

**Senate Rural and Regional Affairs
and
Transport References Committee**

**Inquiry into Social Security and other Legislations Amendment
(Income Support for Students) Act 2009**

Submission by Kim Pett

Thank you for the opportunity to participate in our democracy.

This submission contains excerpts from a previous submission to the Senate inquiry titled '*Rural and Regional Access to Secondary and Tertiary Education Opportunities*' due to report on 26th October 2009 but deals specifically with *the 'Inquiry into Social Security and other Legislations Amendment (Income Support for Students) Act 2009'*. My previous submission is lengthy as it deals specifically with each of the terms of reference of the earlier enquiry and can be ignored in the context of this inquiry.

The charts in this document should be interpreted in conjunction with Fact Sheet No 24 released by the Australian Government titled '*Student Income Support – Increased Assistance for Students and Families*'.

I note that the proposed legislation includes a grandfather clause to protect students currently taking a gap year from the retrospective affects that were announced initially with the budget. Whilst this concession will be very much appreciated by current gap year students, the proposed legislation does not address the fundamental, underlying, and ongoing inequity faced by rural families when compared with their urban counterparts. This submission will focus on this inequity and offer a solution.

Issues Relating to Student Income Support

There are many variables bearing on the issue of student income support. The best method of illustrating and comparing costs and benefits for different numbers of students in differing circumstances with different levels of parental income is by way of a chart. Chart A below represents student support provisions as proposed in the legislation and encapsulates the disparity between regional and metropolitan students. Please take the time to absorb this chart as you may find it useful as a general reference.

The charts are based on 'Fact Sheet No 24 released by the Australian Government titled '*Student Income Support – Increased Assistance for Students and Families*'. Some recent figures released by the government are slightly (but not significantly) different to the figures originally released in Fact Sheet 24 for reasons unknown to me. These differences however are slight and have no bearing on the underlying issues.

The figures below include costs or benefits where a distinction can be made between students living at home whilst studying and those that have to relocate. No attempt has been made to calculate absolute values. Therefore, when interpreting the charts, the coloured lines should be compared with other coloured lines only, and the values on the Y axis should be interpreted for comparative purposes only. In other words, it is the difference between the coloured lines at a given level of parental income that is important, not the absolute value that is inferred by the values on the Y axis.

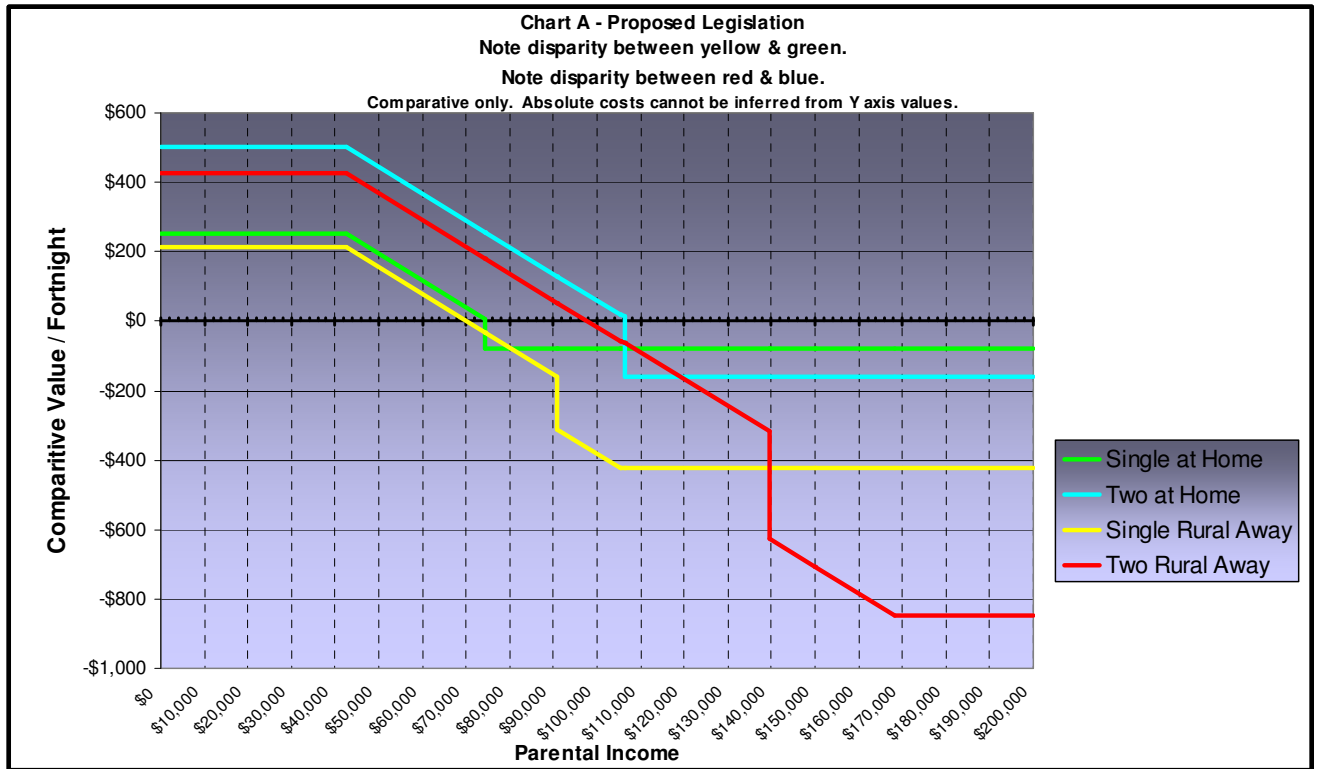
The charts are therefore based on the following assumptions :-

