

## **Australian Vice-Chancellors' Committee**

*the council of Australia's university presidents*

(A.C.N. 008 502 930 – A.B.N. 53 008 502 930)

### **AVCC SUBMISSION ON WELFARE REFORM**

The Australian Vice-Chancellors Committee (AVCC), representing 38 of Australia's universities, welcomes the opportunity to provide a submission in response to the Government consultation paper *Building a simpler system to help jobless families and individuals* (hereafter referred to as the consultation paper). The issue of income support is central to considerations of equity and access to higher education, particularly in the light of the Government's proposals for a more flexible system of student charges.

In this submission the AVCC:

- (i) argues for a different approach to income support for people seeking necessary education and training for their longer term future;
- (ii) examine the recent evidence provided by research into student finances and its impact on the learning experience;
- (iii) look at some relevant international experience; and
- (iv) draw some policy conclusions on what improvements can be made to the current income support system.

#### **A Different Approach to Student Income Support**

The emphasis of the consultation paper is very much on reducing welfare dependency and increasing self-reliance for those of working age. It includes as part of the case for reform that "too many people rely on income support for too long" and "the income support system does not always provide clear incentives to work".

There is considerable tension between this focus on the need for those of work age to be in employment and the Government's statements on the importance of education. The Government's recent statement *Our Universities: Backing Australia's Future* states that "education should not simply prepare young Australians for the future – it should equip them to create the kind of future they want" arguing that higher education "educates our future workforce, creates future leaders, [and] drives much of our economic and regional success"<sup>1</sup>.

The income support system deems people of working age once past the point of compulsory education (15 in most cases). Yet it is clearly acknowledged by all Governments that further education and training to complete year 12 or its equivalent and, for most people, additional vocational training or higher education is essential for ensuring their productive participation in the workforce in later years. For most people this is best achieved through full time education and training or an effective mix of training and related employment.

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<sup>1</sup> B. Nelson, *Our Universities: Backing Australia's Future*, pp1, 6.

This means that for a further five or more years past the age of compulsory education young people from poorer backgrounds need access to an effective income support system which has the goal of supporting them over a number of years to gain the necessary education and training, not one that has the goal of supporting them sufficiently in the short term while they find immediate employment.

Such an income support system should also extend to older workers who recognise the need to substantially upgrade their education and skills to ensure effective longer term employment.

The key problem with current arrangements is that students are finding short term employment but to the detriment of their studies and longer term employment capacity. Along with the five year learning entitlement proposed by the Government in *Our Universities: Backing Australia's Future* Australian's should have access to a suitable level of income support through those five years, with the capacity to renew entitlement at the same rate as renewal of the learning entitlement.

## **Recent Evidence on Student Finances**

*Paying their way*, the AVCC's survey of the finances of 35,000 undergraduate domestic students conducted in 2000, provides substantial evidence that students are struggling financially and, as a result, are engaged in work to a much greater extent than in the past.<sup>2</sup>

The report found that undergraduate students are increasingly falling into two categories: those facing significant difficulty in surviving on student income support; and, alternatively, those who are struggling to find time for proper study as they meet the demands of full or part-time work required to earn an adequate income. One impact is that students take longer to complete their degrees, pushing back their capacity to contribute in the workforce.

The proportion of full-time students who are in paid employment during semester has increased in the last two decades. In 1984 about five in ten undergraduates were employed during the semester. In 2000, more than seven in every ten students were employed during the semester. Part-time students are even more likely to be in paid employment with almost nine in ten working during semester.

Not only are more students in paid employment during the semester, those who are employed are working longer hours. In 1984 full-time undergraduate university students worked an average of five hours every week during semester. By 2000, full-time students worked an average of 14.4 hours a week, or about two days every week - and nearly three times the hours worked by students in 1984.

Many students identified the financial imperative to undertake employment as a problem for their studies. Nearly one in every ten students who are employed 'frequently' miss classes because of that work - or about 33,900 students. Nearly two in every ten students in paid employment say that the work adversely affects their study 'a great deal' - or about 70,600 students Australia-wide.

Other relevant findings of this study include:

- average expenditure for full-time students exceeded average income by 42%;

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<sup>2</sup> Michael Long and Martin Haydon, *Paying their Way*, 2001, [http://www.avcc.edu.au/news/public\\_statements/publications/index.htm](http://www.avcc.edu.au/news/public_statements/publications/index.htm)

- 12% of students obtained a repayable loan in order to continue studies, with the average loan being \$4,000. Those most likely to take out loans were students with low Socio-Economic Status, Indigenous women, students with disabilities and women with dependent children;
- 23% of students stated that their mode of study was affected by their financial circumstances with 54% of part-time students indicating that they would prefer to study full-time if financial circumstances permitted;
- nearly 20% of students who have financially dependent children, miss classes “sometimes” or “frequently” because they cannot afford childcare, pointing to the difficulty of supporting children while studying; and
- 8% of students had their application for Government income support rejected because of the parental income test.

These findings are supported by more detailed studies of smaller groups undertaken by Judith Bessant<sup>3</sup> and Craig McInnes<sup>4</sup>.

