



Fixing JRG

Gender, lifetime incomes and the argument
for a single rate of student contribution

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List of acronyms

ATO	Australian Taxation Office
ATEC	Australian Tertiary Education Commission
CPI	Consumer Price Index
HECS	Higher Education Contribution Scheme
JRG	Job-ready Graduates
WPI	Wage Price Index

Executive summary

Job-ready Graduates (JRG) was a major government savings exercise to make students pay more, on average, for their higher education and to reduce the resources universities have to provide that education. It was the most radical change to student contribution rates since the Higher Education Contribution Scheme (HECS) was put in place in 1989.

From a public policy perspective, the changes were a farce. There was no consideration of how they might affect achievement of the basic objective of the student contribution scheme, that is to raise revenue to support funding of higher education. The scheme was made less effective by reducing the debts of people with good repayment prospects and increasing the debts of those with poorer repayment prospects.

The current Government has been criticised for not fixing it. The criticism is valid. The rationales for delaying action are simply forms of obfuscation. The Government is continuing a policy under which a higher level of student contribution is imposed on people who have lower incomes than other beneficiaries of higher education. The unjustifiable inequities of the JRG scheme need to be removed.

There is no reason to delay fixing the scheme. The solution is not complex, though attention needs to be paid to how the scheme operates and to its effectiveness. To retain public support for the scheme, the prime objective of raising revenue must be balanced against the scheme's other objectives. The extent to which individuals experience egregious outcomes needs to be minimized.

Rates of student contribution do not affect how much a person pays each year. This is based only on their income. The contribution rates affect the number of years in which the tax surcharge used to collect the contributions continues to apply. It generally applies for only a limited number of years until the person has made their contribution.

For people with longer repayment periods, annual payments are commensurately smaller. For some, their contribution is never made or never made in full. Annual payments may be zero. This is how the scheme is intended to work. If only those who can afford to contribute are required to do so, the scheme need not cause hardship and people do not need to worry about unpaid debt that they may never need to repay.

Over the years, different rationales have been proposed to inform the setting of student contribution rates. This paper finds that only two approaches are consistent with the policy and objectives underlying the student contribution scheme. The first is a single annual rate of student contribution, as put in place when the scheme was first introduced. The second is that recommended in the Australian Universities Accord - to have student contributions better reflect the lifetime benefits that students gain from their field of study.

The feasibility of the Accord proposal is explored through a detailed examination of the incomes of graduates using 2021 Census data. The analysis provides little support for the idea that the scheme will be more effective if student contribution rates for the various fields of study are based on a single figure purporting to reflect the lifetime benefit that all students derive from a field of study.

For most fields of study, any single estimate of lifetime income glosses over substantial differences in labour market outcomes and significant diversity in the lifetime income and circumstances of graduates. There is no direct line from field of study to occupation and then to lifetime income.

Some people whose field of study is dentistry become dental hygienists on modest incomes. Some become dentists running their own dental practice. It is not sensible to assume everyone is going to become the latter. It is not useful to produce an average or median lifetime income across the two different groups. This situation applies to most fields of study. For most fields, we do not know the future occupations of students, and we can only guess their lifetime incomes.

All fields of study have around 30 to 40 per cent of graduates who are high income earners, most of them are men who have worked their way to senior positions. But in nearly all fields of study a large share of graduates have income clustered around the range from average weekly earnings (AWE) to \$15,000 above AWE. A sizable proportion have incomes below this level.

The 'medical studies' field of education is the standout case where there is a strong relationship to future income. It is a narrow field of study closely related to medical science but distinguished from it by an emphasis on developing students 'ability to assess and evaluate clinical observations to arrive at diagnoses and determine appropriate courses of action'. Relevant units of study are expensive to deliver, and student places are limited. A small number of high-performing individuals are admitted to courses with these units and they progress to well-remunerated professional careers. This field of study is the exception, not the rule.

Most of the work in redistributing income in our society is done by the taxation and social security systems. They have regular and comprehensive assessment processes which are better able to take individual circumstances into account than the student contribution system. The student contribution system is to help fund higher education, not to play a significant role in the redistribution of income.

The central dilemma with the Accord recommendation is that its proposal requires a single figure for lifetime income to be estimated for each field of study. These estimates of lifetime incomes simply average across disparate groups of individuals with large differences in their incomes and situations. The approach disregards that most people study in a range of different fields during their degree courses.

A particular concern is that the proposal disregards large gender differences in lifetime earnings. Except for two fields of study, no age cohorts of women were found to have median incomes above \$104,000. In contrast, there were only three fields of study in which males aged 40-49 years old did not have a median income in excess of \$104,000. Single figures for the lifetime income associated with a main field of study are heavily influenced by the earnings of older men. They poorly reflect women's earnings patterns.

The easiest, simplest and likely most effective approach would be for the government to introduce a single annual student contribution rate. This system already requires people who study for more years to contribute more. The number of years that a person studies may be more strongly related to their future income, than their main field of study. People advocating differential rates of student contribution based on field of study should demonstrate that it can produce a more effective system than a single annual rate.

The current average annual student contribution is \$10,847 and this is the most sensible starting point for consideration of moving to a single annual rate of contribution. This rate would result in around two-thirds of students having a higher annual contribution and one third a lower annual contribution. Simple algebraic adjustment of the accompanying government subsidies in each field of study would remove any cost to Government and would retain the current level of funding provided to universities to teach students.

If the current average contribution rate is considered too high for some students facing an increase, then it is way too high for most of the one third who currently contribute well in excess of the average rate. The Government can choose to reduce the rate. Every \$100 reduction in the average rate of student contribution would have a net cost of roughly \$53 million a year. If the student contribution rate was made equal to the middle rate of the current three rates of contribution (that is \$9,537), the net cost to Government would be around \$685 million a year. Reducing student contributions in this manner is a more effective use of Government resources than the recent 20 per cent across the board waiver of student debt.

Australia's student contribution scheme is critical to its universities. It is one element in a set of complex financial arrangements which collectively support people's opportunity to gain a higher education. Income support and other forms of student assistance are also important for people from non-privileged backgrounds and should be high priorities for additional expenditure.

1. Introduction

Purpose of the paper

This paper argues that:

- the rates of student contribution put in place under Job-ready Graduates (JRG) are highly inequitable, undermine the objective of Australia's student contribution system and should be changed as soon as possible;
- the proposal of the Australian Universities Accord (the Accord) to have student contributions reflect the lifetime benefits that students gain from their field of study¹ is of limited value in deciding student contribution rates due to the complexity of labour market outcomes and the diversity of lifetime incomes and circumstances; and
- there are simple options to fix arrangements that could be implemented easily and in time for the start of the 2028 academic year, provided the Government does not further delay its decisions on the matter.

Student contributions under Job-ready Graduates

Between 2014 and the onset of the COVID-19 pandemic, the Government made three attempts to legislate increases to the contributions that students make to the cost of their courses. The unstated objective was the same as on previous occasions when student contributions were increased - to lower government costs by making students pay more. On each occasion, the government failed to gain Parliamentary approval for its proposals.

In 2020 during the pandemic, Dan Tehan, the then Minister for Education, announced the JRG changes and achieved parliamentary passage of the relevant legislation. It secured the \$800m to \$1 billion dollars in annual savings that the Government had been seeking from the system.

That achievement wasn't highlighted in government press releases. The public was told instead of JRG's bold ambitions – supporting Australia's economic recovery after COVID-19; driving productivity; keeping pace with the changing needs of the economy; producing graduates with the right skills at the right time; and supporting the national interest.

Today's rates of student contribution are essentially those that JRG put in place, increased each year by the consumer price index (CPI). These rates and the share of student load to which they apply are in Table 1. These rates of student contribution are highly contentious. Under JRG, the difference between the lowest and highest rates became larger than had ever been the case.

The lowest rate of student contribution is \$4,738 for a year of full-time study. In real terms, this is less than 90 per cent of the original 1989 rate of HECS. In 1989, there was only one rate of HECS. It was set at a level that the government hoped would cover around 20 per cent of the estimated costs of teaching. Today total student contributions make up over 44 per cent of funding for student places and this figure is increasing as the impact of JRG transitional measures diminishes.

The highest rate of student contribution is \$17,399 for a year of full-time study. It is 367 per cent of the lowest rate – more than triple. A three-year degree at this rate results in a debt of over \$52,000. A five-year double degree, which is not uncommon, would be marginally under \$87,000. Any failed units of study, or changes to the focus of study requiring additional units to be undertaken, would add to these costs. They will be greater

¹ Australian Government (2024), see Recommendation 16 on p25 and the principles listed on p155.

if postgraduate study is undertaken and greater still if the postgraduate study is ‘full fee-paying’, rather than ‘Commonwealth supported’². Added to this would be further debt if a student needed to obtain a Student Start-up Loan or to use some of the other small student loan programs that have proliferated over the years.

Table 1: 2026 student contribution rates and how they apply across student load

Student contribution (\$2026)	2024 student load (excluding enabling load)	Share of 2024 load (excluding enabling load)
\$4,738	148,024	24.1%
\$9,537	263,105	42.8%
\$13,558	22,385	3.6%
\$17,399	281,892	29.5%
TOTAL Load	614,892	100.0%

The highest student contribution rate applies to around 30 per cent of the domestic Commonwealth supported student load³ at Australian universities. In the disciplines to which this rate applies, the student contribution is 93 per cent of funding. It is virtually the full cost. The current rates of student contribution and government subsidy for each discipline are at [Appendix A](#).

Dan Tehan launched the JRG policy in an address to the National Press Club on 19 June 2020. He was clear about what he was doing:

We will also incentivise students to make more job-relevant choices, that lead to more job ready graduates, by reducing the student contribution in areas of expected employment growth and demand.

He noted that most students would see a reduction or no change in their student contributions. He was clear about how these reduced student contributions would be funded:

To deliver cheaper degrees in areas of expected employment growth, students who choose to study more popular degrees will make a higher contribution.

He literally said to around one third of students that they would be required to pay for the lower student contributions of others. He was clear that he thought those with lower contributions would be the ones who in future would obtain jobs.

A cheaper degree in an area where there’s a job is a win-win for students.

He expected that fewer people who chose to study disciplines with the highest student contributions would get jobs.

² Most domestic student places at Australian universities are ‘Commonwealth supported’ which means they are funded by a mix of government subsidies and student contributions with these amounts being regulated. Some places are ‘full fee-paying’ with the amount of fee being unregulated. A student may be eligible to defer payment of a full fee in the same manner that student contributions can be deferred. In these cases, there will be some government subsidy associated with debt not paid.

³ Student load means the number of full-time equivalent student places. Two students studying half time are equivalent to one student studying full time, that is, the equivalent of one unit of student load.

Dan Tehan did not comment on what this might mean for future government revenue as students made these contributions through the tax system in subsequent years. Presumably, he thought that students with higher required contributions would have more difficulty paying that student contribution. He encouraged them to include some of the cheaper disciplines with their expensive units of study to keep their debt down.

This was as close to high farce as one could get in Federal Government policy. No data or research was used to support the decisions on which disciplines should be discouraged and which incentivised. Many of the decisions taken were at odds with well-established Government information sources – the employment department's occupational skills shortages lists, and the home affairs department's skilled occupation lists for migration purposes⁴.

The government's decisions on what to encourage and what to discourage appeared to be based on subjective preferences about what students should study, as well as political judgments about how to generate support for an overall increase in student contributions thereby allowing it to reduce Government contributions. This was, after all, the policy it had been seeking to implement for over half a decade.

The policy was also a farce because there was no consideration of how such changes might affect achievement of the basic objective of the student contribution scheme, which is raising revenue to support funding of the higher education sector. JRG made the scheme less effective by reducing the debts of people with good repayment prospects and increasing the debts of those with poorer repayment prospects.⁵

2. Australia's student contribution scheme

What is the objective?

In mid-December 1987, the Australian Government (at the time, the Australian Labor Party) announced the appointment and terms of reference of the Committee on Higher Education Funding. The report produced by that Committee began:

The Committee on Higher Education Funding was asked to develop options for supplementing the funding of the Australian higher education system ...

...

*The Committee, in considering options for funding, was asked to have regard to the social and educational consequences of the schemes under examination, bearing in mind that a major goal of the Policy Discussion Paper was to promote growth in the system and improve access to higher education for those groups which are currently under-represented. **The central question for the Committee, therefore, is how this expansion of the higher education system should be financed.***⁶

(author's emphasis)

The Committee recommended the introduction of the Higher Education Contribution Scheme (HECS), and this scheme was implemented from 1989.

⁴ For a detailed analysis of this issue see Warburton, M (2020), pp19-21.

⁵ This issue is not specific to the JRG changes. It is a general failure associated with the Government's approach to costing changes in student contribution rates and other changes to parameters of the scheme. The impacts on revenue are not specifically costed. These impacts are obscured in the Budget's accrual accounting treatment of the scheme which makes the increases or decreases in revenue opaque.

⁶ Australian Government (1988), p IX.

Thirty-five years later, the fundamental objective of the scheme remains unchanged.

The main objective of the student contribution system is to support the financing of public higher education.

The scheme also has important subordinate objectives which are critical to its operation, and which have been responsible for its success and public acceptance – that is, until Governments pushed the scheme so far that it appears to have become contentious.

The subordinate objectives of the scheme have been to ensure that it:

- ***does not create upfront financial barriers to study or adversely affect access to higher education; and***
- ***only requires people to make a payment when they can afford to do so.***

Over the past 35 years, Governments have constantly changed different parameters of the scheme, often with insufficient regard for how the changes affect the overall functioning of the scheme. For much of the period changes were motivated by Governments seeking to reduce the cost of higher education provision – that is, in the further pursuit of the scheme's main objective.

In the Budget papers, the scheme is subject to highly complex accrual accounting conventions which are useful for some purposes, but which make the scheme completely opaque for the purpose of developing public policy. In the confusion caused by the opaque costings of policy changes, the fundamental objective and the sub-ordinate objectives of the scheme are often forgotten.

There has been little explicit reporting on the stream of revenue which the scheme produces each year in either the Budget papers or in the reports of the Department of Education⁷. In the Budget papers, the revenue stream largely disappears because it is just a change of asset type – a debt asset turning into a cash asset. There are impacts on 'expenses' (as defined) and 'other economic flows', but there is no detail on the amount received from current and former students in a financial year or how that amount might be affected in the future by a policy change.

Governments regularly modify aspects of the scheme and do not advise anyone of the potential impact on the level of finance that the scheme will generate each year. This is a clear failure of public policy and accountability. It is not sensible to make changes to the scheme without having regard for the overall objectives of the scheme.

The essential structure of the scheme

The essential structure of the student contribution scheme has not changed since its introduction 35 years ago. When HECS was introduced, it had a single rate of "**contribution**" for one year of full-time study. There are now four different rates, but the number of rates and their magnitude are not relevant to the scheme's essential structure. This is not to deny their importance for students.

⁷ There recently appears to have been some minor improvement in reporting. In 2023-24, HELP repayments could be found on page 173 of the Department of Education's Annual Report in Note I3.2 to the financial statements as a figure for 'settlements' of concessional loans. By 2024-25, the Department's Annual Report actually provided a figure for 'loans repaid' in Note I4 of the financial statements (see page 211).

A person studying part-time or more than full-time has their contribution pro-rated. Contributions apply for every year of study. People failing units of study and having to repeat, doing longer degrees or simply studying for a longer period end up with a larger total contribution.

This is important to note when considering what different students may contribute. A person studying medicine would have five to six years of contribution. A person studying nursing would have around three years of contribution.

