National Tertiary Education Union | 20 years 1993-2013

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Attention: Senate Education and Employment Committee

Re: Inquiry into the Social Services and Other Legislation Amendment Bill 2013

Dear Sir/Madam

NTEU notes that on 5 December 2013 the Senate referred schedules 6 and 9 of the *Social Services and Other Legislation Amendment Bill 2013* for inquiry and report by 12 December 2013**.** This submission addresses the Union's concerns regarding the proposal under schedule 6 of the Bill which will abolish existing Student Start-up Scholarships (two grants $1,025 per year) and replace them with student start-up loans of an equal amount to be repaid under similar arrangements to Higher Education Loan Program (HELP) debts. We will also address the proposal to charge interest on some Centrelink debts, in particular *ABSTUDY* and *AUSTUDY*, noting that whilst this appears to not be included in the Terms of Reference for this Committee, such a proposal will no doubt impact on the financial concerns of students more broadly and thus should be allied with the proposal to convert the scholarship scheme to a HELP style loan.

NTEU firstly expresses our strong concerns with the unreasonably short consultation period for submissions. Given the likely substantial impact of the provisions of the Bill on large number of Australians – whereby thousands of students, parents, workers relying on childcare and retirees are likely to be negatively affected financially, and with questions arising around access and equity - NTEU would argue that a more thorough investigation is warranted.

Impact of changes on students

While the stated aim of the Government's higher education policy continues to be that a university level education should be both accessible and equitable, any examination concerning the affordability of university seems to have been largely ignored. It seems to have been taken as an article of faith that the income contingent loans scheme has removed tuition fees as a barrier to entry for students.

However, the cost of education and student debt has been increasing, and whilst government subscribes to the view that students are not debt averse, research shows that particular cohorts are susceptible, and that there is a gender bias in this aversion. Carrington and Pratt (2003) reported that a 2002 DEST sponsored survey of 7000 year 10–12 students found substantial gender differences in high school students' assessment of the impact of the cost of a university education. The report found that an alarming 41 per cent of lower socio-economic status (SES) females reported they believed costs may make university impossible for them (compared with 34 per cent of lower SES males). Similarly, 43 per cent of females from lower SES backgrounds surveyed believed their families could not afford the costs of supporting them through university. Thus, the study concluded that women from lower socio-economic backgrounds are more sensitive to the cost factors of education and consequently more debt averse than their male counterparts, and argue that the potential impact of differential course fees and student debts on gender differences in enrolment patterns should be considered by policy makers. While highlighting the gender differences, the adverse response of one third of the young males is also significant.

Other research (Birch and Miller 2007; Chesters and Watson 2012) also supports arguments that students from rural and regional areas, or who are Indigenous or have caring responsibilities, are likely to be very concerned about potential levels of debt and that the impacts of carrying these debts are more magnified. Coincidently, it is these cohorts that government's equity policies target to encourage improved participation and attainment of university level qualifications.

The whole notion that students are not influenced by cost of their education or the level of debt was further questioned by research commissioned by the Department of Education (then DEEWR) in relation to the Federal Government's Base Funding Review. The research, entitled the *Impact of changes to student contribution levels and repayment thresholds on the demand for higher education* (Deloitte Access Economics, 2012) concluded:

> *The findings of the analysis presented in this report suggest that demand for higher education has demonstrated a negative response to the price increases resulting from recent HECS policy changes. Consistent with the previous study by Aungles et al (2002) but counter to others, the analysis finds that HECS policy changes that result in an increase in the cost of higher education are expected to reduce demand for higher education. (pg 58)*

Put simply, the report forecasts a reduction higher education student demand (numbers) should government policy result in an increase in HECS debt.

While the Government might wish to claim that the proposed changes to student start up scholarships will not impact on existing students, this is not the case for students who have chosen to defer their university studies. Many students elect to take a gap year between high school and university. In some cases these students might be trying to accumulate savings to help pay HECS fees or accumulate savings to help meet living costs while studying in the future. Students from non-metropolitan areas may be taking a gap year to qualify as independent students for student income support. Therefore, there are a number of students who will be worse off for having decided to defer their enrolments.