- Food cost is the cost additional to the cost of food if living at home.
- Spending money is not included as a cost as it applies equally to all students.
- Incidental costs are not included as they apply equally to all students.
- Relocation Allowance is shown as \$7K averaged over 4 years.
Note that Fact Sheet 24 shows this as \$4K as applied in the first year, this is misleading.

Allowances	Per Annum	Per Fortnight
Y.A. Home Rate		\$244.40
Y.A. Away Rate		\$371.40
Relocation Allowance Year 1	\$4,000.00	\$153.42
Relocation Allowance Year 1+	\$1,000.00	\$38.36
Relocation Allowance 4 Year Average	\$1,750.00	\$67.12
Start-Up Scholarship	\$2,254.00	\$86.45
Rent Assistance		\$111.20
Relocation Allowance	\$2,800.00	\$107.40
Costs		
Campus Accommodation (cheapest at Macquarie uni - no food)		-\$340.00
Additional Food Costs (compared to living at home)		-\$50.00
Internet	-\$360.00	-\$13.81
Transport (living at home)		-\$80.00
Transport (living on campus)		-\$20.00

Chart A – Student Income Support as Proposed in the Legislation

These proposals severely disadvantage rural students.



The Green Line – Comparative Value for Single Student Living at Home

Parental Income	Comparative Value
\$0 - \$42559	YA (\$244.40) + Start-Up – Costs
\$42560 - \$74419	YA tapers to nothing + Start-Up - Costs
> \$74419	No Start-Up. Costs only.

The Yellow Line – Comparative Value for Single Student Living Away from Home

Parental Income	Comparative Value
\$0 - \$42559	YA (371.40) + Start-Up + Relocation + Rent Assistance – Costs
\$42560 - \$90974	YA tapers to nothing + Start-Up + Relocation + Rent Assistance – Costs
\$90975 - \$105469	No Start-Up. No Relocation. Rent Assistance tapers to nothing - Costs
>\$105469	No Rent Assistance. Costs Only

Note the difference between the green & yellow lines, especially for parental incomes greater than \$80K

The Blue Line – Comparative Value for Two Students Living at Home

Parental Income	Comparative Value
\$0 - \$42559	YA (244.40) x 2 + Start-Up x 2 – Costs x 2
\$42560 - \$106279	YA tapers to nothing. + Start-Up – Costs
>\$106279	No Start-Up. Costs only.