A recent study by Dr Bob Birrell and others from the Centre for Population and Urban Research at Monash University found that the number of full-time students aged 19 and above is growing much more rapidly than those aged less than 19. At the same time the recipient rate for Youth Allowance has declined for those aged 19 and under and increased for those aged 20 to 23. It appears that many students are delaying entry to university or entering as part-time students in order to earn the income necessary to become eligible for Youth Allowance at which time they enrol as full-time students. The study concludes that “at a time when the Government is trying to maximise the skill level of the Australian workforce, current policy discourages young people from entering university or studying full-time.”<sup>5</sup>

## Overseas Experience

The Euro Student 2000 project provides the results of a survey on the social and economic conditions of student life in nine European Union member countries in the year 2000<sup>6</sup>. The countries covered are Austria, Belgium, Finland, France, Germany, Ireland, Italy, the Netherlands and Portugal. The project provides comparative data across a range of indicators relevant to educational policy.

The Euro Student 2000 study provides some points of comparison with the AVCC’s findings in relation to Australia, for example:

- the AVCC study found that 80% of Australian students were employed which is high by comparison to the employment rate in Europe, which ranged from 48% in France to 77% in the Netherlands; and
- Australian students received 51% of their total income from employment which is at the upper end of the range found in Europe, which extended from 24% in Belgium to 54% in Austria.

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<sup>3</sup> Judith Bessant, *Student Poverty in the Enterprise University*, submitted for publication

<sup>4</sup> Craig McInnis and Robyn Hartley, *Managing Study and Work*, 2002

<sup>5</sup> Bob Birrell, Ian R. Dobson, Virginia Rapson and T. Fred Smith, *Higher Education at the Crossroads*, Centre for Population and Urban Research, Monash University, 2003

<sup>6</sup> See Euro Student 2000: Socio-economic living conditions of students, at <http://www.his.de/Abt2/Auslandsstudium/Eurostudent/index.htm>

The United Kingdom Government White Paper on the reform of higher education released earlier this year announced a major expansion and simplification of student support. Student support arrangements will provide increased support for students from low-income families. This will include the reintroduction of grants for students from low-income backgrounds, and expansion of loans schemes to meet living expenses.<sup>7</sup> More recently, the UK Education Secretary has announced that the family income threshold for students to qualify for the new university maintenance grants is likely to be raised to meet the government's promise that 30% of students will qualify for the award.

## Reforms to Student Income Support

Based on the comments made by the students surveyed in *Paying their way* students who received government income support found it invaluable and many would not be in higher education without it. There was concern, however, about the level of support provided, the restricted nature of access to it and the strong financial disincentives for students who want to work more than about one day a week. The total income from the limited part-time work that a student can undertake before encountering these disincentives, together with the money from the income-support programs, leaves participants in these programs financially vulnerable, especially in the context of the costs of undertaking university education.

The current system of income support disadvantages in particular young people from moderate income families who are excluded (either partially or totally) from receipt of Youth Allowance because of the family income test and whose families are not able to provide more than food and accommodation.

The income support system needs to acknowledge the crucial importance of participation in higher education to build capacity for long term self reliance. There needs to be appropriate incentives for post-school education and training to create the basis for sustained employment and lifelong learning. The situation highlighted in the Consultation Paper (paragraph 41) whereby some adult full-time students receive significantly less income support than unemployed people can create dysfunctional incentives. The incentive should be reversed – to encourage longer term education and training.

The AVCC's submission to the Higher Education Review, *Forward from the Crossroads*<sup>8</sup>, argued that student income support arrangements must be reviewed to ensure that students have the financial capacity to complete their courses. These reformed arrangements should ensure that students do not need to work long hours to support themselves, but have sufficient income to work effectively at their studies. They will, in particular, provide for students who need to move residence to attend university.

The current Government review needs to consider the following issues:

- the level of Youth Allowance (and Abstudy) and related thresholds for loss of entitlement to the allowance, to take better account of living and course related costs;
- the eligibility criteria, by reviewing parental income testing so as not to exclude from assistance the children of families on modest incomes;
- the age criteria for access on independence grounds, reducing it to 21 from 25;

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<sup>7</sup> UK Department of Education and Skills, *The Future of Higher Education*, 2003

<sup>8</sup> AVCC, *Forward from the Crossroads: Pathways to effective and diverse Australian universities*, 2002

- the costs for students, notably from rural and isolated regions, who need to move to attend university so that there is support for such students;
- incentives for low SES people to participate in higher education;
- ensuring that university scholarships do not cause a reduction in allowance payments such that the value of the scholarship is undermined;
- the continuation of Abstudy as a separate income support program to overcome the significant barriers faced by Indigenous Australians;
- the Community Development Employment Project (“work for the dole”) needs to be re-structured to include an educational component so that participants are encouraged to undertake some form of higher education or training.

In the higher education reform package announced as part of the 2003-04 Commonwealth Budget, the Government placed a renewed focus on equity and announced new income contingent loans so that fees are not required to be paid “up-front”. Day to day living expenses, however, cannot be deferred to a later date. The higher education reforms need to be supported by changes to the income support system to ensure that students from low to middle income families do not face financial barriers to education and training but are encouraged to undertake suitable long term education and training.