

University is expensive

Impacts of rising university costs on young people

In less than 20 years, the average HECS-HELP debt for people in their 20s has more than doubled.

Discussion paper

Jack Thrower

October 2024

The Australia Institute - Research that matters

Established in 1994, The Australia Institute is an independent public policy think tank with offices in Canberra, Hobart, Melbourne and Adelaide providing intellectual and policy leadership across a broad range of economic, social and environmental topics. We conduct research that drives the public debate and secures policy outcomes that make Australia better – research that matters.

The Australia Institute is funded by donations from philanthropic trusts and individuals, as well as grants and commissioned research from business, unions and non-government organisations. We do not accept donations or commissioned work from political parties. With no formal political or commercial ties, the Institute maintains its independence while advancing a vision for a fairer Australia.

Donations to our Research Fund are tax deductible, and can be made via our website or by calling the Institute:

Level 1, Endeavour House,
1 Franklin St Canberra,
ACT 2601

Tel: (02) 6130 0530

Email: mail@australiainstitute.org.au

Website: www.australiainstitute.org.au

Acknowledgement of Country

The Australia Institute recognises the ancestral connections and custodianship of Traditional Owners throughout Australia. We pay respect to Aboriginal and Torres Strait Islander cultures and to Elders past and present.

Contents

Summary.....	1
Introduction.....	2
How does Australia’s student debt system work?	3
Rising student contributions	4
Student contributions and inflation	6
Rising average debt	7
Expected debts are a larger share of graduate salaries	8
Rising time to repay debt	9
Students struggling today.....	10
Income support	10
Rise of students working full-time.....	10
Conclusion	12

Summary

Between 1975 and 1989, students did not have to pay for higher education in Australia. In 1989, the Hawke government reintroduced course fees with its Higher Education Contribution Scheme (HECS), which required students to pay a modest annual contribution toward the cost of their courses. The initial contribution for the year 1989 was \$1800, and was the same for all courses.

Over the ensuing decades, the cost of higher education in Australia has risen substantially. The initial policy of keeping costs identical for all courses was dismantled by the Howard government in 1996, and the Morrison government's 2021 Job-Ready Graduates Program raised the price of some courses while reducing that of others.

The result is a two-tier structure where the fees students pay have little to do with the actual cost of their education. Today the annual cost of a three-year bachelor's degree in some fields is just under \$17,000, or nine times the original 1989 contribution.

In 2003–4, HECS was incorporated into the Higher Education Loan Program (HELP) and renamed HECS-HELP. Between 2006–2024, average HECS-HELP debts for people in their 20s have more than doubled, increasing from \$12,600 to \$31,500. Again, the rate of this increase was significantly higher than inflation: over the same period, consumer prices increased by only 62%.

At the same time, students have been struggling financially. Students regularly report going without food or necessities because they cannot afford them, and are often worried about their financial situation. The proportion of students working full-time in addition to studying full-time has increased by 50% since 1989.

Without lowering the cost of expensive and popular courses, the Albanese government's recently proposed changes to HECS indexation rates will not do enough to address the growing debt that university students face today.

Introduction

Over the last four decades, the cost of going to university has risen substantially. Students are finishing their degrees with much larger debts that take longer to pay off. The amount students pay for popular courses such as law, commerce and social science are nine times higher than when course fees were introduced in 1989, while overall course prices are only two and a half times higher.¹ Some young people are now paying close to \$50,000 for a three-year bachelor's degree.

The price of tertiary education has risen faster than the price of other everyday items and has contributed to overall inflation. Today Australia collects far more from student debt repayments than it does from the gas industry through the Petroleum Resource Rent Tax (PRRT)—a fact that reveals the priorities of the multiple governments since 1989.²

This paper focuses on the experiences of domestic undergraduate students while recognising postgraduate and international students also face similar and, in several ways, more significant challenges.

