4.2 Improving student contributions and debt repayment arrangements

For most domestic undergraduate and coursework postgraduate students – those who have a Commonwealth supported place – the costs of delivery are shared between students and taxpayers (via the Australian Government).[252] This reflects the basic premise that higher education has a private benefit to the student (through increased income and other life benefits) and a public benefit to society as a whole, such as providing the necessary knowledge and skills that a successful, modern society requires. The proportion paid by the student is categorised as the 'student contribution,' with the maximums determined by the Australian Government. Historically, these maximums broadly reflected estimates of future earnings, but with some adjustments to reflect government priorities and the cost of teaching.

An important feature of the student contribution is that it can be paid by the student upfront before the start of each semester of their course or, if the student is eligible, deferred under the Australian Government's Higher Education Loan Program through a HECS-HELP loan. HECS-HELP loans become accumulated HELP debt which students repay through the tax system once they meet a specified salary threshold.

A small number of domestic undergraduate students (mostly at non-publicly funded universities) and most coursework postgraduate students do not have a Commonwealth supported place and are required to pay fees, which institutions – universities and non-university higher education providers (NUHEPs) – may set at market rate or full-cost recovery rates. These students may also be eligible to defer payment under a HELP loan (FEE-HELP), on the same basis as HECS-HELP loans.

In 2022, 93.4% of domestic undergraduate students had a Commonwealth supported place while 5.6% were accessing FEE-HELP. For domestic coursework postgraduate students, 39.0% had a Commonwealth supported place and 41.7% accessed FEE-HELP. Some students do not access HELP and instead pay the course fees upfront.

The student contribution and HELP system is world-leading and has been imitated or drawn on by many other countries including the United Kingdom and New Zealand. Since its introduction in 1989, it has been instrumental in enabling overall higher education system growth.

However, it is not all working smoothly. Various cost pressures on students as a result of higher fees are impeding student access to, and participation in, higher education – with a consequential effect on further system growth.

252 80.9% of domestic coursework students were Commonwealth supported in 2022. Department of Education, *Higher Education Statistics – Student Data – 2022 Section 5 Liability status categories* [data set].

Policy changes introduced as part of the JRG package in 2021, designed to influence student choice and usher students into areas of expected employment demand, have not worked. Rather, they have resulted in some students incurring disproportionately large HELP debts relative to future potential earnings, meaning that HELP debts are taking longer and longer to repay.

For all students and graduates with HELP debts, increased inflation has led to increases in indexation rates in recent years, meaning the headline value of HELP debts is growing rapidly.

These issues are leading to adverse student outcomes. Together with some entrenched negative perceptions about the HELP system and debt in general, they could discourage future students from studying, especially students from disadvantaged backgrounds. It is essential that students are supported to access and participate in higher education without unreasonable costs and HELP debts to ensure Australia can meet its future skills needs.

For international students, course costs are covered by the fees they pay, which are set by each higher education provider at free market rates.

For most domestic HDR students, the costs are covered by taxpayers, mainly via the Australian Government's Research Training Program (RTP), as discussed in *Chapter 5 – Producing and using new knowledge*. These 2 student categories are not further discussed in this section.

4.2.1 Fairer contributions for Commonwealth supported students

The introduction of the JRG package in January 2021 has led to large and unfair increases in student contributions for many Commonwealth supported students. The package aimed to deter students from studying a specified subset of subjects with the intention of guiding them towards subject areas with higher employment demand. The Review finds that this deterrent approach did not work and is in fundamental conflict with the need to grow the number of people with higher education qualifications significantly to meet the nation's future skills needs.

The JRG package

At its core, the JRG package adjusted the student and Commonwealth contributions paid for different subjects. While this was the most substantial and controversial change in the package, it also funded additional Commonwealth supported places, restored CPI indexation to university funding and provided additional flexibility to universities to move their funding between undergraduate and postgraduate.

One goal of the changes was to "increase the level of support going to fields of study that will contribute to national priorities and future prosperity," while reducing support for others.[253] The significant savings in the Commonwealth Grants Scheme (CGS) of around $1 billion per year through the changes to contributions were redirected to other elements of the package, such as additional Commonwealth supported places and the National Priorities and Industry Linkage Fund (NPILF).

Design of the CGS clusters and bands prior to the JRG reforms

The JRG changes were the first wholesale redesign of per-place funding since the 2005 introduction of the CGS.

Prior to JRG, student contributions were generally set based on likely future earnings of graduates, with the highest-earning fields attracting the highest student contribution band. This was moderated to an extent for expensive-to-deliver fields, like science and agriculture, where the student contribution was set at a higher rate than would have been the case based purely on future earnings.