The Yellow Line – Comparative Value for Two Students Living Away from Home

Parental Income	Comparative Value
\$0 - \$42559	YA (371.40) x 2 + Start-Up x 2 + Relocation x 2 + Rent Assistance x 2 – Costs x 2
\$42560 - \$139388	YA tapers to nothing. Start-Up + Relocation + Rent Assistance – Costs
\$139389 - \$168380	No Start-Up. No Relocation. Rent Assistance tapers to nothing - Costs
>\$168380	No Rent Assistance. Costs Only

Note the difference between the blue & red lines, especially for parental incomes greater than \$110K

I live with my family in a house that I built myself that has one bathroom, we have two second hand cars, and the family holiday is two weeks in a caravan, we are comfortable enough to be able to fund our own retirement and health insurance without burdening the state but we are not rich.

The point of this submission is a comparison of the cost for a rural family to support students at university compared to the cost for an urban family. I have an urban counterpart, same job, same pay, and we both will have two children attending university concurrently in Sydney. Under the proposed bill it will cost me approximately \$700 more per fortnight (after tax) than it will cost my urban counterpart to send two children to university. How is this fair?

There is a fundamental inequity between urban students who can continue to live in the family home and get on a different train or bus to go to university, and regional students who must relocate and find expensive urban accommodation.

Until the budget announcements, country kids would take a gap year and work for \$13/hr to qualify for Youth Allowance under the independence criteria. This is not something that they would do if they had a choice as it is a struggle to find employment in country towns. These students would rather go straight to university with their more affluent (or less affluent) cohorts and graduate one year earlier as this allows them to receive a professional salary (and start paying off their HECS debt) one year earlier. A further disadvantage is that for subjects such as mathematics you can forget a lot in a year and it is hard for gap year students to rebuild their momentum. Middle income rural families have to date taken this disadvantage in their stride and accepted that this is the only way to educate their children. These families now feel that their classification by the government as rorters is an insult and that the inequity between rural and regional families and their urban counterparts must now be properly addressed.

Note on Graph A that for two students the disparity between living at home (blue line) or away (red line) is not that large until you reach a parental income of around \$110,000 then the gap widens sharply, and the red line disappears over a virtual cliff at \$139,389. It is the presence of sharp declines such as this that have resulted in an over reliance on the gap year and consequently higher costs to government. Means testing that is applied in a guillotine like fashion at a prescribed parental income as proposed in the legislation for Start Up and Relocation Allowance is a blunt instrument and families with two or more concurrent students will find that the marginal return for the secondary income earner is very poor.

I understand that there has been rorting of the gap year, and that many urban students from affluent families are receiving Youth Allowance whilst living a comfortable life at home. Interestingly though, the proposed legislation makes no attempt to retrospectively make these students ineligible for benefits. The rorting must however be addressed and I can see that the government is attempting this by making it harder to meet the independence criteria. This is admirable but I believe they have received very poor advice and the measures proposed are akin to using a sledgehammer to crack a nut. The Bradley Report has failed to consider the impact on students from the bush and it is fairly obvious that Professor Bradley did not consult widely outside her urban domain.

The solution to this problem is to remove the sharp declines in support for accommodation costs whilst simultaneously tightening the independence test, and to recognise that (up to a point) you cannot have a situation where a family has to pay up to \$700 / fortnight more to educate two children based solely on the fact that they do not live in a city.

