SUBMISSION TO THE SENATE STANDING COMMITTEE ON EDUCATION & EMPLOYMENT

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

FEBRUARY 2018

UNIVERSITY OF TECHNOLOGY, SYDNEY STUDENTS' ASSOCIATION

Level 3, Room 22
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UTS STUDENTS' ASSOCIATION

Introduction

Background

The UTS Students' Association ('UTSSA') is a completely independent and democratic organisation run by students, for students. The UTSSA is governed by the Student Representative Council, who are elected annually and meet monthly.

All students enrolled at the University of Technology, Sydney ('UTS') are members of the UTSSA. In 2017, this included 2007 Higher Degree Research students, 10,853 Postgraduate Coursework students and 31,893 Undergraduate, enabling or non-award students.[1]

Our role is to support students during their time at UTS. Our organisation provides advocacy and free student services, and supports student collectives and clubs in their initiatives.

Our submission concerns the following elements of the *Higher Education Support Legislation Amendment (Student Loan Sustainability) Bill 2018* (Cth) ('the Bill'):

- Schedule 1: Higher Education Loan Program ('HELP') Repayment Thresholds
- Schedule 1: Indexation of HELP Loans
- Schedule 3: New Combined Lifetime HELP Loan Limit

Whilst we recognise the competing priorities of fairness and fiscal rectitude, we believe these elements of the Bill will have a disproportionately negative impact on vulnerable university students and graduates. Our analysis outlines the basis for our concerns and our recommendations offer fairer options for the Committee to consider.

We thank the Committee for the opportunity to provide our response.

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[1] **University of Technology, Sydney, *Facts, figures and rankings* (27 November 2017) University of Technology, Sydney <https://www.uts.edu.au/about/university/facts-figures-and-rankings>.**

Schedule 1

HELP Loan Repayment Threshold

Schedule 1 of the Bill proposes a new minimum income at which HELP debt holders would begin to repay their loans. Currently, HELP debt holders begin to pay back their loans when they are paid a total annual income of $55,874.[2] The new minimum repayment threshold that is proposed is $45,000 which would apply in the 2018-19 income year.[3] However, the wage of a recent graduate in full-time employment is already likely to exceed the minimum repayment threshold. According to Graduate Careers Australia annual '*Gradstats*' report, the median annual full-time starting salary for a domestic Bachelor degree graduate in 2017 was $60,000.[4]

Lowering the repayment threshold would principally affect graduates in part-time or casual employment. The *Gradstats* report has found that of the graduates in part-time employment, one fifth are 'involuntary part-timers' who are actively seeking full-time positions.[5] The report claims that increasing rates of part-time employment amongst graduates "reflect at least, in part, the relatively weak state of the labour market over the past decade".[6] Notably, the report also finds that female graduates are more likely to be employed in involuntary part-time work than male graduates.[7] This factor should be considered in the context of analysis which suggests that women suffer from disadvantage in the labour market.[8] This proposal unfairly impacts students who are disadvantaged both financially and in their ability to participate in the labour market.

Recommendation One:

Keep the existing minimum HELP loan repayment threshold

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[2] Explanatory Memorandum, *Higher Education Support Legislation Amendment (Student Loan Sustainability) Bill 2018* (Cth)
[3] Ibid.
[4] Graduate Careers Australia, 'Gradstats 2017' (Research Report, Graduate Careers Australia, 31 January 2018) <http://www.graduatecareers.com.au/wp-content/uploads/2018/01/GradStats-2017-3.pdf>.
[5] Ibid.
[6] Ibid.
[7] Ibid.
[8] KPMG, 'She's Price(d)less: The economics of the gender pay gap' (Update Report prepared for Diversity Council Australia (DCA) and the Workplace Gender Equality Agency (WGEA), October 2016) <https://home.kpmg.com/content/dam/kpmg/au/pdf/2016/gender-pay-gap-economics-full-report.pdf>.

Schedule 1

Indexation of HELP Loan Repayment Thresholds

Schedule 1 of the Bill also proposes aligning the indexation of HELP loan repayment thresholds with the Consumer Price Index (CPI) rather than the current indexation method which is aligned to Average Weekly Earnings (AWE).

The intention behind this proposal is that over the long-term the CPI will rise slower than AWE. The minimum repayment threshold would therefore also be lower, meaning students and graduates would begin to repay sooner. This was noted by Karen Andrews MP in the second reading speech of the Bill, which stated:

> *'The higher growth in average weekly earnings has meant that people have dropped from a higher repayment threshold to a lower one, or have dropped out of the repayment stream altogether'*[9]

However, as has been pointed out above, the median annual full-time starting salary for domestic graduates is well above the current minimum repayment threshold. With this in mind, we contend that changing the indexation method would unfairly impact graduates who earn lower incomes than their peers and graduates who are struggling to gain a place in the full-time labour market.

