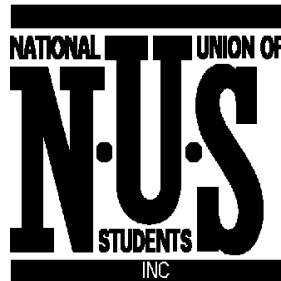


***NUS Research***



**Submission To Senate Standing Committee on Education, Employment and  
Workplace Relations**

***Inquiry into Social Security Amendment (Income Support for  
Regional Students) Bill 2010***

**Presented by NUS President: Carla Drakeford**

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NUS welcomes the opportunity to present our views to this committee and all interested members on this matter of great interest to our regional affiliates.

By way of background this submission will first briefly outline the current income test regimes pertinent to regional students and then the recent policy changes. Then we will move to outline our attitude to the legislation in light of the need to address regional higher education disadvantage.

### ***Income and Assets Tests***

Students who have been determined by Centrelink to be 'independent' are subject only to a personal income test in order to determine their eligibility for Youth Allowance/Austudy/Abstudy and also their level of payment. Students can earn up to \$236 per fortnight from paid work before they have their benefits reduced (this amount will be increased to \$400 in July 2012).

Students who have not been determined by Centrelink to be 'independent' are also subject to both family income and assets tests to determine eligibility and level of payment. The recent changes increased the cutoff threshold by aligning the family income test for one dependent child to access the full rate with the Family Tax Benefit A rate (\$44,165).

Students are also subject to family assets testing. The family assets test is particularly significant for students from regional and remote backgrounds because of the high number of families who own farms or small businesses.

For rural students who are dependent on their parents, the family assets test applying to dependent Youth Allowance recipients takes account of current market values, net of business or farm related debt (this valuation disregards the principle family home and up to two hectares of surrounding land). The limit is currently set at \$580,500 for most families and is indexed annually.

Also, a 75% discount is applied when assessing business assets (including farm assets). This means that at least a partial Youth Allowance and ABSTUDY can be received by dependent young people from small business and farming families with assets up to the value of \$2.36 million.

Families in drought affected areas who are in possession of a drought relief exceptional circumstances certificate, in receipt of the Exceptional Circumstances Relief Payment, and also are receiving a payment under the *Farm Household Support Act 1992*, can be exempted from the application of the family income and assets tests for student income support payments.

### **The Continuing Crisis of Regional Education Disadvantage**

The issue of regional disadvantage in higher education participation has also been a matter of long standing concern for NUS and we are hopeful that the current parliament will be able to develop some effective strategies to address this.

Rural students commonly have a substantially different higher education experience than their metropolitan counterparts: many more study in external or mixed mode,

there is a greater overlap in rural communities with other education disadvantage such as low SES and Indigenous issues, they face a different context for their financial matters such as income support, there are limited opportunities for paid casual work, more negative perceptions of study-related debt and the value of university study, and also a much greater necessity to relocate to pursue a preferred study choice due to limited local offerings.

Despite rural disadvantage being recognised as priority for higher education equity planning for a couple of decades there only been sporadic policy research and policy initiatives in this area.

However, some of the basic statistical facts about rural disadvantage are well known. In a speech entitled *Equity In Education Revolution* the then DEEWR Minister, Hon. Julia Gillard said that between “2001 and 2006 the higher education participation rate of regional students declined from 19 per cent to under 18 per cent, and regional students were 7 per cent less likely to complete 12 years of school than city students. In remote areas the gap is 17 per cent. Indigenous Australians make up 2.3 per cent of the population but only 1.2 per cent of higher education students.”

In 2008 Minister Gillard also commissioned a panel of higher education experts, chaired by former University of South Australia Vice Chancellor, Denise Bradley, to conduct a review of the whole higher education system.

The Bradley Review committee looked at the access rates and participation rates (of students of regional and remote backgrounds. The last Australian Bureau of Statistics census found that 25.4% of Australians live in regional areas and 2.5% live in remote areas. The Bradley review committee found that regional students make up only 19% of first year enrolments at Australian universities (a 24% under representation). Students from remote areas make up only 1.1% of enrolments (a 56% under representation).

The committee also found that the access and participation rates have been deteriorating for the period examined (2002-2007). For example the retention rate for remote students at universities is 13% below other students and this been steadily getting worse since at least 2002.

The review recommended that the workforce criteria for gaining Independent status under Youth Allowance (ie circumventing the family income and assets tests) should be narrowed so that students would not eligible to qualify through taking a single gap year to work before returning to study. This was justified on the basis that Centrelink data showed this was commonly being used by students middle-high income and high income families to get the full rate of Youth Allowance they would not otherwise be entitled to (ie, 36% of independent students were from families with incomes of \$100,000 or more).

Prior to the passage of that legislation arising from the review, there were three criteria that students could use to access Independent Youth Allowance.