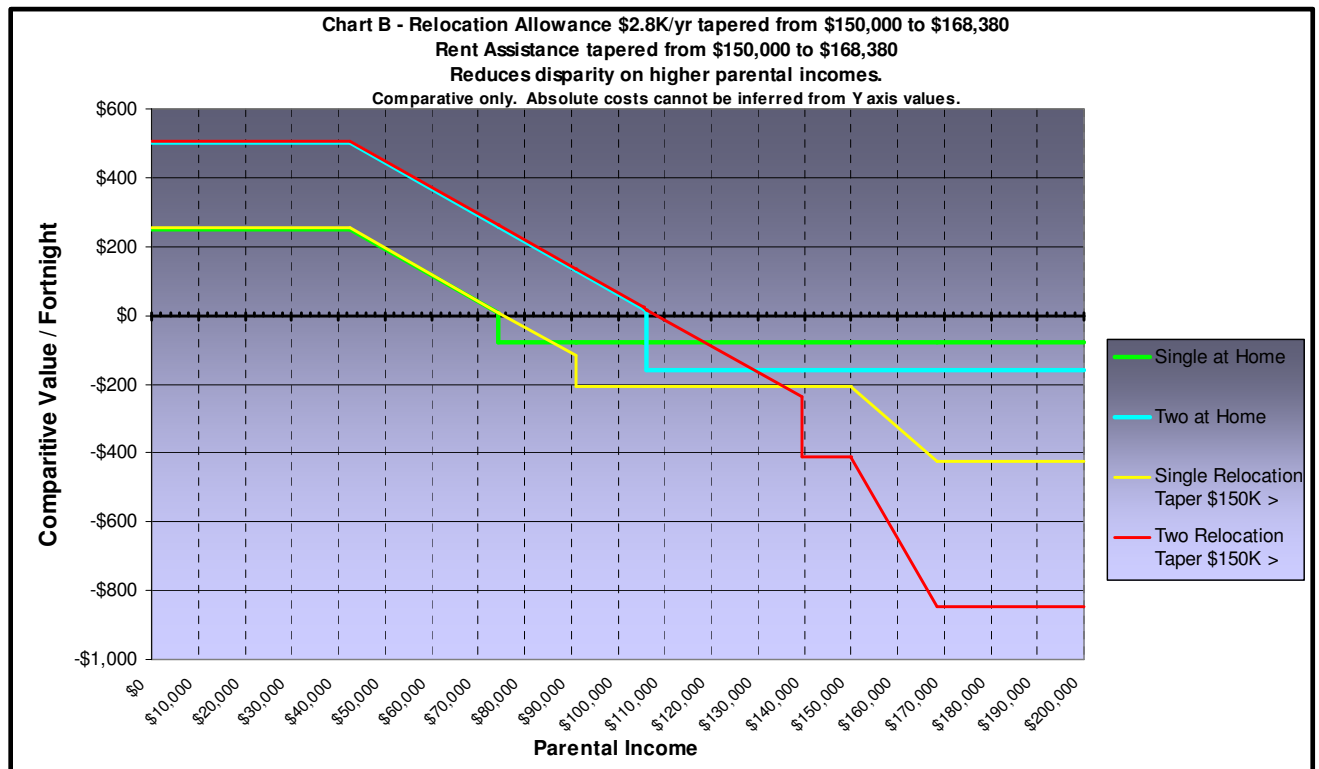
Politicians receive \$215/day *Living Away from Home Allowance* and it is not means tested. I do not begrudge you this as there is a cost for you to live away from your families and this cost is independent of income. Within reason, the same principle should be applied to the cost for kids from the bush to study away from home.

The real cost here is the cost to our society that results from a structural disincentive for kids from the bush to relocate to the cities to study as it is these students who are far more likely to return to the bush as professionals. If you take a holistic view, eliminating this disincentive is in fact, not a cost.

Chart B below illustrates a revised treatment of Rent Assistance and Relocation Allowance. Amending these two components will address the locational inequity in a well targeted fashion, and if the tighter conditions proposed for the independence test are retained, rorting of the system will become much harder.

Chart B – Amend Relocation Allowance to \$2.8K/yr with taper from \$150K-\$168.38K Taper Rent Assistance from \$150K - \$168.38K

This initiative largely removes the regional/metropolitan inequity.



The Green Line – Comparative Value for Single Student Living at Home

This line is unchanged from Chart A

Parental Income	Comparative Value
\$0 - \$42559	YA (\$244.40) + Start-Up - Costs
\$42560 - \$74419	YA tapers to nothing + Start-Up - Costs
> \$74419	No Start-Up. Costs only.

The Yellow Line – Comparative Value for Single Student Living Away from Home

Parental Income	Comparative Value
\$0 - \$42559	YA(371.40) + Start-Up + Relocation + Rent Assistance - Costs
\$42560 - \$90974	YA Tapers to nothing, Start-Up + Relocation + Rent Assistance - Costs
\$90975 - \$150000	No YA. No Start-Up. Relocation + Rent Assistance - Costs
\$150001 - \$168380	Relocation and Rent Assistance taper to nothing - Costs
>\$168380	No Relocation Allowance. No Rent Assistance. Costs only.

Note that the green & yellow lines are almost coincident up to parental income of \$90K and the gap between \$150K & \$168,380 is reduced.