Commonwealth contributions were subsequently set to bridge the gap to the accepted level of base funding per place, based on a rough measure of the cost of delivery and a base level of research capability.

Key reforms under JRG

The JRG changes introduced a significant departure from this formulation: according to the then government's stated objectives, student contributions now had 2 roles to play:

- An incentive element: Those in priority fields of education seen to deliver a 'public benefit' would pay lower fees – despite often-higher private benefits and course delivery costs – to attract prospective students. For example, student contributions for mathematic s and agriculture were reduced by 59%, while contributions for teaching, English, nursing and foreign languages were reduced by 42%.
- A deterrent element: Those in fields seen not to be priorities would face the highest fees to deter prospective students, despite often lower levels of private benefit and course delivery costs. For example, student contributions for communications, humanities, society and culture and human movement were increased by 113%, while contributions for law, economics and management and commerce were increased by 28%.

253 Explanatory Memorandum, Higher Education Support Amendment (Job-Ready Graduates and Supporting Regional and Remote Students) Bill 2020, (Cth), 39, parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22legislation%2Fems%2Fr6584_ems_79c2b067-a1b7-4c5d-949a-73e246023baa%22.

Overwhelmingly, submissions and consultations for the Review called for the deterrent element introduced by the JRG changes to be remedied. They characterised the misalignment of prices and graduate incomes resulting from the JRG changes as deeply unfair and punishing students for following their interests. Particularly harmful was the 113% rise in student contributions for Commonwealth supported students studying communications, humanities, other society and culture, and human movement units.

The JRG changes had little impact on student choice, with research finding that only 1.5% of students applied to enrol in courses they would not have applied for under the previous student contribution structure.[254] The Productivity Commission found "the overall demand for university enrolment in Australia is unresponsive even to significant price increases given ICLs [income contingent loans] and existing subsidies".[255]

The Review suggests the Australian Government use the following principles when considering changes to student contribution arrangements.

The principles for fair student contribution arrangements

1. There should be a fair contribution amount.
2. The system should be simple to understand.
3. The amount students contribute towards their learning should depend on their field of study.
4. The higher the future earnings potential linked to their field of study, the greater the student contribution.

Recognising the complexity and cost (both to students and the Australian Government) of remedying the JRG changes, reducing the maximum student contributions for those subjects listed above is a priority (see Recommendation 16). As the level of student contributions does not affect student choice, over time the system should evolve into one where student contributions are set on the basis of projected potential future income, while maintaining fairness in the system. This is discussed further in *Chapter 8 – A new funding model to underpin growth and quality.*

The Australian Government should continue to be responsible for setting student contributions, but these decisions should be based on detailed analysis and advice from the Commission and other experts.

Finding: Job-ready Graduates

The Job-ready Graduates package needs urgent remediation. Its intended purpose of influencing students' choice of courses through price signals has failed. While some students are paying less, the overall funding balance has shifted in the direction of lower government contributions and higher student contributions. Many students have extremely high student contributions resulting in large HELP loans that do not reflect their future earning potential.

254 Yong, Coelli and Kabatek, *University fees, subsidies and field of study*, 3.

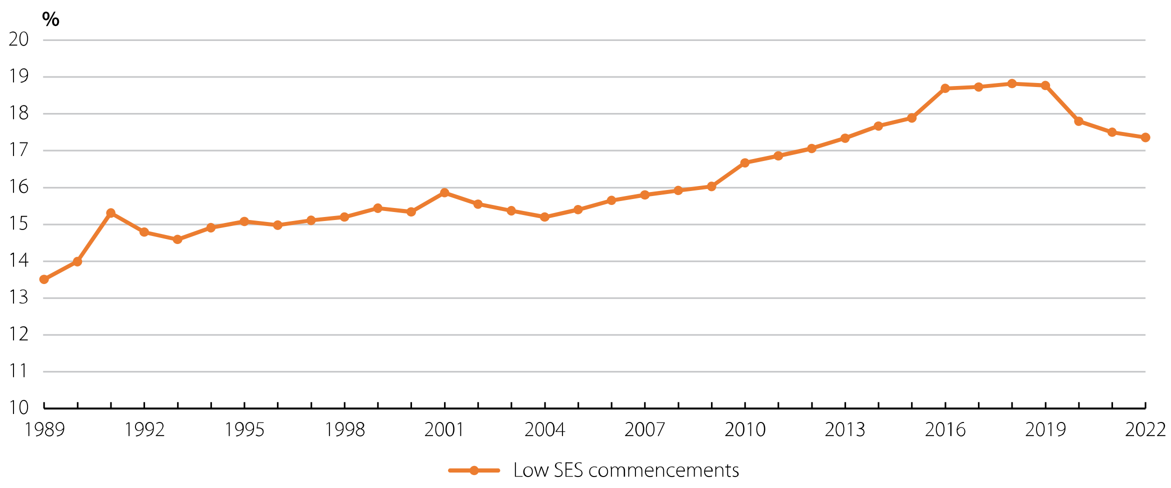
255 Productivity Commission, *5-year Productivity Inquiry: From learning to growth*, 69.

