

## Architect of student loan system unconcerned by record debt levels

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Student debt levels are at a record high, a Grattan Institute report has found.  
Credit: AAP Image/Paul Miller

The architect of Australia's student loan system has poured cold water on a report highlighting record levels of student debt, saying he would not be surprised if a fifth of all student debt was never repaid.

A new report by the Grattan Institute found that ballooning enrolments have driven Australia's student debt levels to a record high of \$26.3

billion and \$6.2 billion of that debt will never be repaid.

The government's [higher education loan programme \(HELP\)](#) allows students to borrow money to pay university fees. Once the borrower starts earning above a certain level they must begin repaying the debt.

Professor Bruce Chapman, Director of Policy Impact at the Australian National University's Crawford School of Public Policy and the architect of the HECS system that later became the HELP system, said the size of Australia's student debt was a non-issue.

"Why should anyone care about the the size of the debt? We don't care about the size of the debt, we care about people's access to the system," he said. "Of course you accumulate a big stock of debt, because there are so many graduates."

Professor Chapman, whose original paper led to wide-ranging reforms under former education minister John Dawkins, said the HECS system was designed with the assumption that about 20% of Australia's student debt would never be repaid.

"It was built into the system. Of course if people don't have the money, they don't repay and that's part of the consequence of an income-contingent debt," he said.

"How much do you think the housing debt in Australia is? There has to be hundreds of billions in the stock of debt from housing mortgages and we don't worry about that," he said.

It is better to have high levels of student debt than to lock poorer students out of education by demanding upfront fees for education, he said.

The Grattan Institute report also highlighted 2011 [Census data](#) showing that the median male bachelor-degree holder has lifetime additional earnings of \$1.4 million, compared to the median male who did no further education after Year 12.

For women, the estimated lifetime earnings premium is just under \$1 million, compared to the median female who did no further education after Year 12, the report found.

The report also found that the labour market had roughly kept pace with the growing levels of Australians with university qualifications.

"However, comparison of the 2006 and 2011 censuses shows that young graduates are finding it a little more difficult to get jobs matching their skills. These work transition problems are not showing in graduate income, with rates of return on higher education investment increasing between 2006 and 2011," the report said.

"I am not surprised the labour market has kept up with that growth. It's true around the world. It's a very shared phenomenon," said Professor Chapman.

Author of the Grattan Institute report, Andrew Norton, said he did not differ fundamentally from Professor Chapman's view.

"I don't think the amount of student debt is inherently concerning – from the point of view of students it represents in most cases a sensible investment in their future career, just as for most people with a mortgage it represents a sensible investment in their own housing," he said.

"And I am not proposing any fundamental change in the goals of HELP, which was always intended to manage the risk of graduates not earning high incomes. Some debt that won't be repaid is an intended outcome."

"However, I do think that the same goals could be achieved at lower cost to taxpayers. There is no reason why people working overseas should not repay, and Bruce has suggested a flat minimum annual fee. There is no reason why some students pay a loan fee to cover some of the interest costs of their loan, and others do not," said Mr Norton.

A more consistent system would be fairer between students and make the overall loan scheme cheaper for taxpayers, he said.

"These are all ideas worth looking into."

**More information:** [grattan.edu.au/static/files/as ...  
higher\\_education.pdf](http://grattan.edu.au/static/files/as_higher_education.pdf)

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