¹ Department of Education (n.d.) *Funding Clusters and Indexed Rates*, <https://www.education.gov.au/higher-education-loan-program/approved-hep-information/funding-clusters-and-indexed-rates>; Ey (2021) *The Higher Education Loan Program (HELP) and related loans: a chronology*, https://www.aph.gov.au/About_Parliament/Parliamentary_departments/Parliamentary_Library/Research/Chronologies/2020-21/HigherEducation; Australian Bureau of Statistics (2024) Consumer Price Index, Australia, <https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/consumer-price-index-australia/jun-quarter-2024>

² The Australia Institute (2024) *Explainer: How the government collects more from HECS/HELP than the PRRT*, <https://australiainstitute.org.au/post/explainer-how-the-government-collects-more-from-hecs-help-than-the-prrt/>

How does Australia's student debt system work?

The Higher Education Contribution Scheme (HECS, now known as HECS-HELP) was first introduced in 1989, replacing previously free university education. This system now forms part of the broader Higher Education Loan Program (HELP) system.

For domestic undergraduates, university fees are covered partially by a government subsidy. The remainder, for which the student is liable, is known as a “student contribution”, and is usually funded through a HECS-HELP loan. Student contributions are government-regulated through a price cap known as the “maximum student contribution amount”.

The repayments on a HECS-HELP debt are deducted compulsorily once a debtor's income reaches \$54,435—even if a student has not actually graduated yet. Repayment rates increase with income:

- Someone earning \$55,000 per year pays 1% of their income in repayments.
- Someone earning \$110,000 per year pays 6.5% of their income.
- Someone earning \$160,000 pays 10% of their income.³

Debts are also subject to indexation each year, which is interest charged at the rate of inflation. The Albanese government has announced it intends to change this indexation to the lower of inflation or wage growth.⁴

³ Australian Taxation Office (June 2024) *Study and training loan repayment thresholds and rates*, <https://www.ato.gov.au/tax-rates-and-codes/study-and-training-support-loans-rates-and-repayment-thresholds>

⁴ Australian Tax Office (2024) *Study and training loans – what's new*, <https://www.ato.gov.au/individuals-and-families/study-and-training-support-loans/study-and-training-loans-what-s-new>

Rising student contributions

Under the original 1989 HECS system, student contributions were modest: only \$1,800 per year, no matter what the student was studying. These contributions increased annually in line with rising costs for the university.⁵ This system was partially deregulated in 1996 and different courses were priced differently, a decision justified on the basis of:

- The cost of teaching (for example, teaching dentistry is more expensive than history).
- The graduate's expected earnings (for example, graduates in fields such as law and business tend to earn more than those in creative arts and social sciences).⁶

In less than 30 years, the prices of almost all courses have increased drastically. In 2021, the Morrison government introduced the Job-Ready Graduates Package, which lowered student contributions for some courses, such as nursing, and education, but raised contributions for other fields such as social science, law, and commerce.⁷

As Figure 1 below shows, the cost of society and culture focused degrees, including most social sciences and humanities courses, more than doubled because of the Morrison government's policy. Today, student contributions for these courses add up to nearly \$50,000 over a three-year degree.⁸ In addition, while the reform was intended to influence the fields in which young people were choosing to study and work, it had only a negligible effect on the courses in which students chose to enrol. One analysis found that less than one in fifty (1.5%) students swapped their field of study because of the change.⁹

⁵ Higher Education Funding Act 1988 (Cth) s 40, <https://www.legislation.gov.au/C2004A03750/asmade/text>