4.2.2 Building on the world-leading success of the HELP system

The HELP system was introduced in 1989 (as HECS) to keep Australia internationally competitive as a knowledge-based economy by growing the number of university students in an affordable way. Australia's HELP system successfully assisted in funding expanded access to university study for many students, including those from historically under-represented backgrounds. Without HELP, such levels of sustained growth would have placed considerable pressure on both the Commonwealth budget and university resources.[256]

Since its introduction, HELP has been successful in increasing the proportion of low SES students commencing university studies, as a percentage of all commencing students (see Figure 20). Since the introduction of HELP, the proportion of commencing university students from a low SES background has increased from 13.5% in 1989 to 17.4% in 2022. However, more work needs to be done given Australia is still a long way short of population parity, and a fairer HELP system would be a key enabler of this.

Figure 20: Proportion of commencing university students from a low SES background as a share of all commencing students (%), 1989 to 2022.



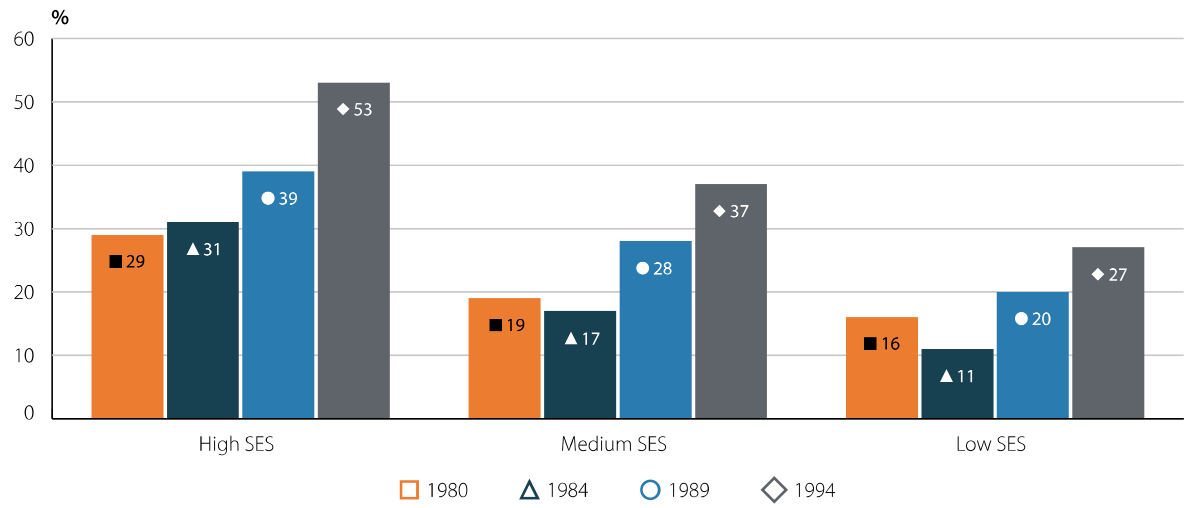
Source: Department of Education, *Selected Higher Education Statistics – 2022 Student data, Student Enrolment Time Series* [unpublished data], (Canberra: 2023).

Note: SES in this figure is determined by postcode to maintain a consistent measurement.

256 Universities Australia, *Submission to the Australian Universities Accord Priorities*, 2022, 5, universitiesaustralia.edu.au/wp-content/uploads/2022/12/UA22005-Accord-Submission-FA.pdf; Matthew Chingos and Susan Dynarski, "The International Final Four: Which Country Handles Student Debt Best?" *The New York Times*, (2 April 2018), www.nytimes.com/2018/04/02/upshot/an-international-final-four-which-country-handles-student-debt-best.html.

Analysis by Emeritus Professor Bruce Chapman AO shows that the introduction of HECS led to a considerable expansion of the higher education system across all cohorts.[257] Figure 21 shows that the introduction of HECS saw an increase in the higher education participation rate of 19-year-olds across all SES cohorts, especially low and medium SES cohorts which grew at a proportionately higher rate. Between 1980 and 1984 the proportion of low and medium SES 19-year-olds who had enrolled in university declined. However, it increased markedly between 1984 and 1994 with the introduction of HECS in 1989.

Figure 21: Proportion of 19-year-olds who have ever enrolled in higher education by socio-economic status (%), 1980 to 1994.