These ‘contributions’ are not payments. They are only a potential amount that might eventually be paid. The way in which the scheme was originally designed has meant that most people ultimately pay their full contribution, but nothing requires this to be the case.

As indicated in the objectives above, the scheme was designed to make sure people generally did not make repayments unless they could afford to do so. A byproduct of the system’s expansion is that a higher proportion of former students may not be able to afford to make repayments. Higher education students are now a less privileged group and are being asked to contribute a greater share of costs than they once were.

Potential amounts of contribution are advised to the Australian Tax Office (ATO) as they accrue. The ATO keeps a record of the **‘total amount owing’**. Until recently, any amount outstanding for longer than 10 months was indexed by the Consumer Price Index (CPI) to maintain its real value. The indexation arrangement was recently changed to become the lower of CPI or the Wage Price Index (WPI).

Indexation of outstanding amounts is a minor scheme feature, and the indexation change has not altered the scheme’s essential structure. If other parameters of the scheme are set appropriately, CPI indexation is a largely benign feature which supports the scheme’s primary objective without causing hardship to anyone. The rates of contribution and the repayment arrangements are far more critical to the scheme’s operation.

No-one is required to pay a contribution upfront, though they have always been allowed to do so. The scheme is based on students generally deferring the amount and only making payments through the tax system when they are required to do so under the **“repayment arrangements”**. This does not affect universities who receive the total contribution amount for all students in a year, as a cash payment from the Government for that year.

The repayment arrangements are one of the most fundamentally important features of the scheme. They are the mechanism that produces the revenue supporting the provision of public higher education. They do most of the work to ensure that people are not required to pay anything unless they can afford to do so. They do much of, but not all, the work to ensure the scheme is fair and reasonable.

The actual annual payment required to be made by a student or former student has little to do with the total amount owing. Payments are calculated using a person’s annual taxable income, largely independent of the amount owing. The amount required to be paid is in effect a form of **‘tax surcharge’**.

If a person is required to make a repayment, the amount of that repayment is deducted from the amount owing. The tax surcharge continues each year until the amount owing reaches zero. The amount owing is the mechanism used to decide when the tax surcharge is turned off.

A person whose earnings never exceed the repayment threshold is not required to pay anything. When such a person dies the full amount owing is waived. There is no recovery from their estate. While such a person might think they *‘had a debt hanging over their head for their entire life’*, the reality would be that it had no material impact on them.

There has never been any intention that all student contributions are paid. The scheme is designed to ensure that people do not make repayments unless they can afford to do so. Any amount not paid is a

government expense. The Government regularly estimates this expense, and it is usually between 15 and 20 per cent, though it has been estimated as high as 23 per cent⁸.

Originally, no-one was required to make a repayment if their earnings were less than AWE⁹. The tax surcharge was only levied on people with an amount owing and who had income above this level.

This '**repayment threshold**' has varied over the years. In 2017-18 it was reduced so that by 2021-22 it had dropped under 70 per cent of AWE. This change effectively undermined the subordinate objective that people only make payments when they can afford to do so¹⁰. The current Government has since raised it to around 82 per cent of AWE, improving the scheme's achievement of this important subordinate objective.

Rationales for how student contributions should be set

The original single rate of student contribution was set to cover up to 20 per cent of the estimated costs of teaching. It rose to around 42 per cent of the amount of funding provided for student places immediately prior to JRG. The remaining 58 per cent was paid as a government subsidy. By 2024 following JRG, students were contributing over 44 per cent and this figure was increasing as the impact of JRG transitional measures reduced.

Large increases in the student contribution share of university teaching costs occurred following changes announced in 1996 and then from 2005. Many minor policy changes over the period also increased the student contribution share. The rationale for these policy changes has usually been the scheme's main objective – to raise more revenue and reduce government cost.

The public debate surrounding these changes has often been conflated with other ideas. Governments tend not to be explicit about saving money at student's expense. They present other justifications, some having little to do with the scheme's objectives.

Prior to JRG, the different justifications put forward as the basis on which student contributions should be set were broadly as follows.

- The Committee on Higher Education Funding which recommended introduction of the scheme supported student contributions varying according to differentials in the cost of course provision. The recommendation was not accepted, and a single uniform annual rate was introduced instead.
- In 1996, the idea that contributions should be related to the expected future earning potential of a person completing a course was part of the Government's rationale, along with course costs, for introducing three separate rates of contribution varying according to field of study (often referred to as 'discipline rates'). Student contributions were increased by an average of around 40 per cent¹¹;
- In 2005, the idea that universities should set fees within a range was introduced. Universities could choose to charge between zero and an upper limit which was 25 per cent higher than the former rate. Nursing and teaching were declared national priorities, and their maximum rate of contribution was not increased by 25 per cent. It was only a couple of years before every university simply charged the maximum rate. This system still exists today and only occasionally does a university seek to attract students with a less than maximum rate.

⁸ See Australian Government (2017), p55.

⁹ See Australia Bureau of Statistics (2025) for details on the measure of AWE used in this discussion. In the first five years of the scheme, the threshold varied between 98 and 106 per cent of AWE.

¹⁰ For a detailed examination of this issue see Warburton, M (2023).

¹¹ Chapman, B (2001), p196.

- In 2011, the Higher Education Base Funding Review advocated a funding system in which student and public contributions were broadly consistent with the private and public benefits from higher education. It settled on recommending a 40 per cent student contribution and a 60 per cent government subsidy across all courses. The proposal was not accepted; and
- In 2014, the Government proposed that universities should be able to set their own tuition fees for courses without limit, and it proposed reducing subsidies by on average 20 per cent. This would have resulted in substantial student contribution increases. The legislation failed to pass the Parliament.

The proposal to set student contributions based on course costs does not necessarily help achieve the scheme's objective of raising revenue to support funding for higher education. There is an empirical question about what impact it would have on the revenue the Government derives from the scheme. The proposal does not appear to have ever been explored at this level of detail and has never been fully embraced. Nursing is more expensive than around half of courses, but it has always had the lowest rate of contribution. Law is among the least costly courses to deliver and has always had the highest contribution rate.

Allowing universities to set student contributions without limit is poor public policy. It effectively allows a university to decide how much cash they should receive from the Government in return for a student having a debt placed on their tax record. This was essentially what some private VET providers did during the VET FEE-HELP debacle. Ultimately, this fraud resulted in the Government writing off something approaching \$4 billion in student debt. It is simply too risky for the government to allow some third party (in this case universities) to decide how much it will spend.

No-one has ever demonstrated how setting student contributions and government subsidies according to public and private benefits could be implemented, other than by making a broad sweeping judgment. This is what the Base Funding Review did when it settled on a 40/60 split of student contributions/government subsidy.

Private benefits are generally examined using available income data, but attempting to estimate public benefits is extremely difficult. It requires many assumptions, most of which have a significant impact on the result. Often much of the public benefit is estimated as the tax paid on the private benefit. The methodology therefore establishes a degree of correlation between private and public benefit.

The proposal also fails to explain why the ratio of private and public benefit should be applied to student contributions and government subsidies. The implication is that if two courses have a private benefit equal to their public benefit, then it is appropriate that both courses have a 50/50 split of student contribution and government subsidy. The fact that one course has large public and private benefits and the other has small public and private benefits becomes irrelevant. This proposal doesn't seem to have anything to do with achieving the main objective of the scheme which is to raise revenue to support higher education.

If we eliminate the student contribution rationales related to course costs, fee-deregulation and the public/private split, we are left with few candidates for deciding how student contributions should be set. We are left with two main options.

- One is to simply set a single rate of student contribution based on both its implications for the revenue stream that will be generated to help fund Australia's public higher education system and its implications for students who will be required to make repayments through the tax system.
- The other is along the lines suggested by the Accord - to have student contributions better reflect the lifetime benefits that students gain from their field of study.

The next Part of this paper examines the incomes of graduates and considers if the latter option is a viable alternative to the former.

3. Incomes of higher education graduates

Incomes of graduates in aggregate

It is tempting to make general statements about what occurs in the labour market, but the practice is best avoided until you have a good look at the data.

People move in and out of jobs all the time. Throughout their lives they adjust their working hours and patterns to suit their personal circumstances. Many change their occupations and professions. There is a wide range of potential earnings outcomes. Not everyone in the same occupation or profession has the same level of earnings. There are some strong gender differences. There are also some broad lifetime earnings patterns.

When HECS was introduced in 1989, only 12 per cent of people aged 25-34 years had a bachelor degree or higher. It was considered unfair to expect all taxpayers to fully fund the higher education of this 12 per cent who would likely earn more than an average full-time worker. Given higher education was largely the preserve of a small, privileged and elite group, generalisations about them having higher than average future earnings were less risky than today. The contribution sought from students was smaller than it is today.

By 2021, around 39 per cent of people aged 25-34 years had a bachelor degree or higher. Consequently, wage levels of higher education graduates are now more typical of the general workforce than in 1989. Generalisations about the earnings of these people are more difficult to make. The share of costs being sought from students has more than doubled.

Figure 1 shows how graduates aged 25 to 34 years who had incomes greater than zero were distributed across income ranges¹² at the time of the 2021 Census. It also identifies the income range in which the median income of the four cohorts identified in the figure occurs. These cohorts cover all people whose highest qualification is a bachelor degree or above. Important observations on the figure are:

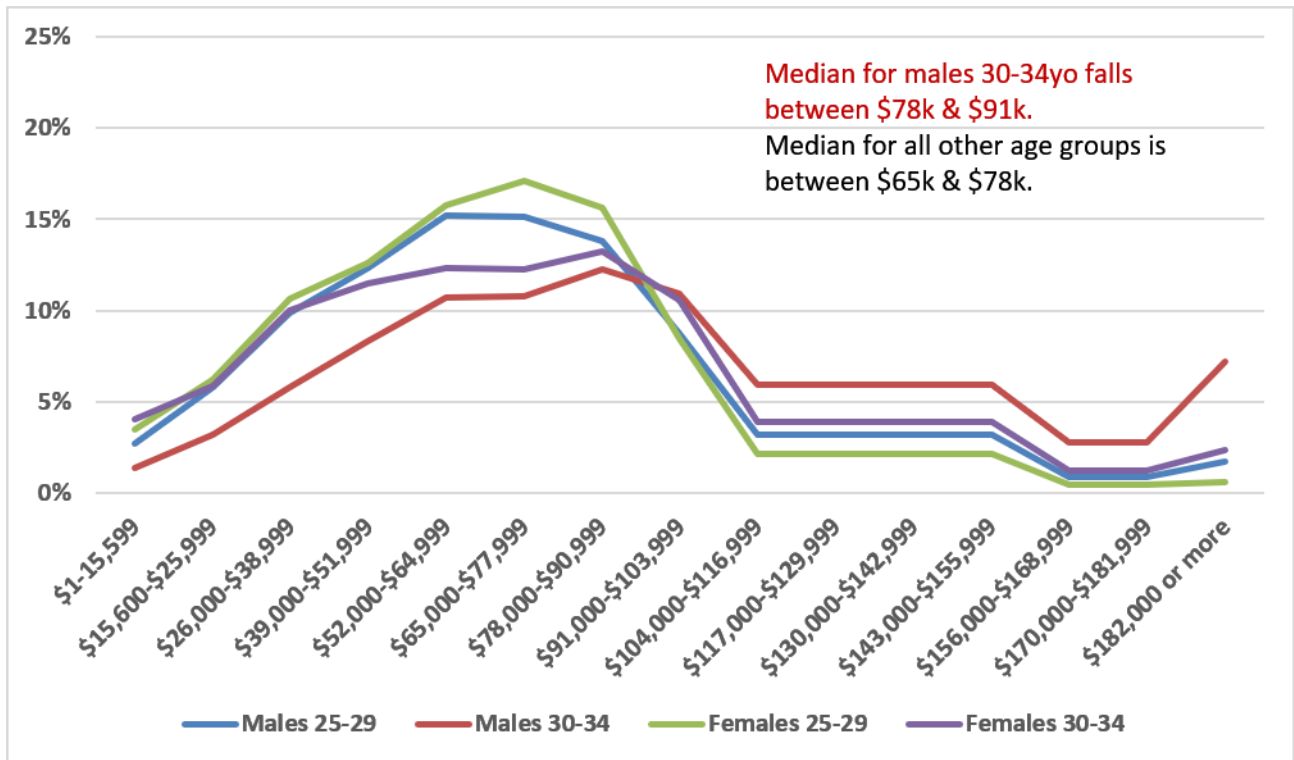
- Graduate incomes were spread broadly across income ranges;
- Over 41% of all graduates fell into three income categories between \$52,000 and \$91,000;
- Apart from males aged 30-34 years, no cohort had more than 5 per cent in the highest income category; and
- The two older cohorts (men and women aged 30-34) had a flatter distribution as more were higher up the income scale.

Figure 2 is the same as Figure 1 except that it is for graduates aged 40-49 years. Important observations on this figure are:

- The curve among these older cohorts is markedly flatter, except at the high-income end of the distribution, than for the younger cohorts in Figure 1.
- In Figure 2, the progression of men up the income scale is far more pronounced than for women.

¹² Data for all earnings distribution figures have been sourced from the employment, income and education components of the ABS' 2021 Census using TableBuidler. It has been sorted into equal sized income ranges of \$13,000, with the exceptions being the two bottom and the top income ranges. It was assumed that people within an income range are distributed evenly across that range and could be proportioned accordingly. This methodology accounts for the flat line from \$104,000 to \$156,000. The ABS has a single income category covering that range. Unit data would reveal a more gradual downward curve. The graduates who have incomes that are negative or zero and the graduates who did not state their incomes have been excluded from the analysis.

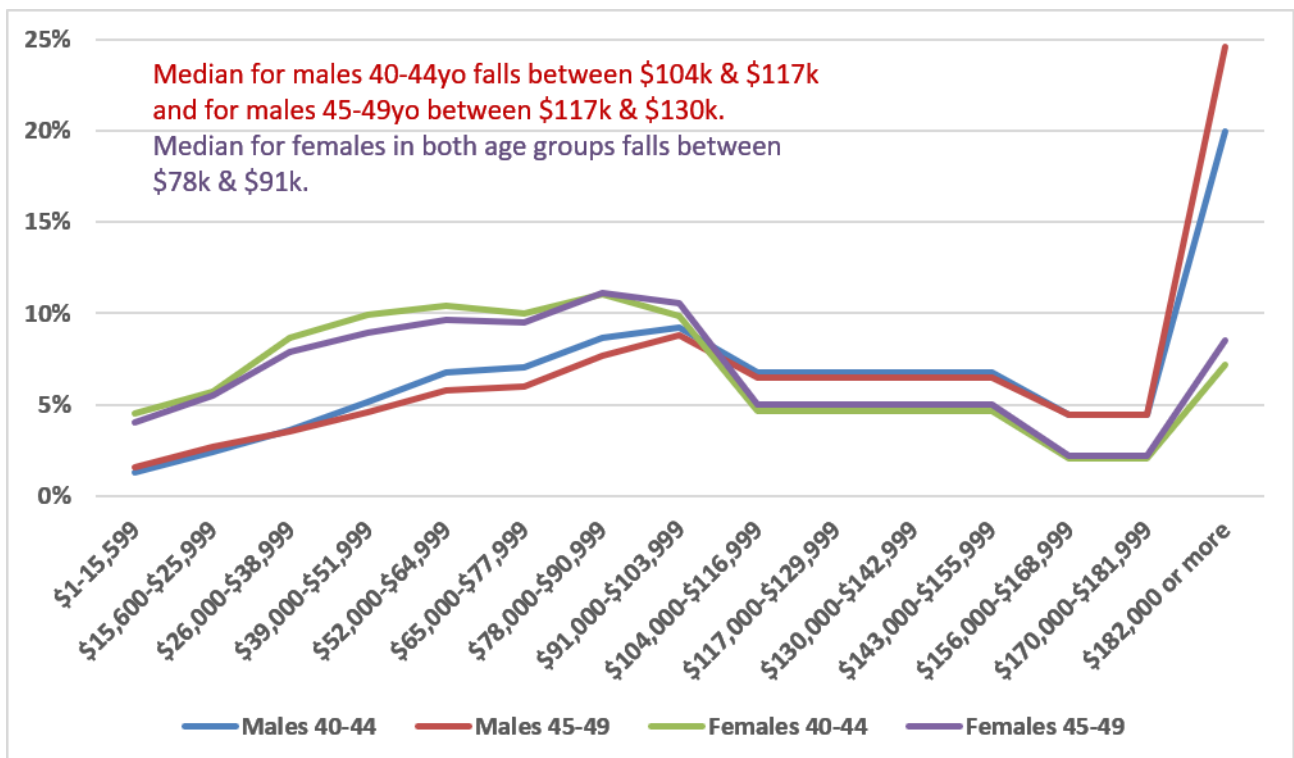
Figure 1: Distribution of incomes for 25-34 year olds whose highest qualification is bachelor degree or above



Source: Australia Bureau of Statistics (2021).

