YACSA

Submission

Education and Other Legislation Amendment (Abolishing Indexation and Raising the Minimum Repayment Income for Education and Training Loans) Bill 2022

Senate Education and Employment Committee 2023

Introduction

The Youth Affairs Council of South Australia (YACSA) is the peak body representing young people and the organisations, networks, and workers throughout the non-government youth sector in South Australia. YACSA is a member-based organisation, and we work with and for our members to achieve meaningful improvements in the quality of young people's lives. Our policy positions are independent and not aligned with any political party or movement.

YACSA advocates for the fundamental right of young people to participate in all aspects of community life, particularly the decision-making processes that impact them and their lives. Since the beginning of COVID-19, young people have been disproportionately affected by pandemic impacts that have exacerbated existing intergenerational inequality and will likely result in long-term repercussions for young people in education, employment, health, housing and well-being.

YACSA is pleased to provide a submission to the Senate Standing Committee on Education and Employment on the *Education and Other Legislation Amendment (Abolishing Indexation and Raising the Minimum Repayment Income for Education and Training Loans) Bill 2022* which presents the Federal Government with an opportunity to provide much needed support to young people.

Young People in Context

A series of global events have shaped young people's experience of employment, education, costs of living and well-being[i]. These events from the 2008 Global Financial Crisis to the COVID-19 pandemic have had disproportionate impacts on young people who are the first generation in Australia to likely experience a lower standard of living than the previous generation[ii]. Government policy decisions at Federal and State/Territory levels have tended to favour older cohorts which has seen a substantial increase in generational inequality, resulting in a growing proportion of young people feeling they are not represented in policymaking[iii].

Young people face a vastly different higher education system, labour market and housing market than older people and have experienced a decade of income decline, increasing rates of precarious employment and underemployment, as well as longer periods in low-wage employment[iv] while higher education fees increase, and cost of living rises. These circumstances have affected young people's well-being and resulted in fewer young Australians feeling positive about the future each year[v].

YACSA believes Australian governments at every level have an obligation to support and uphold the human rights of young people, particularly those facing intersectional disadvantage and that it is the government's responsibility to act to mitigate long-term impacts on young people.

Abolishing Indexation and Raising the Minimum Repayment Income for Education and Training Loans

Like many other countries, student debt is growing in Australia[vi]. Steeply rising inflation and its influence on higher education loans alongside stagnation of wages significantly impacts young people. Young people continue to be overrepresented in unemployment, underemployment, precarious employment and low-waged employment, and the current cost of living and housing crises are hitting them harder than other age cohorts[vii]. Young people are also experiencing higher tertiary and vocational education costs and loans with a lower repayment threshold than previous generations. These loans are increasing substantially due to indexation using the consumer price index (CPI) and the *Education and Other Legislation Amendment (Abolishing Indexation and Raising the Minimum Repayment Income for Education and Training Loans) Bill 2022* could address this and provide much-needed support to young people.

Completing tertiary or vocational education is still considered an important necessity for securing employment, especially for young people who are entering a labour market that is vastly different to the market experienced by past generations [viii]. The importance of tertiary and vocational education is increasing with projections from Jobs and Skills Australia showing a majority of jobs growth to November 2026 will be in occupations that require education beyond secondary schooling, including a significant portion needing bachelor's degree qualifications or higher[ix]. The cost of education to obtain required qualifications continues to grow and given the circumstances young people currently experience and future circumstances they must consider, these costs are a barrier to education[x]. Full-time employment has decreased significantly over the last decade while the rate of graduates experiencing underemployment has increased[xi]. At the same time, wages have stagnated and despite this, young people with higher education debt are facing indexation at unprecedented rates with no support. In the context of the current cost of living crisis, young people are at risk of being impacted in the long-term by limitations to building financial security[xii]. The increasing debt burden for tertiary and vocational education also affects young people in their transition post-secondary schooling as many reconsider options for further education. With the national skills commissioner finding nine out of ten jobs created over the next five years will require study or training, financial barriers to tertiary or vocational education will impact already disadvantaged young people as well as the skilled workforce of Australia[xiii].

Australia's development of the Higher Education Contribution Scheme (HECS), VET student loans and ABSTUDY loans facilitated the co-financing of higher education to mitigate financial barriers to tertiary and vocational education[xiv]. Since the implementation of HECS in 1989 and other loan programs, student contributions have risen from approximately 20 per cent to 40 per cent of the total course cost. Other Federal Government policy decisions have also contributed to increasing education debts and higher repayments including the 2018 decision to lower the repayment threshold and implement annual increases to student-paid fees[xv]. Many of these policy changes have affected young people disproportionately, as those under 29 years of age have experienced considerable growth in tertiary and vocational education debt since 2017 that has not impacted older cohorts[xvi]. Previous changes to higher education access made by the Federal Government must be considered in the context of pandemic recovery and the disproportionate impacts of the current cost of living crisis on young people who typically earn less but pay more tax than the previous generation. Loans for tertiary and vocational education are generally considered to be beneficial for an individual, especially for a young person, to gain greater employment opportunities, higher wages and further career progression[xvii]. This assumption is not always accurate as longitudinal analysis shows graduates with large debts have significantly less net worth than debt-free graduates (Addo et al 2016). Increasing debt for tertiary and vocational education has also been shown to exacerbate existing disadvantage especially for young women and young people from low socioeconomic backgrounds[xviii].

Known now as the Higher Education Loan Program (HELP), tertiary education loans average over $24,000 per person and even the most conservatives estimates by the Parliamentary Library predict the average debt to increase up to $1,781 on 1 June 2023. With increasing debt comes less security and more barriers to accessing housing, healthcare and financial security to cover other rising costs of living[xix]. Additionally, tertiary and vocational education loans are debt and debt has considerable consequences for young people's well-being. Not only does education debt have an impact, but evidence shows students' perception of debt is more impactful on well-being than the actual debt[xx]. Debt also does not only affect an individual with recent evidence from North America indicating that higher education debt is associated with low community well-being[xxi]. Deller & Parr (2021) found that as education debt increased, homeownership rates declined, rental stress increased and rates of entrepreneurship as well as new business formation dropped.

Despite early pandemic-related commentary on young people's experiences of disproportionate economic, educational, social and psychological impacts, there has been limited action to support them. Not only do young people need support economically, especially as they will not benefit proportionately from stage three tax cuts, but governments must also recognise the need to support young people's well-being and their future. The *Education and Other Legislation Amendment (Abolishing Indexation and Raising the Minimum Repayment Income for Education and Training Loans) Bill 2022* could be part of this support.

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[xvi] Convery, S & Nicholas, J 2022, 'Student Loans are Getting Bigger and Hurting Australian's Chances of Buying their Own Home', The Guardian, 19 September, viewed 10 February 2023, <https://www.theguardian.com/australia-news/2022/sep/19/student-loans-are-getting-bigger-and-hurting-australians-chances-of-buying-their-own-home>

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