Source: Michael Long, Peter Carpenter and Martin Hayden, *Participation in education and training 1980–1994,* (Canberra: Australian Council for Educational Research, September 1999), 70, citing LSAY data, research.acer.edu.au/lsay_research/21/.

Note: This analysis is limited to the period from 1980 to 1994 due to a change in the way SES was measured in LSAY over time.

Whilst HELP has been a successful enabler of university access, there is a risk that rising HELP debts will create a barrier to students. Reform of the system is necessary to ensure HELP arrangements remain fair and fit for purpose and continue to meet student needs.

257 Bruce Chapman, "The rationale for the Higher Education Contribution Scheme", Australian Universities Review, (1996): 43, brucejchapman.com/wp-content/uploads/2018/12/The-rationale-for-the-HECS.pdf.

Finding: Students

The HELP system needs to be modernised to make it fairer and simpler. HELP has served Australia well by expanding access to many more students. Its core components – no upfront tuition fees and income contingent repayment – are fundamental to its fairness and effectiveness. HELP is an indispensable part of the higher education funding system, but it requires reform to retain its social licence. Australians should not be deterred from higher education because of the increased burden of student loans.

4.2.2.1 Ensuring HELP repayments are fair

Repayment of HELP debts is income contingent, meaning that individuals only start repaying their loans once their income has reached a minimum repayment threshold. For those who never reach this income level, there is never a requirement to repay.

However, changes in repayment rates and a decrease in the minimum repayment threshold means that repayment of HELP debts has become more burdensome for low-income earners over time.

HELP repayments now occur at a lower income threshold and at higher rates than originally envisaged

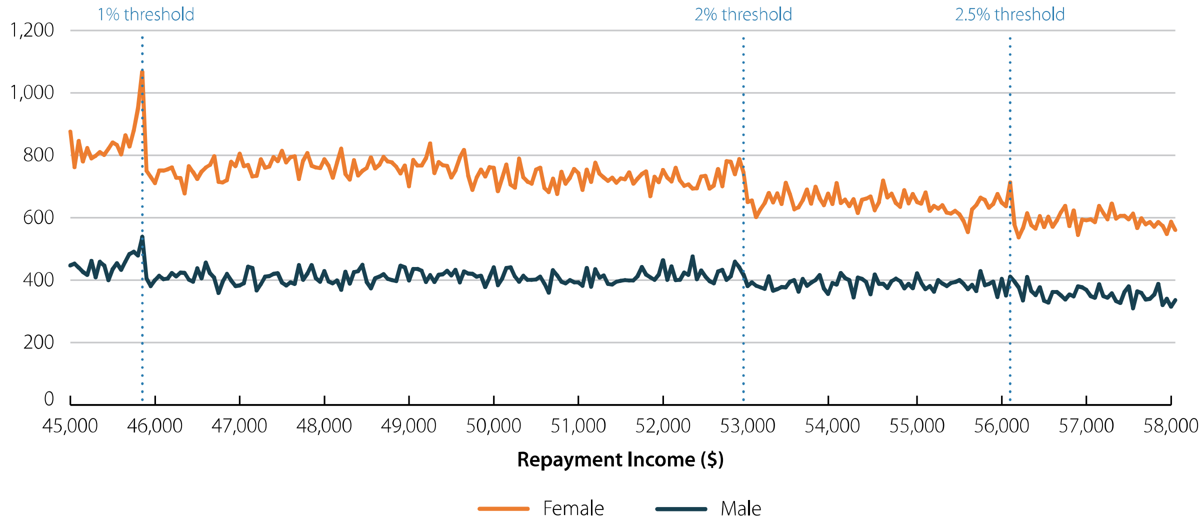
Loans provided through the HELP system are repaid as a percentage of a graduate's taxable income. Repayment rates vary with income, with higher earners obliged to repay at a higher rate. Currently, there are 18 thresholds, with the rate of repayment ranging from 1% to 10% – many more than the initial 3 thresholds of 1%, 2%, and 3% in the first year of the scheme (income year 1988–89).

The minimum repayment threshold above which those with HELP loans are required to make repayments is currently around 50% of the average income level – the result of steady decreases in the minimum repayment threshold over time. It was originally envisaged that those with HELP loans would only be required to repay once they reached around an average income level.

As HELP repayments are levied based on a debtor's entire income, rather than just income above the repayment threshold, repayment obligations can increase substantially as incomes rise above each repayment threshold, and by more than the total increase in income. The effect is particularly pronounced at the lowest HELP repayment thresholds and can create a disincentive to earn additional income, particularly for those who already face high barriers to entering the workforce, such as sole parents and those on income support payments.

