 62 percent of those who will meet or exceed the new threshold<sup>2</sup>. As a result of time spent out of the workforce due to childcare responsibilities, women typically have a lower number of years earning above the threshold compared to men<sup>3</sup>. Reducing the threshold will capture a larger number of these women, and while this may be beneficial to the Government's short-term budget bottom line, the financial impact on these women and their families will have negative long-term social and economic consequences. The National Foundation for Australian Women has also reported that a combination of Medicare Levy increases, the freezing of Family Tax Benefit A, and the proposed lowering of the repayment threshold will mean that graduates (mainly women) will have significantly less disposable

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<sup>1</sup> Universities Australia (2017, February 3). Australia's education exports at record high.

<https://www.universitiesaustralia.edu.au/Media-and-Events/media-releases/Australia-s-education-exports-at-record-high>

<sup>2</sup> Ross, J. (2017, April 26) Women will lose if budget lowers HECS repayment threshold. *The Australian*. Retrieved from <http://www.theaustralian.com.au>

<sup>3</sup> Norton A and Cherastidtham I. (2016). *HELP For The future: fairer repayment of student debt*, Grattan Institute, pg.11



income in the future<sup>4</sup>. Given that Australia ranks so poorly in relation to percentage of GDP spend on education, the write-off of Australia's unpaid student debt is a small price to pay considering other OECD countries contribute 90-100 per cent of the costs of required to educate their country.

It has been estimated that the number of people under the age of 25 who meet or exceed the proposed threshold will double<sup>5</sup>. For this low-income demographic, a lower repayment threshold is essentially a wage-cut where a reduction in take-home pay can have a significant effect on their quality of life. Coupled with the recent cuts to penalty rates, this may also exacerbate financial concerns for many of these low-income earners who would now find themselves repaying their debts much earlier than expected.

Mature age students who work part-time to support their families or pay mortgages will have a harder time making ends meet on an already tight budget where their earnings will now be subject to the earlier repayment of their HELP debt. It has also been argued that the lowering of the repayment threshold will adversely impact a large number of mature age students as they are more likely to be already earning over the threshold and are more likely to have made financial plans around the current repayment threshold<sup>6</sup>. It has also been argued by the Council of Australian Postgraduate Associations in a previous submission that these changes violate principles of fairness for low-income earners but also those graduates who undertook a HELP debt under the presumption that they would not have to start paying back their debt until they had reached the current threshold. The NTEU has highlighted that a reduction in the repayment threshold may also result in interactions with other transfer payments including family tax benefits<sup>7</sup>.

Financial problems for low-income earners are unnecessarily worsened by the design of the HELP repayment schedule where debtors become responsible for the relevant (percentage) payment of their income towards their repayment even by making \$1 over the threshold<sup>8</sup>. This is in stark contrast to the taxation system which only taxes specific amounts earned over and within certain income brackets<sup>9</sup>.

In the past, the Government has often provided justification for cost-shifting to students based on the private versus public benefits of education. We strongly disagree that the private net returns of education outweigh the social and economic returns. In any case, we do argue that at a repayment threshold of \$45,000, students are not yet receiving a substantial financial benefit from their education.

The Grattan Institute has previously highlighted that the number of people earning slightly less than the threshold is quite small and will have a negligible effect on the budget<sup>10</sup>. A substantial reduction in the

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<sup>4</sup> National Foundation of Australian Women (2017). Gender lens on the Budget.

<sup>5</sup> Ross, J. (2017, April 26) Women will lose if budget lowers HECS repayment threshold. *The Australian*. Retrieved from <http://www.theaustralian.com.au>

<sup>6</sup> Norton, A. (2014) *Doubtful Debt: the rising cost of student loans*, Grattan Institute, p.26

<sup>7</sup> NTEU (2017) *Submission to the Senate Inquiry for the Higher Education Support Legislation Amendment (A More Sustainable, Responsive and Transparent Higher Education System)*.

<sup>8</sup> Ibid, p.32

<sup>9</sup> Ibid, p.32

<sup>10</sup> Norton A (2014) *Doubtful Debt: the rising cost of student loans*, Grattan Institute, p.26



repayment threshold would also be required to make a significant contribution to the budget but doing so would go against HELP's policy objectives<sup>11</sup>.

It is also worth noting that from 1997-1998 when previous threshold cuts were made, university applications from students age 21 or over declined and did not recover for a number of years<sup>12</sup>. Shadow Minister for Education and Training Tanya Plibersek pointed out that, "...these are the same students that will be facing an increase in their Medicare levy costs, so they're actually going to be paying more tax as well as more HECS, as well as facing a very difficult housing market, as well as trying to establish themselves as independent, moving out of the family home."<sup>13</sup>

The Australian Bureau of Statistics have recently released figures that show wages grew by just 2.1% last year while housing costs grew by 3.4% in the same period<sup>14</sup>. There are also concerns related to the slow rate of growth in graduate starting salaries, as a result of the larger number of graduates in the job market, where many graduates are being employed in jobs on salaries well below the current threshold. Reducing the repayment threshold is not ideal in the current climate where there is an over-reliance on casual work, heightened job insecurity, and part-time positions are a reality for many graduates.

