



Media Release

3 May 2012: News from CPAG

Government intensifies poverty traps

Child Poverty Action Group says changes to the repayment of student loans announced today will make a bad situation worse for many struggling young families.

The government has signaled students will have to pay back their student loans at a faster rate.

Spokesperson Susan St John says, "The threshold for repayment is already set far too low at an annual income of \$19,080, while the rate of repayment of 10% on income above that threshold is far too high."

CPAG says welfare policies and student loan policies interact in absurd ways because the government has failed to look at the whole picture.

For example, under the latest welfare reforms many parents on benefits will be expected to work 15 hours.

And many of those sole parents have student loans. The government wants them to work, but when they do work they retain very little.

Anything a sole parent earns over \$100 gross a week, or just under 8 hours at the minimum wage, currently gives a sole parent with a student loan only \$40 in the hand. If the sole parent works 15 hours at \$15 an hour, the last \$25 earned or nearly 2 hours of paid work gains only a few cents in the hand.

If the government increases the rate of repayment to 15% then the last \$25 earned will actually make the sole parent worse off. They will be taxed more than they actually earn for the last 2 hours of work.

CPAG says it is vital that the government consider the full impact of its policies on all those affected.