The system also creates incentives for debtors to reduce their incomes to avoid repayment, potentially by reducing hours worked or by claiming additional tax deductions against their assessable income. Figure 22 shows evidence of clustering of incomes just below the first HELP repayment threshold ($45,881 in 2019–20). This 'income bunching' is considered to be statistically significant.[258] This suggests that debtors are aware of the repayment obligation above this income level and seek to avoid or delay exceeding it. This is particularly pronounced for women with HELP debts, who are more likely to be on lower repayment incomes (especially due to part-time work) and who typically face more barriers to working additional hours such as child caring responsibilities and access to childcare.[259]

Figure 22: Frequency of repayment incomes for HELP debtors ($) by number of debtors, financial year 2019–20.



Source: Department of Education, *Internal Administrative data* [unpublished data], (Canberra: 2023).

258 Australian Government Productivity Commission, *Shifting the Dial: 5 Year Productivity Review*, Supporting Paper No. 7, (Canberra: 2017), 68, www.pc.gov.au/inquiries/completed/productivity-review/report/productivity-review.pdf.

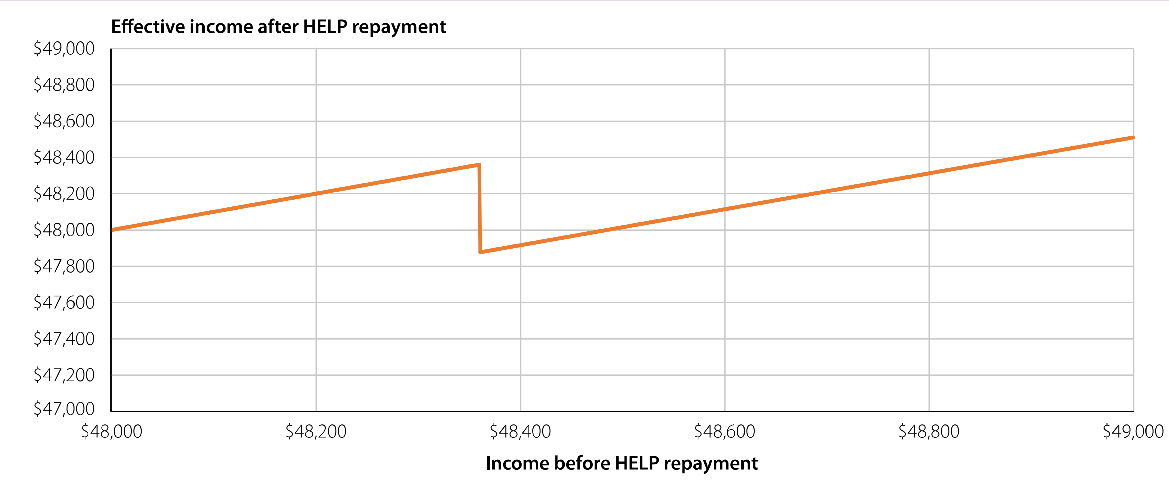
259 Australian Bureau of Statistics, *Barriers and Incentives to Workforce Participation, Australia 2022–23* [data set], (Canberra: 2023), published 27 November 2023, www.abs.gov.au/statistics/labour/employment-and-unemployment/barriers-and-incentives-labour-force-participation-australia/latest-release

High effective marginal tax rates associated with HELP repayment

While HELP repayments are not considered taxation, they have a real impact on the take-home income of those making repayments. From the perspective of the borrower, the reduction in income resulting from HELP repayments is particularly pronounced at HELP repayment thresholds – and while this does not increase their tax rate, it does increase their 'effective marginal tax rate' (EMTR).

As shown in Figure 23, under current arrangements, a debtor earning $48,360 would have had no requirement to make a HELP repayment, whereas a debtor earning $48,361 would exceed the first HELP repayment threshold and would therefore have a repayment obligation of $483.61 – an effective tax of $483.61 on that one additional dollar. A debtor would see no increase in their after-repayment income until they earned an additional $490 (to a total of $48,850).

Figure 23: Impact of HELP repayment on effective income (before tax) from $48,000 to $49,000, 2022–23 repayment rates.



Source: Australian Taxation Office, *Study and training loan repayment thresholds and rates* [data set], (Canberra: 16 June 2023), accessed 25 October 2023, www.legacy.ato.gov.au/rates/help,-tsl-and-sfss-repayment-thresholds-and-rates/#HELPandTSLrepaymentthresholdsandrates201.

Similar effects exist at each HELP repayment threshold, but the proportion of additional income lost as a result of repayment is highest at the lowest 2 thresholds.

This effect is not limited to the impacts of HELP repayments: EMTRs represent the financial loss associated with earning an additional dollar of income after accounting for things like taxes, transfers through the income support system, childcare payments, as well as HELP repayments. HELP repayment can exacerbate these EMTRs, particularly around repayment thresholds.

