

Higher Education Support Amendment (Savings and Other Measures) Bill 2013

Portfolio: Education

Introduced: House of Representatives, 21 November 2013

Status: Before Senate

PJCHR comments: First Report of the 44th Parliament, tabled 10 December 2013

Response dated: 13 February 2014

Information sought by the committee

3.30 This bill proposes to amend the Higher Education Support Act 2003 to remove the existing HECS-HELP up-front payment discount of 10%; to remove the HELP voluntary repayment bonus; and to apply an 'efficiency dividend' of 2 per cent in 2014 and 1.25 per cent in 2015 to Commonwealth contribution amounts under the Commonwealth Grant Scheme.

3.31 The committee sought clarification from the Minister for Education of:

- the likely impact of the removal of the up-front payment discount and voluntary repayment bonus on university students; and
- the impact of the proposed changes on the enjoyment of the right to education and, to the extent that they involve limitations of that right or are retrogressive measures, to request a clear statement of justification for the measures.

3.32 The Minister's response is attached.

Committee's response

3.33 The committee thanks the Minister for his response.

Removal of the upfront payment discount and the voluntary repayment bonus

3.34 The committee raised concerns as to whether the changes were a retrogressive measure or limitation on the enjoyment of the right to education, insofar as they involved an increase in fees for some students as a result of the removal of the discount and the voluntary repayment options. The committee noted that such measures need to be carefully scrutinised and justified.

3.35 The Minister's response explains that the purpose of the removal of the up-front payment discount and voluntary repayment bonus on university students is to achieve savings in order restore the budget to balance.

3.36 The committee notes that, while this will generally be a legitimate objective, any reduction in public spending may be justified by reference to that goal. However, a human rights compatibility assessment of a specific reduction in support or of a withdrawal of access to a benefit which is one of a number of measures undertaken to reduce government expenditure in a given sector or across government, may

require consideration of the other choices made or available and the impact of the measure, especially on groups who are socially disadvantaged. Elsewhere in this report the committee has commented on the importance of human rights impact assessment in the budgetary process.

3.37 While neither the statement of compatibility nor the Minister's response provides information about expenditure decisions in the education sector, the Minister's response states that the elimination of the upfront payment discount and the voluntary repayment bonus will not impede access to tertiary education, since 'any student who earns a place in tertiary education may take up that place, as student contributions amounts and tuition fees may still be deferred under the HELP loans scheme' and upfront payments 'may still be made by a student who wishes to do so'.

3.38 Insofar as the cost of fees may be increased for some students, the Minister's response notes that 'of the students who paid upfront and received the discount in 2011, the vast majority (86.3 per cent) come from a medium to high socio-economic status (SES) background.'

3.39 The committee notes it would have been useful for the information provided in this response to have been included on the statement of compatibility. The committee considers that on the basis of this information it is arguable that any retrogression or limitation on the right to education might be viewed as justifiable, although information about the range of measures taken in the education area would have assisted the committee in assessing compatibility.

Reductions in previously budgeted funding for universities (the 'efficiency dividend')

3.40 The Minister's response notes that the 'efficiency dividend' will involve a reduction in funding provided to universities of \$902.7 million over the period 2013-2017. The Minister notes that the measures 'will not result in an increase to student contribution amounts or other amounts paid by students for which [sic] HELP loans are available'. The committee also understands that there will be no reduction to Australian Postgraduate Awards, or ARC and NHMRC grant programs. The Minister states that the measure:

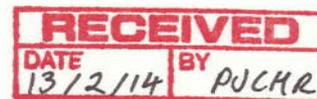
will require higher education providers to closely manage their internal budgets without impeding their flexibility to take into account their own operational circumstances and strategies.

3.41 The committee finds it difficult to understand from this explanation how the government anticipates the measure will not affect the quality of the learning and teaching environment experienced by students. The committee noted in its earlier comments that there did not appear to be any reduction in student numbers contemplated in order to offset any of the reduction of \$900 million in resources, and that this disparity might have an adverse impact on students' educational experience if it led to reduction in staff or facilities. The Minister's response does not provide any further information on this matter.

3.42 The Minister notes that the measure will contribute ‘to addressing the Budget deficit which will help to ensure that the current demand driven higher education funding system, which has greatly increased opportunities for study, remain affordable.’