Note: Excludes those whose income was negative or zero (5%) or not stated (1%).

Figure 2: Distribution of incomes for 40-49 year olds whose highest qualification is bachelor degree or above



Source: Australia Bureau of Statistics (2021).

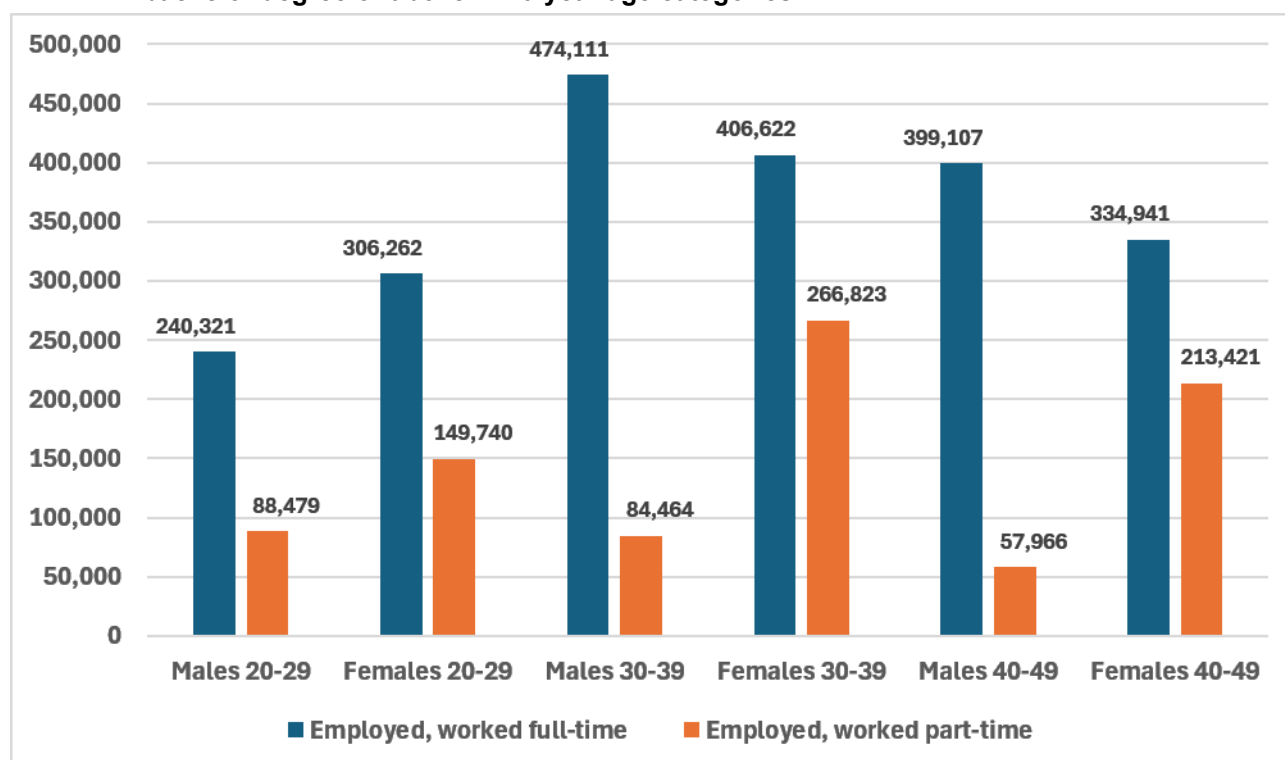
Note: Excludes those whose income was negative or zero (4%) or not stated (1%).

- Substantial proportions of men have shifted to the highest income category – 20 per cent for 40-44-year-old males and 25 per cent for 45-49 year olds. The comparable figures for women are 7 and 8 per cent respectively;
- The largest grouping of three income ranges for women in their 40s is between \$65,000 and \$104,000. This grouping contains 31 per cent of these women. It is one income range higher than the three most populous income ranges for the younger cohorts in Figure 1.
- The largest grouping of three income ranges for men in their 40s is now between \$78,000 and \$117,000 with 24 per cent of these men in this range. It is two income ranges higher than for the younger cohorts in Figure 1.

The data above is influenced by the choices both men and women make about their labor market participation, in particular whether to work part- or full-time. The data in Figures 1 and 2 include incomes for all employees. Figure 3 provides details on the number of full- and part-time employees by age and gender that are present in the data.

More women choose to work part-time than do men. We know this is related to their greater contribution to caring, particularly for children. Despite the support governments may provide towards people's education and skill acquisition, liberal democracies generally leave such choices to individuals. They are taxed on actual incomes, not potential full-time incomes. Similarly, the student contribution scheme should be designed to operate based on actual income and not potential full-time income. As we will see below, not all analyses have adopted this approach.

Figure 3: Number of full- and part-time employed men and women whose highest qualification is a bachelor degree or above in 10-year age categories



Source: Australia Bureau of Statistics (2021).

The broad conclusions from the above Figures 1 and 2 in combination are:

1. At all ages, there is a wide spread of graduates across income ranges.
2. In the first decade after graduating, many graduates are on a good income, but only small proportions are in high income categories.
 - In 2021, most had incomes clustered in categories around the median income range \$65,000 to \$78,000.
 - AWE in November 2021 fell within this range. If increased by the CPI, this range would be \$78,000 to \$93,000 in 2025 and AWE in November 2025 continues to fall in this range.¹³.
3. The incomes of many graduates increase as they get older, but this is far more pronounced in the case of men than in the case of women.
 - The median income for men increases one income range for each 5-year older cohort, that is median income ratchets up around \$15,000 for each 5-year older cohort. This does not happen with women.
 - The oldest cohort of women has a median income just one income range higher than in the early years after graduation. The median income for this group of women in their prime income earning years falls in an income category that is only one higher (i.e. \$15,000) than that in which AWE falls.
4. A single median income figure for men and women in all age groups combined would be substantially inflated by the high incomes of men aged over 40 years. It would be a poor reflection of women's income.

Graduate incomes by field of education

It is easy to assume that the Census data might reveal a quite different picture when it is disaggregated according to the main field of study undertaken by graduates. What is surprising is the general consistency of findings with those observed in the previous section for all graduates taken together.

Figures providing the distribution of incomes for the various main fields of study of graduates are in the Appendices. These distributions are provided for six cohorts of graduates defined by gender and age – that is, men and women in three 10-year age cohorts (20-29, 30-39 and 40-49 years old). The figures are specific to graduates whose highest qualification was a bachelor level degree at the time of the 2021 Census.

- Appendix B provides these distributions for the 10 largest fields of study at the 2-digit ASCED Level.
- Appendix C provides them for various fields of study at the 4-digit ASCED level. The 4-digit level is required to isolate fields of study which would be undertaken by people seeking to enter particular professions of interest for the purpose of setting student contribution rates, such as nursing, medicine, various other health occupations, economics and law.

Figure 4 provides a summary of the median incomes for each of the six cohorts for the 2- and 4-digits fields of study included in figures in the Appendices.

¹³ AWE in November 2025, was \$1,562.40 a week or \$81,245 a year.

Figure 4: Median incomes for cohorts whose highest qualification is a bachelor degree by main field of study – cohorts based on age and gender

		\$39-51k	\$52-65k	\$65-78k	\$78-91k	\$91-104k	\$104-117k	\$117-130k	\$130-143k	\$143-156k	\$156-169k	\$170-182k	\$182k +
2-digit Fields of Study	Natural and Physical Science	Both		Both	30-39		40-49						
	Information Technology		Both		Both		30-39	40-49					
	Engineering & Related Technologies			Both	30-39	40-49	30-39		40-49				
	Architecture & Building		Females		40-49		30-39	40-49					
	Agriculture, Environmental & Related			40-49	30-39	40-49							
	Health				40-49	30-39		40-49					
	Education				40-49	30-39		40-49					
	Management & commerce		Both	30-39	40-49	30-39		40-49					
	Society & culture		Both	Both		30-39		40-49					
	Creative Arts	Both	Both	30-39	40-49								
Health @ 4-digit level	Medical studies					Both			30-39		30-39	40-49	40-49
	Nursing				30-39	40-49							
	Pharmacy					30-39	40-49						
	Dental studies			Females	30-39	40-49	Males				Both		
	Optical Science	Both			Both			Both					
	Veterinary studies		Females		40-49	30-39		40-49					
	The rest of health (6 x 4-digit)					30-39	40-49						
4-digit	Mathematical sciences		Both		Both	30-39		40-49					
	Economics & econometrics						30-39		40-49				
	Law, Justice & Enforcement (2 x 4-digit)			Both		30-39	40-49	30-39		40-49			
	Codes:												
	Males & Females 20-29	Both	OR	Males	Females								
	Males & Females 20-29, plus Females 30-39												
	Males 20-29 & Females 30-39												
	Males 20-29 & all female age groups												
	Females 30-39 & 40-49	Both	OR	30-39	40-49								
	Males 30-39 & 40-49	Both	OR	30-39	40-49								

Source: Australia Bureau of Statistics (2021).

Note: AWE in November 2021 fell in the \$65,000-78,000 range. If increased by the CPI, it would be \$78,000 to \$93,000 in 2025 and AWE in November 2025 continues to fall in this range.

Figure 4 shows:

- regardless of main field of study, the median incomes for both men and women in their 20s was generally in one of the two income categories between \$52,00 to \$78,000. The upper of the two income categories is the one in which AWE falls.
 - Natural and physical sciences, creative arts and optical science were the three fields in which both men and women in their 20s had median incomes under \$52,000.
 - Medical studies, primarily undertaken by people who become doctors, was the only field in which median income for both men and women in their 20s exceeded \$78,000. Men in their 20s from dental studies also had median incomes over \$78,000.
- except for two fields of study, no age cohorts of women had median incomes above \$104,000, that is two categories or around \$30,000 above the category in which AWE falls. The two fields were medicine and law;
- in contrast, there were only three fields of study in which males aged 40-49 years old did not have a median income in excess of \$104,000. These three fields were creative arts, nursing, and agriculture, environmental and related studies.

The conclusion to be drawn from this analysis is that there is very little evidence to support the idea that it makes sense to set student contributions based on the lifetime benefits that students will gain from their field of study as suggested in the Accord. The reasons for this conclusion are outlined in detail in the following two sections.

Gender and the distortions implicit in a single figure for lifetime earnings

Bruce Chapman in a background paper prepared for the Accord asserted:

“the right approach to the setting of HECS-HELP prices and HECS-HELP collection procedures, in terms of both the economics of the matter and distributional equity, is to base field of study prices on lifetime incomes.”¹⁴

This statement deserves scrutiny in light of the above findings on differences in earnings by gender.

In a recently released paper Chapman, Higgins and Kemka¹⁵ examine both the JRG student contribution rates and a potential alternative set of student contribution rates which they base on their estimates of lifetime incomes. They emphasize that their alternative set of rates “is illustrative only, and there are many ways that different price bands could be set which are consistent with preserving the relationship between HECS-HELP prices and expected lifetime graduate income”¹⁶.

Chapman, Higgins and Kemka model the repayment durations and Government subsidies associated with these two different rate sets.

There are many assumptions and complex issues associated with such modelling exercises. These exercises are useful aids to our understanding of issues, but specific results should be viewed cautiously.

¹⁴ Chapman, B (2024), p1.

¹⁵ Chapman, B and Higgins, T and Khemka, G (2026).

¹⁶ Ibid, p22.

Each exercise has a series of limitations, often deriving from the assumptions it makes. In the case of the Chapman, Higgins and Kemka paper:

- the results assume an average degree length of 3.5 years, so they underestimate total debts and repayment durations for people with degrees in medicine, combined degrees and postgraduate degrees required for professional entry; and
- complex techniques are used to simulate labour market dynamics over time to overcome the limitations of cross-sectional Census data. Chapman, Higgins and Kemka acknowledge that the “subsidies for borrowers can depend critically on individual income mobility and ignoring this can lead to inaccurate estimates”¹⁷. There are complex methodological issues involved in simulating these dynamics which continue to be subject to debate and refinement among academics.

Chapman, Higgins and Kemka’s approach can be used to highlight the practical difficulties in setting student contribution rates for fields of study based on expected lifetime incomes.

The central dilemma is that the approach requires a single figure for lifetime income to be estimated for each field of study. These are then used to establish relativities between the different lifetime incomes for the various fields of study. Finally rates of student contribution for the different fields of study are given the same relativities.

The approach avoids having to worry about the overall size of student contributions. Each contribution would be determined in relation to an amount which is equal to one. If one was \$10,000, a field of study expected to produce a lifetime income of 1.2 times that of the average graduate would have a student contribution of \$12,000. A field of study expected to produce a lifetime income 0.9 of the average graduate would have a student contribution of \$9,000.

Chapman, Higgins and Kemka also use 2021 census data. They “use full-time income as a proxy for potential earnings associated with different fields of education” and state:

*Our rationale for choosing full-time income is to prevent distortions from individual-specific labour supply choices. For example, some graduates may choose to work part-time or take time out of the work force to raise a family, with such choices contributing to significant variability in income. Since the aim of this research is to set prices at the time of starting a degree, the exercise assumes that full-time income best reflects income potential associated with a field of education and minimises distortions due to personal choice post-graduation.*¹⁸.

This type of approach has multiple potential problems.

- Former students subject to the repayment tax surcharge do not have their repayments calculated based on their income potential. They are calculated and paid using their actual income. The claim that a person’s decision to work part time or take time out of the workforce to care for children (or an elderly parent or dying partner) is a ‘distortion’ does not seem to be a reasonable approach in this area of social policy. As argued above, the student contribution scheme should be designed to operate based on actual income and not potential full-time income.
- Women are more likely to work part-time than men. Excluding part-time employees from the income data used to determine lifetime income biases the lifetime income estimate towards men’s incomes.
- While the income data presented in this paper covers all people with positive incomes, Chapman, Higgins and Kemka show that, even when data is constrained to full-time employees, there are substantial differences in the median income of men and women across all fields of study¹⁹. The

¹⁷ Ibid, p8.

¹⁸ Ibid, p11.

¹⁹ Ibid, see Figure 1, p12.

need to determine a single 'lifetime income' for each field of study leads to these gender differences simply being disregarded.