The Review finds that the current HELP repayment arrangements disproportionately affect those on lower incomes, who are more likely to be women, and suggests moving to arrangements based on marginal income.[260] Under a marginal system, repayments would only be levied on earnings above the minimum and each subsequent threshold, ensuring that those making repayments would derive some benefit from each additional dollar earned (beyond the benefit of repaying the loan).

New arrangements should be designed to:

- reduce the rate of repayment that relatively lower income earners are required to make
- remove the unfair situation where someone earns additional income but, as a result of HELP arrangements, sees a decrease in their post-HELP repayment income
- reduce the disproportionate impact on women
- limit workforce disincentives caused by HELP repayments, particularly for sole parents.

The Review is not recommending specific new rates or thresholds for HELP repayments. Depending on how the rates and thresholds are set under a marginal system, the majority of HELP debtors who make a repayment (around 35 to 40% of all debtors) would repay less in a given year than under current settings. It should be acknowledged that this change could also result in a small number of high-income HELP debtors (likely less than 10% of HELP debtors) making higher repayments in a given year than they otherwise would. However, these people would likely have benefited from lower repayments in earlier years when their income was lower and will still not pay more than the real value of their HELP debt in aggregate.

4.2.2.2 Adjustments to HELP indexation arrangements

To ensure HELP debts retain their real value over time and are not eroded by inflation, the value of outstanding HELP debt is indexed based on CPI. Indexing debts ensures that the system remains sustainable over the long-term. If debts were not indexed, any drop in real value would have to be borne by the Australian Government. But a high rate of CPI, as at present, resulting in the application of a high indexation rate to HELP loans, can create concern for those whose debts are increasing faster than repayments. Concurrently, real wages have been falling, creating a perverse outcome where HELP debts are growing just as relative ability to service debts is declining.

Capping indexation to limit the growth of HELP debts

Over 2023, the CPI was at its highest level since the 1980s.[261] The Review notes that the indexation of HELP debts has become an area of public concern, with escalating indexation and HELP debts leading to a negative perception of the HELP system. This may discourage some future students from enrolling in university if unaddressed.

260 Department of Education, Higher Education Loan Program Data [unpublished data], (Canberra: 2023).

261 Reserve Bank of Australia, "Measures of Consumer Price Inflation," Reserve Bank of Australia, revised 29 November 2023, www.rba.gov.au/inflation/measures-cpi.html.

To address these emerging concerns, while also protecting the stability of the HELP system, the Review recommends the introduction of a cap on indexation based on the lower of Consumer Price Index (CPI) or Wage Price Index (WPI) (see Recommendation 16). The Review considered alternative caps, such as the long-term Australian Government borrowing rate. However, a cap based on wages is preferred and would act as an effective control mechanism. Such a cap will ensure that the indexation of HELP debts no longer outstrips the growth in wages and the servicing capacity of debtors does not go backwards overall.

Timing changes to benefit students

The Review has also heard concerns about the timing of indexation on 1 June each year. Though this timing (which is late in the financial year) assists with the administration of the HELP system, amounts withheld during the year are not applied to reduce HELP debts until the following June. In some circumstances, HELP debts may have been 'acquitted' if not for the application of indexation prior to repayments being recognised. Further, voluntary repayments made before 1 June are considered before indexation is applied, creating a perceived disparity between compulsory and voluntary repayments.

The Review recommends that the timing of HELP debt indexation be changed to allow the Australian Taxation Office (ATO) to ensure that amounts withheld from debtors' income during the financial year can be applied as a compulsory repayment before indexation occurs (see Recommendation 16).

4.2.2.3 Waivers

Expanding the use of debt waivers to reduce the prevalence of life-long debts was another option explored by the Review. Under the current system, HELP debts are typically written off only at death, with limited waiver schemes to reduce the debts of those working in certain occupations in regional and remote areas.

The Review looked at some time-based models but considered they would either be of little practical benefit to current debtors or would undermine the financial viability of the HELP system. It considers that the recommendations above about repayment and indexation would have more meaningful and practical benefits.

The cost of any potential broad waiver scheme – such as a time-based automatic write-off – would likely be large unless the write-off period was sufficiently long. But writing debts off after an extended period would be of limited real benefit to those with HELP debts, especially as the write-off would likely occur well after it has the potential to assist with life decisions like buying a house or raising a family.

Currently, targeted debt waivers are available for teachers working in very remote areas and health workers in rural areas. Their purpose is to incentivise debtors to fill crucial skill gaps. These schemes have not been in effect long enough to gauge their effectiveness accurately. Pending a review of the programs for health workers in 2025, the option to broaden program criteria and expand the use of such waivers could be re-examined.