Recommendation Two:

Loans should remain indexed to Average Weekly Earnings (AWE)

[9] **Commonwealth, *Parliamentary Debates,* House of Representatives, 14 February 2018 (Karen Andrews, Assistant Minister for Vocational Education and Skills).**

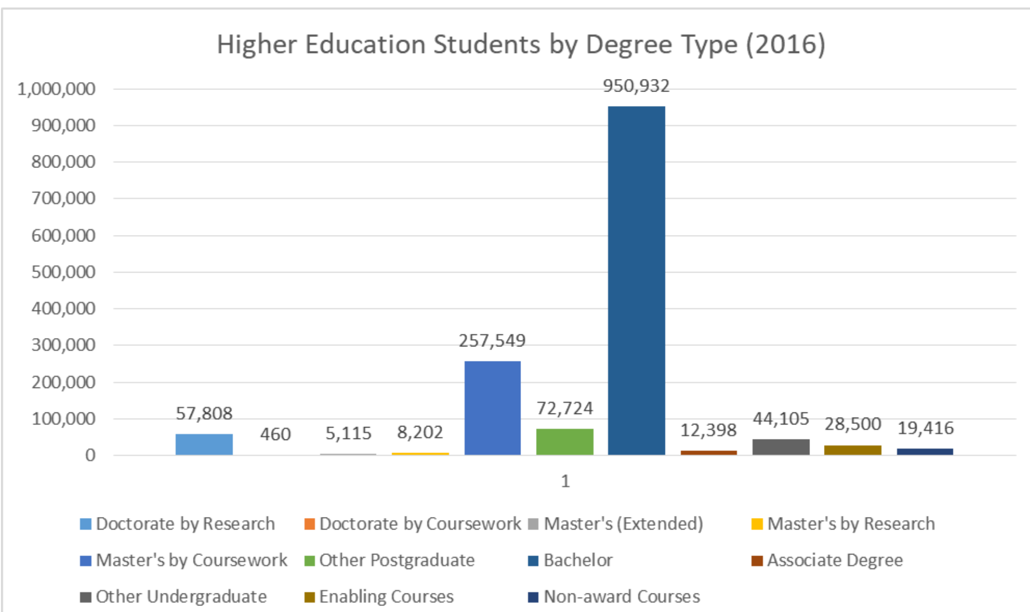
Schedule 3

New Combined Lifetime HELP Loan Limit

Schedule 3 of the Bill proposes a new combined lifetime limit on HELP Loans. Under the current system students can access a vocational education loan (VET-HELP), a loan for a Commonwealth supported place at a university (HECS-HELP) or a full-fee paying place at a university (FEE-HELP). The amount of study that a student can undertake under each loan type is capped separately.

The proposal will mean that students who are studying medicine, dentistry, and veterinary science will be able to access up to $150,000.[10] Students in all other disciplines would be able to access up to $104,440.[11] Students who reach the limit would not be able to take out any further HELP loans at any time in the future, even if the debt was paid down. We believe that this proposal would negatively impact students pursuing Masters by coursework degrees. As shown in Table 1, Masters by coursework degrees are the most popular course of study after undergraduate degrees.

