EQUITY PRACTITIONERS IN HIGHER EDUCATION AUSTRALASIA

Submission on *Higher Education Support Legislation Amendment (Student Loan Sustainability) Bill 2018* for the Senate Education and Employment Legislation Committee

Due 27 February 2017
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Thank you for inviting us to make a submission to the *Higher Education Support Legislation Amendment (Student Loan Sustainability) Bill 2018 [provisions]*.

The Equity Practitioners in Higher Education Australasia (EPHEA) has outlined a number of concerns with the amendment which we hope the Committee will take into consideration as decisions are made to pass relevant legislation.

About EPHEA

As the national body of equity practitioners in the higher education sector we wish to ensure the continued essential work being undertaken by our members to support access and participation of disadvantaged groups. Our membership includes equity practitioners from most of Australia's public universities supporting Aboriginal and Torres Strait Islander peoples; people from low-socioeconomic status backgrounds (LSES); people from regional and remote areas; people with disabilities; people from culturally and linguistically diverse backgrounds; and women in non-traditional areas.

Key issues

EPHEA's key concerns are:

1. Lower thresholds for repayment of HELP from 1 July 2018 which deter debt-averse low-income students from higher education and create hardship for low-income graduates repaying their debts.
2. Ignoring the influence of the gender wage gap on repayment opportunities, which impacts many women negatively, as they are more likely to have time away from paid employment for caring responsibilities, but accrue interest on their debt during employment gaps.
3. Continuing to offer Start-up scholarships as loans.
4. Introducing a new combined loan limit, which may impact negatively on students who incurred a VET student debt as a pathway to higher education. In addition, the method of determining the loan limit is not explained, and may have implications for students accessing Start-up loans.

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Overarching public policy and funding challenges

It should be noted that these proposed changes to student loans are happening in a context of reduced public funding by the Government to the higher education sector. Specifically a two-year $2.1 billion funding freeze which is short-sighted public policy for a sector which is Australia's third largest export industry.

In attempting to improve the sustainability of higher education the Government has taken a number of steps to limit the contribution of the Government but increase that of students in terms of paying for their education. This has the greatest impact on students from equity target groups who benefit the most from improved education and employment outcomes but have the greatest challenges in accessing higher education.

1. Repayment of HELP loans (Schedule 1)

Students are current and future taxpayers who are utilising higher education to improve their lives and that of their families, community and the economy. Under the Government's current proposal there is a plan to reduce the compulsory repayment threshold as low as $45,000. This threshold is well below the median starting salary of $52,000 (for women) and $54,000 for men (Graduate Careers Australia, 2015). Although the repayment schedule has a graduated scale starting at 1%, the repayment will create hardship for some with HELP loans to repay. Typically, those with HELP debts are younger people entering the employment market at a stage of life where they are often considering starting a family and/or home ownership. Those from LSES backgrounds will be disproportionately impacted by the requirement to repay at the new, lower threshold.

In setting HECS-HELP repayments we ask the Committee to consider some key considerations for equity groups:

- The particular impact of a HECS-HELP debt on Aboriginal and Torres Strait Islander peoples whose participation in higher education continues to be below community representation and for which there are a range of additional challenges in gaining sustainable employment due to historical disadvantage and racism.
- The additional burdens of people with disabilities in gaining sustainable employment due to their disability or health condition and in terms of inclusive employment. An example of assistance with loan repayment is that in Canada, students with disability can apply for a Repayment Assistance Plan which allows repayment at a moderated rate, with interest paid by the federal and provincial governments.
- The intersectionality of membership to multiple equity target groups and what that pressure brings to bear on the ability to repay student debt is difficult to assess, but adopting amendments suggested here would likely improve options for those who may be amongst the most disadvantaged in securing sustained employment.

2. Gender inequality as an outcome of HELP

- The gender inequity of graduate salaries and the gender pay gap between men and women is reinforced by carer responsibilities, feminised industries and gender discrimination. Unsurprisingly, women as a group take longer to repay their student loans than men, largely due to gender pay gaps and time away from paid employment while fulfilling caring responsibilities. The interest on student loans continues to accrue, even though earnings may be well below the repayment threshold. To create a more equitable repayment schedule, consideration could be given to an amnesty on

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accruing interest on a student loan for those on parental leave, including periods of unpaid leave after the birth of a child.

