

**SENATE STANDING COMMITTEE ON
EDUCATION, EMPLOYMENT AND WORKPLACE RELATIONS**

**QUESTIONS ON NOTICE
BUDGET ESTIMATES 2009-10**

Outcome/Agency **3**

DEEWR Question No. **EW0117_10**

Senator Hanson-Young provided in writing.

Question

Responses to Bradley Review - Indexation

The Bradley review recommended revising the Higher Education Index Factor at a cost of \$1.14b over 4 years. The Government seems to have accepted the need to revise the indexation arrangements with the budget providing \$557.6m over 3 years for revised indexation arrangements.

Can you please explain the new indexation arrangements the Government intends to introduce and how they differ from the Bradley recommendation?

Answer

Responses to Bradley Review - Indexation

The existing minimum wage based component based on Safety Net Adjustments, which makes up 75% of the current index, will be replaced with a wage cost index (discounted by 10% for productivity) which better reflects professional salary increases. The use of the Consumer Price Index which makes up the remaining 25% of the current index will continue under the revised arrangements.

This is consistent with the recommendation of the Bradley Review.

The Australian Bureau of Statistics (ABS) has discontinued wage price indexes for broad occupational groups, including the index for the Professional occupation group recommended by the Bradley Review. The Australian Bureau of Statistics is revising wage price indexes based on industry classifications. It is likely that one of the new industry indexes will be appropriate. The Professional, Scientific and Technical Services industry classification has been suggested as an appropriate alternative.

New indexation arrangements will be introduced fully in 2012 rather than 2010 as proposed by the Bradley Review. All programs funded under the *Higher Education Support Act 2003* (including grants for teaching and learning and research) will be indexed under the new arrangements. The revised indexation will apply to maximum student contribution amounts from 2011. The OS-HELP loan amount and the FEE-HELP loan limit as well as the new SA-HELP loan (subject to the passage of legislation) will be subject to the new index from 2012.

Associated with the revised indexation arrangements, higher education institutions which receive Commonwealth Grant Scheme (CGS) funding will also receive in 2011 funding equivalent in value to the revised indexation for current teaching and learning grants subject to agreement to institutional performance targets. These funds will be rolled into base funding under the CGS in 2012. The Workplace Reform Program and the Improving the Practical Component of Teacher Education Program will also be rolled into the CGS from 2010.