3.43 The committee accepts that the goal of reducing government expenditure may in principle be viewed as a legitimate objective. However, as noted above, an assessment of the human rights compatibility of any specific reduction will normally require information about the context in which the decision was made and what choices were available to government (including what expenditures were maintained and whether other resources were reasonably available to it).

3.44 On the basis of the information provided to the committee, the impact of the ‘efficiency dividend’ is not clear, and the committee does not consider that it is in a position to make a fully informed assessment of whether the ‘efficiency dividend’ can be justified as compatible with the government’s obligations under the ICESCR relating to the right to education.



THE HON CHRISTOPHER PYNE MP
MINISTER FOR EDUCATION
LEADER OF THE HOUSE
MEMBER FOR STURT

Our Ref: MC13-011122

13 FEB 2014

Senator Dean Smith
Chair
Parliamentary Joint Committee on Human Rights
S1.111
Parliament House
CANBERRA ACT 2600

Dear Chair 

Thank you for the opportunity to respond to the Committee's *First Report of the 44th Parliament* insofar as it relates to the *Higher Education Support (Savings and Other Measures) Bill 2013* (the Bill).

The measures in the Bill are compatible with human rights. These savings measures are necessary to bring the budget back to surplus for the long term so that the current Government can ensure the sustainability of funding for the higher education sector. They were announced by the previous government and included in the 2013-14 Budget.

The impact of the removal of the HECS-HELP discount and the HELP voluntary repayment bonus on university students

Currently, a 10 per cent discount is applied to up-front student contribution payments of \$500 or more. The amount of the discount is paid by the Government to the student's higher education provider. The voluntary repayment bonus currently reduces a person's HELP debt by an additional five per cent of the payment amount when the person makes a voluntary repayment of \$500 or more through the Australian Taxation Office. As at the time of the 2013-14 Budget, it was estimated that removing the up-front discount and voluntary repayment bonus would provide \$276.7 million in savings over four years (2013-2014 to 2016-2017).

The removal of the HECS-HELP discount and the HELP voluntary repayment bonus is a legitimate source of savings necessary to restore the Budget to balance. The HECS-HELP upfront discount provides an additional Government subsidy towards the cost of study for students who have the financial means to pay for their student contribution upfront. It does not increase opportunities to study at university or improve accessibility for any student unable to pay their contribution upfront. Analysis of the Socio-Economic Indexes for Areas (SEIFA) Education and Occupation Index shows that of the students who paid upfront and received the discount in 2011, the vast majority (86.3 per cent) come from a medium to high socio-economic status (SES) background.

This measure is proportionate to the policy objective of ensuring that Australia has an affordable and accessible higher education system. It does not affect students' access to higher education. Any student who earns a place in tertiary education may take up that place, as student contribution amounts and tuition fees may still be deferred under the HELP loans scheme. Upfront payments may still be made by a student who wishes to do so.

Furthermore, given the differential between the earnings of tertiary-educated people compared with those who have not had a tertiary education, it is not unreasonable to expect that students repay the full amount of their student contribution to the Commonwealth. The abolition of the bonus for voluntary repayments will only affect people who can afford to make voluntary repayments above what are required when annual taxation returns are assessed.

Impact of the introduction of an efficiency dividend

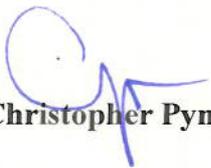
The efficiency dividend will reduce the rate of growth of Commonwealth contributions towards the cost of study for all Commonwealth supported students. As at the time of the 2013–14 Budget, it was estimated that this measure will provide savings of \$902.7 million over four years (2013–14 to 2016–17).

This measure is proportionate to the policy objective of contributing to repairing the Budget. Funding to universities will continue to grow, albeit at a slower rate than would be the case without the efficiency dividend. The efficiency dividend will not result in an increase to student contribution amounts or other amounts paid by students for which HELP loans are available. It will require higher education providers to closely manage their internal budgets without impeding their flexibility to take into account their own unique operational circumstances and strategies.

The measure will contribute to addressing the Budget deficit which will help to ensure that the current demand driven higher education funding system, which has greatly increased opportunities for study, remains affordable.

I trust the information provided is helpful.

Yours sincerely


Christopher Pyne MP