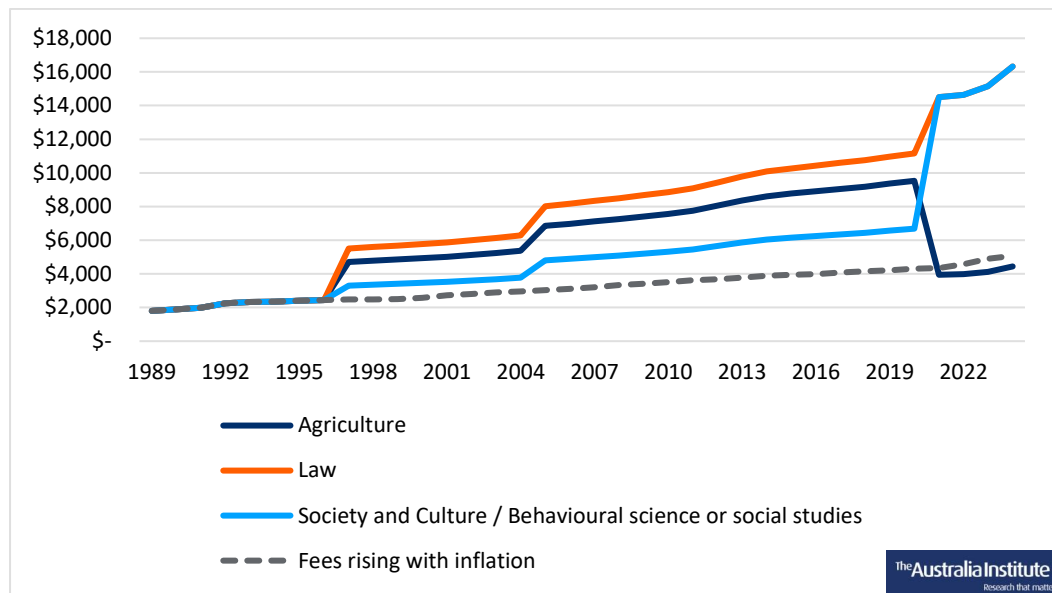
⁶ Chapman (n.d.) *HECS-HELP: Setting Prices for Student Charges*, <https://www.education.gov.au/download/18229/accord-report-hecs-help-setting-prices-student-charges/37665/document/pdf&ved=2ahUKEwim8fDUtailAxX9ma8BHWqbDq4QFnoECBoQAQ&usg=AOvVaw0ssN5pcFirbMVKR844jG-5>

⁷ Department of Education (2023) *Student Enrolments Pivot Table 2022*, <https://www.education.gov.au/higher-education-statistics/resources/student-enrolments-pivot-table-2022>

⁸ Department of Education (2023) *2024 Allocation of units of study to funding clusters and student contribution bands according to field of education codes*, <https://www.education.gov.au/higher-education-loan-program/resources/2024-allocation-units-study-funding-clusters>

⁹ Kabatek and Coelli (2023) *Only 1.5% of students swapped fields due to the 'Job-ready Graduates' fee changes*, <https://theconversation.com/only-1-5-of-students-swapped-fields-due-to-the-job-ready-graduates-fee-changes-215539>

Figure 1: Selected maximum student contribution amounts 1989 to 2024, yearly cost of equivalent full-time student load



Source: Department of Education, Parliament of Australia and Australian Bureau of Statistics¹⁰

Figure 1 also shows how much costs have risen since the creation of HECS in 1989. Today, student contributions for popular courses such as law, commerce, and social sciences are nine times higher than they were 35 years ago. Contributions for computing, science, creative arts, and engineering degrees have increased nearly fivefold.¹¹

By contrast, the cost of the degrees in fields that the Morrison government deemed national priorities—such as agriculture, education and nursing—are only about two and a half times higher than in 1989, roughly in line with overall inflation since 1997.¹²

This has effectively created a system where the courses favoured by the Morrison government reflect the original model of HECS, while the rest impose a significantly higher debt burden.

¹⁰ <https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/consumer-price-index-australia/latest-release> Department of Education (n.d.) *Funding Clusters and Indexed Rates*; Ey (2021) *The Higher Education Loan Program (HELP) and related loans: a chronology*; Australian Bureau of Statistics (2024) Consumer Price Index, Australia