- The Explanatory Memorandum published with the proposed legislation acknowledges that women, part-time workers and low-paid workers tend to be over-represented in those repaying their debt at the lower grades of the repayment schedule. It states 'addressing this income inequality is not the role of the higher education loans system' (p.7). The explanation continues, noting that men are disproportionately represented in the top income brackets, and so ...' this aspect of the measure is more likely to affect men'. This explanation does not take into account the difference in hardship faced by a worker earning $45,000 with one earning more than $131,989. The Higher Education Loans Program is not able to address income inequality but it is contributing to inequality in the population overall by not taking opportunities to create policy that helps ameliorate the impact of interest increasing overall debt for those who are struggling.
- Another option is to make all student loans interest-free, as is the case in New Zealand for New Zealand citizens. The exception there is that once someone with a student loan is overseas for more than six months in the calendar year, interest starts to accrue until they return to New Zealand.

3. Start-up Scholarships now converted to loans

From 1 July 2017, the former Start-up Scholarship which was designed to assist students eligible for Youth Allowance, Austudy and ABSTUDY facing the financial burden of starting a new semester, was converted to a voluntary loan. Many students rely on this funding to purchase books and equipment to support their studies, but now must chose to extend their level of debt if they apply for this support. The result is that many vulnerable students try to cover costs by working extra hours in casual employment, which can compromise their academic performance, or go without resources that their more affluent peers can acquire. Where students choose to apply, LSES students with a Start-up loan and HECS debt have to acknowledge that the combined total of both should be taken into account in the repayment.

For LSES students whose enrolment, retention and success at university is already precarious due to financial pressures this is an additional pressure on improving their life circumstances and career outcomes. The Government has justified this hike under the guise of fairness and the 'private benefits' that graduates get from higher education but has failed to acknowledge the significant economic and social benefits to Australia more broadly. This argument does not acknowledge that the playing field is not level for all and those most in need of financial assistance are now penalised with additional loans (including interest) if they have had to access Start-up loans to survive at university.

3. New combined maximum loan limit (Schedule 3)

The legislation proposes a cap on HELP loans of $104,440 for most degrees, with the exception of Medicine, Dentistry and Veterinary Science, which have a cap of $150,000. Whilst EPHEA shares a concern with students facing high levels of debt, there is a question as to how these figures have been determined. It is not clear whether the total HELP loan of $104,440 includes the Start-up loan.

Our assumption is that a benchmark figure of $96,000 has been judged a reasonable sum to cover most undergraduate degrees, as the Explanatory Memorandum mentions nine years of funding. This would allow $10,666pa for nine years (the range for course fees in 2018 is $6,444-$10,754). A student drawing on the Start-up loan each semester of $1055 for the same period would have a debt of $8,440, which added to $96,000 gives a total of $104,440.

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If the maximum loan has been calculated in this way, it seems inequitable that a student who does not need to rely on the Start-up loan can access $104,440 towards their course fees, where a poorer student can only calculate on accessing $96,000.

EPHEA proposes that the principle be that all students have access to the same amount of student loans for course fees and that students accessing the Start-up loan have this calculated as a separate loan.

Our strong preference would be to have the Start-up loan converted back to a scholarship.

We note that students who have accessed FEE-HELP, VET FEE-HELP or VET student loans will have their debt transferred to the new HELP tuition limit. VET studies are a recognised pathway to higher education, particularly for students from equity backgrounds and recently arrived migrants, and it seems inequitable to make their debt retrospective, in terms of counting towards their lifetime limit.

Concluding comments

EPHEA commends the Government for aligning repayment schedules for loans from the Social Services portfolio with HELP repayments and introducing transitional arrangements for those with more than one loan to manage but notes that this may also bring some low income earners into the repayment schedule for the first time. As such, our comments relating to aligning minimum thresholds with median starting salaries for graduates would apply.

We welcome the opportunity to be involved in discussions over the coming months to discuss many of the issues above that are of concern to our members. Please do not hesitate to contact us for further information.

Key Contact

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