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INCOME CONTINGENT LOANS AND JUSTICE: IS THE SYSTEM FAIR?

April 26, 2018

Valerie Braithwaite, psychologist and professor at the School of Regulation and Global Governance at ANU takes us back to the introduction of higher education loans in Australia to explain how justice is central to the acceptability and success of

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social policy in this re-post from [The Australian TAFE Teacher magazine](#).

Susan Maury
(@SusanMaury)



One would expect that by 2018 resistance to the policy first introduced in 1989 would have subsided. After all, the GST opposition settled down relatively quickly after its introduction in 2000. But recent Senate

enquiries in Australia show dissatisfaction with income contingent loans has persisted. This dissatisfaction is global, with protests in British universities over the crushing debts that students are carrying, and New Zealand turning back to free university education, after using income contingent loans for almost as long as Australia.

The story of student loans in Australia and elsewhere is one about justice, and through whose eyes we see it. It is not about good and bad policy. So often in policy debates, aggregates are used to capture human experience and to conclude that this policy will deliver desired outcomes and is fair in doing so. Justice, however, is not only about outcomes, but also is about processes and journeys. Justice is far more personalised than what is on average a fair result for a demographic group. Justice is like personalised medicine. What happens to individuals will differ and different experiences matter. Arguably the international shift away from large political parties reflects disenchantment with policy making based on aggregations of individuals. Voters yearn for political representation that connects politicians with the justice experience of real people.

We can use HECS policy and reactions to it over the decades to illustrate this point: governments evaluate

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justice through an ‘aggregate’ lens, entirely different from the ‘process and journey’ justice understood by students. The point is that even when governments insist they have the best policy, a person’s experience cannot be denied. For almost 30 years we have been telling students they have nothing to complain about – the scheme is fair. Governments have held the upper hand, but student dissatisfaction has not been silenced. It bubbles away, coming to the surface every time adjustments are suggested to the loan arrangements. Individual experience must be understood and respected if government expects cooperation from citizens.

Governments frame income contingent loans as a fair, cost saving and cost sharing measure. They see the loans as part of a user-pays system with three special justice measures. First, rich and poor students alike can undertake study without financial burden. Second, with more students contributing to their own education, more money is available for more students to obtain a tertiary education. Third, justice extends to those without the benefits of a tertiary education. Fewer taxpayer dollars from those without tertiary education are directed toward supporting those with a tertiary education.

When challenged by arguments that society benefits from having high numbers with a tertiary education, proponents argue that those who are better educated end up in better jobs earning more money in the longer term. And they argue that there is no evidence that those with student debt suffer disproportionately through



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early adulthood markers of “success” such as buying a house or starting a family. And yet, claims of disadvantage and dissatisfaction with the scheme persist.

So why do we have politicians, policy makers and economists on one side saying income contingent loans are opportunity enhancers, improve equity and are good policy, while students and their supporters regard such loans as unfair burdens?

Justice for everyone involves comparison - sometimes with an ideal standard, other times with members of another group – family, peers, neighbours, citizens, or human beings. Which comparison group is salient depends on person and context. It is to be expected that the comparators for students on the justice of HECS will not match that of government officials or economists or policy makers. Their vantage points differ for very obvious reasons.

Students at a university or a TAFE do not compare themselves with the general population or with their age cohort 20 years in the future – these are the justice comparisons made so often by policy makers. Their most salient justice comparisons involve others inside the institution, that is, other students. The justice comparator that looms large for students carrying a HECS debt are students without a HECS debt, those who could afford to pay their fees up-front. Similarly, those who paid up-front make a comparison with their fellow students who carry a HECS debt. These student-to-student comparisons render the government arguments about fairness unconvincing: they see other members of their cohort experiencing a much easier transition out of tertiary education, unburdened with repaying a loan.

Research conducted by Eliza Ahmed and myself in 2000 showed how government failed to win students over to income contingent loans. Those who have supposedly benefited were not grateful to government: they were

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more likely to oppose HECS, believe it was unfair, and were less likely to acknowledge benefits. Moreover, the core of citizen obligation to the government – believing one should repay debt and pay one's tax was lower among those with a HECS debt. Indeed, those with a HECS debt were more likely to evade tax, particularly if they did not trust government and had a low personal income. The injustice of HECS policy was expressed in open written comments such as these:

“The government should realise that individuals who put the effort into gaining an education contribute a lot more to the wealth of the nation than those who leave school [and] get jobs straight away. Education is an investment, not a cost.”

“After all when it comes to taxpaying employees, people with a higher education generally pay more tax anyway. Plus they often contribute more to the country's “economics” through technology & product developments.”

“I used to believe that HECS was a good way of enabling individuals to make a partial contribution towards the cost of their education (appropriate because that education benefits the individual and the society) without discrimination between those who can easily afford to pay and those who cannot. I believe the current system is not so easily accessible to people with limited financial resources, and that repayment rates for those on (relatively) low incomes are now too high.”



Both debt carrying students and those who had paid their contribution felt the injustices of the scheme. A common view of both groups was to “redress

principal grievances of this scheme from the viewpoint of those who have to pay it.” Almost thirty years later, a 2014 Senate enquiry was presented with comments that echoed those of thirty years ago. Parents were the carriers of the message this time: “We should not be punishing or burdening our kids, and the next generation, for poorly thought out and unfair policies. The only reforms we should be contemplating is increasing education funding.”

“Some of my daughter’s friends have even questioned whether it is worth pursuing higher education at such a cost. How will this help us? The short answer is it cannot! People must be educated if we are to succeed and prosper as a country and society.”

None of this is to negate the arguments made by consecutive governments and policy makers. The message is that their arguments are but one perspective on justice. The student perspective is another equally authentic perspective. It cannot be suppressed or silenced.

Somehow the political process must reconcile these competing perspectives. To quote one respondent from the 2000 study: “If the system is fair, taxpayers will be more inclined to help it work.”

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