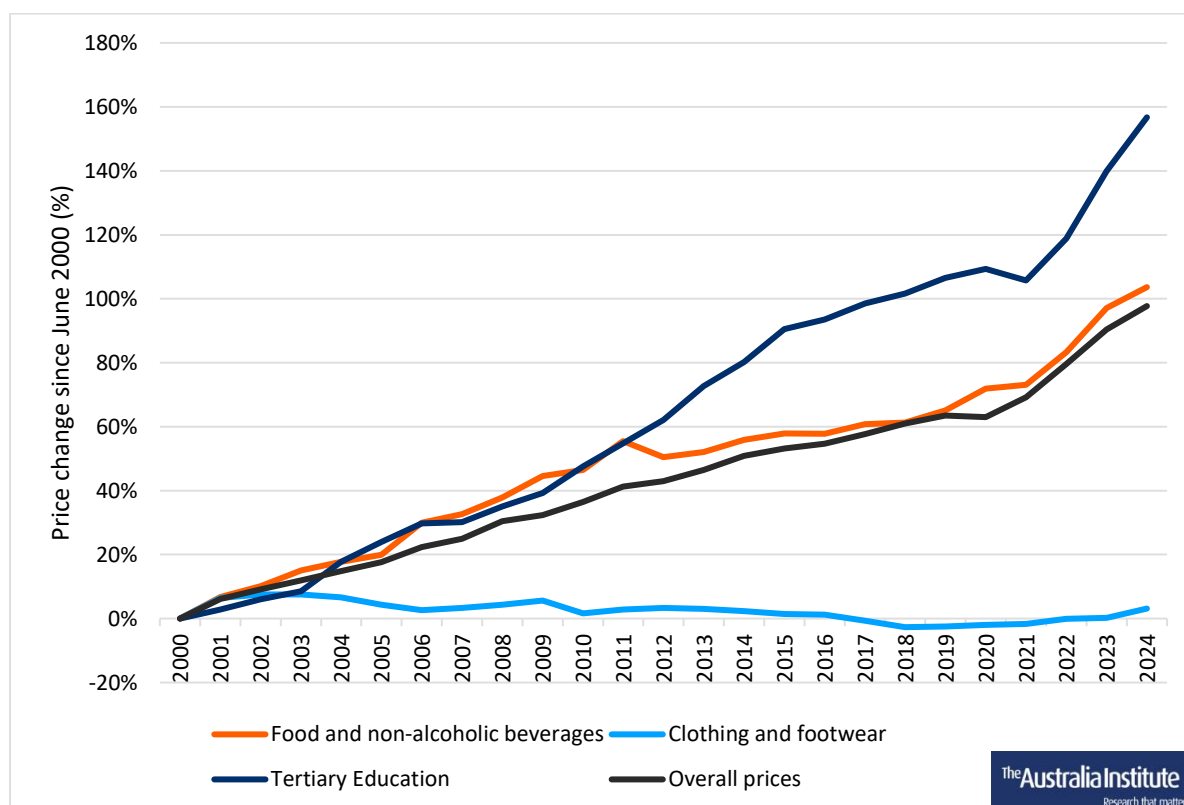
¹¹ Department of Education (n.d.) *Funding Clusters and Indexed Rates*; Ey (2021) *The Higher Education Loan Program (HELP) and related loans: a chronology*; Australian Bureau of Statistics (2024) Consumer Price Index, Australia

¹² Department of Education (n.d.) *Funding Clusters and Indexed Rates*; Ey (2021) *The Higher Education Loan Program (HELP) and related loans: a chronology*; Australian Bureau of Statistics (2024) Consumer Price Index, Australia

Student contributions and inflation

Overall, the cost of going to university has risen faster than the cost of many other things, like food or clothes. Price rises in university fees, including student contributions, contribute directly to overall measures of inflation. This component of Consumer Price Inflation (CPI), referred to as “Tertiary Education” by the Australian Bureau of Statistics, includes private and government tertiary education fees.¹³ As Figure 2 below shows, overall Tertiary Education prices have more than doubled since 2000, exceeding growth in many other important spending categories such as clothing and food.¹⁴ Growth in Tertiary Education prices has also usually exceeded the overall rate of inflation, indicating it has dragged up overall inflation for most of this period.

