ACU
AUSTRALIAN CATHOLIC UNIVERSITY

Australian Catholic University

Submission to the inquiry of the Senate Education and Employment Legislation Committee

Higher Education Support Legislation Amendment (Student Loan Sustainability) Bill 2018

February 2018

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Overview and Context

Australian Catholic University (ACU) welcomes the opportunity to make a submission to the Senate Education and Employment Legislation Committee's inquiry into the provisions of the Higher Education Support Legislation Amendment (Student Loan Sustainability) Bill 2018 (Bill).

ACU makes this submission in a policy environment that has seen the Federal Government unilaterally implement major cuts to higher education funding with less than two weeks' notice to universities. As a consequence, almost 10,000 student places are expected to be unfunded by the Commonwealth in 2018.[1]

The capping of the demand-driven funding system (DDS) in the Mid-Year Economic and Fiscal Outlook 2017-18 (MYEFO) has already had a number of perverse consequences, including a negative impact on opportunity and equity, which was a hallmark of the DDS.

The current Bill includes measures that have the potential to further undermine higher education participation and equity in Australia, particularly by tightening the income-contingent loan scheme. The Bill proposes to lower the minimum threshold for Higher Education Loan Program (HELP) repayments to $45,000 (currently $55,874) from 1 July 2018 and set a new schedule of repayments.[2]

ACU urges the Senate Committee to oppose these provisions as they:

- unduly increase the financial burden on students, extending beyond graduation, especially for those earning relatively low incomes after graduation; and

- run the risk of deterring capable, prospective students from undertaking higher education (particularly those from disadvantaged backgrounds) in critical fields of study such as Health and Education, where graduate salaries are typically low.

ACU acknowledges the Federal Government's desire to achieve budgetary savings, the centrepiece of which is the $2.1 billion cut from the higher education sector.[3] However, the current wave of rushed reforms are likely to prove counterproductive, with long-term implications and risks for Australia's economic productivity and international competitiveness.

The higher education budget measures contained in MYEFO, including those set out in the Bill, will stall progress made under the DDS, which came into effect in 2012. The DDS has been highly effective in expanding opportunity, widening participation across all equity and socioeconomic groups, fostering competition and innovation amongst universities, and facilitating a university sector that is responsive to industry and national skills needs.[4]

ACU urges the Committee to oppose measures that are deleterious to an internationally recognised, high quality and effective university sector, which continues to serve Australia's long-term economic and educational interests.

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[1] Universities Australia, 'Almost 10,000 Student Places Unfunded as Uni Offers Go Out' (17 January 2018).
[2] Repayment rates from 1-10 per cent and smaller incremental rises in thresholds, up to a top threshold of $131,989, are proposed.
[3] As announced in the Mid-Year Economic and Fiscal Outlook (18 December 2017).
[4] See Kemp, D. and Norton, A., *Review of the Demand Driven Funding System* (2014), accessible via https://www.education.gov.au/report-review-demand-driven-funding-system; Australian Catholic University, *Submission to the Review of the Demand Driven Funding System* (2013), accessible via http://www.acu.edu.au/__data/assets/pdf_file/0009/763074/ACU_Submission_to_the_Review_of_the_DD_System.pdf

Financial Impact on Students

ACU encourages the Senate Committee to oppose the Bill's provisions to lower the minimum threshold for HELP repayments and set a new schedule of repayments.

These changes would unduly increase the financial burden on students, extending beyond graduation, especially for those earning lower incomes following graduation. The majority of ACU's graduates enter professions in health care and teaching, where salaries are largely regulated and lack the earning potential of other professions. Any lowering of the HELP repayment threshold will have an adverse impact on these graduates.

The provisions also run the risk of deterring capable, prospective students from undertaking higher education, especially in critical fields of study such as Health and Education. This risk is likely to be amplified for students from lower socio-economic or disadvantaged backgrounds. In addition to existing challenges, these students face the prospect of making repayments from a much lower income level than under the present scheme.

In considering the impact of changes to the HELP thresholds and repayment regime, ACU urges the Senate committee to give consideration to the potential impact(s) on the following vulnerable student cohorts:

- Students who 'fall between the gaps' in terms of financial assistance and support. These include those not eligible (or just above the eligibility threshold) for government assistance but who nevertheless have limited means and/or low incomes. A disproportionate number of part-time and mature-age students may fall into this category.

- Disadvantaged students, such as those from low socio-economic and Indigenous backgrounds, and students from regional, rural and remote areas. There is also a heightened risk for students facing more than one disadvantage, who are likely to carry the increased financial burden throughout their adult lives.

- Individuals considering undertaking further study, particularly at a postgraduate level, who do not have high earning capacities. A lower repayment threshold could have the effect of deterring some students from 'upskilling', to the detriment of overall workforce mobility. This is particularly the case for individuals in professions such as nursing or teaching that are not highly financially rewarding – and where the debt burden felt from undergraduate degrees, combined with increased fees for postgraduate study, may prove a significant disincentive to further study.

The long-term financial impact on students should also be considered in the context of broader national priorities. The impact on graduates' prospects for home ownership is one such consideration. One of the priorities contained in the 2017 Federal Budget was an effort to improve housing affordability, especially for first-home buyers. A decrease in the HELP repayment threshold, however, runs counter to this measure and creates a conflict between the Government's policy objectives.

Finally, ACU reiterates that the implications of an inadequately funded higher education system are far-reaching. Impacts of an underfunded system are likely to include:

- restricted access to tertiary education, the effects of which are already being seen;
- a negative impact on the accessibility of, and equity in, higher education;
- a detrimental impact on educational quality, with longer-term implications for individuals and the economy; and
- greater shifting of the cost burden of higher education to students.

Recommendations

ACU urges the Senate Committee to:

- **oppose the Bill's provisions to lower the minimum threshold for HELP repayments and set a new schedule of repayment thresholds; and**
- **give due consideration to the impact on students (extending beyond graduation) of the proposed increased financial burden, including in the context of recent cuts to university funding, which have already had a deleterious effect on accessibility of higher education in Australia.**