The impact of is most starkly demonstrated by an example. A student eligible for income support enrolling in five year law degrees commencing in 2014, and who is not in a position to pay her/his HECS upfront, will incur a HECS-HELP debt of about $50,000 for tuition fees. Should this person also elect take up a student start-up loan for the whole five years of their study will incur additional debts of approximately $10,000 to their HELP-HECS debt. That is, these students will graduate with a debt of more than $60,000 (measured in 2013 values) which 20% higher than a student who does not take up a start-up loan.

The result will be that the students from the most disadvantaged backgrounds, who are reliant on the start-up funds in order to be able to study, will graduate with a higher level of debt than students whose families are in a position to support them financially while they study. It is difficult to rationalise how burdening our most disadvantaged students with additional debt will act as anything but a disincentive to participate in higher education. It is also impossible to reconcile this strategy with any sense of a policy framework which is meant to have equity as an underpinning principle.

Impact on Disadvantaged Students

The provisions of this Bill directly target students from disadvantaged backgrounds. By definition, the only students eligible to convert Student Start-up Scholarships to loans are those eligible for some form of student income support in the form of *Youth Allowance*, *Austudy* or *ABSTUDY,* and as such are students who are already financially disadvantaged. We also note that *Austudy* and *ABSTUDY* debts are targeted by the provision of the Bill that allows for interest to be charged on these debts, thus again focusing on the most financially vulnerable cohorts of students.

NTEU fears that past experience indicates that Indigenous students are likely to be particularly affected by the conversion of the Student Start-Up Scholarships. Leaving aside the reality that a higher proportion of Indigenous students qualify for income support because of economic disadvantage, a review of the now defunct Student

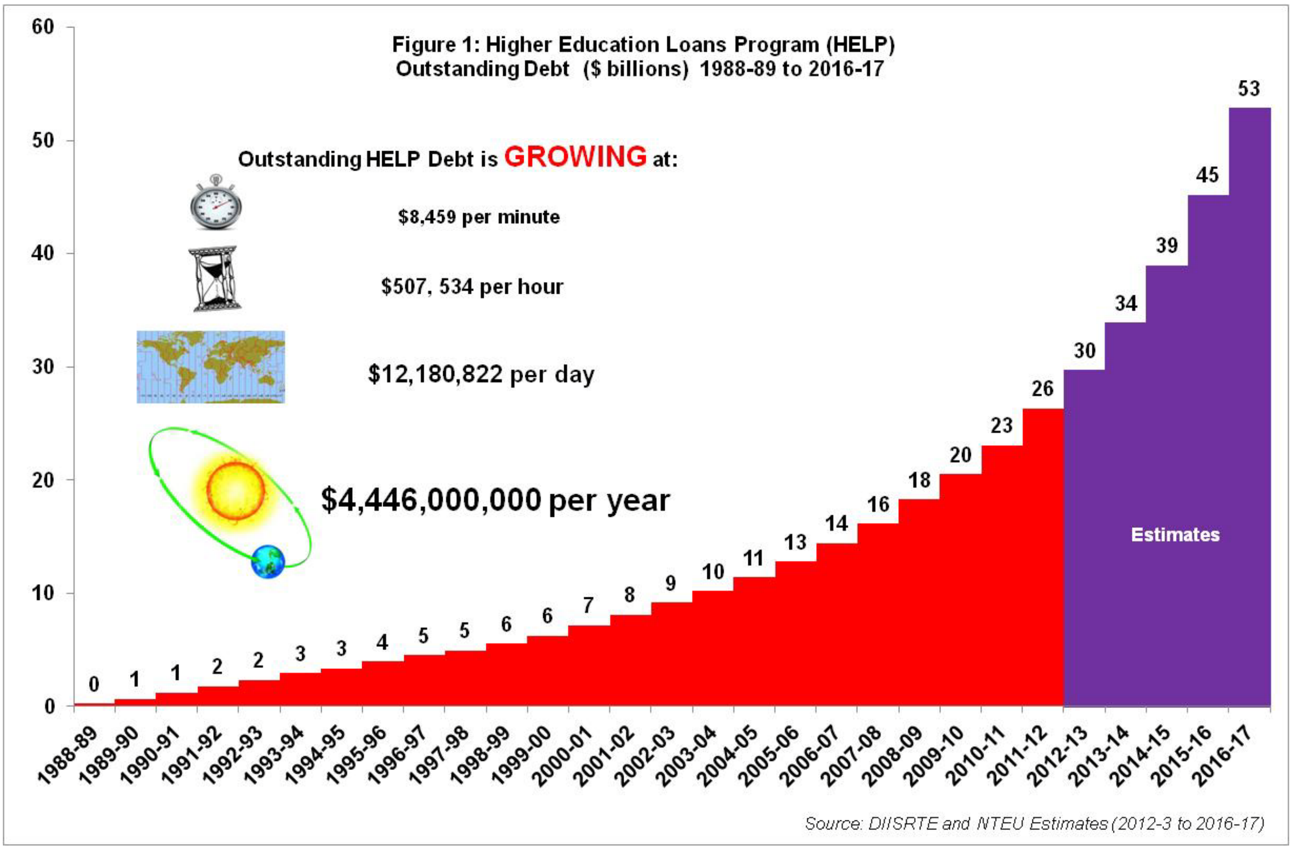
Supplement Loan (SSL) scheme found a greater proportion of Indigenous students participating in the scheme, whereby students were able to double the value of their student income support payments by converting these grants to loan. That is, you could double the amount of money you received, but in doing so would have to repay the whole amount. According to data published in *Australian Bureau of Statistics Year Book* (2002) for the financial year 1999-2000, one in five (21%) recipients of ABSTUDY took out supplementary loans. This compared to only one in twenty (4.9%) students receiving Youth Allowance or Austudy. Aboriginal and Torres Strait Islander students were 400% more likely to access supplementary loans than non-Indigenous students from similar financial backgrounds.

