

The Senate

Employment, Workplace Relations
and Education References Committee

Student income support

June 2005

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Membership of Committee

Members for this inquiry

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Senator Judith Troeth	LP, Victoria	Deputy Chair
Senator Natasha Stott Despoja	AD, South Australia	

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Terms of Reference

Senator George Campbell, pursuant to notice of motion not objected to as a formal motion, moved business of the Senate notice of motion no. 3—That the following matter be referred to the Employment, Workplace Relations and Education References Committee for inquiry and report by 25 November 2004:

The living costs of students enrolled in full-time and part-time courses and, in particular:

- (a) current measures for student income support, including Youth Allowance, Austudy and Abstudy, with reference to:
 - (i) the adequacy of these payments,
 - (ii) the age of independence,
 - (iii) the parental income test threshold, and
 - (iv) the ineligibility of Austudy recipients for rent assistance;
- (b) the effect of these income support measures on students and their families, with reference to:
 - (i) the increasing costs of higher education,
 - (ii) students being forced to work longer hours to support themselves, and
 - (iii) the closure of the Student Financial Supplement Scheme;
- (c) the importance of adequate income support measures in achieving equitable access to education, with reference to:
 - (i) students from disadvantaged backgrounds, and
 - (ii) improving access to education; and
- (d) alternative student income support measures.

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Abbreviations and Acronyms

ABSTUDY	Aboriginal Study Assistance Scheme
ACOSS	Australian Council of Social Service
ACUMA	Australasian Campus Union Managers Association
APA	Australian Postgraduate Award
AVCC	Australian Vice-Chancellors' Committee
CAPA	Council of Australian Postgraduate Associations
DEET	Department of Employment, Education and Training
DEST	Department of Education, Science and Training
ETSS	Educational Textbook Subsidy Scheme
FaCS	Department of Family and Community Services
FAMT	Family actual means test
GST	Goods and Services Tax
HECS	Higher Education Contribution Scheme
HEEP	Higher Education Equity Program
MTAWE	Male total average weekly earnings
NTEU	National Tertiary Education Union
NUS	National Union of Students
SFAN	Student Financial Advisers Network
SFFS	Student Financial Supplement Scheme
TEAS	Tertiary Education Assistance Scheme
VSU	Voluntary Student Unionism

Recommendations

Recommendation 1 page 16

The committee recommends that the Government commission an independent expert panel to review the performance and effectiveness of the student income support system. Such a review should include public consultation and any reports and findings should be tabled in the Parliament. The committee recommends that the panel include a nominee from each of the key stakeholder groups.

Recommendation 2 page 18

The committee recommends that the Department of Education, Science and Training and Centrelink coordinate the collection of data on income support measures and that disaggregated data on student income support payments be made publicly available.

Recommendation 3 page 19

The committee recommends that the Department of Education, Science and Training include in its exit survey of students a question about the level of income support and whether it was a factor in students withdrawing from university.

Recommendation 4 page 19

The committee recommends that the Department of Education, Science and Training develop clear policy objectives and performance indicators for the student income support system, and that Youth Allowance, Austudy and ABSTUDY be assessed against these annually. The committee recommends that the results of these assessments be reported in the Department's annual report on Higher Education.

Recommendation 5 page 23

The committee recommends that a National Partnerships Group, consisting of representatives from Centrelink, the Student Financial Advisers Network and other relevant groups, be reconstituted and meet on a regular basis to discuss changes and difficulties associated with student financial assistance and to make recommendations to the relevant ministers.

Government senators do not agree with this recommendation.

Recommendation 6 page 23

The committee recommends that the Auditor-General be requested to conduct an audit of Centrelink's delivery of financial assistance to students, paying particular attention to service delivery issues.

Government senators do not agree with this recommendation.

Recommendation 7 page 27

The committee recommends that the Department of Education, Science and Training undertake an analysis of the costs and benefits associated with reversing the Government's changes to the Away From Base Component of ABSTUDY in 1997 and 2000.

Government senators do not agree with this recommendation.

Recommendation 8 page 35

The committee recommends that the Department of Education, Science and Training undertake an analysis of the costs and benefits associated with:

- reducing the age of independence from 25 to each of 24, 23, 22, 21 and 18 years;
- increasing the parental income test threshold to a level that reasonably equates with annual average earnings;
- increasing the tax-free threshold for students; and
- increasing Youth Allowance, Austudy and ABSTUDY payments to the level of the age pension.

Government senators do not agree with this recommendation.

Recommendation 9 page 38

The committee recommends that Rent Assistance be made available for all recipients of Austudy, but not before a costing is undertaken by the Department of Education, Science and Training. The committee recommends that the costing be completed before the end of 2005 and reported to the Parliament.

Recommendation 10 page 39

The committee recommends that the Department of Education, Science and Training undertake an analysis of the costs and benefits associated with making the method of indexation for student income support payments consistent with the indexation of the pension.

Recommendation 11 page 43

The committee recommends that the Department of Education, Science and Training undertake an analysis of the costs and benefits associated with exempting university-funded scholarships and scholarships funded by benefactors and philanthropists from the social security personal income test.

