Innovative Research Universities

Student debt relief – a missed opportunity for reform

March 2025

Key points:

- The Government announced changes to the indexation of student loans in the May 2024 Budget – applied retrospectively, these wipe out $3b of student debt.
- In the December 2024 MYEFO update, the Government announced plans if re-elected for a further one-off 20% reduction in existing Higher Education Loan Program (HELP) debts, which is estimated to cost up to $16b over coming decades. This was confirmed in the March 2025 Budget.
- We recommend that reform of the Job Ready Graduates (JRG) package should be prioritised before further debt relief.
- Additional relief will benefit the three million Australians already holding student debt, but high student fees under the JRG policy mean that future students are facing larger debts and longer repayment periods.
- Record high student fees are also deterring higher education participation. University enrolments have declined since the JRG was introduced in 2021 and the declines are more pronounced among key groups, including students from low-SES backgrounds and from regional/rural areas. Declining participation will make skills shortages worse.
- Investing now to fix JRG is a more effective and equitable use of public resources and is in line with the recommendations of the Universities Accord. Waiving historic debt without reforming the JRG will make the higher education system more unfair, because future students (increasingly from under-represented and lower socio-economic backgrounds) will be asked to contribute more of the cost of their education.
- Modelling by the IRU shows that JRG reform can be done step-by-step, with the first step costing an additional $765m p.a. (an 11% increase to the current level of government funding through the Commonwealth Grant Scheme). This would ensure that no Australian student enrolled in a three year degree would face a debt of more than $50,000. Making this change now would benefit almost 300,000 current students and one million Australians in total over the next decade.

In responding to the Universities Accord, the Albanese Government has prioritised debt relief to support students with cost-of-living pressures. However, despite clear recommendations from the Accord, the Government has not yet acted on JRG reform and record high levels of student fees.

In the May 2024 Budget, the Government announced plans to cap HELP loan indexation retrospectively from 2023. In the December 2024 MYEFO update, the Government committed to a further one-off 20% reduction in student loan debt if re-elected (to take effect from 1 June 2025). For graduates, these changes would mean becoming debt-free quicker, with lower annual repayments. For Government, the combined effect of reduced HELP indexation and student debt will cost up to $20 billion in forgone repayments.

Debt relief is a substantial gift to the three million Australians currently holding student debt, but high student contributions under the Job Ready Graduates policy mean that future students are facing larger debts and longer repayment periods. Rather than forgoing up to $16 billion of Government revenue over the coming decades for further untargeted debt relief, the Government should invest now to fix the worst of the JRG student contribution rates.

If partly repurposed, this revenue would be sufficient to remove the top-charging student contribution band for the next decade. This would be a better use of public resources, align with key Accord recommendations and ensure that no Australian enrolled in a three-year degree has a student debt of more than $50,000. It would set our higher education system up for the future. 300,000 current students and one million Australians in total would benefit over the next decade.

Full reform of student contributions to pre-JRG levels requires an additional government investment of $1.7 billion p.a. (see IRU modelling below and here). JRG reform can be done step-by-step in line with the Accord recommendations, with the first step (to remove the highest charging student band) costing an additional $765 million p.a.. Targeting public funding towards the most urgent JRG problems facing current students, especially from disadvantaged backgrounds, is a more effective and equitable use of public resources.

The Accord did not recommend broad-based HELP debt relief, dismissing historical fee waivers for their potential to undermine the financial viability of the HELP system. The Accord panel were open to targeted HELP relief – such as for teachers and health graduates working in rural and remote areas – but recommended these be examined after a full review of the program in 2025. Debt waivers, if sufficiently targeted, can incentivise debtors to fill crucial skill gaps. But debt waivers do not address the key problem of the current system: record high student contributions are deterring higher education participation despite the Government's goal of increasing participation and equity. The worst effects are for key groups of under-represented students, such as those from lower socio-economic and regional/rural backgrounds.

Consistent with the Accord's recommendations, Government should evaluate the effectiveness of targeted debt waivers for specific skills shortages and for students facing greatest cost of living pressures. The typical MBA graduate from 2022, with multiple university degrees and earning an average $125,000 in 2023, benefits more from debt relief than the current health or humanities student enrolled in their first undergraduate degree. Prioritising support for Australian students undertaking their first university degree (e.g. by lowering student contributions) and filling skills shortages, and re-purposing debt relief, would ensure that more Australians benefit from affordable higher education and more effectively target skills shortages.

Waiving historic student debt without reforming the JRG will mean more disadvantaged Australians will be progressively asked to contribute more towards the cost of Australia's higher education system. A 20% debt waiver will cut repayment periods for graduates by a couple of years. For Government, this means fewer of today's debtors making repayments in the early 2030s. However, this will be offset by more future HELP debtors, drawn increasingly from under-represented and disadvantaged backgrounds, each carrying a much greater debt. By design, Australia's HELP system will then rely more on repayments from these students entering higher education over the coming decade, rather than the current and past beneficiaries from higher socio-economic backgrounds. Wiping 20% off all existing student debt is better for past students, but investing now to fix the JRG would result in a better and fairer higher education system, set up to meet the needs of the future.

Attachment

Reforming JRG funding rates – a three-step process

The following models the financial impact of restoring student contributions and the Commonwealth Grant Scheme (CGS) to pre-Job Ready Graduates (JRG) rates via a three-step process, consistent with the recommendations in the final Australian Universities Accord report.

1. **Three student contribution bands, reducing contributions in the top charging band.**

   (Accord recommendations 16a; 40).

   Cost of **~$765M p.a.** (~11% increase in the CGS, ~$315M for HASS, ~$450M for Law/Commerce).
2. **Restoring HASS to the middle band, aligned with lifetime earnings.**

   (Accord recommendations 16a; 40);

   Total cost of **~$1.1B p.a.** (a further ~5% increase in CGS at an additional cost of ~$330M).
3. **Increasing funding for STEM courses back to pre-JRG rates.**

   (Accord recommendation 41d).

   Total cost of **~$1.7B p.a.** (a further ~9% increase in CGS at an additional cost of ~$650M).

Restoring the pre-JRG funding rates would mean that no student would need to pay more than 72% of the cost of their degree (down from 93% in the top-charging fields in 2025). No student enrolled in a three-year degree would be forced into $50,000+ student debt.

Full JRG reform would require an increase in Government investment of **~$1.7B p.a.**, a 24% increase on top of the $7.2B p.a. currently invested in the Commonwealth Grant Scheme (CGS). This would reduce student contributions from 42% of "base funding" (CGS + student contributions) to 38% of base funding. The most urgent removal of the top charging band would only require an 11% increase in the CGS by **~$765M p.a.**

Table 1. Change in total funding ($M) under modelled options compared to 2025 rates

	1. Remove the top charging band			2. Restore HASS to mid-Band			3. Restore STEM funding		
	CGS	Student	Total	CGS	Student	Total	CGS	Student	Total
JRG 2025 Reference	$7,200	$6,500	$13,600	$7,200	$6,500	$13,600	$7,200	$6,500	$13,600
% of total by source	52%	48%	100%	52%	48%	100%	52%	48%	100%
Proposal $	$7,900	$5,700	$13,600	$8,300	$5,400	$13,600	$8,900	$5,400	$14,300
% of total by source	58%	42%	100%	61%	39%	100%	62%	38%	100%
Change in $	$765	-$765	$0	$1,100	-$1,100	$0	$1,700	-$1,100	$700
Change in % of $	11%	-12%	0%	15%	-17%	0%	24%	-17%	5%

[Updated IRU modelling uses the most recent (2023) student data from the Department of Education and 2025 cluster funding rates.]

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