- Chapman, Higgins and Kemka use median incomes for people aged 25 to 60 years. The use of all ages picks up lifecycle patterns associated with income and earnings. In general, income increases with age, particularly among men. Some fields of study are found to have above average lifetime earnings primarily because of the very high earnings of men in the second halves of their working lives. If we expect most people to have finished making their contribution to higher education costs in the first half of their working lives, should we be setting rates of student contribution using a method heavily influenced by the earnings of men in the second halves of their lives?
- There is an assumption that two people doing the same field of study have the same lifetime income potential. This is not true. The data presented in Figure 4 above for dental studies provides a useful example. Each of the income medians for the male cohorts exceed all medians for the female cohorts. Why is this the case? Most likely it is related to occupational segregation. More of the women who have undertaken dental studies are likely to be dental hygienists or work in ancillary dental occupations with lower lifetime incomes, than is the case with men. The men appear to be more likely to be high paid dentists than women.
- The last point highlights a more general problem. It is often assumed that a direct line can be drawn from field of study to a person's subsequent profession and then to their lifetime income. This is not the case. There is no clearly defined profession for something like 40 per cent of student load which is in fields of study such as humanities, other society and culture, science and communications. Another 10 per cent of student load is education and there is believed to be a significant level of departures from that profession in the early career period. Other professions likely have their own unique levels of attrition. In addition, courses of study which are directed to a particular profession generally include a range of fields of study and invariably these end up with different rates of student contribution under the proposed approach.
- Finally, the approach of using lifetime income relativities to set student contribution rates for one year of study in a particular field does not account for the different lengths of time people need to study in their chosen field. Conceptually if inequities in repayment periods and government subsidy are to be minimized, the different 'total amounts owing' at the end of study should vary according to lifetime income relativities. Chapman, Higgins and Kemka acknowledge this when they say, "A limitation of our methodology is that we have not considered the impact of different minimum degree lengths."²⁰

Chapman, Higgins and Kemka's paper provides a useful critique of the JRG approach to the setting of student contribution rates. It shows that "their alternative approach can lead to significant changes towards the equality of debt repayment duration and repayment subsidies by field of study". They appear to argue that minimising inequities in repayment periods and government subsidy should be included among the scheme's objectives and that this is best achieved by setting student contribution rates based on lifetime income estimates.

What Chapman, Higgins and Kemka have not done is show that their alternative approach to setting rates of student contribution is to be preferred over a single annual rate of student contribution.

The income data presented earlier in this part of the paper show some differences in income based on field of study, but for many fields of study there are far greater differences in income based on gender. With the exception of medical studies, only male cohorts were found with median incomes falling in categories more than three higher (i.e. up \$45,000) than that in which AWE falls.

²⁰ Ibid, p22.

The implication is that a single rate of annual student contribution is to be preferred. The onus should be on the advocates of differential rates of student contribution to demonstrate that they are more effective in raising revenue than a single rate and can do so without egregious outcomes for large groups of individuals. The analysis in this paper demonstrates that graduates have good incomes, but field of study is a poor indicator for isolating very high-income earners who are mainly men spread across most fields of study.

A single rate of annual student contribution avoids setting student contribution rates based on field of study lifetime income estimates which, as we have seen, have a high margin for error. These estimates assume uniformity across disparate groups of individuals with large differences in their incomes and situations.

- A dental hygienist does not earn the income of a dentist running their own practice.
- An economist who has been promoted to a senior management position in a global corporation is likely to have far greater earnings than a suburban accountant.
- Someone with a basic law degree living in a small country town is not in the same situation as someone working in an international law firm in metropolitan Melbourne or Sydney.
- A general practitioner working in a medical clinic is unlikely to be in a comparable situation to an orthopedic surgeon who runs their own private practice.

Further arguments in support of a single annual rate of student contribution

The main issue for this paper is how an alternative set of student contribution rates to those of JRG might be set. While the main objective of the student contribution system is to raise revenue, this must be balanced against the scheme's other objectives, as well as the need to retain public support for the scheme. This support is most likely to be retained if it operates in a manner which minimizes the extent to which individuals experience egregious outcomes²¹.

People's incomes are not static. They shift into and out of employment. They move between part-time and full-time employment. They change jobs. Some of this is driven by technological change and this is expected to intensify as the use of artificial intelligence increases.

Some people's incomes increase over time as they advance through their careers, as appears to be strongly the case with men. Other people's incomes initially increase and then plateau, as appears to be more often the case with women. Some have their income decline over time due to ill-health, misadventure, faltering careers or lifestyle choices.

All these factors affect the repayment pattern of an individual and their overall experience of the student contribution system. There is no way to prevent this diversity of potential outcomes.

A single rate of student contribution recognizes that graduates in all fields of study have a wide range of incomes and are in a wide variety of different circumstances. All fields of study have around 30 to 40 per cent of graduates who are high income earners, many of them are men who have worked their way to senior positions. But in nearly all fields of study a large share of graduates have income clustered around the range from AWE to \$15,000 above AWE. A sizable proportion have lower incomes and may never fully reduce their amount of potential student contribution to zero.

A single rate of student contribution may more effectively optimise revenue to support higher education while minimizing adverse outcomes for individuals. The single rate of annual student contribution has all high-income earners across all fields of study contributing in a similar manner. The amount contributed would differ only according to the number of years of study undertaken. Medicine requires five to six years of full-time study. Law is frequently undertaken as a five-year combined course. Many professions require

²¹ For my views on how repayment arrangements should operate, see Warburton, M (2023).

completion of a postgraduate master degree after a three-year bachelor degree. Nursing and a basic arts or science degree are frequently only three years of full-time study.

The number of years of study undertaken by a person may be more closely related to their subsequent earnings than to field of study but testing this proposition could not be undertaken as part of this project, primarily due to time and resource constraints. Years of full-time study completed is not a data element in the ABS Census. Testing the proposition would likely require detailed research using the secure Government administrative data known as the Person Level Integrated Data Asset (PLIDA) available through the ABS.

Student contribution rates cannot adequately take into account the diverse circumstances in which all those who obtain a higher education qualification will find themselves. Some of this can be done by the student contribution repayment arrangements, but it is unlikely that much of it can be done by pre-determined differential rates of student contribution based on fields of study.

In all fields of study, some people will earn a lot more than others. As a result, they will be better able to contribute to the funding of programs which bring social cohesion to our society. But this task is largely performed by our taxation system. It is time we stopped trying to achieve it through funding arrangements for higher education.

There is simply no way that the rates of student contribution attributed to a person as they study can adequately reflect their subsequent individual circumstances. We should not expect them to play a major role in redistributing income. The taxation and social security systems are better able to take individual circumstances into account. They can do this because they have regular and more comprehensive assessment processes than the student contribution system.

4. Government policy and options to fix the JRG mess

Government policy on JRG student contribution rates

The Australian Labor Party opposed the JRG package when its legislation was before the Parliament in 2020. It has now been in Government for over four years, and it is not unreasonable to ask whether it has a policy relating to the JRG student contribution rates. Trawling through the various transcripts, speeches, press releases and other possibly relevant statements of the Minister for Education, Jason Clare, does not reveal an answer to the question.

The policy appears to be that the Government should do a lot of other things before it makes any changes to student contribution rates. There are no good reasons why any of these things must be done before changing JRG student contribution rates.

Initially, there was a need to do a full review of the tertiary education system before changing contribution rates. The review, known as the Australian Universities Accord, included in its Executive Summary findings:

The Job-ready Graduates package needs urgent remediation. Its intended purpose of influencing students' choice of courses through price signals has failed. While some students are paying less, the overall funding balance has shifted in the direction of lower government contributions and higher student contributions. Many students have extremely high student contributions resulting in large HELP loans that do not reflect their future earning potential.²²

²² Australian Government (2024), p12.

One of its recommendations was to “make student contributions fairer and better reflective of the lifetime benefits that students will gain from studying”²³ The Government hasn’t responded to this recommendation, and it hasn’t published a set of responses to the Accord’s recommendations. It asserts it has implemented 31 of the 47 recommendations, but how this estimate has been derived is completely opaque.²⁴

After the review, it appeared to assert that there was a need to establish the Australian Tertiary Education Commission (ATEC) before considering student contribution rates. In September 2024, Dr Monique Ryan referred to the cost of arts, business and law degrees and asked the Minister when the Government would address the unfair costs of university degrees. He responded:

“the Universities Accord made specific recommendations about this and made the point that the former government’s Job-ready Graduates program had failed, and it made recommendations about how to address this. I’ve announced that we will establish an Australian tertiary education commission that will help to steer reform here, which includes the setting of course fees ...”

When the legislation to establish ATEC was tabled in Parliament, ATECs proposed functions included:

“to prepare reports, and provide advice and recommendations to the Minister, in relation to ... the efficient cost of higher education across disciplines and student cohorts and in relation to the Commonwealth contribution amounts for places in funding clusters”.

During the Senate Inquiry into the Bill, many organisations and individuals noted that ATEC’s proposed functions did not explicitly state that ATEC could make recommendations about student contribution rates. They argued the Bill should be amended to explicitly provide for ATEC to make recommendations on student contributions.

The Senate Committee concluded “that a holistic view of tertiary system funding—including the interaction of Commonwealth subsidies, student contributions and research funding—is inherent in ATEC’s stewardship role and these matters can and should be considered as broader consultation continues.”²⁵ The Government declined to amend the Bill.

The Senate Committee’s report included an Australian Greens dissenting report with the recommendation “That the Government immediately reverse the job-ready graduates scheme’s fee hikes and funding cuts.” It was Senator Jess Walsh’s job in the Senate to provide the Government’s response to this recommendation:

The government notes the additional recommendations by Australian Greens senators as part of this inquiry, including those related to the Morrison government’s Job-Ready Graduates scheme. As Minister Clare has said: ‘We’re taking this one step at a time... there is more work to do... we have never ruled out reform here. It’s all about what you do first.’

Now that ATEC has been established, its Chief Commissioner is saying changes to student contributions cannot be made until the ATEC has undertaken a full ‘pricing and costing’ exercise in consultation with the sector. He estimates this may take 18 months.

The setting of student contribution rates does not require an examination of the costs of higher education delivery. The ‘full cost’ and the ‘efficient cost’ of higher education delivery are conceptually distinct issues from the rates of student contribution which might be asked of students. So are other aspects of the sector’s

²³ Ibid, p25.

²⁴ Clare, J (2025).

²⁵ Senate Education and Employment Legislation Committee (2025), p44.

funding arrangements, such as how to support higher regional costs or higher costs associated with less well-prepared students. Similarly, whether there should be a block grant component of funding is irrelevant to the issue.

Between 2011 and 2022, Deloitte Access Economics undertook seven cost studies for the Government. They were all done with extensive consultation across the sector. The cost studies for both the 2017 and 2018 years found that the cost of delivering teaching and scholarship for bachelor studies was 89% of funding provided for teaching across the sampled universities.²⁶

This Deloitte finding was used to support the Government's decision to reduce total teaching funding in the JRG package. The 'surplus funds' had primarily cross-subsidised research. The Government largely ignored the implications for research programs of withdrawing this funding. At the same time as the funding was withdrawn, students on average were asked to pay more, yielding further savings for the Government.

A TEC's plans to revisit teaching costs and examine funding arrangements might lead to improved funding arrangements. There are good arguments that the Deloitte studies should not have been used in the way they were by the former government. A TEC's study, however, is not going to add anything to our understanding of what students might reasonably be asked to contribute under the current student contribution arrangements and it will not provide any basis for fundamentally altering those arrangements. At the end of the day, the arrangements are a matter on which the government must make judgements.

All the rationales for delaying action on student contribution rates are simply forms of obfuscation. The bottom line is that current Government policy is to leave JRG student contribution rates in place. This is poor policy and inconsistent with the sort of policy normally advocated by the Labor Party.

The Government is choosing to continue a student contribution system designed to penalize some individuals purely based on their chosen field of study. It is doing so irrespective of any other consideration. It is effectively endorsing a higher level of student contribution tax surcharge being imposed on people who have lower incomes than other people who are beneficiaries of higher education.

There is no good rationale for continuing to do this and not correcting the inequity. The Government can adjust student contribution rates without waiting for A TEC's new study. It is simply choosing not to do so.

Options for a single rate of student contribution

The easiest, simplest and potentially most effective approach would be for the government to introduce a single student contribution rate.

For illustrative purposes, let's assume this rate was the current average rate paid by students and adjust the accompanying government subsidy in each field of study so that university revenue for a place in any field of study remains the same. This would result in 2026 funding amounts being as outlined in Table 2 below.

The current average rate of student contribution is \$10,847. Around two-thirds of students have higher contributions and one third lower contributions. The adjustments to government subsidies would mean there was no cost to Government and no impact on any university.

²⁶ Deloitte Access Economics (2019a), p xiii and Deloitte Access Economics (2019b), p xii.

The only substantive issue raised by this option is the size of the current average student contribution rate. If this rate is considered too high for some of the two thirds of students that would have a funding increase, then presumably it is too high for many of the one third who are currently paying well in excess of this amount. This would have to be the case based on the evidence concerning income by field of study presented above.

The Government has the option of lowering this single student contribution rate, but if universities are not to have their funding reduced there would be a cost. The Government would need to make up the difference. Every \$100 reduction in the average rate of student contribution would have a net cost to Government of around \$53 million a year.²⁷

The government could lower the average rate to \$10,000 for a net cost around \$443 million a year. If the student contribution rate was equal to the middle rate of the current three rates of contribution (that is \$9,537), the net cost to Government would be around \$685 million a year.

Table 2: Single average student contribution rate, no other changes

Field of education	Max. student contribution amount	Australian Government contribution	Total resourcing per student place
Communications, Food & hospitality, Human movement, Humanities, Law & economics, Management & commerce, Mixed fields, Other society & culture. 30% of student load	\$10,847*	\$7,868	\$18,715
Clinical psychology, Education, English, Mathematics. 15% of student load	\$10,847	\$9,789	\$20,636
Nursing, Foreign languages. 9% of student load	\$10,847	\$13,388	\$24,235
Allied Health, Architecture & building, Creative Arts, IT, Other Health, PPWAY psychology, PPWAY social work. 24% of student load	\$10,847	\$14,588	\$25,435
Engineering, Environmental studies, Medical science, other science. 18% of student load	\$10,847	\$18,187	\$29,034
Agriculture. <1% of student load	\$10,847	\$26,291	\$37,138
Pathology. <1% of student load	\$10,847	\$31,090	\$41,937
Dental Studies, Medical studies, Veterinary Science. <4% of student load	\$10,847	\$35,111	\$45,958

* Current average student contribution amount under JRG.

²⁷ The gross cost of this option is \$62 million a year. The net cost is assumed to be 0.85 of this amount based on an assumption that 15 per cent of the gross cost would be debt not expected to be repaid. All net costs in this part of the paper are derived on the same basis.

JRG produced eight different total rates of funding across the disciplines. These rates are the 'total resourcing per student place' in the final column of Table 2. These are the amounts received by universities.

Some of the differences in total funding amounts are small. The differences have little to do with universities actual costs of teaching. They are largely an artifact of the costing methodology deployed in the Deloitte studies mentioned above and policy choices made by the former government in developing the JRG package. There is no strong reason to continue with these eight different funding rates. They could readily be reduced to 5 rates.

Any regime for the funding of student places has a defined number of funding rates. These rates cover multiple fields of study which may have slightly different costs associated with them. Provided the rates are set at a level which on average is adequate to fund the various fields of study they cover, there is little problem. Beyond this it is the role of a university to manage its internal budget and ensure that different fields of study receive an adequate share of available resources and deliver an acceptable quality of teaching.

