Student debt to soar in Australia as indexation reaches ten-year-high

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Three million university graduates will see their student debt soar this year, as the Australian government pockets a windfall from high indexation. Student debt is set to rise by almost $5 billion from June, further compounding the immense cost of living and housing pressures already felt by young people.

In Australia, the federal government lends students up to $109,206 to pay for tuition fees (or even more for those studying degrees such as medicine, dentistry or aviation) in a scheme known as the Higher Education Loan Program (HELP). Graduates repay the debt gradually through the taxation system once they earn $48,361 per year—just above the minimum wage—taking a decade, on average, to repay the full amount.

While student loans do not technically accrue interest, the outstanding debt is indexed to inflation on June 1 each year. As inflation has increased, so has indexation, climbing from 0.6 per cent in 2021 to a record 3.9 per cent in 2022. This year, students and graduates will be hit with an indexation of 7.1 percent.

Those with an average outstanding student debt of $24,770 face an increase of $1,759. This means that graduates with taxable income of less than $62,739, will see their debt balance rise, despite making the compulsory repayments.

One arts/law graduate, Zoe, spoke with the *Guardian* about the $123,000 student debt incurred from her studies. That debt is set to rise by about $9000 next month, meaning that the $10,000 she is estimated to pay back this year—the second biggest expenditure in her life after rent—will scarcely make a dent. In the past five years of working, she has paid off more than $15,000 of her debt, but the total has only reduced by about $4,000.

"It's a bitter pill to swallow," she said. "There doesn't seem to be an end. My rent went up $80 a week in March and everything is more expensive… wages don't keep up with indexation, why do our debts?"

This is a sentiment echoed across age groups and occupations. As Gemma McWhirter, a 52-year-old school teacher, told the Australian Broadcasting Corporation: "Paying mine off was a case of two steps forward, one step back. It took me 27 years to get rid of the debt."

While graduates see their loan increase with inflation each year, the government accesses the money to fund the loans at the Reserve Bank cash rate, which currently sits at 3.6 per cent. This discrepancy—with inflation adding roughly double that rate to debt amounts—means that the government will actually profit off student debt, pocketing up to $2.5 billion.

The Labor government has rebuked calls to freeze indexation on student loans this year, with Treasurer Jim Chalmers arguing that the student debt program is fair.

"I understand and obviously listen respectfully when student unions and others raise their concerns," he said. "But this is an ordinary indexation and in terms of payments and pressure on people, the repayments go up when your salary goes up… That is how the system works."

Chalmers also touted the fact that graduates only begin to pay back their debt after they earn a certain amount of money, and said that "the arrangements for HECS [the original name of the program] and for university loans and education loans have been unchanged by this government."

But when Chalmers says Labor has left HECS settings unchanged, he is also referring to the recent measures by the Coalition government that dropped the minimum repayment threshold from $56,000 to

$52,000, and then again to less than $46,000. Despite professed objections to this while in opposition, now, once in government, Labor has refused to restore the threshold from this historical low point.

Labor’s attack on tertiary education is not a new phenomenon. It was the Hawke-Keating Labor government that abolished free university tuition and introduced the HECS-HELP scheme in 1989. Since then, tuition fees have only been ratcheted upwards, under the auspices of Labor and Liberal-National Coalition governments alike.

The Labor government of 2007 to 2013 imposed an “education revolution” which forced universities to compete for enrolments while cutting funding by $3 billion in 2012?13, driving them to become increasingly dependent on full-fee paying international students. That laid the basis for further cuts by the subsequent Coalition governments—the most recent of which exploited the COVID pandemic to eviscerate university jobs and courses, citing the loss of international revenue.

Last year, both major parties marched in lockstep in targeting higher education for steep cuts, with the then-opposition Labor Party helping the Coalition government push its budget through parliament within 24 hours. This will see $3 billion sliced off universities from the 2017?18 to 2025?26 period.

It seems that Labor will also leave the Coalition’s notorious “Job Ready Graduates” scheme intact, which massively shifted the cost of delivering a university education from the government and onto students. Course fees for humanities degrees increased 113 percent in an attempt to dissuade students from studying subjects such as history, politics or philosophy—and loading them with massive debt if they chose to do so.

The soaring student debt comes at a time when young people are already facing a crisis in the cost of living and a decrease in real wages. School-leavers struggling with high rent and food costs are increasingly being compelled to drop out of their degrees, or else are drastically cutting back time spent studying to devote more hours to paid employment.

Cost-of-living pressures are also locking people out of postgraduate study, with the minimum PhD stipend sitting at less than $30,000 a year, below most measures of the poverty line.

Outstanding HECS debt lowers a person’s borrowing capacity when they try to take out a home loan, as it is counted like any other financial liability. By increasing the amount of student debt that current and former students acquire, the government is further locking young people out from the housing market.

Speaking to the SBS, student and casual worker Ngaire said that knowing she has so much debt accruing makes owning a home or buying a car seem “really unreachable.” She said having another layer added to the cost of living “makes me feel a lot of dread.” “And I feel a lot of pressure now to go into a job where I can start paying off my HECS debt and get it done quicker.”

The situation facing students in Australia is the result of tertiary education becoming increasingly commodified. As seen most starkly in reforms such as the “Job Ready Graduates” scheme, the sector must serve the profit interests of employers and the capitalist class. The corporatisation of universities and degradation of academic qualities mean that the least profitable aspects are either underfunded or discarded outright, as universities hunt for more savings. And, perversely, the cost of degrees continues to grow while the value of those degrees decrease.

The attacks on students form part of a broader austerity offensive, being taken forward by the federal Labor government, including through its cost-cutting austerity budget. While there are billions of dollars for tax breaks for the wealthy and handouts to the corporations, and billions more for the military in preparation for war, essential services, such as health and education are being slashed.

That underscores the fact that to take forward their social interests, young people must fight for a future. That means a turn to the working class, the revolutionary force in society, and the fight for a socialist perspective which would place social needs, not private profits, at the fore.