The Blue Line – Comparative Value for Two Students Living at Home

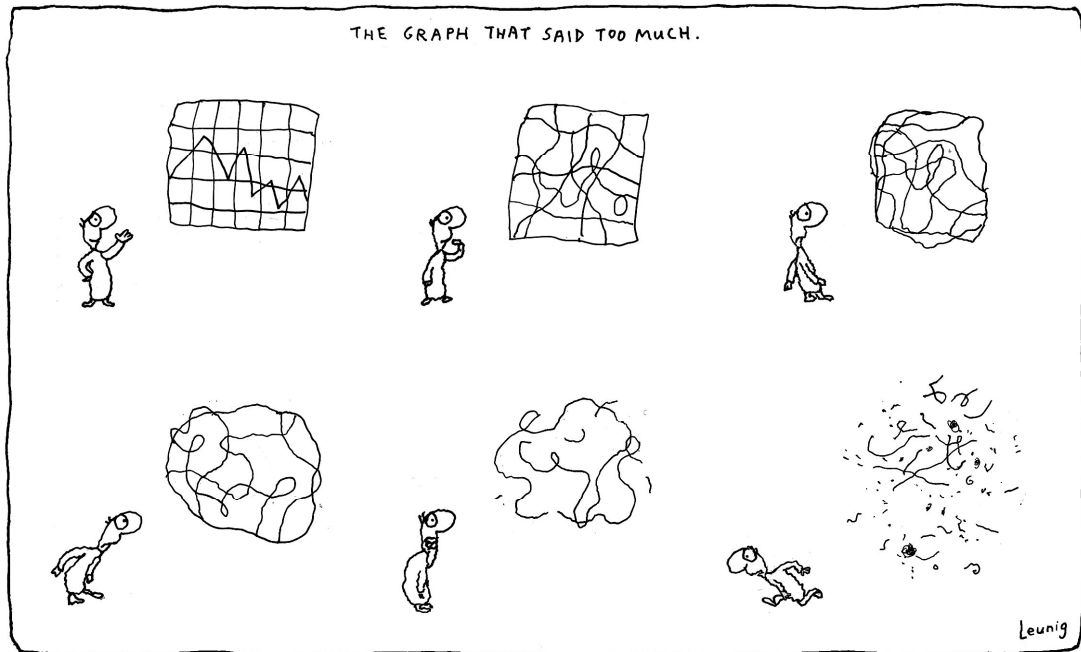
This line is unchanged from Chart A

Parental Income	Comparative Value
\$0 - \$42,559	YA (244.40) x 2 + Start-Up x 2 - Costs x 2
\$42,560 - \$106,279	YA tapers to nothing. + Start-Up - Costs
>\$106,279	No YA. No Start-Up. Costs only.

The Yellow Line – Comparative Value for Two Students Living Away from Home

Parental Income	Comparative Value
\$0 - \$42,559	YA (371.40) x 2 + Start-Up x 2 + Relocation x 2 + Rent Assistance x 2 - Costs x 2
\$42560 - \$139388	YA Tapers to nothing. Start-Up + Relocation + Rent Assistance - Costs
\$139,389 - \$150,000	No YA. No Start-Up. Relocation + Rent Assistance - Costs
\$150,001 - \$168,380	Relocation and Rent Assistance taper to nothing - Costs
>\$168,380	No YA. No Rent Assistance. Costs only.

Note that the blue & red lines are almost coincident up to parental income of \$106K, and the gap after that is much reduced until Parental Income reaches \$168380.



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Note that my proposal to revise the Relocation Scholarship from \$4000 in the first year and \$1000 in subsequent years to \$2800 every year makes the green and yellow lines almost coincident up to a parental income of about \$90,000 and makes the red and blue lines almost coincident up to a parental income of \$106,000. This measure therefore totally eliminates the inequity up to these income levels.

For higher parental incomes my proposal is for Relocation Allowance and Rent Assistance to taper from \$150,000 to \$168,380. I have chosen \$150,000 for the start of the taper as this is the income level that was originally chosen by the government for means testing of the Private Health Insurance Rebate. I have chosen \$168,380 for the end of the taper as this is the income level that the government is currently proposing for the end of the taper for Rent Assistance.