Table 3 outlines a simplified funding arrangement. This arrangement retains the current average rate of student contribution. It would have a net cost to Government of less than \$6 million a year and would increase sector revenue by around \$7 million a year.

Table 3: Single average student contribution rate, simplified total resourcing rates

Field of education	Max. student contribution amount	Australian Government contribution	Total resourcing per student place
Clinical psychology, Communications, Education, English, Food & hospitality, Human movement, Humanities, Law & economics, Management & commerce, Mathematics, Mixed fields, Other society & culture, PPWAY psychology, PPWAY social work. 49% of student load	\$10,847*	\$9,153	\$20,000
Allied Health, Architecture & building, Creative Arts, Foreign languages, IT, Nursing, Other Health. 28% of student load	\$10,847	\$14,153	\$25,000
Engineering, Environmental studies, Medical science, other science. 18% of student load	\$10,847	\$18,153	\$29,000
Agriculture. <1% of student load	\$10,847	\$26,291	\$37,138
Dental Studies, Medical studies, Pathology, Veterinary Science. <4% of student load	\$10,847	\$35,111	\$45,958

* Current average student contribution amount under JRG.

This simplification results in disciplines having increased funding.

- Management & Commerce (9% of student load), Law & Economics (7%), Communications (3%), Humanities (2.5%), Human movement (0.8%) and Mixed Fields (0.2%) increase by \$1,285 per place.
- Nursing (8%) and Foreign Languages (0.7%) increase by \$765 per place.
- Pathology increases by \$4,021 per place by being grouped with medicine. Its rate would otherwise be \$41,937. The Pathology change accounts for around 46 per cent of the cost of this option.

Largely offsetting these increases are smaller drops in funding for other disciplines.

- Education (10% of load) and Mathematics (3.5%) drop by \$636 per place. Allied Health (5%), IT (5%) and Other Health (3%) drop by \$435 per place. All these disciplines except Mathematics still receive funding above Deloitte's cost estimate. Some other smaller disciplines also have minor rate drops.
- PPWAY Psychology and PPWAY Social Work drop by \$5,435 per place but still receive funding above Deloitte's cost estimate.

A differential rate student contribution option and its policy problems

While this paper has argued for a single rate of student contribution, the Government may be influenced by political considerations to retain differential rates of student contribution. In this section, the implications of doing so are explored. The simplified funding arrangement presented in Table 2 is retained.

Nearly 8 per cent of student places are in the nursing field of study. If the nursing field of study had a student contribution of \$8,000 and all other fields of study had the current average rate of student contribution (\$10,847), the net cost would be around \$124 million a year.

To keep this cost down, a variant is presented in Table 3. The nursing student contribution is set at \$8,000 and most other fields of study have a student contribution of \$11,000. Medical studies has a student contribution of \$13,000 on the basis that it is this field of study in which both male and female graduates clearly have higher median incomes than other graduates.

The net cost of this option is around \$22 million a year. There would be a reduction in student contributions of around \$18 million a year and increased revenue to the sector of nearly \$7 million a year.

Table 4: Three student contribution rates, simplified total resourcing rates

Field of education	Max. student contribution amount	Australian Government contribution	Total resourcing per student place
Clinical psychology, Communications, Education, English, Food & hospitality, Human movement, Humanities, Law & economics, Management & commerce, Mathematics, Mixed fields, Other society & culture, PPWAY psychology, PPWAY social work. 49% of student load	\$11,000	\$9,000	\$20,000
Nursing. 8% of student load	\$8,000	\$17,000	\$25,000
Allied Health, Architecture & building, Creative Arts, Foreign languages, IT, Other Health. 20% of student load	\$11,000	\$14,000	\$25,000
Engineering, Environmental studies, Medical science, other science. 18% of student load	\$11,000	\$18,000	\$29,000
Agriculture. <1% of student load	\$11,000	\$26,138	\$37,138
Dental Studies, Pathology, Veterinary Science. 1% of student load	\$11,000	\$34,958	\$45,958
Medical studies. <3% of student load	\$13,000	\$32,958	\$45,958

The policy difficulty with this option is that there is as strong a case to lower student contributions rates for the 'creative arts' and 'agriculture, environmental and related studies', as there is for nursing. In Figure 4 above, none of these fields of study have any cohorts with median incomes above \$104,000 a year. If all these fields of study had student contributions of \$8,000, the net cost of this option would rise to \$98 million a year.

This is not the last of the policy difficulties:

- Women whose main field of study was 'Pharmacy', 'Economics and econometrics' or 'The rest of health' have the same median incomes as women in nursing.
- Women whose main field of study was 'natural and physical sciences' are worse off than nurses. They have lower median incomes than nurses in their 20s and only attain the same median incomes as nurses in their 30s and 40s.
- Women from 'agriculture, environmental and related studies' are worse off than women from 'natural and physical sciences'. They do not attain the same median incomes as the cohorts of female nurses until they are in their 40s.

All the female cohorts discussed in the paragraph immediately above have median incomes lower than the cohorts of male nurses in their 30s and 40s.

This example highlights a critical difficulty with differential rates based on field of study. Any substantial reduction in student contribution for a field of study with a reasonable amount of student load is very expensive. Offsetting the cost requires everyone else to have higher rates or select groups to have very high rates.

The preferential treatment of some fields of study ends up penalizing other groups of individuals who do not have higher incomes than the preferred group. Groups of individuals can legitimately claim the scheme is unfair and produces an outcome that is egregious for them. It rapidly descends into the mess of JRG.

5. Conclusion

There are private benefits and broader social and economic benefits from having a well-functioning higher education sector. In Australia, there is a broad consensus that the sector should primarily be composed of public institutions in which most students are domestic residents. There is acceptance that domestic students should contribute to costs and there is substantial support for most of the cost to be met through public subsidy.

There are many people who would like higher education to be 'free'. There are many employed in universities who hold this view and who also want to be well remunerated. Fundamental change would be required to Australia's tax base to remove the student contribution system that has grown in importance over the past three and a half decades since its introduction. In recent years, it has provided over \$5 billion annually of the \$13 billion in annual funding going to the sector.

The student contribution system has supported a significant expansion in the opportunity to undertake higher education. Additional revenue for this expansion could have been derived from other sources - improvement to the general income tax base, a sovereign wealth fund created from the export of natural resources or wealth taxes. But there is little prospect of any such things occurring in the near term and less prospect that higher education would be the priority for spending of the revenue raised.

The student contribution system is the mechanism through which Australia sought a reasonable balance of private and public funding to meet the cost of providing higher education for domestic students. Until recently it had been doing this successfully. It has done this while achieving other important objectives – collecting revenue only from those individuals who could afford to pay; preventing individuals who were unable to

contribute from experiencing adverse consequences; and doing these things in a way that Australians regarded as fair.

Over the decades, the scheme has been contorted. Changes have been driven by a mixture of cost pressures, political considerations, stereotypical views about professions and personal prejudices. It is time for a re-assessment of the scheme's operations.

This is not a time-consuming or difficult task warranting further delay before the JRG mess is fixed. Student contribution rates need to be re-set. In doing this, policy makers need to assess whether new rates more effectively achieve the scheme's objectives, and they need to assess the potential impact on affected individuals.

There is no reason to believe that the student contribution system cannot continue to achieve its objectives. It will do this primarily by sourcing contributions from graduates in the upper half of income earners. These are the people likely to be able to afford to contribute to the education they received. This is achieved primarily through the scheme's repayment arrangements, not through the setting of student contribution rates.

High income individuals are spread across all fields of study. A graduate's main field of study generally does not determine their future occupation, and it certainly does not determine their income. There is no evidence to support the claim that basing differential rates of student contribution on field of study produces a better alignment of final debt amounts with subsequent incomes than does a single annual rate of contribution.

The methods that have been proposed to set differential rates of student contribution rely on estimating a single figure for lifetime income for each field of study. But anyone with basic mathematical training can produce an average or a median for a set of data and for the sub-populations within that data. Finding differences in sub-population medians is not sufficient to conclude that differential rates of student contribution should be based on the identified sub-populations. Such differences can be found for any number of characteristics, for example gender and institution type.

Estimating a single figure for lifetime income for each field of study has been found in this paper to gloss over substantial differences in labour market outcomes and significant diversity in the lifetime income and circumstances of graduates. There is no direct line from field of study to occupation and then to lifetime income.

A particular concern is that the method disregards large gender differences in lifetime earnings. Single figures for the lifetime income associated with a main field of study are heavily influenced by the earnings of older men. They poorly reflect women's earnings patterns.

The easiest, simplest and likely most effective approach would be for the government to introduce a single annual student contribution rate. This system already requires people who study for more years to contribute more. The number of years that a person studies may be more strongly related to their future income, than their main field of study.

Differential rates of student contribution based on field of study have never been subject to adequate scrutiny. Support for the approach has relied on views that are plausible but which in most cases are wrong. Those views have, over the years, been deployed by Governments to aid their efforts to increase the amount students contribute toward their higher education. This situation should not continue.

People advocating differential rates of student contribution based on field of study should be asked to demonstrate that it can produce a more effective system than a single annual rate. They should be asked to demonstrate that it does not result in particularly egregious outcomes for some of the individuals who will be subject to the higher-than-average rates they propose. Until they do, this is not a system that should be implemented.

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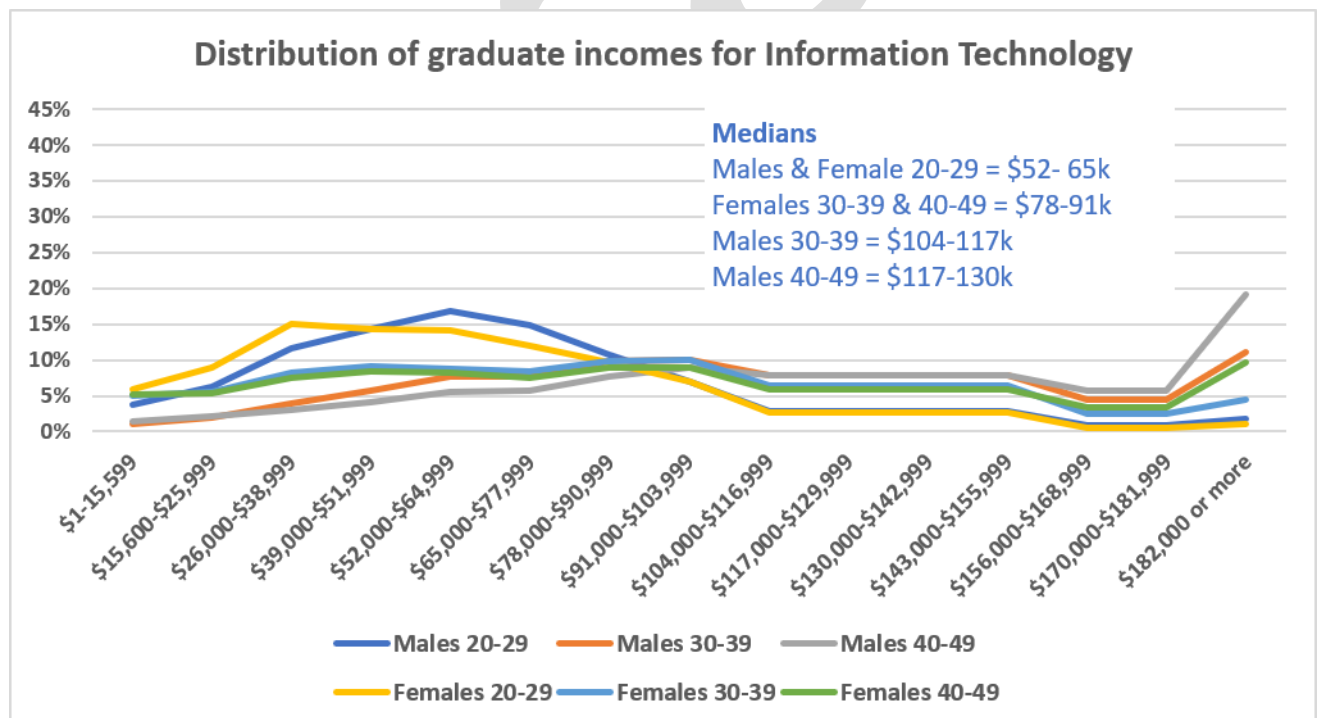
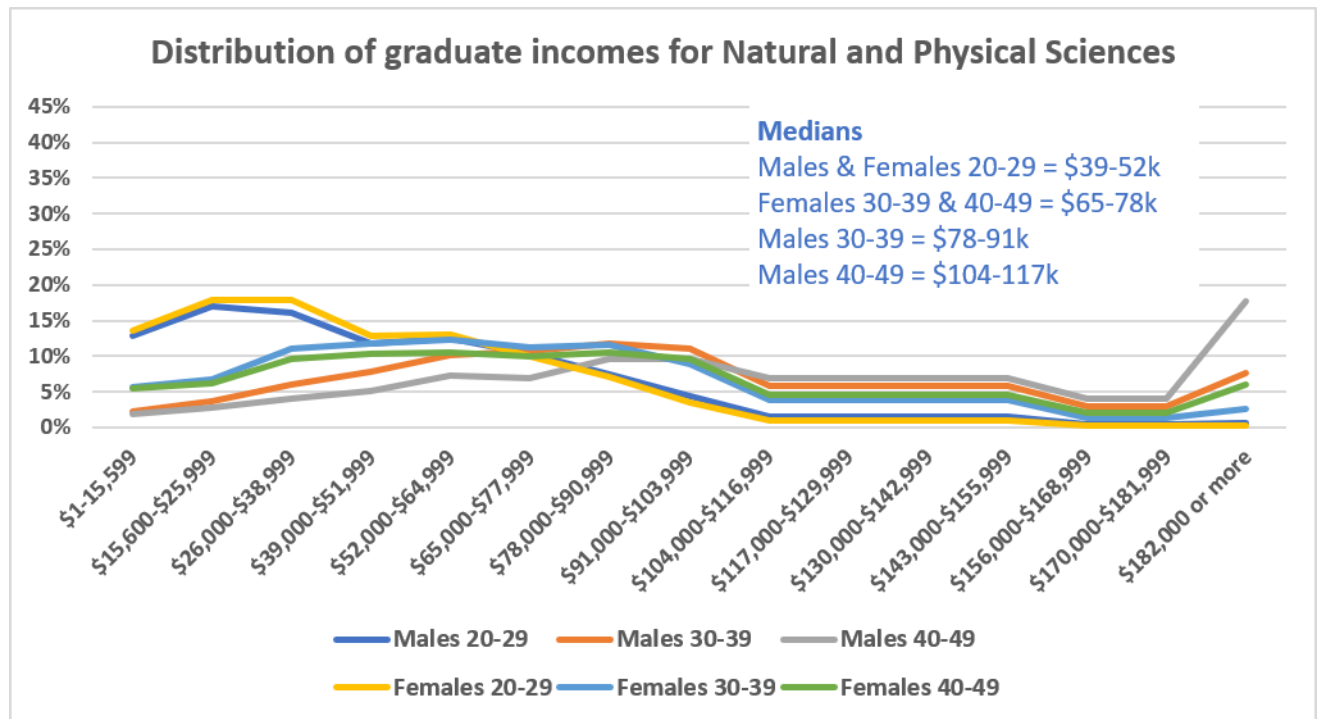
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Appendices