Figure 2: Price rises by select CPI subgroups since 2000, June quarters



Source: Australian Bureau of Statistics, Consumer Price Index

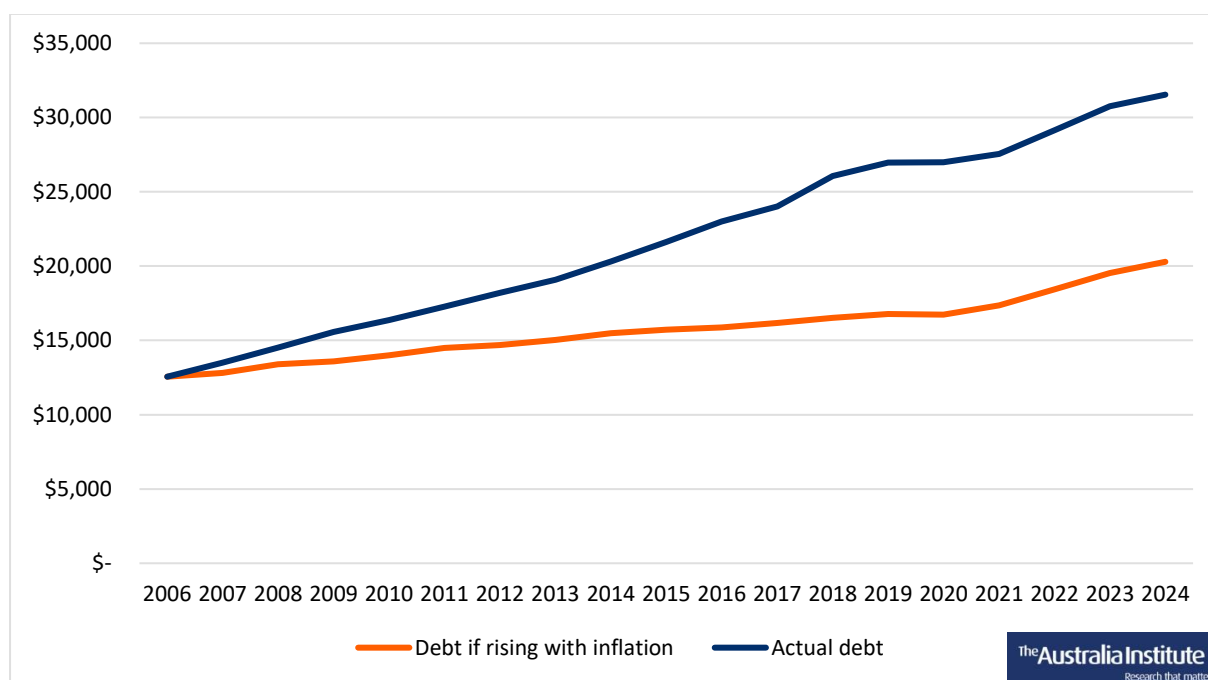
¹³ Australian Bureau of Statistics (2019) *Consumer Price Index: Concepts, Sources and Methods – Price collection*, <https://www.abs.gov.au/statistics/detailed-methodology-information/concepts-sources-methods/consumer-price-index-concepts-sources-and-methods/2018/price-collection>

¹⁴ Australian Bureau of Statistics (2024) Consumer Price Index, Australia

Rising average debt

As university degrees have become more expensive, the average level of HECS-HELP debt amassed by students has increased. From 2006 to 2024, average HECS-HELP debts for people in their 20s more than doubled, from \$12,600 to \$31,500. Had they grown only in line with inflation, these debts would have only increased by slightly more than half (62%).¹⁵