Given the similarities between the now discontinued SSL and the proposed replacement student start up-loan scheme, there is no reason not to believe that that Aboriginal and Torres Strait Islander students will take up the option of start-up loans at a disproportionately high rate. Such a debt significantly adds to the existing financial burden carried by these students, and may take years, even decades, to pay off.

Overall Student Debt

NTEU also has concerns with the level of Higher Education Loans Program (HELP) debts some students accrue in attaining a university degree. According to the latest Budget forecasts, the number of students with HECS-HELP debt is forecast to rise from 448,800 in 2012 to 555,300 by 2016-17 an increase of more than 106,000 students or almost 24%. Over the same period the average level of HECS-HELP debt per student is forecast to increase from $16,000 to $19,500 or 21% in just four years.

The combined impact of an increasing number of students with debts together with increasing average debts means that that total level of outstanding HECS-HELP debt will also increase exponentially in coming years. The latest published data shows that Australian university students currently owe in excess of $26 billion in outstanding HELP debts, which will grow at an accelerating rate, as shown in ***Figure 1***. NTEU estimates that the total level of outstanding debt is growing at a rate of some $500,000 per hour and will exceed $50billion by 2016-17.



The estimates shown in Figure 1 however do not factor take into the impact of converting student start-up scholarships to loans, which will further accelerate the rate of growth of HELP debts. The government estimates that the total value of start-up loans will be about $342m over the next four years (DICCSRTE Budget Portfolio Estimates). The referral of securitising the level of outstanding HECS debt to the Commission of Audit highlights the growing importance of this level of outstanding debt as a serious policy issue. Indeed the magnitude of this debt is put in context when the Commonwealth Government debt is in order of $175 billion.

Concluding Comments

At the Universities Australia Conference in February of this year, the now Prime Minister Tony Abbott announced that his would be a 'light touch' government in relation to higher education. However, in the few short months since the federal election, the experience of the sector has seen Government been anything but minimal. The numerous reviews (including the *National Commission of Audit* and the *Review of the Demand Driven Funding System*) promise to have far reaching consequences for university teaching and research and upon students. The introduction of this Bill will also have considerable impact on students, particularly those who are most disadvantaged.

We would be pleased to speak to the Committee in relation to the points raised in this submission, but we note that with the short timeline of this Review that such an opportunity is unlikely. As such, NTEU wishes to make clear our strong opposition to this Bill and we urge the Committee and the Senate to reject it in its entirety.

Regards

Jeannie Rea

NTEU President