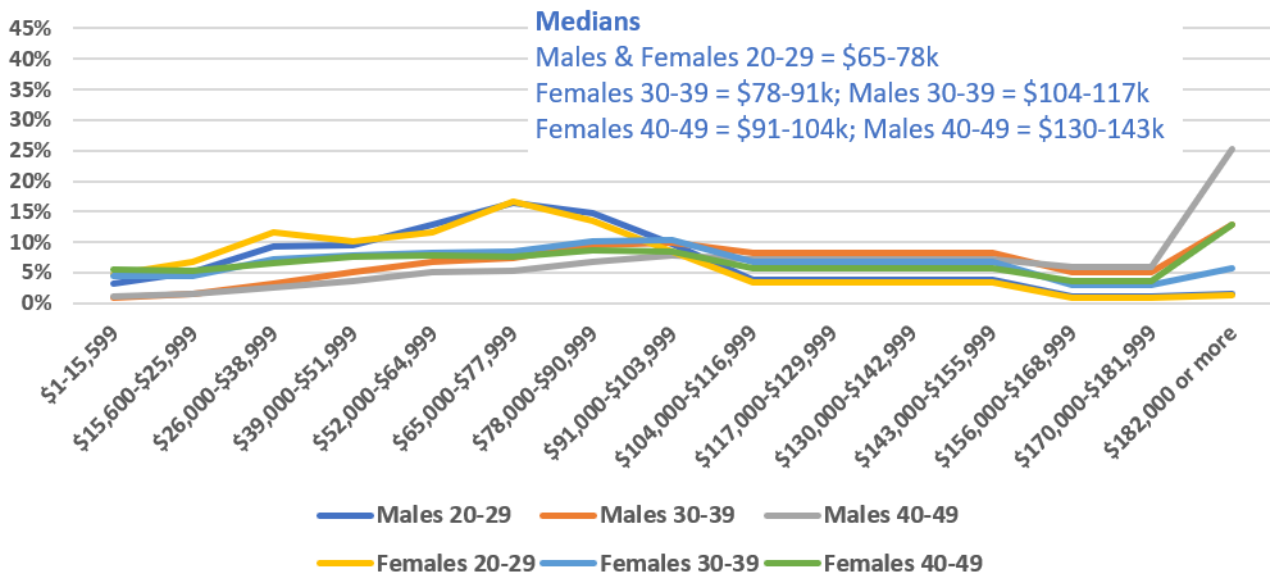
Appendix A: 2026 rates of student contribution and government subsidy for each discipline

Field of education	Max. student contribution amount	Australian Government contribution	Total resourcing per student place
Communications, Food & hospitality, Human movement, Humanities, Law & economics, Management & commerce, Mixed fields, Other society & culture.	\$17,399*	\$1,316	\$18,715
Clinical psychology, Education, English, Mathematics.	\$4,738	\$15,898	\$20,636
Nursing, Indigenous and foreign languages.	\$4,738	\$19,497	\$24,235
Allied Health, Architecture & building, Creative Arts, IT, Other Health, PPWAY psychology, PPWAY social work.	\$9,537	\$15,898	\$25,435
Engineering, Environmental studies, Medical science, other science.	\$9,537	\$19,497	\$29,034
Agriculture.	\$4,738	\$32,400	\$37,138
Pathology.	\$9,537	\$32,400	\$41,937
Dental Studies, Medical studies, Veterinary Science.	\$13,558	\$32,400	\$45,958

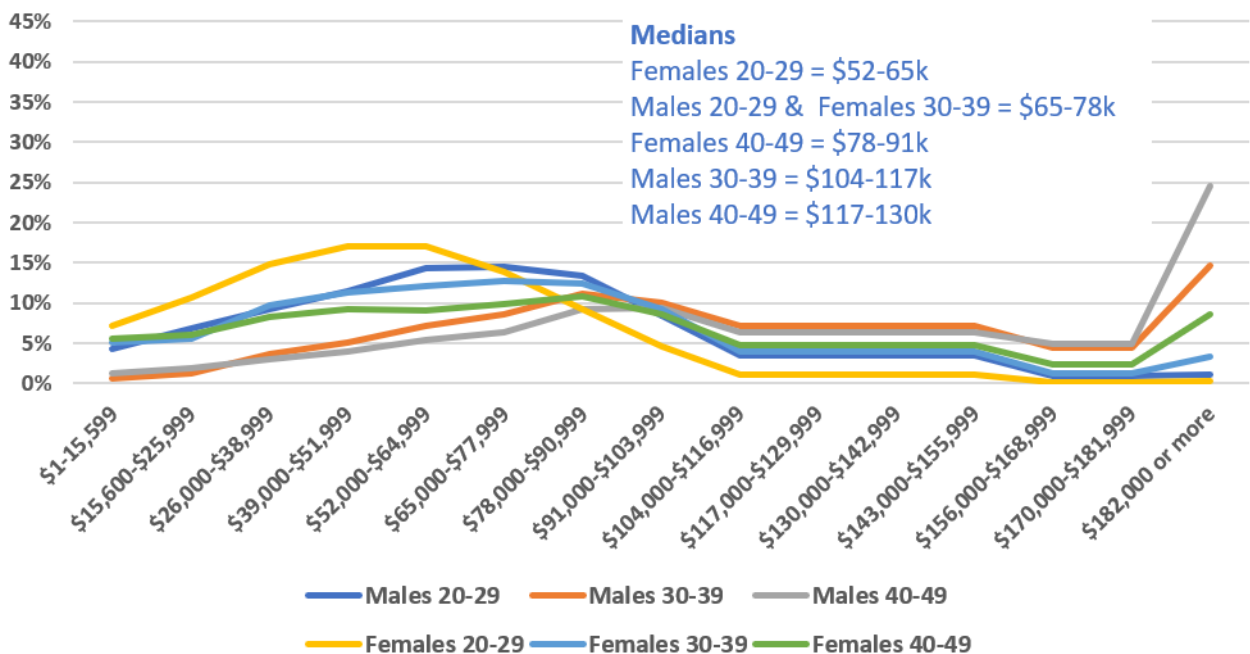
Appendix B: Income distribution figures - graduates from major 2-digit fields of study, 2021 Census



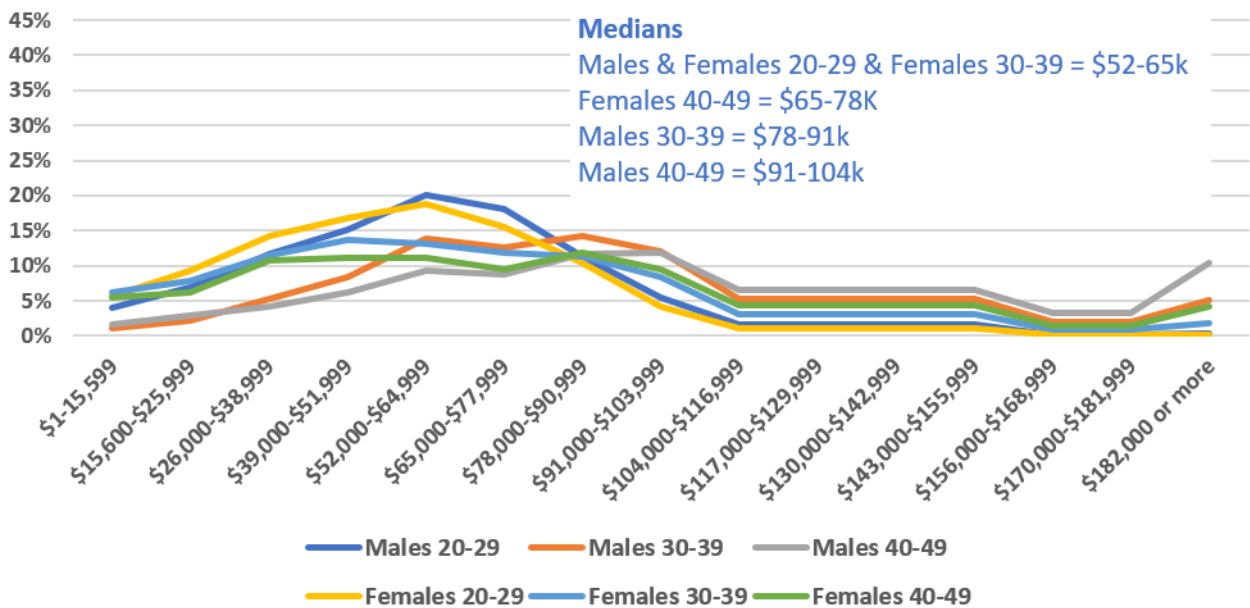
Distribution of graduate incomes for Engineering & Related Technologies



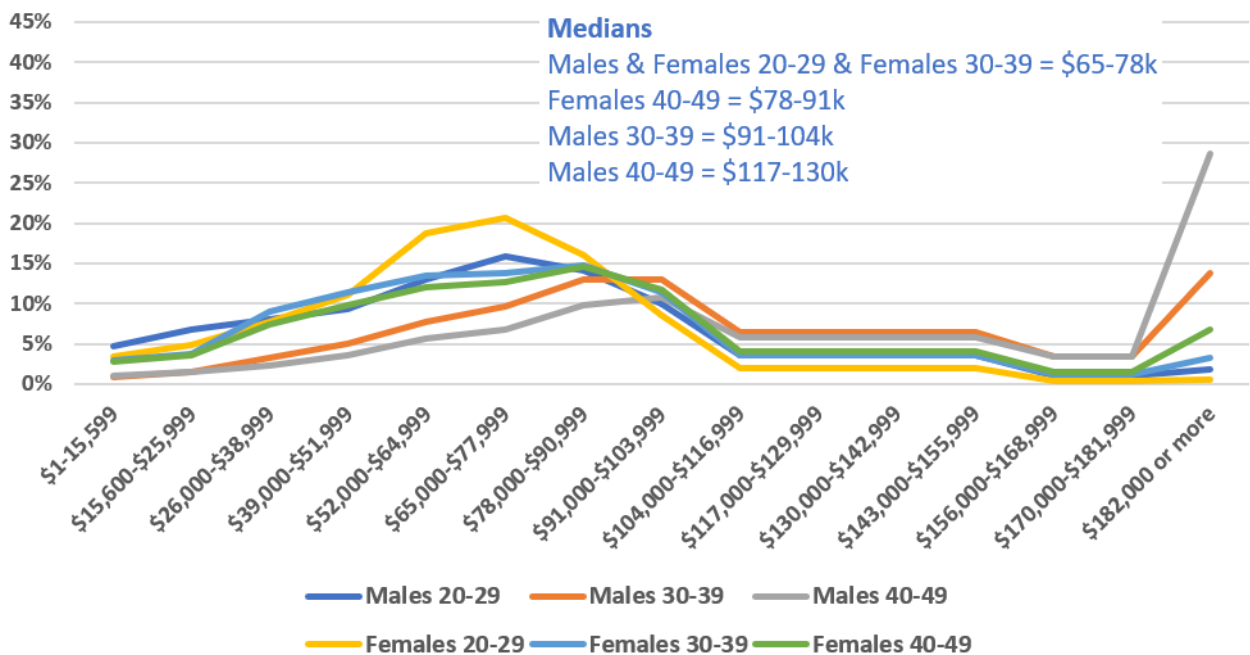
Distribution of graduate incomes for Architecture and Building



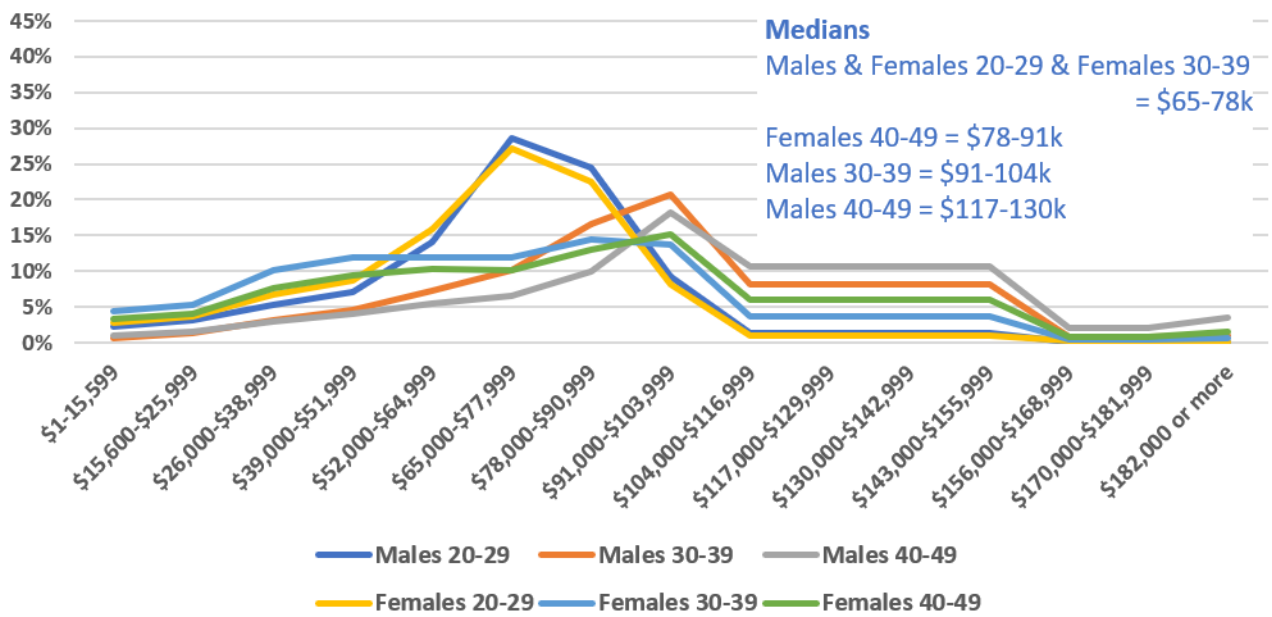
Distribution of graduate incomes for Agriculture, Environmental and Related Studies



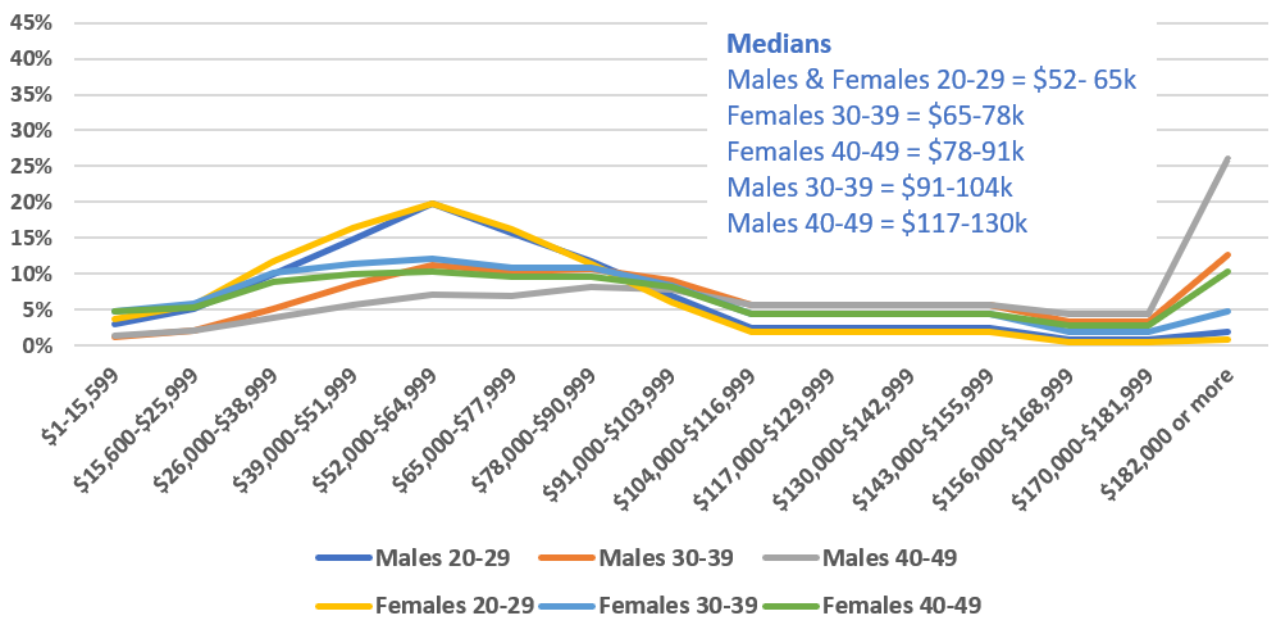
Distribution of graduate incomes for Health