Figure 3: Average HECS/HELP debt of people in their 20s



Source: ATO HELP Statistics 2023-24¹⁶

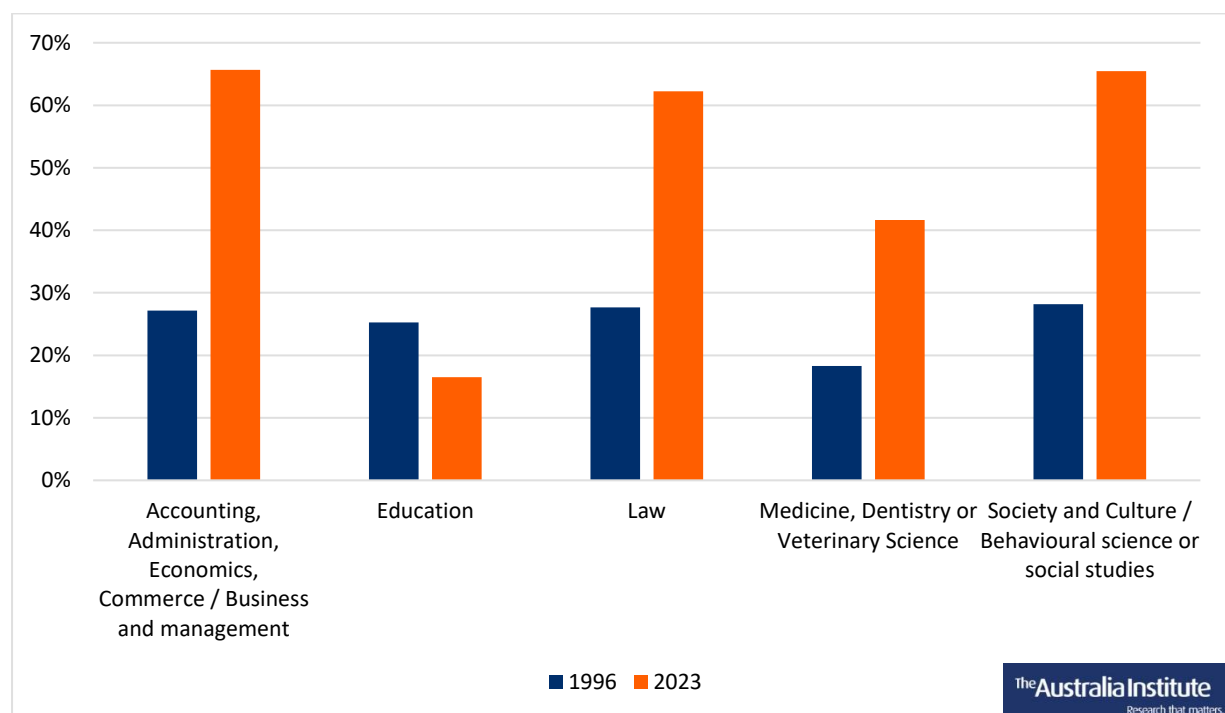
¹⁵ Jericho and Thrower (2024) *People are starting with much larger HECS/HELP debts than in the past – and it is only going to get worse*, <https://australiainstitute.org.au/post/people-are-starting-with-much-larger-hecs-help-debts-than-in-the-past-and-it-is-only-going-to-get-worse/>

¹⁶ Data is in financial years, calendar years listed are those in which financial year ends. Inflation is indexed to CPI from June quarter of relevant calendar year. Australian Taxation Office (2024) *HELP Statistics 2023-24*, <https://data.gov.au/data/dataset/higher-education-loan-program-help/resource/0661912a-d114-4155-8b42-63ab1417adea>

Expected debts are a larger share of graduate salaries

The impact of these larger debts can be seen by comparing student contributions with graduate salaries. While most graduate salaries have increased by about two and a half times since 1996 (the year before fee deregulation), student contributions have increased by between 1.7 and 6.2 times.¹⁷ This means that for many graduates entering the workforce today, their HECS-HELP debt is likely to make up a much higher proportion of their starting salaries.

Figure 4: Three-years of student contributions as a share of graduate salary



Source: Graduate Outcomes Survey 2023, Graduate Starting Salaries 1996 and various documents from Department of Education, Parliament of Australia

Figure 4 above shows that in 1996, total student contributions for someone studying a social studies degree were worth less than a third of the graduate salary for their field of study. This has more than doubled to more than two-thirds.

