

Submission

to

Senate Employment, Workplace Relations and Education
Legislation Committee

Inquiry into the provisions of the Student Assistance Legislation Amendment Bill 2005

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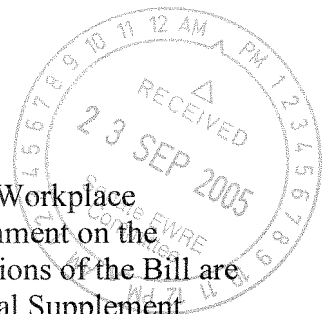
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The Newcastle University Students' Association thanks the Employment, Workplace Relations and Education Legislation Committee for the opportunity to comment on the Student Assistance Legislation Amendment Bill 2005. While some provisions of the Bill are encouraging in that they recognise the inadequacies of the Student Financial Supplement Scheme, NUSA is concerned about some aspects of the Bill designed to align SFSS repayments with HECS-HELP. NUSA is also disappointed that the Government has not taken this opportunity to review other forms of student financial assistance, the inadequacies of which were exposed by the need of those students who incurred the SFSS debt in an effort to make up for insufficient funding through Austudy, ABSTUDY or Youth Allowance.

Problems with the Student Financial Supplement Scheme

Review of the SFSS is long overdue. When first introduced in 1993 as the Austudy / ABSTUDY Supplement, NUSA and other student organisations were critical of the scheme. One main objection was to the harsh condition that students had to give up \$1.00 of their Austudy / ABSTUDY entitlements for every \$2.00 received under the scheme. The National Union of Students' submission to the Senate's 2004 "Inquiry into higher education funding and regulatory legislation" found that students who accessed this scheme were usually "the most financially vulnerable".¹ As was the experience of NUS, those students who contacted NUSA in 2003, when there was talk of no longer offering the scheme, feared that they would not be able to continue study due to their inability to find funding elsewhere, other than their Centrelink benefits.

The other major concern for NUSA was that the SFSS was in the form of a loan rather than a grant. Recipients of the scheme are already faced with the daunting prospect of having to pay back thousands of dollars in HECS-HELP debt. Not only does the SFSS increase the amount of money owed to the government, but the legislation as it stands allows for compulsory payments for both loans to be made concurrently, when a fairer option would be to allow for consecutive payments.

Recommendation: That the legislation be amended so that SFSS compulsory repayments are not required until after the completion of HECS-HELP repayments, or vice versa.

Concerns over realignment of repayment thresholds

While NUSA welcomes the discontinuation of the SFSS, in that no new debts may be incurred by already heavily indebted students, NUSA is concerned as to how the transition into compliance with the HECS-HELP repayments schedule will affect current SFSS debts and their repayments. According to the Bill, the realignment does not come into effect until the 2006-2007 financial year. Using the average wage earnings estimated quarterly by the Australian Bureau of Statistics for November 2003 and February, May, August and November 2004, under the current Social Security Act 1991 the threshold for SFSS repayments in 2005-06 will be around \$39,219 with repayments starting at 2% of taxable

¹ National Union of Students (NUS), *Submission to Senate Employment, Workplace Relations and Education References Committee Inquiry into higher education funding and regulatory legislation*, 2004, 49.

income (and \$36,184 for HECS-HELP repayments at 4%). Assuming that the 1.5% increase between quarters continues, in 2006-07 the threshold under the proposed amendment would be around \$38,237 and repayments would start at 2% of taxable income. This will mean that students, or more likely graduates, will start repaying their SFSS sooner and with less of a gap between commencement of HECS-HELP repayments and commencement of SFSS repayments. The students in question are those whom the system has let down. The majority of them took out these loans because what payments they received from Austudy, ABSTUDY or Youth Allowance were not enough for them to survive tertiary education. Consequently they will take longer than other students to reach the minimum repayment income for HECS anyway. It is hardly equitable that they should then be hit with a double bill the moment they get there.

