



Submission: University Accord Interim Report  
01/09/2023

**Think  
Forward** ▶

# Introduction

Think Forward welcomes the opportunity to comment on the Australian University Accord Interim Report.

Think Forward is a bi-partisan not-for-profit organisation run by young people passionate about economic equity. We founded Think Forward in response to the growing awareness that young Australians face an economic burden unique to previous generations. We advocate for intergenerational fairness - the idea that there should be economic and social fairness between generations.

## Reflections

Think Forward welcomes the Education Minister's commitment to reform. We are impressed at the Interim Report's breadth and thoughtfulness, which covers the major issues that younger generations are concerned about. Most pressingly:

- The student experience
- The increasing cost of a degree for students
- The amount of time (often over a decade) it takes to repay debt, which reduces graduates' incomes by 5-12% during the critical phase of life when they are trying to buy a home, start a business or have a family.
- The cost of living and low student support payments make it difficult for many young people to study, particularly if they can't live at home.
- How HECS-Help loans are indexed, including the rate and timing.
- That employers demand too much from graduates and have outsourced their role in training and supporting young workers.

Though these issues are mostly identified in the Interim Report, the Accord process needs to develop a bold plan that the Government must act on. Think Forward witnessed last month (August) the release of the Intergenerational Report, which outlined the long-term issues in the tax and transfer system in great depth – except there were no recommendations or new Government policy announcements in response. The same lack of action and bold reform can't be the outcome of the Accord process. The higher education system is too critical to Australia's and younger generations' future to not reset the system for world-class educational outcomes with a sustainable and fair funding model for the coming decades.

More information on the debt burden issue is provided below.

## The intergenerational fairness of current student contributions

### The debt burden of an education

We note that the Interim Report states that the review is giving consideration to *‘revising student contribution amounts and HELP repayment arrangements to ensure students are not being overly burdened with debt and that repayment arrangements are fair and integrate more effectively with the wider tax and social security system’*.

Think Forward welcomes the focus on examining potential changes to student contributions to reduce long-term financial burdens for individuals and sustain successful increased participation in higher education. With our rationale outlined below, we want to see the education cost reduced for students.

From an education perspective, the intergenerational bargain means that working-age people support Australians to get an education, contributing to Australia's economic well-being by developing a skilled workforce. However, instead of providing relative support to prior generations, the cost burden of education has been rising for Millennials and GenZ.

Through HECS-HELP, students must repay their loans once they pass an income threshold. This system works well in theory, but young people can be repaying their loans for decades with the cost of an education now being so large. According to the Futurity Investment Group's University Debt Report<sup>1</sup>, 68 per cent of people who attended university have HECS-HELP debt well into their thirties.

The challenge of this is that young people and young families are losing 5-12 per cent of their incomes on HECS\_HELP repayments during the time of their life when they face significant financial challenges like buying a home and starting a family. The Debt Report survey also found that 59 per cent of people found that their HECS-HELP debt had impacted their ability to purchase a home; 35 per cent reported a moderate to very large impact on their ability to start a family; and 3 per cent revealed debt acquired at university has impacted their ability to get married.

### High rates of tertiary qualification attainment can be a negative

It is often argued that millennials' high rate of tertiary qualification is a positive outcome of the HECS-HELP system. But another way of looking at the high education rates for millennials is that the private and public sectors have managed to shift the responsibility and cost of educating their staff onto the individual. Young job seekers now need to be more educated to enter the workforce, with businesses often demanding a Masters's Degree or unpaid internships to gain an entry-level position. This contributes to the higher qualification rates in young people today, higher debts, and reduced costs for businesses and government. When the Accord Process considers the benefits of universal access and high qualification rates – we hope

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<sup>1</sup> AMP (2023) "Futurity Blog": <https://www.futurityinvest.com.au/amp/futurity-blog/2023/03/06/the-impact-of-hecs-debt-and-help-debt/UHIWZmJJM29yMzJtOFZseVZMaHlrYklrRFU0PQ2>>

they also consider the flip side of this. How the costs of a skilled workforce have been shifted onto young people.

### The funding model

Page 156 lists the potential proposals the Review may consider for the Final Report. In relation to changes to ensure affordability for students, the items listed are:

- a) Student contributions at different levels, noting certain courses lead to higher potential earnings.
- b) HELP arrangements, including moving to a marginal repayment rate and changes to indexation.

**We ask that the Review also consider a third item: that the overall contribution made by students for a tertiary qualification, no matter the degree, be dramatically reduced.**

The Interim Report notes that higher education is a fundamental public good, and is transformative for the nation, bringing countless social and economic benefits (page 6). If that is the case, the costs of a qualification need to be better shared between students, the private sector and government. Government and the private sector must contribute more to funding the higher education system.

### Closing

Thank you again for the opportunity to comment on the Interim Report. I look forward to reading the Final Report and seeing how the Government and sector will act to ensure a higher-quality, fairer and more sustainable sector for generations to come.

Kind regards,

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