¹⁷ Guthrie and Morgan (1997) *Graduate Starting Salaries 1996*, <https://www.nagcas.org.au/documents/item/544>; Quality Indicators for Learning and Teaching (2024) *2023 Graduate Outcomes Survey National Report*, [https://qilt.edu.au/surveys/graduate-outcomes-survey-\(gos\)](https://qilt.edu.au/surveys/graduate-outcomes-survey-(gos)); Department of Education (n.d.) *Funding Clusters and Indexed Rates*; Ey (2021) *The Higher Education Loan Program (HELP) and related loans: a chronology*

Rising time to repay debt

The time it takes former students to repay their university debts has also increased over the years. Available statistics find that the time between when a student first incurs a HECS-HELP debt (for instance, in their first semester) and that debt being fully paid off, increased from 7.3 years in 2006 to 9.9 years in 2023.¹⁸

It is important to note that these figures only include debts that have already been repaid; they do not estimate how long students will take to repay outstanding debts. Additionally, these statistics are calculated against all HECS-HELP debts ever repaid, meaning recent figures are skewed by historical debts that took less time to repay.¹⁹ Overall, this official data will not reflect the considerable effects of the Job-ready Graduates Scheme until—and, indeed, if—these graduates finally repay their significant debts.

¹⁸ Data is in financial years, calendar years listed are those in which financial year ends. Australian Taxation Office (2024) *HELP Statistics 2023-24*.

¹⁹ This methodology was confirmed through correspondence with the Australian Taxation Office.

Students struggling today

While university degrees have become more expensive, significant numbers of students are also struggling financially during their studies. The number of students working or looking for work has risen sharply over the last decade, and government income support payments for young people have left many in poverty.

The latest Student Finances Survey showed that 15% of students regularly go without food or necessities because they cannot afford them, while 58% of students are worried about their financial situation.²⁰ These figures were even higher for Indigenous and low-SES students.²¹

INCOME SUPPORT

Some students under 25 are entitled to a government income support payment called Youth Allowance. The rate of Youth Allowance, including associated payments for rent, leaves young people in poverty, and is even lower than the notoriously inadequate JobSeeker Payment.²² Analysis from the Australian Council of Social Services (ACOSS) found that among households reliant on income support, those on Youth Allowance were in the deepest poverty. Meanwhile, amidst the housing crisis, Anglicare Australia's analysis of over 45,000 rental listings found that none would be affordable to a single person on Youth Allowance, including in share housing.²³

RISE OF STUDENTS WORKING FULL-TIME

Given the inadequacy of income support, it is unsurprising that students have increasingly turned to work to support themselves during full-time study. In the 1990s, only about half of full-time students between the ages of 20 and 24 were working or looking for work, today

²⁰ Last conducted in 2017, prior to the pandemic and the current cost of living crisis.

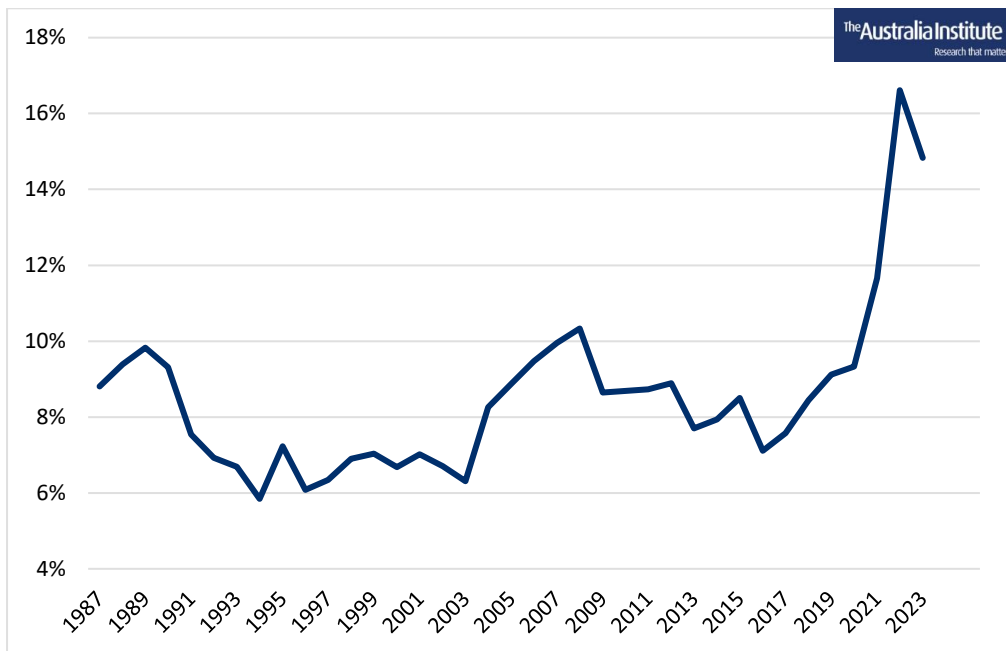
²¹ Universities Australia (2018) *2017 Universities Australia Student Finance Survey*, <https://universitiesaustralia.edu.au/wp-content/uploads/2019/06/180713-2017-UA-Student-Finance-Survey-Report.pdf>