We believe that the lowering of the HELP repayment threshold will affect those students who can least afford to attend university, including graduates with low future incomes, students with disabilities, women, Indigenous students, rural and regional students, and other students from low-SES backgrounds. Australia already ranks so poorly in terms of public expenditure on education as a percentage of GDP. This proposal will further erode the equity-based objectives of the HELP scheme and put additional financial pressure on already low-income populations. In the context of rising housing costs, static wage growth, and cuts to social welfare funding, government proposals to reduce the repayment threshold will continue to be unpopular with voters.

### **Schedule 1 - HELP Repayment Threshold Indexation**

Changes to the HELP Repayment Threshold Indexation from Average Weekly Earnings to the Consumer Price Index (CPI) will mean that a greater number of students are forced to repay their debts at earlier stages in their careers. Much like the reduced threshold for HELP repayment, this will unfairly capture a greater number of students or graduates who have not yet been able to realise the financial benefits of their education before they are forced to start repaying their loans. While we acknowledge that CPI and AWE are relatively similar at the moment, the shift away from AWE will have a drastically different outcome than that of the AWE indexation into the future<sup>15</sup>.

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<sup>11</sup> Ibid.

<sup>12</sup> Ibid.

<sup>13</sup> Baxendale, R. (2017, 19 December). Education Minister says uni cuts won't hit fees, funding. *The Australian*. Retrieved from <http://www.theaustralian.com.au>

<sup>14</sup> Australian Bureau of Statistics (February 21, 2018). *Media Release - Wages rise 0.6% seasonally adjusted*. Retrieved from <http://www.abs.gov.au/>

<sup>15</sup> Norton, A. (2014) *Doubtful Debt: the rising cost of student loans*, Grattan Institute, p.28



### **Schedule 3 - Combined HELP Loan Limit**

The Curtin Student Guild strongly opposes the establishment of the combined HELP loan limit of \$150,000 for medicine, dentistry, and veterinary students; and \$104,440 for all other students. The Committee for the Economic Development in Australia predicts that a future Australian labour force will face massive digital disruption in the next 10-20 years with computerisation replacing 40% of all current occupations<sup>16</sup>. This means there will be new job markets created where the tertiary education sector will be required to re-train a large segment of the population to meet labour market demand. Future graduates will need to re-enter the tertiary education sector multiple times across their lives to accommodate numerous career changes. The Mitchell Institute has recommended that increased investment in post-school education will be necessary to meet the demands of the future as a result of population growth and the demand for high-skilled workers<sup>17</sup>. With these factors in mind, the savings measures outlined in the bill are only a short-term budget fix which do not prepare the tertiary education sector in Australia to adapt to the new technology and job markets that will emerge over the next decade.

Under the new proposal, some students may be faced with having to pay up-front costs for their degrees if they have reached their HELP debt limit. Longer and more expensive degrees are partly to blame for the increased likelihood that students will hit or exceed the proposed cap on HELP. Degrees like those introduced by the University of Melbourne or University of Western Australia mean that student debts will be higher and those who continue to pursue education will be limited by the loan cap unless they take time away from studying to participate in paid work. This may preclude a great number of students from undertaking postgraduate courses which are usually full-fee places. The range of costs that are covered under the HELP scheme have also expanded in recent times, with the conversion of the Start-Up Scholarship into a loan and the ability for students to defer their Student Services and Amenities Fees.

### **Recommendations**

That the Committee:

1. Oppose changes to the proposed repayment threshold of \$45,000
2. Oppose the combined HELP loan limit \$150,000 for medicine, dentistry, and veterinary students; and \$104,440 for all other students
3. Retain the Average Weekly Earnings indexation

The Curtin Student Guild strongly opposes the Government's attacks on higher education which have been unrelenting in an attempt to repair the budget. Increasing the financial pressure on the lowest-paid members of society will do nothing to improve the higher education system or enhance the lives of those who choose to participate in university.

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<sup>16</sup>Hastings, G. (2016) NUS Research Discussion Paper. *HECS and HELP in the spotlight: From free education to planning for near universal tertiary education*.

<sup>17</sup> Plibersek, T. (2017, February 14). All students deserve key to opportunity. *The Australian*. Retrieved from <http://www.theaustralian.com.au>



Higher education in Australia should be considered an investment into the social and economic prosperity of the country. The Curtin Student Guild encourages the Senate Committee to carefully consider the proposals in the bill as they have the potential to negatively impact the lives of both future students and graduates. If the Government continues to push through legislation which further jeopardises the standard of living for these populations, it will continue to be met with strong public opposition.