Recommendation: That the minimum threshold for commencing repayments of SFSS debts remain higher than that of HECS-HELP debts.

Inadequacies of financial assistance

NUS found that the majority of SFSS recipients were either mature age students, and therefore on Austudy, or fell into categories where they “could no longer reasonably ask to be supplemented by their parents and faced time and/or discrimination constraints in casual labour market (single parents, disabled and indigenous students)”.² This would indicate that their need for the SFSS related to the unreasonable demands to qualify for away-from-home or independent status, and the inaccessibility of rent assistance for students.

Unfair conditions of Youth Allowance and Austudy

While Youth Allowance recipients looking for work can change to the higher rate offered by Newstart at the age of 21, Youth Allowance recipients who are studying are not entitled to switch to the higher rate available through Austudy until they are 25. Effectively this means that students are not considered independent until they turn 25, whereas job seekers are independent at 21. This implies that, after they turn 21, students will still be living with their parents but will not be expected to pay board or contribute to payment of any expenses they incur. This rationale seems to contradict the Government’s own rhetoric in recent parliamentary debate, that students are mature enough to make their own choices. However, under the stringent demands of Youth Allowance, choosing to live away from home simply because you are a mature adult is not reason enough to qualify for the away-from-home rate.

Recommendation: That the minimum age to qualify for Austudy be reduced to 21 years, in line with the minimum age for Newstart recipients.

The situation is exacerbated by the fact that Austudy recipients, and those Youth Allowance recipients living away from home but without satisfying the away-from-home requirements, are unable to access Rent Assistance. On-campus accommodation at the University of Newcastle starts at \$91.50 per week and can be as high as \$219.00 per week. This does not leave much spare change from a fortnightly Austudy or away-from-home payment of \$326.50, and even less from the standard Youth Allowance fortnightly payment of \$214.90.

² NUS, *Submission*, 48-49.

As places are limited, the majority of students living away from home will live off campus. This has become increasingly expensive in recent years as rents reflected the rise in real estate.

Recommendation: That all Youth Allowance and Austudy recipients be entitled to access Rent Assistance.

Payment rates unrealistic

Even if students 21 years and over, and/or those who have left home, were entitled to full Austudy or away-from-home rates, the maximum payment they could expect is \$163.25 per week. This is well under the equivalent poverty line figure of \$258.60.³ Such a discrepancy is typical of rates for all categories of ABSTUDY, Youth Allowance, Newstart and Austudy. This is particularly hard on students, as they not only have to meet the regular expenses of food, accommodation and transport, but also have regular expenses relating to their studies on top of these. The most obvious of these is textbooks, which can run into hundreds of dollars, especially those dealing with science, medicine or law. Textbook expenses have increased dramatically since the withdrawal of the education textbook subsidy scheme which means that students must now pay tax (GST) on textbooks.

Recommendation: That the rates of payment be increased across the board for ABSTUDY, Youth Allowance and Austudy, in order to bring them into line with the real expenses faced by students.

Recommendation: That the education textbook subsidy scheme be reinstated or, alternatively, that the GST on textbooks be withdrawn.

Another expense for students is their health. Due to the nature of study, students are often susceptible to anything from the common cold to pleurisy or pneumonia, chronic fatigue syndrome or glandular fever. Yet students are not entitled to the health care card.

Recommendation: That the Health Care Card be made accessible to Youth Allowance recipients who are students and Austudy recipients.

The move to abolish the Student Financial Supplement Scheme is a positive one. At the same time however, NUSA asks that this Inquiry seriously consider the reasons as to why the scheme was a failure, as suggested in the above. We also ask that the Committee take into consideration our recommendations for improving continued financial assistance to students. Thankyou.

³ Melbourne Institute of Economic and Social Research, *Poverty Lines: Australia*, March Quarter 2005, 16 June 2005. Figure quoted is for a single person, no children, head not in workforce, including housing.