- a) Students worked part-time for at least 15 hours per week for at least two years since leaving school, or
- b) Students have been out of school for at least 18 months and have earned at least 75% of the maximum rate of pay under wage Level A of the Australian Pay and Classification Scale in an 18 month period – the 'gap year'.
- c) Students have worked an average of 30 hours per week for 18 months out of two years.

The proposed legislative changes meant that (c) became the sole criteria.

Unfortunately the impact of this measure on rural students was not analysed as the data released by the Bradley Review did not disaggregate the data into urban and rural categories.

The Government argued that other progressive changes to student income support such as the increases in the family income test threshold and personal income test threshold, the lowering of the of independence, the more generalised availability of accommodation scholarships to relocating students and start up scholarships would mitigate against further decline in regional student participation.

In response to concerns from rural families, student groups and non-Government members the Government delayed the introduction of the changes by six months to allow for students whose parents earn under \$150,000 a year who were half way through a gap year to be able to qualify for the Independent rate. This delay was funded by reducing the value of start up scholarships in 2010 and a further delay on the changes to the personal income test.

It is difficult to evaluate the overall impact of these changes as the figures released by the Government were for national totals with no disaggregated modeling available in public (that NUS is aware of) despite the considerable interest of regional communities and at least three parliamentary inquiries.

The Senate Rural and Regional Affairs and Transport Committee last year held an inquiry into these changes to student income support (chaired by Senator Nash). The recommendations from the Opposition Senators were:

*Recommendation 1: The committee recommends that the workforce participation criteria in Section 1067A(10)(c) (the fixed amount in 18 months) be retained for students who are required to leave home to pursue their chosen course.*

*Recommendation 2: The committee recommends that the government put in place auditing processes to ensure that once students have received Independent Youth Allowance, they do not then return to live at home.*

*Recommendation 3: The committee recommends that the government create a 'Tertiary Access Fund' for rural and regional students to address the inequity of access to tertiary education between rural and regional students, and metropolitan students.*

*Recommendation 4: The committee recommends that the Relocation Scholarship be extended to students who receive Independent Youth Allowance and are required to live away from home for their chosen course.*

*Recommendation 5: The committee recommends that the increase in the personal income threshold be introduced on 1 January 2011.*

Earlier this year in order to the support of the Senate for the passage of the income support changes the Government agreed that from 1 January 2011 that students who have to move away from home to study, whose family home is in a location classified as Outer regional, remote or Very Remote Australia, and whose parents earn less than \$150,000 a year will be able to qualify as independent by meeting any of the three elements of the existing workforce participation criteria.

The Greens and Senator Xenophon worked with Government to flesh out a \$20 million Rural Tertiary Hardship Fund proposal. NUS and other stakeholders are currently serving on the fund's taskforce to develop the guidelines for the operation of the fund.

### ***The Social Security Amendment (Income Support for Regional Students) Bill 2010***

The purpose of the *Social Security Amendment (Income Support for Regional Students) Bill 2010* is to apply the same eligibility criteria for Independent Youth Allowance for students residing in the Inner Regional zone of the Australian Standard Geographical Classification – Remoteness Area (ASGC-RA) map as currently applies to students residing in the Outer Regional, Remote and Very Remote zones.

Under the current legislation this is not the case. On 18 March 2010 the House of Representatives passed the *Social Security Amendment (Income Support for Students) Act 2010* which resulted in different eligibility criteria used for different zones when accessing Independent Youth Allowance.

For students who reside in the Inner Regional zone, this has been reduced to workforce participation option c) only under the current legislation as is the case for metropolitan students.

The *Social Security Amendment (Income Support for Regional Students) Bill 2010* would require that the same eligibility criteria for Independent Youth Allowance be applied to students from all four ASGC-RA zones.

According to the explanatory memorandum this measure will cost about \$90 million per annum. In order to meet budget neutrality this will be funded from the Higher Education Investment Fund.

### **What Is To be Done**

Our starting point is that regional education disadvantage needs to be rigorously analysed so that systemic strategies and targets can be developed, as for example occurred with the Bradley Review of Higher Education and low SES and Indigenous participation.

Prior to the review NUS worked with Universities Australia on the *Australian University Student Finances Survey 2006* that provided substantial empirical evidence to support our arguments about the priority areas for income support for low SES and Indigenous students.

If Universities Australia agrees to conduct another survey during the life of this parliament NUS will be recommending that the survey should be designed to examine the impact of financial constraints on regional students.

While there have been a couple of long over due reports into regional education disadvantage (Victorian Parliament *Inquiry Into Geographical Differences in the rate in which Victorian Students Participate in Higher Education*; DEEWR *Regional Participation: The Role of Socioeconomic Status and Access*) there still needs to be much more research into the causes of this disadvantage *per se* (ie, it is not just the larger proportion of Low SES and Indigenous people in rural Australia that causes

rural disadvantage). Various studies in the last decade have found that this regional specific effect (ie, statistically controlled to remove direct SES effects) seems to be even more pronounced amongst young males.