²² Services Australia (2024) *A guide to Australian Government payments*, <https://www.servicesaustralia.gov.au/sites/default/files/2024-09/co029-2409.pdf>

²³ UNSW Sydney and Australian Council of Social Services (2023) *Poverty in Australia 2023: Who Is Affected*, https://povertyandinequality.acoss.org.au/wp-content/uploads/2023/03/Poverty-in-Australia-2023_Who-is-affected_screen.pdf; Anglicare Australia (2024) *Rental Affordability Snapshot: National Report 2024*, <https://www.anglicare.asn.au/wp-content/uploads/2024/04/Rental-Affordability-Snapshot-National-Report.pdf>

about three in four students do so.²⁴ As seen in Figure 5, the proportion of full-time students also working full-time has trended upwards and risen significantly since the pandemic. In the 1990s on average only about one in fourteen (7%) full-time students also worked full-time; this shot up to one in six (16.6%) in 2022 and one in seven (14.8%) in 2023.²⁵

Figure 5: Percent of full-time students aged 20-24 who are also employed full-time, yearly average



Source: Australian Bureau of Statistics, Labour Force

Relatedly, the threshold at which HECS-HELP compulsory repayments is low, starting at \$54,435 per annum, not far above the wages one would earn at a full-time minimum wage job.²⁶ This means many of these full-time student full-time workers will already be making compulsory payments on their debt before they have even graduated.

²⁴ Australian Bureau of Statistics (2024) *Labour Force, Australia, Detailed*, <https://www.abs.gov.au/statistics/labour/employment-and-unemployment/labour-force-australia-detailed/jul-2024>

²⁵ Australian Bureau of Statistics (2024) *Labour Force, Australia, Detailed*

²⁶ Australian Taxation Office (2024) *Study and training loan repayment thresholds and rates*, <https://web.archive.org/web/20240928221034/https://www.ato.gov.au/tax-rates-and-codes/study-and-training-support-loans-rates-and-repayment-thresholds>; Fair Work Ombudsman (2024) *Minimum wages*, <https://web.archive.org/web/20240926185807/https://www.fairwork.gov.au/pay-and-wages/minimum-wages>

Conclusion

The rising cost of university education in Australia has transformed the HECS-HELP system. What was originally a relatively manageable partial contribution to the cost of education has become a long-term financial burden on younger generations. This has created debt that might take some students a lifetime to repay.

Meanwhile, the income support systems that should be helping students afford to live while they study are pitifully inadequate, and an unprecedented proportion of full-time students are now working full-time on top of their studies.

Government decisions reveal their priorities. For decades governments have decided to deprioritise a highly and diversely educated workforce while subsidising industries, such as fossil fuel mining, which actively harm the planet while employing few and paying limited taxes.²⁷

²⁷ Grant and Hare (2024) *Australia's global fossil fuel carbon footprint*, <https://climateanalytics.org/publications/australias-global-fossil-fuel-carbon-footprint>; Bleakley (2022) *Australia's tax system is failing to deliver the benefits of the gas boom*, <https://australiainstitute.org.au/post/australias-tax-system-is-failing-to-deliver-the-benefits-of-the-gas-boom/>; Thrower (2023) *When it comes to jobs, sport kicks fossil fuels out of the park*, <https://australiainstitute.org.au/post/when-it-comes-to-jobs-sport-kicks-fossil-fuels-out-of-the-park/>