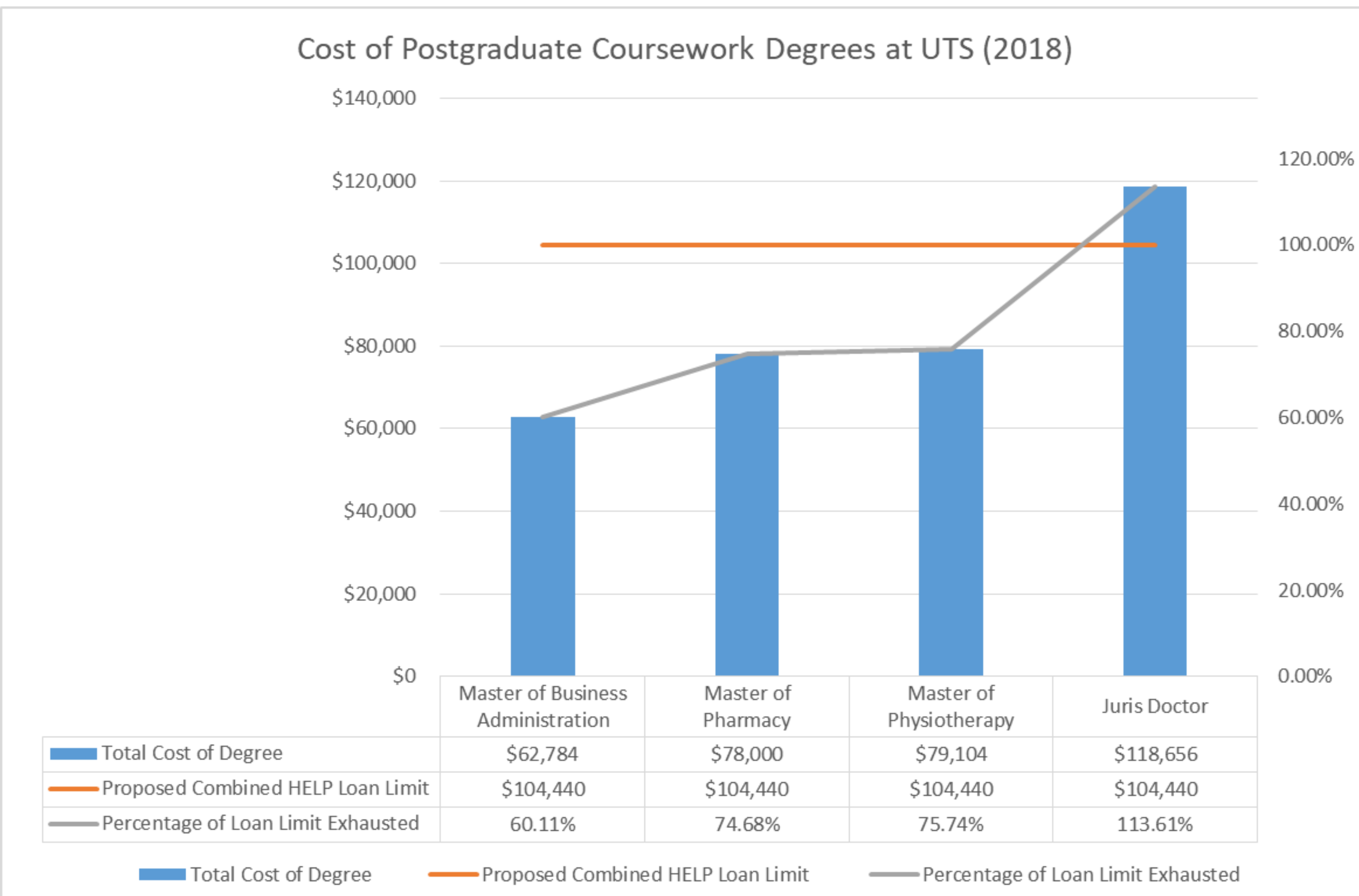
Table 1[12]



[10] Explanatory Memorandum, *Higher Education Support Legislation Amendment (Student Loan Sustainability) Bill 2018* (Cth)
[11] Ibid.
[12] Department of Education and Training (Cth) *2016 All Students* (2017) <https://docs.education.gov.au/node/45161>.

Masters by coursework programs are popular because they allow students with a generalist undergraduate qualification, such as a Bachelor of Arts or Bachelor of Science, to gain a more employment specific qualification. They also allow graduates who have already entered the full-time workforce to further their skills. However, the majority of Masters by coursework programs are full-fee. The proposed combined loan limit does not take into account the cost of these programs. Table 2 shows a number of degree programs at UTS that would use a substantial portion of the combined loan limit, or exceed it entirely. It should be noted that in order to study any of these programs, a student would need to have an undergraduate degree which would also contribute towards the new combined loan limit.

Table 2[13]



	Master of Business Administration	Master of Pharmacy	Master of Physiotherapy	Juris Doctor
Total Cost of Degree	$62,784	$78,000	$79,104	$118,656
Proposed Combined HELP Loan Limit	$104,440	$104,440	$104,440	$104,440
Percentage of Loan Limit Exhausted	60.11%	74.68%	75.74%	113.61%

[13] **University of Technology, Sydney, *Search tuition fees by course* (18 August 2017) University of Technology, Sydney <http://cis.uts.edu.au/fees/course-fees.cfm>.**

The introduction of a lifetime cap on HELP debt also acts as a barrier to lifelong learning. It is expected that young workers will be required to change jobs more frequently than in the past. A report by the Foundation for Young Australians estimates that a typical 15-year-old will 'likely navigate 17 changes in employer across 5 different careers'.[14] Retraining for new careers will require graduates to be able to access the tertiary education system throughout their working life. A loan cap should be designed with this in mind.

Recommendation Three:

A combined HELP loan limit should:

- **Encourage lifelong learning by mandating a maximum debt limit rather than a lifetime cap**
- **Be set at a higher rate to recognise the costs of Postgraduate coursework degrees**

[14] The Foundation for Young Australians in partnership with AlphaBeta, 'The New Work Smarts: Thriving in the New Work Order' (Report. The Foundation for Young Australians, July 2017) <https://www.fya.org.au/wp-content/uploads/2017/07/FYA_TheNewWorkSmarts_July2017.pdf>.