Australian federal Labor government budget includes paltry student debt “relief”

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In Tuesday’s budget, the federal Labor government included a so-called “wipe out” of $3 billion dollars of university student debt to counter inflation which has seen loan repayments balloon in recent years.

But the “relief” is a tiny fraction of the crippling debts incurred by university students amid the worst cost-of-living crisis in a generation.

An estimated 3 million Australians have student debt, under the Higher Education Contribution Scheme (HECS) and the Higher Education Loan Program (HELP).

HECS-HELP debts are repaid through the tax system, with payments required once an individual’s annual income is more than $51,550. The minimum rate of repayment increases as income increases. While these loans are technically interest free, the outstanding debt is indexed to inflation, based on the annual Consumer Price Index (CPI).

Under Labor’s “relief” measures, this indexation will instead be based on the lesser of the CPI or the Wage Price Index (WPI). As a result, outstanding HECS-HELP debts will this year increase by around 4 percent, rather than the 4.7 percent estimated under the CPI method. This would have been the second-highest increase in more than a decade.

The change will also be applied to the 2023 indexation, retroactively reducing last year’s increase from 7.1 percent to 3.2 percent.

Education minister Jason Clare claimed: “This will wipe out what happened last year and make sure it never happens again.”

But the ongoing high cost of goods and housing, as well as falling wages means that students will continue to struggle to pay off debts.

Average HECS-HELP debt for an individual is $26,494. The Labor government’s scheme will reduce this by only around $1,200. Most students have an upper limit on how much debt they can incur of $113,028. A student with this much debt will see their debt reduced only a little more than $4,500.

According to the Australian Taxation Office, the total HECS-HELP debt in Australia is more than $100 billion, of which a substantial proportion is expected to never be repaid.

The Australian Government Actuary estimated that 14.7 percent of new student debt incurred in 2019–20 would never be paid. In 2020–21, this increased to 15.1 percent and in 2021–22 it was 11.8 percent.

According to a survey published in April by Australian finance website Finder, more than 60 percent of students are “slightly” or “extremely concerned” about their ability to repay their debt—a nearly 10 percent increase on the previous year. An additional 12 percent believe they will never be able to pay off their student debt.

Among the most disadvantaged students are those studying critical degrees that require them to undertake unpaid placements to gain workplace experience, such as midwifery and nursing.

A recent report in the *Australian Nursing & Midwifery Journal* (ANMJ) examined “placement poverty”—the strain put on students undertaking hundreds of hours of mandatory unpaid clinical placements.

Midwifery student Erin Pereira told the ANMJ: “The attrition rate in midwifery is quite bad. A lot of students drop out, and I know a lot of it is due to the fact that it’s such an expensive degree to get through, with huge placement hours.”

A survey of students on clinical placements conducted by Griffith University student associations in September and October 2023 found that 95 percent suffered a significant impact on financial wellbeing.

Loss of regular income was experienced by 97 percent of students, while 49 percent reported total loss of income while on placement. Meanwhile, expenses such as fuel, parking, tolls and childcare increased for 80 percent of respondents.

One participant in the Griffith survey said: “I know people living out of cars or in tents because they cannot afford rent. Then we’re being told to finish our degree, we need to complete 1,000 hours of placement, approximately six months of unpaid work.”

A separate survey last year by La Trobe University’s student union found 52 percent of students on placement struggled to pay for rent, food, bills and medicine.

The Labor government budget also introduced a paltry $319.50 weekly payment for students on placement—equivalent to $8 an hour. The total cost of this scheme is $427.4 million. The payment would become available for 68,000 nursing, teaching and social work students, and 5,000 Vocational Education and Training (VET) students from July 2025.

Students who undertake mandatory unpaid placement in veterinary science, radiology, medicine, occupational therapy, physiotherapy and psychology will not be eligible to receive the payment.

The loans are means tested, meaning students will only receive the payment if they are deemed eligible by the government, based on their current assets.

Before the budget was announced, Clare said Labor’s measures were in response to recommendations from the Universities Accord earlier this year. That report, while paying lip service to tackling “disadvantage” among students, is a further restructuring of universities into pro-corporate institutions for pumping out job-ready candidates for big business and increased militarism.

In fact, Labor’s schemes will not make a dent in the financial stress experiences by students and youth. Labor is attempting to present a progressive gloss to a budget which entrenches a further degradation of public education in the country and slashing of social services, while doing nothing to address the cost of living crisis.

For decades, universities have undergone pro-corporate restructuring under successive Labor and Liberal-National Coalition governments. The primary role in these profit-driven changes has been played by the Labor Party, propped up by the unions and the Greens.

It was the Hawke-Keating Labor government that in 1989 abolished free university tuition and introduced HECS-HELP debts. Then in 2012–13, the Greens-backed Labor government of Prime Minister Julia Gillard introduced the largest single cut to Australian universities in the country’s history, to the tune of $3 billion.

Since it came back into office in 2022, Labor has junked its election promise of “a better future” and is overseeing a massive social crisis among students, youth and the broader working class. While the government is cutting social spending, it is overseeing falling real wages.

The other side of the pro-business program is tax cuts for the wealthy and subsidies to big business. Meanwhile, Labor has boosted military spending to record levels, now above $50 billion a year and growing, in line with its commitment to US-led wars and military preparations globally. Last month, it outlined a plan to increase spending on the military by $50 billion over the next decade on top of already record defence budgets.

The fight for free, high-quality public education as a social right for all, and for decent living standards, requires a socialist movement of the working class directed against the capitalist system, which offers young people a future only of inequality, poverty and war.