

ACTU Submission - Higher  
Education Support  
— Legislation Amendment —  
(Student Loan Sustainability)  
Bill 2018

# Change THE RULES

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The Australian Council of Trade Unions (ACTU) welcomes the opportunity to provide a submission to this inquiry. The ACTU is the peak body of the Australian union movement and represents the millions of union members in Australia. Australia must maintain and continue to improve our high quality and equitable higher education system, where opportunities to complete qualifications are available throughout the country. TAFE and Universities not only contribute economically to Australia's prosperity, but are a core social and cultural institution in providing education and research. Yet we have seen this government persist with unprincipled, unfair and unsustainable policies that shift the cost burden for higher education onto the shoulders of students and their families. The ACTU believes that this bill places an unreasonable burden on students and will do nothing more than continue this government's agenda of reducing access to higher education for disadvantaged Australians. We urge the Committee to recommend that it not be passed. The ACTU would also like to commend to the Committee the submission from the National Tertiary Education Union, which we fully support.

Prior to our discussion of this bill's significant faults, some reference must be made to the manifest insufficiency of the period of public consultation provided by the Committee on this matter. This bill was referred to the Committee on Friday the 16th of February 2018 and submissions were requested by Tuesday the 27th of that same month. This gave stakeholders essentially 6 working days to read the nearly 50 pages of legislation, familiarise ourselves with its content and implications and provide response. If this bill dealt with a minor administrative matter such a timeframe might be, barely, acceptable. However if passed this bill will result in potentially thousands of students paying more for their degrees, due to changes in indexation, and being asked to pay back debt when their careers have barely begun. The period for stakeholder feedback that the Committee has provided is patently insufficient for a change of this significance. We would hope in future that the government will show a great commitment to meaningful stakeholder engagement.

### **The Student Financial Supplement Scheme (SFSS)**

The ACTU wishes to echo the points made in the NTEU submission in that while we have no significant objection to the measures outlined which relate to the SFSS, we believe that government should strongly consider the desirability of continuing to seek the repayment of the loans disbursed through the program. The SFSS was a deeply problematic program which was taken up in disproportionately high numbers by the most disadvantaged students, especially Aboriginal and Torres Strait Islander students.

### **Lowering of HELP repayment threshold**

This bill lowers the minimum repayment threshold for HELP loans to \$45,000 from June 2018 onwards. This figure is only a \$9,000 a year more than the minimum wage and represents a \$10,000 or 17 per cent drop compared with the minimum threshold in 2017-18. This is fundamentally out of step with the purpose of the repayment system. HECS was first introduced in such a way that students began to repay their loans at the point which they could be said to begin to receive a direct private benefit from their education.<sup>1</sup> As outlined in greater detail in the NTEU submission, the proposed \$45,000 repayment level appears to be below this level, meaning that workers who have not yet received a cent of private benefit from their degree will be asked to begin paying it back.

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<sup>1</sup> Professor Bruce Chapman (August 06, 2014) as quoted in Hijacked) HECS explained: All of your questions answered by one of the scheme's founders. (<http://hijacked.com.au/hecs-explained-all-of-your-questions-answered-by-one-of-the-schemes-founders>)

Additionally, on a practical level, these changes mean that many students who are currently not making repayments, due to their low earnings, will be forced to begin to pay back their loans at a time when money is already tight. We have already seen a steady trend in recent years where many graduates have been unable to find full-time work within a reasonable period of finishing their studies. Research from 2016 showed that it was taking, on average, 4.7 years for graduates to find full-time work.<sup>2</sup> What this means is that this new threshold will apply to either students who have been forced into part-time or casual work and have managed to raise their earnings to that threshold while struggling to make ends meet or newly employed graduates who, after years of searching, have finally managed to secure full-time employment. Neither of these cohorts will have achieved financial security by the time that the Australian Government will be, under this bill, coming around and asking for their money back. At a time when home ownership, even for university graduates, is becoming an impossibility for many young people and when someone earning \$45,000 a year will be spending, on average, nearly half their income in rent<sup>3</sup>, increasing costs for young people to attend university and TAFE is unacceptable. It locks them out of education and ensures that those who do manage to enter the system have a harder time starting out.

It is clear that the students who will suffer most from these changes are those from disadvantaged backgrounds. Students from low-socio economic households will be particularly punished. VET students, who are more likely to be from disadvantaged families, are likely to be the hardest hit. Students from low socio-economic households are unlikely to be able to rely on support from their parents either during university or, crucially, in the early years of their career. Many will be unable to remain in the family home and will be forced to subsist on their earnings. These changes will make it harder for these graduates to build their incomes, save money and create a future for themselves. People earning barely more than the minimum wage, people earning less than 3/4s of the median wage<sup>4</sup>, should not have to worry about repaying a debt to government from which they have, as yet, received no benefit. Statistically women will also be disproportionately affected by these changes. About 60% of all persons with a taxable income with an outstanding HELP debt are women and average taxable income for women of all ages was considerably lower than that for men.<sup>5</sup> This means that the distribution of HELP debts is skewed toward women in the lower income ranges. Additionally, ATO statistics show that the number of women who might be caught by the lowering the income threshold from \$55,000 to \$45,000 is twice as high as the proportion of men.<sup>6</sup>

Students should not be seen by government as an opportunity for budget repair. We as a society should be ensuring that people from all backgrounds are able to access higher education through university or TAFE and that doing so is affordable. Nobody should have to forgo education because they cannot afford it and nobody should be forced into financial distress paying back their student loans. Australian students already pay some of the highest public university fees in the world. Relying on increasing costs to students to repair the budget while one-third of large corporations pay no tax and government plans a \$65 billion gift to big business in the form of a tax cut is deeply irresponsible.

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<sup>2</sup> Foundation for Young Australians, How are Young People Fairing, 2015, <http://www.fya.org.au/wp-content/uploads/2015/11/How-young-people-are-faring-report-card-2015-FINAL.pdf>

<sup>3</sup> Property Observer, Average Metropolitan Rental income sits at \$430 a week for landlords, 2017 <https://www.propertyobserver.com.au/forward-planning/investment-strategy/property-news-and-insights/65466-average-metropolitan-rental-income-sits-at-430-a-week-for-landlords.html>

<sup>4</sup> ABS, Average Weekly Earnings, November 2017. ACTU Calculations <http://www.abs.gov.au/ausstats/abs@.nsf/mf/6302.0>

<sup>5</sup> Australian Taxation Office, Taxation Statistics 2014-15, Individuals Table 3a.

<sup>6</sup> Ibid.