4.2.2.4 HELP debt and home lending

Many stakeholders told the Review that large HELP debts may affect graduates' ability to enter the property market. This is a complex issue involving the intersection of a range of factors, such as supply issues, prices, rising interest costs and individual bank policies and practices.

Repayment of HELP debt reduces the income that individuals have available to service a mortgage, so is taken into account when determining how much someone is able to borrow for a mortgage. The Review notes that larger HELP debts that take longer to repay can affect mortgage debt servicing capacity over a longer time period.

HELP debts are not like other debts, such as credit card debts or personal loans, as it is not possible to default on them. Unless someone earns sufficient income, there is no obligation to repay and as such they should be treated differently.

The Australian Prudential Regulation Authority (APRA) (for banks) and the Australian Securities and Investments Commission (ASIC) (for all lenders) provide guidance on how a borrower's repayment capacity should be assessed when applying for a mortgage. APRA also requires banks to report a range of data on the profile of their home loan books — this includes, for example, the proportion of households that have borrowed with low equity (loan-to-valuation ratio) or at high leverage (debt-to-income ratio). These reporting requirements are used by APRA to monitor banks' risk profiles, but do not create obligations on banks in relation to how they assess a borrower's repayment capacity.

Measures outlined in this chapter to revise student contribution amounts, improve repayments and limit excessive indexation should have a positive impact on the intersection between HELP debts and individuals' ability to obtain a mortgage, especially for those on lower incomes.

4.2.3 Fair and flexible arrangements for full fee-paying students

A smaller part of Australia's higher education landscape is the domestic full fee-paying student cohort, which includes some undergraduate and a majority of coursework postgraduate students (61%).[262] There were around 200,000 domestic full fee-paying students in Australia in 2022, up from almost 180,000 in 2011.[263] These students may have the option of deferring their fees through FEE-HELP.

In this part of the system, there are no price controls. While there is a HELP loan limit of $113,028 (in 2023) for most students, higher education providers have flexibility to charge more. The loan limit places a ceiling on the amount a student can borrow over time, but not the fees an institution can charge for each subject.

Depending on the provider at which a full fee-paying student studies, and the level of their study, the student may incur an additional loan fee which is 20% of the amount borrowed. Students accessing FEE-HELP need to be fairly treated regardless of their provider and course, and the Review has considered whether change to loan fee arrangements is needed. A relevant consideration is that, like all HELP loans, FEE-HELP loans are income contingent and there are implicit subsidies associated with the government providing them: the loans are provided without market rates of interest (though they are indexed by CPI each year), and some will never be repaid in full as the relevant income level is never reached.

262 Department of Education, *Higher Education Statistics – Student Data – 2022 Section 5 Liability status categories* [data set].

263 Department of Education, *Higher Education Statistics – Student Data – 2022 Section 5 Liability status categories* [data set]. This compares to 860,000 Commonwealth supported students in 2022.

4.2.3.1 FEE-HELP at the undergraduate level

A number of submissions to the Review from independent providers argued that the loan fee applied to some undergraduate FEE-HELP loans is inequitable and discriminatory, and advocated for this fee to be removed from FEE-HELP loans (as well as from VET Student Loans).[264] However, other commentators have advocated for a consistent loan fee across all HELP loans, given the implicit government subsidy in providing them.[265]

Loan fee arrangements at the undergraduate level

Table A universities are not permitted to offer full fee-paying places in undergraduate courses to domestic students, except in some exceptional circumstances. As a result, undergraduate students at these institutions are usually in Commonwealth supported places and access HECS-HELP (where eligible).

In contrast, students enrolled at Table B universities and other higher education providers are predominantly in full fee-paying places. Eligible undergraduate students at these institutions currently receive support through FEE-HELP.

Generally, FEE-HELP loans for those undertaking undergraduate study attract a loan fee set at 20%, which students repay on top of the course fee. The exception (introduced in 2019) is where study is undertaken at a 'Table B university' – Bond University, Avondale University, Torrens University, and University of Divinity – in which case no loan fee is paid.

Because institutions can charge unlimited fees in full fee-paying places, fees deferred under FEE-HELP tend to be higher than those under HECS-HELP. As a result, it can be more costly for the government to provide a loan to a student accessing FEE-HELP. This has been the general justification for why FEE-HELP attracts a loan fee.

HECS-HELP loans taken out by Commonwealth supported students tend to be lower and do not have a loan fee applied.

Given the higher costs associated with FEE-HELP loans, the Review believes a continued 20% loan fee for undergraduate FEE-HELP loans is justified.

4.2.3.2 FEE-HELP at the postgraduate level

While most undergraduates are in Commonwealth supported places, many coursework postgraduate students are in full fee-paying places, reflecting the ability of Table A universities to charge full fees at this level.

