# Media Release

## HECS-HELP caps unfair to low-income students

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EPHEA’s has key concerns about the impact of the proposed Higher Education Support Legislation Amendment (Student Loan Sustainability) Bill 2018 on students from disadvantaged backgrounds.

* ​Lower thresholds for repayment of HELP from 1 July 2018 will deter debt-averse low-income students from higher education and create hardship for low-income graduates repaying their debts.
* The proposed changes ignore 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.
* Introducing a new combined loan limit will impact negatively students who incurred a VET-HELP 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.

These proposed changes to student loans are happening in a context of reduced public funding in the higher education sector. A $2.1 billion funding freeze is short-sighted public policy for a sector which is Australia’s third largest export industry.

## The impact on those from educationally disadvantaged backgrounds

Equity target groups who benefit the most from improved education and employment outcomes have the greatest challenges in accessing higher education.

​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). Those from LSES backgrounds will be disproportionately impacted by the requirement to repay at the new, lower threshold. In addition, to Bill’s lower repayment threshold will be applied retroactively; that is, it applies to those who already hold a HELP loan. This additional change is unacceptable. LSES students have signed up to a program under one set of rules to find that they are now under new guidelines. This is wholly unacceptable to LSES students and will have a detrimental impact on their studies.

​In setting HECS-HELP repayments to the impact changes will have on access to higher education and subsequent repayments to groups such as Aboriginal and Torres Strait Islander peoples, people with disabilities, and people from low-income backgrounds including those from culturally and linguistically diverse backgrounds. The under-representation of these groups in accessing higher education and gaining qualifications leading to sustainable employment is impacted by this new proposal.

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

## ​Impact on the cost of living

​The amendment also proposes to change how HELP debts are indexed. Rather than being indexed according to average weekly earnings, debts will be indexed to the consumer price index (CPI) which essentially tracks the cost of living. The implications of this change are sensitive to the economic circumstances of the time. For example, this would be a hardship upon HELP debt holders in a time of stagnant wage growth and rising costs of living.

​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. It is not clear whether the total HELP loan of $104,440 includes the Start-up loan. Start-up loans, formally Start-up Scholarships, for low-income students are already problematic because they add additional financial burden to low-income people who need financial support to study. A student requiring a loan for both tuition fees and a start-up loan for living costs will likely exceed the cap and be in risk of not completing their program. Students on State-Up loans need these funds to cover the cost of living while studying.

​It seems inequitable that a student who does not need to rely on the Start-up loan can access the full amount for course fees, where a poorer student will need to account for their Start-up loan. It is EPHEA’s strong recommendation that HELP caps not include Start-up loans and in fact Start-up loan converted back to scholarships for low-income students.

## ​Impact on the future economy

​The Government attempted to include this legislation under a raft of reforms that failed in 2017 and this new proposal is still problematic.

The Government has justified this proposed legislation 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 will be penalised with caps, loan limits and long-term debt that will deter and limit their capacity to improve their economic future.

## 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 into higher education. Our membership includes over 600 equity practitioners from across 34 Australian universities and six New Zealand universities.

## Key contact

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