

# Chapter 2

## Higher education financial support measures

2.1 As explained in chapter one, the bill contains three measures that relate to higher education financial support:

- establishes a new minimum repayment threshold (schedule 1);
- updates the indexation method used for HELP debt (schedule 2); and
- removes the HECS-HELP benefit scheme (schedule 3).

2.2 Taken together, these measures will save Australian taxpayers nearly \$80 million over the forward estimates. This chapter provides an overview of the submitter views on the three measures.

### **Schedule 1: Minimum repayment income for HELP debts**

2.3 Schedule 1 proposes establishing a new minimum repayment threshold for HELP debts of 2 per cent when a person's income reaches \$51 957 in the 2018-19 income year.<sup>1</sup> In the 2016-17 income year, incomes below \$54 869 do not attract compulsory repayments. Incomes above \$54 869 attract a repayment rate ranging from four per cent through to eight per cent for incomes above \$101 900.<sup>2</sup>

#### *Views on schedule 1*

2.4 Universities Australia reported to the committee that they support a 'moderate reduction in the minimum repayment income' aimed at assuring the viability and sustainability of the HELP scheme.<sup>3</sup>

2.5 Several submitters, such as the Public Health Association of Australia, the Council of Academic Public Health Institutions Australia and the Australia Institute, expressed concerns about the measure potentially discouraging people from entering (or re-entering) the workforce, particularly in lower paying professions.<sup>4</sup>

2.6 The committee notes that the question of lower minimum repayment incomes for HELP debts was addressed as part of the Senate Education and Employment Legislation Committee's consideration of the Higher Education and Research Reform

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1 Explanatory Memorandum, p. 7.

2 Australian Taxation Office, *HELP, SSL, ABSTUDY SSL, TSL and SFSS repayment thresholds and rates*, <https://www.ato.gov.au/Rates/HELP,-TSL-and-SFSS-repayment-thresholds-and-rates/> (accessed: 7 September 2016).

3 Universities Australia, *Submission 128*, p. 1.

4 Public Health Association of Australia, *Submission 133*, p. 5; Council of Academic Public Health Institutions Australia, *Submission 164*, p. 1; Australia Institute, *Submission 169*, p. 12.

Amendment Bill 2014 [Provisions]. In its report on the bill, that committee concluded that it was:

...satisfied that the lower two per cent repayment rate for those above the new minimum repayment threshold will ensure that low-income graduates will not experience a large reduction in their disposable income, while supporting the sustainability of HELP.<sup>5</sup>

## **Schedule 2: Indexation of higher education support amounts**

2.7 Schedule 2 of the bill changes the index for the amounts that are indexed annually under the *Higher Education Support Act 2003*, from the Higher Education Grants Index<sup>6</sup> (HEGI) to the Consumer Price Index (CPI), with effect from 1 January 2018.<sup>7</sup>

2.8 The current HEGI was announced in the 2009–10 Australian Government Budget. It was a key recommendation of the 2008 Bradley Review into the Australian Higher Education sector. It was explained by Universities Australia that 'the HEGI is aimed squarely at covering university costs, which do not move in lock step with CPI. In some years the HEGI will be higher than CPI, others lower'.<sup>8</sup> The HEGI was higher than CPI between 2012 and 2014, but lower in 2015 and 2016.

2.9 The Treasurer explained that this measure would 'streamline and simplify indexation rates for government programs'.<sup>9</sup>

### ***Views on schedule 2***

2.10 The Australia Institute submitted that changing the index would mean 'real reductions in the resources committed to higher education'.<sup>10</sup> The National Union of Students expressed concerns that any such funding reduction would eventually be passed on to students.<sup>11</sup>

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5 Senate Education and Employment Legislation Committee, *Higher Education and Research Reform Amendment Bill 2014 [Provisions]*, 28 October 2014, p. 56.

6 The index is calculated based primarily on movements in the Wage Price Index for Professional Scientific and Technical Services (75 per cent), with the remainder based on the CPI.

7 Explanatory Memorandum, p. 7.

8 Universities Australia, *Submission 128*, p. 1.

9 The Hon. Scott Morrison MP, Treasurer of Australia, *House of Representatives Hansard*, 31 August 2016, p. 33.

10 Australia Institute, *Submission 169*, p. 13.

11 National Union of Students, *Submission 179*, p. 4.

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2.11 Universities Australia suggested it was difficult to predict how a change in indexation would play out over the medium term, and thus called for a review in three years' time to assess the impacts of this measure.<sup>12</sup>

### **Schedule 3: Removal of the HECS-HELP benefit**

2.12 Schedule 3 to the bill discontinues the HECS-HELP benefit from 1 July 2017. The HECS-HELP benefit operates as a deduction from the HECS-HELP debt of graduates in certain fields employed in related occupations. The benefit provides 'an incentive for graduates of particular courses to take up related occupations or work in specified locations by reducing their compulsory HELP repayments'.<sup>13</sup>

2.13 The HECS-HELP benefit was introduced as part of the 2008-09 Budget, and was designed to reduce HECS-HELP repayments by around \$1,800 a year for early childhood education graduates and \$1,700 a year for certain other occupations. Since 2008, the HECS-HELP benefit has been expanded to cover graduates employed in other areas of identified need, including mathematics, science related occupations, teaching and nursing.<sup>14</sup>

#### ***Views on schedule 3***

2.14 The National Union of Students observed that there remain shortages of skilled graduates in certain occupations, and the bill does not propose to introduce any alternative measures to address this issue.<sup>15</sup>

2.15 However, Universities Australia supported this measure, pointing to the HECS-HELP benefit's 'limited success in influencing study choice selection and increasing demand for particular occupations'.<sup>16</sup>

#### **Committee view**

2.16 Supporting the development of a highly skilled workforce that meets the requirements of the 21<sup>st</sup> century labour market is a key objective of the Australian Government. The changes proposed in this schedule support the ongoing viability of the government supported higher education sector. Changing the repayment rate threshold for HELP debts will ensure that future students will have access to quality higher education services. Noting the lack of evidence on the

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12 Universities Australia, *Submission 128*, p. 2.

13 Australian Government, Study Assist website, 'HECS-HELP Benefit', <http://studyassist.gov.au/sites/studyassist/payingbackmyloan/hecs-help-benefit/pages/hecs-help-benefit>, accessed 7 September 2016.

14 Explanatory Memorandum, p. 29.

15 National Union of Students, *Submission 179*, p 4.

16 Universities Australia, *Submission 128* p. 1.

efficacy of the HECS-HELP benefit, the committee considers it appropriate that the benefit cease.