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264 Independent Tertiary Education Council Australia, *Submission to the Australian Universities Accord Discussion Paper*, 2023, www.education.gov.au/australian-universities-accord/consultations/consultation-discussion-paper.

265 Andrew Norton and Ittima Cherastidtham, *Shared Interest: A Universal Loan Fee for HELP*, (Grattan Institute, 2016), grattan.edu.au/wp-content/uploads/2016/12/883-Shared-interest-A-universal-loan-fee-for-HELP.pdf; Productivity Commission, *5-year Productivity Inquiry: From learning to growth*, 84.

Most of these full-fee places are in the fields of society and culture and management and commerce, for degrees such as Juris Doctor (JD) and Master of Business Administration (MBA). The permitted flexibility in prices gives universities additional incentive to offer these courses, while the government prioritises postgraduate Commonwealth supported places in priority disciplines such as nursing.

Loan fees

Unlike most undergraduates accessing FEE-HELP, postgraduates do not incur a loan fee. But, as with undergraduate loans, FEE-HELP loans are income contingent, and there are subsidies associated with the government providing them.

The Review is concerned about the seeming lack of coherence around FEE-HELP arrangements for students at different classes of provider. These issues – which students should be liable for a loan fee and what the rate should be – raise complex financial and equity considerations that currently lack a reliable public evidence base. Rather than recommend piecemeal changes, the Review considers the Government should investigate the question of FEE-HELP loan fees and consider the best way to resolve the apparent inequities in the loan system.

Course fees

Depending on the discipline, course fees can be higher at the postgraduate level as universities have full price discretion and students are often prepared to pay a premium for these qualifications. In some exceptional cases, such as JDs and MBAs, high prices for postgraduate study can be considered a proxy for quality. This quality signal can lead to increased student demand for such courses, and consequent 'exclusivity'. Although these examples are not common, such highly priced courses raise questions around equity and access.

The coursework postgraduate full fee-paying cohort should continue to be characterised by a level of pricing flexibility, but this freedom should exist within a framework that ensures student fees are not exorbitantly high.

To achieve this, the Review recommends that, for the small number of high fee courses (e.g. those that charge over $40,000 per EFTSL), the Commission require a scholarship contribution (see Recommendation 17). Under such a contribution, providers would be obliged to re-invest a proportion of fee income above this level back into scholarships and bursaries for historically under-represented students in these courses, to ensure they have access to, and can benefit from, these high-fee courses.

Another way to reduce what students are required to pay for postgraduate qualifications is to increase the number of Commonwealth supported postgraduate places, given students in these places are only required to pay a student contribution that is capped by the Australian Government. As outlined in *Chapter 8 – A new funding model to underpin growth and quality*, these places should be provided in areas of national priority and skills shortage. Ensuring students wishing to enrol in these courses can access a Commonwealth supported place rather than having to pay full fees will significantly reduce the amount they are required to either pay or defer through HELP.

Recommendation: Reducing student contributions and reforming HELP repayment arrangements

16. That to reduce the long-term financial costs of studying for students, the Australian Government make student contributions fairer and better reflective of lifetime benefits that students will gain from studying and reduce the burden of HELP loans by introducing fairer and simpler indexation and repayment arrangements. This should involve:
    a. reducing student contributions to address the most significant impacts of the Job-ready Graduates (JRG) package starting with students in humanities, other society and culture, communications and human movement, and moving toward a student contribution system based on projected potential lifetime earnings
    b. reducing the financial burden of repayment on low-income earners and limiting disincentives to work additional hours by moving to a system of HELP repayment based on marginal rates
    c. reducing repayment times by changing the timing of indexation for HELP loans so that amounts withheld for compulsory repayment can be accounted for before indexation is applied
    d. ensuring that growth in HELP loans does not outpace growth in wages by setting the HELP indexation rate to the lower of the Consumer Price Index (CPI) and the Wage Price Index (WPI)
    e. reviewing bank lending practices to ensure banks recognise that HELP loans are not like other types of loans and are not treated in a way that unduly limits peoples' borrowing capacity for home loans.

Recommendation: Reducing student contributions and reforming HELP repayment arrangements

17. That to improve access to postgraduate coursework studies:
    a. the Australian Government increase the number of Commonwealth supported places available for postgraduate study in areas of national priority and skills shortages
    b. the Australian Tertiary Education Commission negotiate as part of mission-based compacts with universities that they prioritise Commonwealth supported postgraduate places over full-fee paying postgraduate places
    c. higher education providers charging high fees (above $40,000 per Equivalent Full Time Student Load) for domestic full-fee postgraduate courses be required to re-invest a proportion of income earned back into scholarships and bursaries to support students from under-represented backgrounds to access these courses.