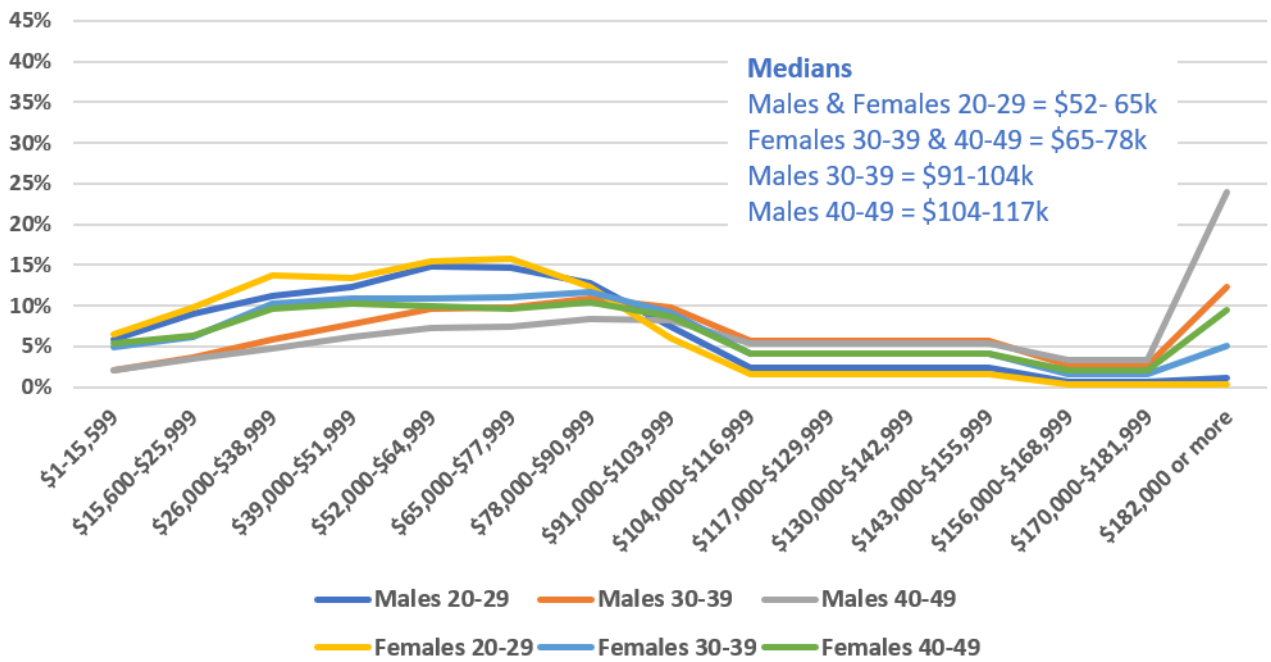
Distribution of graduate incomes for Education



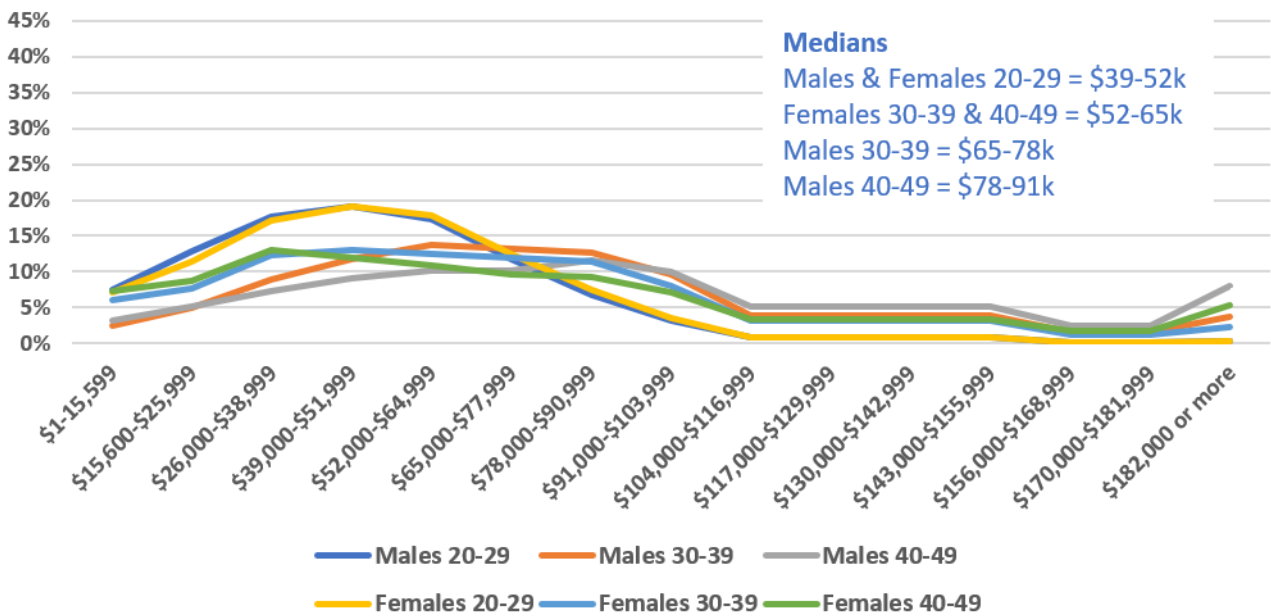
Distribution of graduate incomes for Management & Commerce



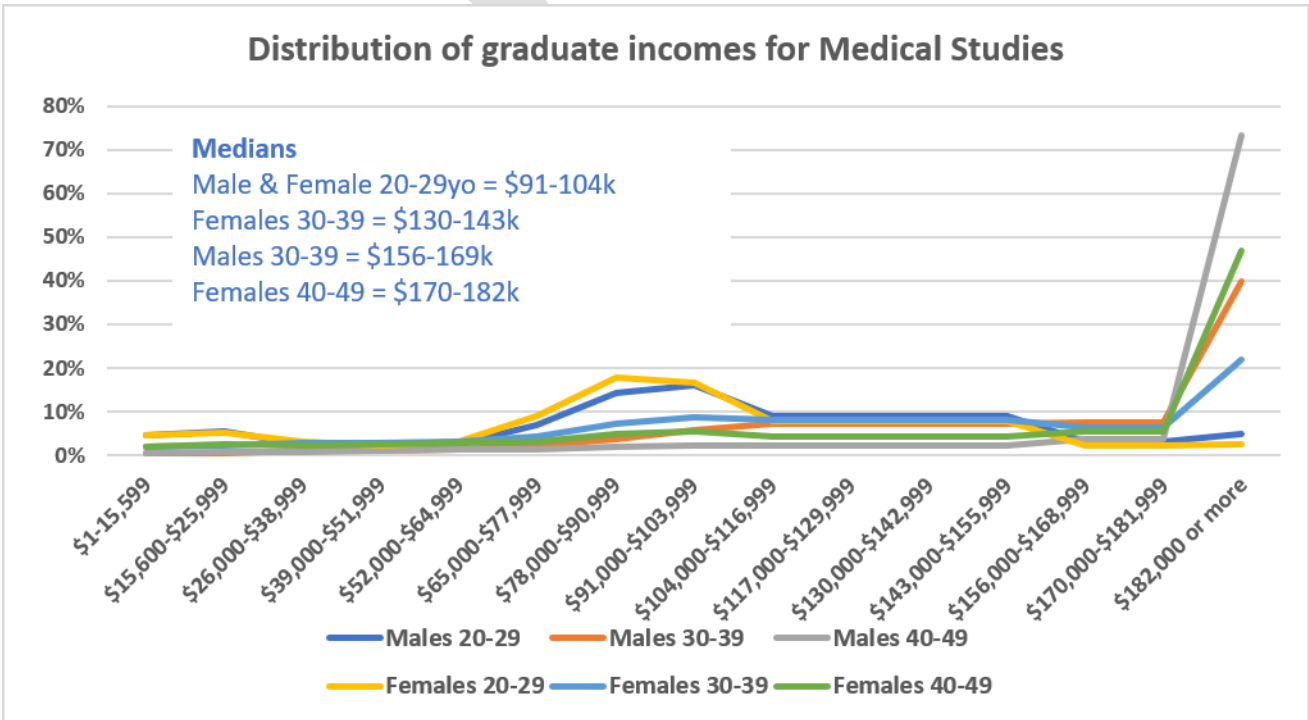
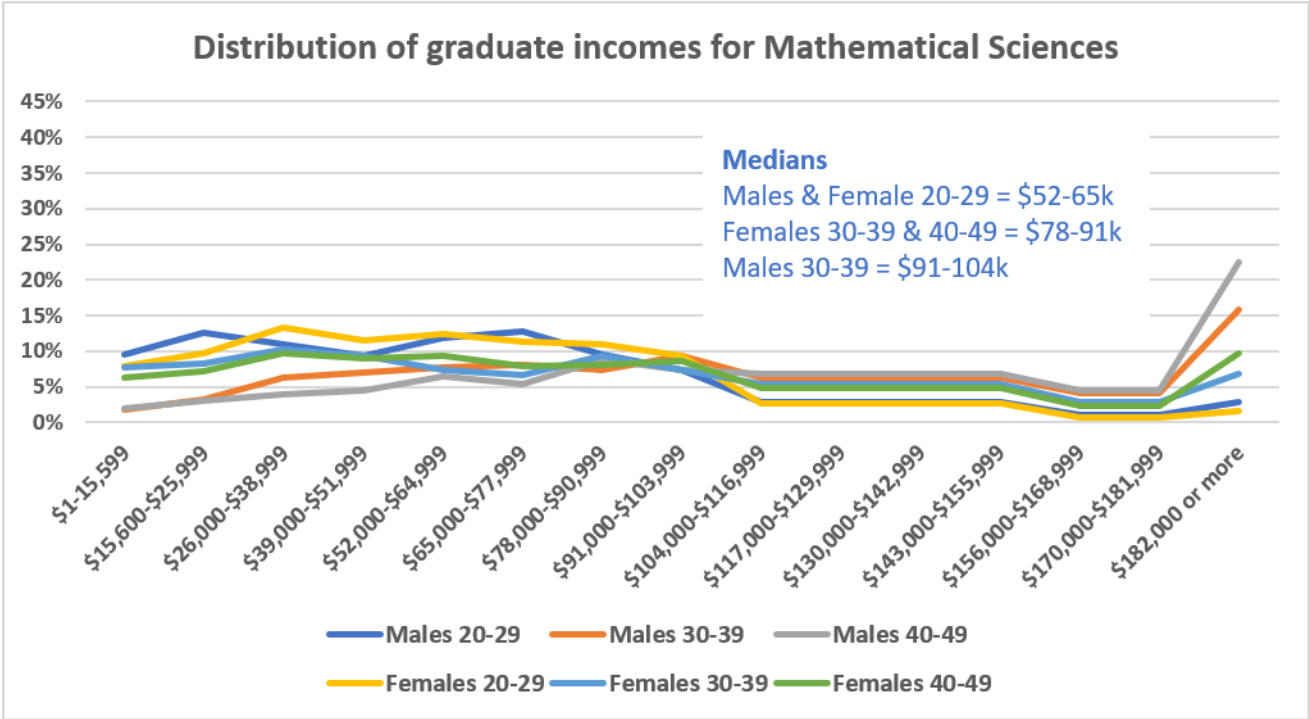
Distribution of graduate incomes for Society & Culture



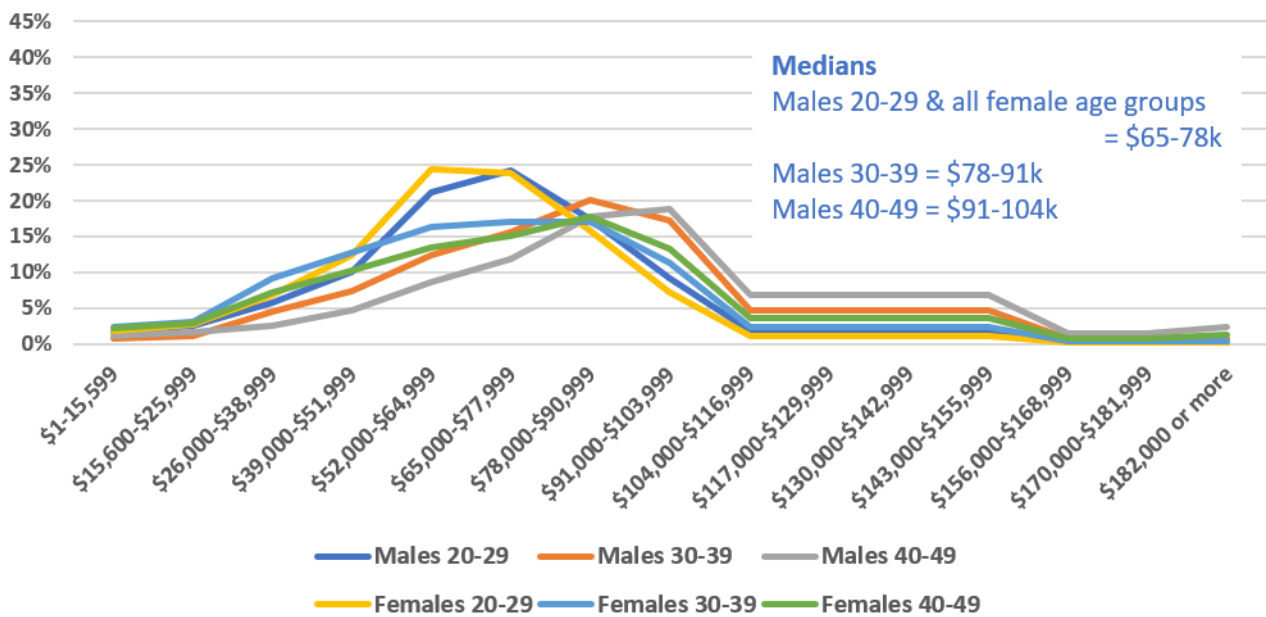
Distribution of graduate incomes for Creative Arts