Students from our regional affiliates have advanced various ideas to NUS about the factors producing rural education disadvantage:

- Distance to campuses, scarcity of public transport and narrowness of course offerings at many regional satellite campuses;

- High costs involved with relocation to another city where no suitable course is offered in the region;

- Impact of the drought and assets testing on farming families and farm related businesses. While there is relief for farming families in drought-declared areas once the drought is declared broken the families may still be left with the legacy of many years of accumulated debts and unable to fully financially support several children living away to study at uni;

- Issues of being asset-rich but disposable income-poor, ie would need to sell the land or liquidate the business;

- Despite having reasonable income or assets the parents are unable to provide financial support due to exceptional circumstances such as an expensive chronic medical condition;

- Parents are unwilling to provide financial support for uni study, ie want the children to stay and help them run the family farm, winery or business;

- The now adult children do not want to continue to be a financial burden on their parents, they feel they would rather work in a dead end local job rather than continue to impose on their parents,

- Queer students and victims of abuse who want to avoid difficult family and local circumstances but don't want to drag their parents through the bureaucratic processes involved with achieving independent status through family breakdown criteria;

- Many medicine, health science, nursing and teaching students in rural areas are required to relocate for several weeks or months to fulfil compulsory workplace practicum components for their study; not only do they face substantial additional accommodation and travel costs but also loss of income from regular casual work while away;

- Focus of university school outreach programs on recruitment of high performing Year 12 students rather than raising aspirations to participate in higher education in lower years;

- The shortage of regular on-going local employment opportunities (outside of harvest) in rural and regional areas is often cited by rural students as a barrier to accessing Youth Allowance through the workforce participation criterion.

- Perceptions of the future impact of a high study debt; seen as taking on a mortgage level of debt with uncertainty about future financial benefits;

- Staff and resource shortages at many rural secondary schools;
- The disproportionate impact on VSU on support and campus life services for regional students as regional campuses tend to have less resources to cross-subsidise these activities than large metropolitan campuses;
- Inconsistent standard of education delivery and academic support for distance education and video-relayed lectures to regional satellite campuses, feeling that there is unfair to be charged the same as students at the metropolitan campus getting the full campus experience

Due to the staggered introduction of the income support and equity changes NUS called for a review of the impact of the changes in 2012. This would allow the 2011 cohort of students to be analysed (ie when most of the changes had been implemented apart from the change to the personal income test and final stage of progressive reduction of the age of independence).

A commitment to such a review in 2012 was agreed to after negotiations between various non-government MPs and the Government. We want this review, and other supplementary studies carries out by Universities Australia, NUS and academics to inform a systemic plan to increase regional student participation and that can gain bipartisan support to ensure its long term implementation.

With regards to the bill *per se* NUS in principle supports measures that increase eligibility of our members to financial support. However, NUS does have concerns about further entrenching the use of ASGC or postcode methodologies for the allocation of Centre-link administered benefits rather than a needs based methodology.

While the proposed amendment addresses the different treatment of students between inner and outer regional ASGC zones similar boundary arguments could be raised by outer suburban students who also suffer significant education disadvantage (see DEEWR *Regional Participation: The Role of Socioeconomic Status and Access*, pp4-5), ie a student on one side of the road becoming eligible through the workplace participation criteria while a student in similar circumstances on the other side of the road may not be.

We acknowledge that universities use ASGC or postcode methodologies when allocating scholarships but universities have few mechanisms to determine need.

This methodological concern is exacerbated by the current government's fiscal austerity with student income support. For example the concession to gap year students came at the cost to other vital parts of the student income support program.

Given all this our preferred approach is that Youth Allowance eligibility should be based on an assessment of each individual's needs rather than their ASGC location.

Furthermore NUS's long standing view is that fact that some non-high income rural students need to take a gap year to qualify for Youth Allowance is evidence of some failures of income support policies rather than something to be aimed for. About 30% of students who take a gap year do not return to university. The gap year creates another point of leakage of rural student participation.

NUS believes that the best outcome for improving school leaver rural participation will be to focus on fixing the means testing regime and other income support rules so

that more rural students will be able to go directly from Year 12 into university.

The use of the gap year to circumvent means testing is likely to have masked inadequacies of the current and recent means testing and other eligibility rules. This has made empirically driven policy research in this area more difficult.

We hope that the 2012 review and other studies will uncover comprehensive changes that can be made to needs based means testing regimes to better fit into the realities of regional and rural student life. For example are there changes that need to be made asset testing calculations to reflect the impact of accumulated debts during the many years of drought even now most regions are no longer drought-declared?

We hope to work constructively with all members towards achieving a bipartisan and cross-bench consensus in this parliament to achieve the long standing reforms needed to reverse the declining rate of regional student participation.