The adoption of a taper for Relocation Allowance instead of a guillotine will be a substantial incentive for rural families at the higher end of middle income to make the decision to fund the disparity themselves instead of waiting for two years in order for their students to qualify as independent and receive **full** Youth Allowance. This measure will actually save money as follows :-

I am proposing an increase for Relocation Allowance from $\$7K/4 = \1750 per year to \$2,800 per year, this is an additional \$1050 per rural student per year but please bear in mind that if the current proposals are adopted then many rural students will have no choice but to qualify for independence under the revised conditions and therefore qualify for the **full** Youth Allowance entitlement. This will delay their university entry for two years and therefore compound the disadvantages of the gap year strategy as outlined above, and will cost the government :-

Youth Allowance	\$9656
Relocation Scholarship	\$4000
Rent Assistance	<u>\$2891</u>
	\$16547 per rural student just in the first year.

I am not a rorter intent on abusing the system, but I have what I believe to be valid concerns regarding equity between rural and urban families when it comes to the responsibility that I have to secure the best education that I can for my children. I believe that the solution offered in Chart B is both equitable and affordable.

Impact on Tertiary Institutions

The proposed legislation will introduce distortions into the demographic mix for enrolments in tertiary institutions. It will be more difficult for regional students to take up offers of entry into more highly valued courses in the cities, and it will be more difficult for urban students to take the opportunity to study in the country as there will be diminished support for them to live away from home. This will result in the regional tertiary institutions being populated almost entirely by kids from the bush, and conversely reduce the number of rural students studying in city universities.

The proposed legislation will also introduce distortions into the UAls required for admission into urban and regional tertiary institutions. Demand for entry by locals into regional institutions will increase and this will place upward pressure on UAls. The number of regional students seeking entry into city universities will decrease and this will place downward pressure on UAls. This is a further indication that the Bradley Report has failed to consult adequately outside the cities as the outcome will be that regional students will find it harder to fund an education in the city and also find it harder to qualify for entry into a local institution whereas city students will find it easier to gain entry into the city institutions. This is not a good outcome.

Impact on Rural Communities

As a result of the proposed legislation many regional students will accept places in their local TAFE or university even though they have attained marks that would gain them entry into more highly valued courses in the cities because they can no longer adequately support themselves in a city. As rural and regional students are more likely to return to the country as professionals the proposed policy will result in further reduced availability of professional services in the regions. This is contrary to stated government policy of trying to encourage professionals to practice in regional areas.

At a superficial level my community is outraged at the proposed new measures for student income support. We feel that we have been abandoned and we cannot understand how the government and the metropolitan media can fail to appreciate the impact that these proposals will have on rural and regional communities. For years our students have been coping the disadvantage of not being able to make a seamless transition from school to university and the fact that the government is now seeking to classify us as rorters is outrageous.

Conclusion

It is easy to miss the point of this submission, and some will deliberately seek to do so. The issue is one of equitable access to education opportunities based on location. If the proposed legislation is enacted it will cost middle income rural families at least \$700 per pay packet more than their urban counterparts to support two students at university in a city. This is clearly inequitable.

Until recently there was a solution available for students required to leave home to study but this was a de-facto solution in that these students were largely reliant on the gap year to meet the independence criteria to qualify for Youth Allowance. Unfortunately this strategy was also employed in an exploitive manner by urban families. The government is rightly seeking to address this rorting but has received some very poor advice and the proposed solution will have a disastrous affect on rural families whilst allowing the existing rorts to continue. It is now time to properly address the additional cost faced by families supporting children who have to relocate to study and also properly addressing the rorting.

Spin such as the number of additional students who will qualify for income support is not helpful. By definition the newly entitled will be at the narrow end of the Parental Income Test taper and the Youth Allowance entitlement will therefore be a few dollars only per fortnight. We need to have a more mature debate about this.

Since budget night the government has twice amended the proposed income threshold for employee share ownership schemes. Interestingly, the first proposal was for an increase from \$60,000 to \$150,000 (the threshold that I am proposing for tapering of the Relocation Allowance and Rent Assistance). The latest proposal is to increase the threshold for employee share schemes to \$180,000. Claims that amendments to the budget proposals for student income support should be revenue neutral therefore have no validity.

I recommend to you the structure for Student Income Support as outlined in Chart B above.

Thank You

Kim Pett