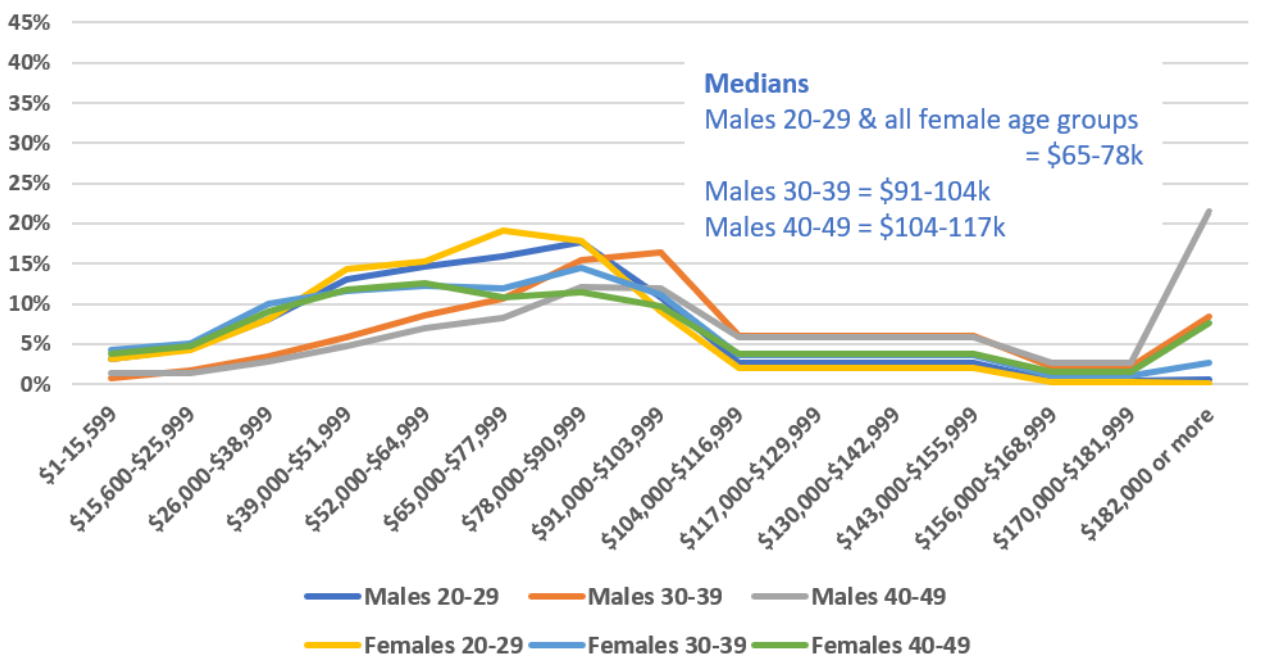
Appendix C: Income distribution figures - graduates from select 4-digit fields of study, 2021 Census



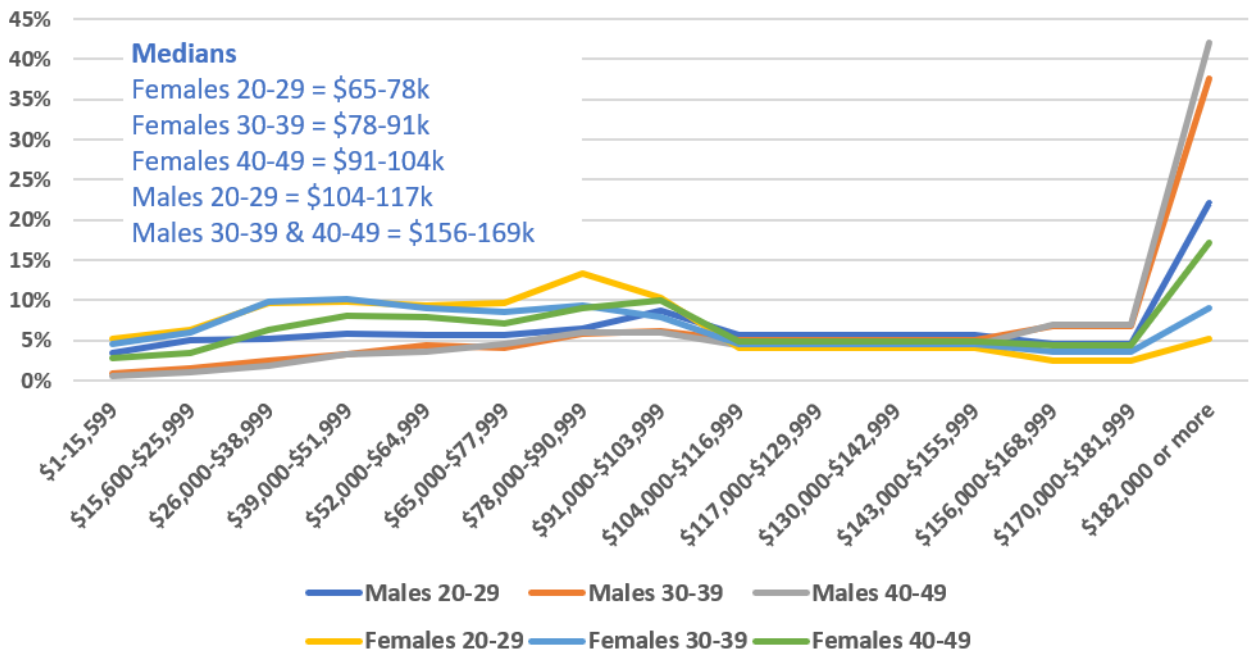
Distribution of graduate incomes for Nursing



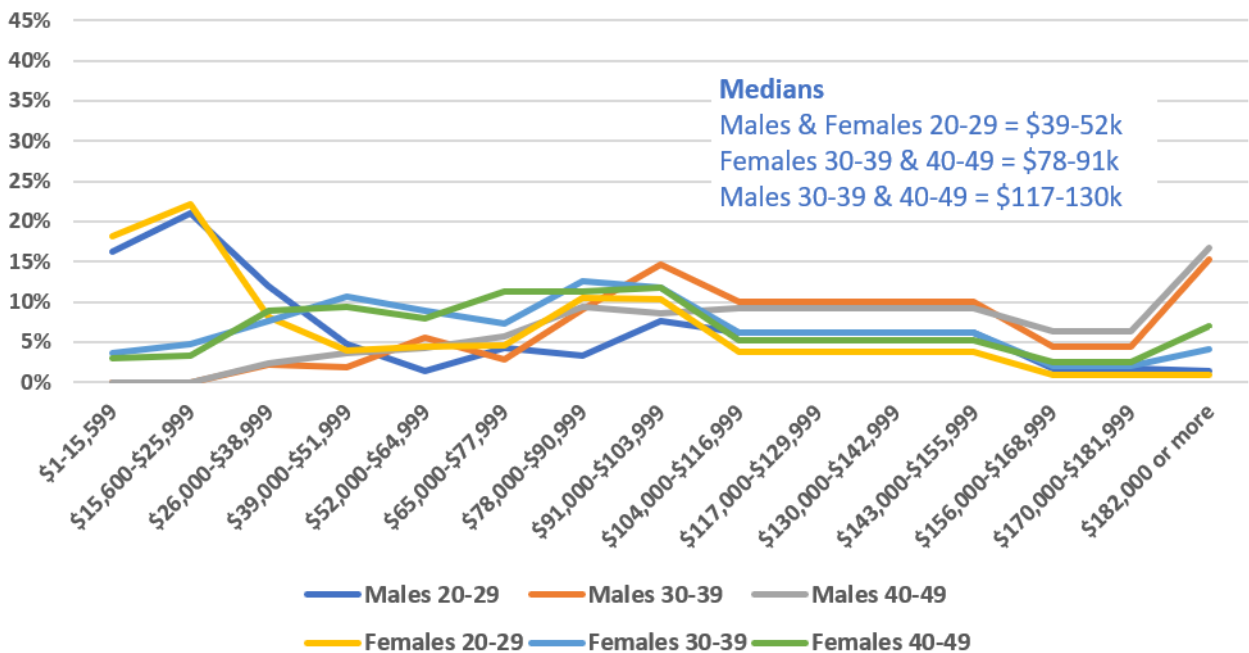
Distribution of graduate incomes for Pharmacy



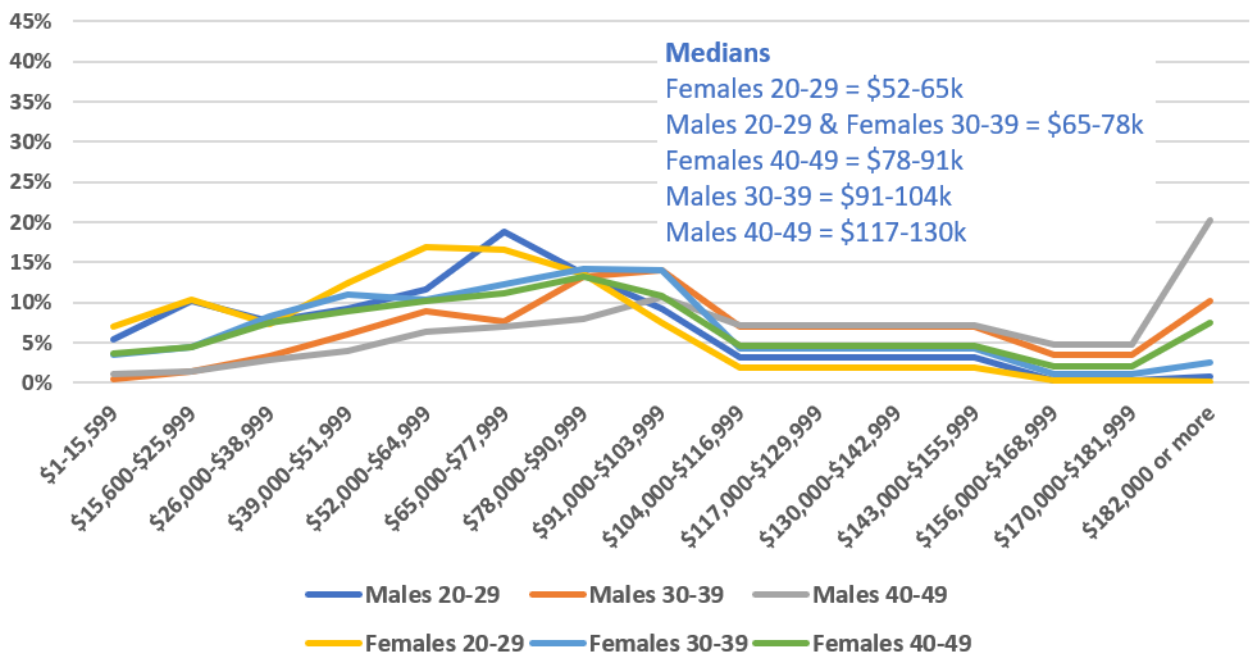
Distribution of graduate incomes for Dental Studies



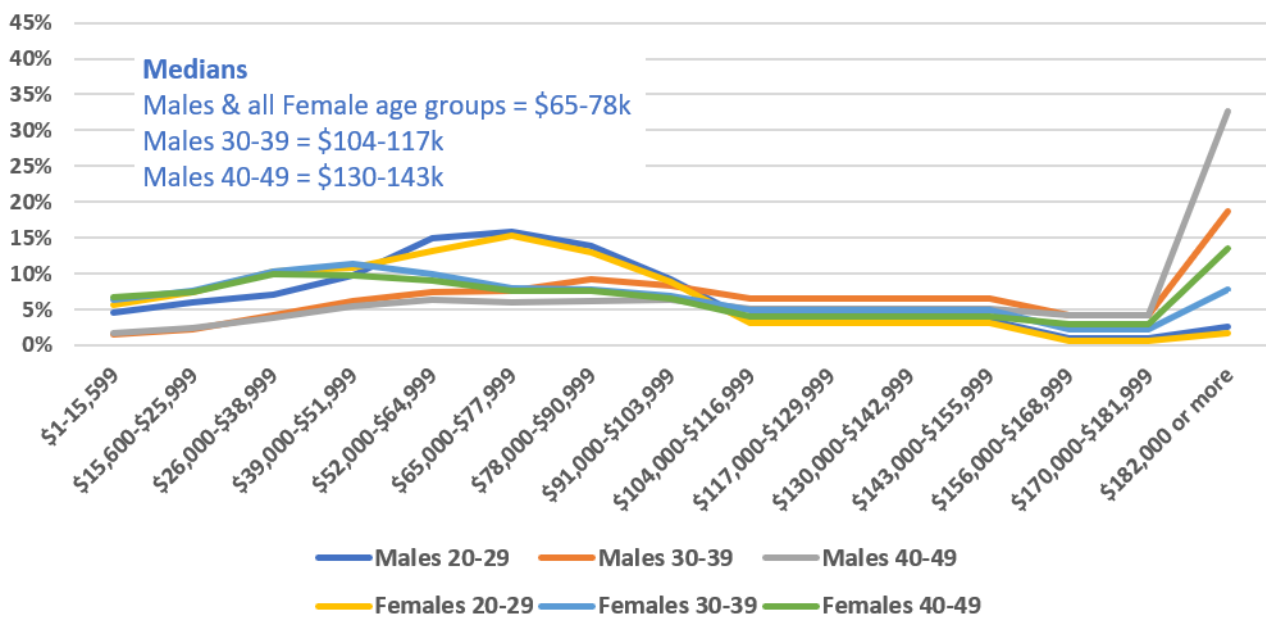
Distribution of graduate incomes for Optical Science



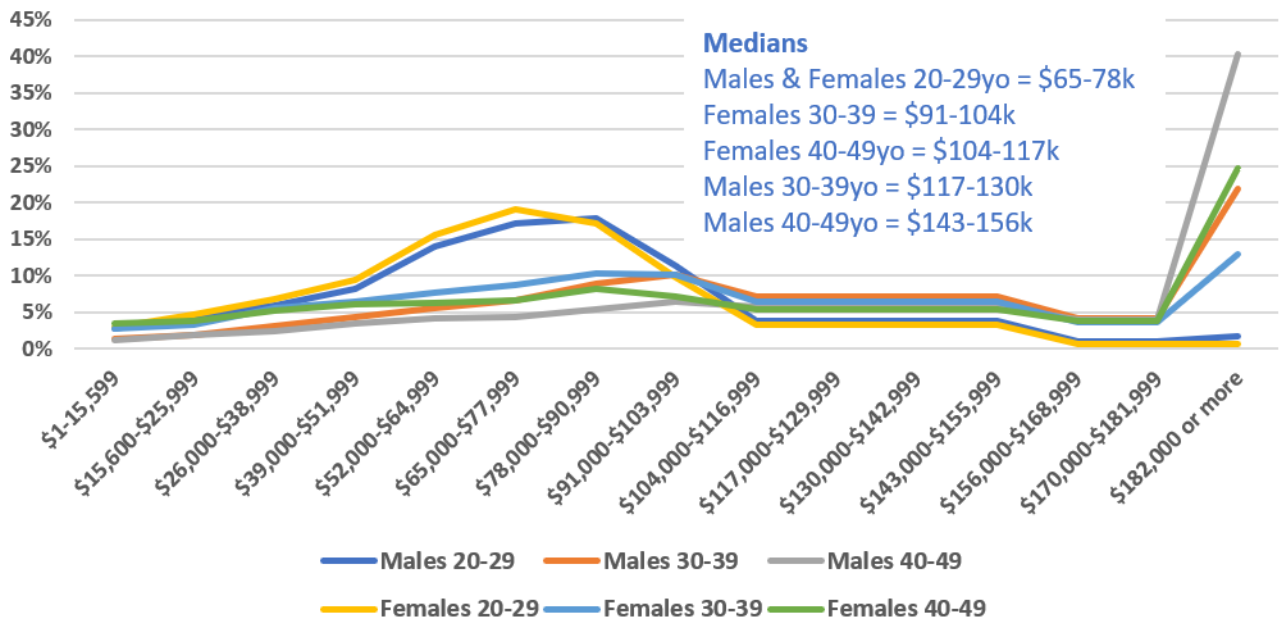
Distribution of graduate incomes for Veterinary Studies



Distribution of graduate incomes for Economics & Econometrics



Distribution of graduate incomes for 'Law' & 'Justice & Law Enforcement' combined



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