Recommendation 12 page 53

The committee recommends that the Government, in consultation with the Australian Vice-Chancellors' Committee and student organisations, undertake regular five-year surveys of student finances and work patterns as per the AVCC's *Paying Their Way* report (2001). These surveys must include a review of all ancillary fees.

Government senators do not agree with this recommendation.

Recommendation 13 page 59

The committee recommends that the Department of Education, Science and Training undertake an analysis of the costs and benefits associated with a comprehensive student income support payment which is separate from the existing Youth Allowance and which provides financial assistance to students for the duration of their course.

Government senators do not agree with this recommendation.

Recommendation 14 page 63

The committee recommends that the Department of Education, Science and Training examine a new income contingent loan scheme to replace the Student Financial Supplement Scheme.

Government senators do not agree with this recommendation.

The Democrats acknowledge the benefits provided to students through the Student Financial Supplement Scheme, but believe it is not an appropriate model for further consideration.

Recommendation 15 page 65

The committee recommends that the Department of Education, Science and Training undertake an analysis of the costs and benefits associated with restoring the Educational Textbook Subsidy Scheme.

Government senators do not agree with this recommendation.

Preface

This report examines current measures for student income support, with particular reference to the adequacy of Youth Allowance, Austudy and ABSTUDY and their effect on students and their families. The committee is concerned that there has not been a Government-initiated review of the student income support system since 1992. Over the last decade the student income support system has operated in a policy vacuum. It is now showing the signs of this neglect. The Government's preoccupation with program efficiency over policy effectiveness and continuing problems with Centrelink's delivery of payments have taken their toll on students. The current level of income support does not come close to providing students with a decent living wage to cover the cost of accommodation, food, bills and transport. The level of income support has been falling steadily behind the rising cost of living. This has resulted in many students experiencing severe financial hardship and poverty.

There is a widely accepted view among the student population that their worsening financial situation reflects a 'user-pays' mind-set. Students are viewed as the beneficiaries of government subsidies who will gain financially from this investment through future earnings. Government cost-shifting has resulted in students bearing more of the cost of their education than ever before. The closure of certain financial assistance schemes and the Government's proposed voluntary student unionism legislation are clear examples of this trend. Students and their representative bodies have struggled to be heard and have their financial plight accepted as a serious public policy issue, but to no avail.

Raising awareness of student financial hardship is important, yet the committee believes that immediate steps could be taken to make the income support system more relevant to changing student profiles. In particular, the harshness of eligibility criteria relating to the age of independence, the parental income test threshold and the ineligibility of Austudy recipients for Rent Assistance needs addressing now. The committee finds that various anomalies and inconsistencies with the eligibility criteria penalise students who are most in need of financial assistance. Students from households with low to modest incomes, from regional and remote areas and indigenous students are often hardest hit by rules which appear to lack any clear policy rationale.

A major change in the profile of students over the past decade is the increasing proportion of students who need to supplement their income support payment with paid employment. The committee is concerned that students are being forced to work longer hours, often in low-paid or cash-in-hand jobs, as a direct result of inadequate income support. Reports of students resorting to product testing by unscrupulous companies and even turning to prostitution as a source of income raise serious moral, health and safety concerns. Working longer hours not only has a detrimental effect on students' academic results, it also has an economic effect because it delays course completion and entry of skilled young people into the workforce.

The committee has formed the view that the relationship between paid employment and study is one of the most important policy challenges facing the higher education sector. As a consequence, it recommends that the Government conduct regular surveys of student finances and work patterns, and examine the feasibility of a new comprehensive student income support payment which would provide financial assistance to students for the duration of their course.

The subcommittee formed to deal with the inquiry into student income support commends its report to the full committee.

Senator Trish Crossin
Chair

Report formally adopted by the
committee on 21 June 2005 for tabling

Chapter 1

Introduction and background to the inquiry

1.1 The Senate referred this inquiry into student income support to the Employment, Workplace Relations and Education References Committee on 11 March 2004 with a reporting date of 25 November 2004. The committee tabled an interim report on 20 October 2004, following the prorogation of Parliament, advising of a new reporting date, probably in May 2005, subject to the committee being reconstituted in the 41st parliament. On 8 December 2004, the reporting date was extended to 16 June 2005.

1.2 The committee was asked to examine and report on the following matters:

- current measures for student income support, including Youth Allowance, Austudy and ABSTUDY, with particular reference to the adequacy of these payments, the age of independence, the parental income test threshold, and the ineligibility of Austudy recipients for Rent Assistance;
- the effect of income support measures on students and their families, with reference to the increasing cost of higher education, students being forced to work longer hours to support themselves, and the closure of the Student Financial Supplement Scheme;
- the importance of adequate income support measures in achieving equitable access to education, especially for students from disadvantaged backgrounds, and improving access to education; and
- alternative student income support measures.

Conduct of the inquiry

1.3 The inquiry was advertised in the *Australian*, and submissions were invited from a wide range of interest groups, organisations and individuals with an interest in student income support issues. Relevant Commonwealth and state and territory ministers were also invited to make submissions. A total of 140 submissions were received, predominantly from student organisations, vice-chancellors and other senior university administrators, academics and individual students. Submissions were received from the Department of Family and Community Service (FaCS) and the Department of Education, Science and Training (DEST). The South Australian and Queensland governments also made submissions.

1.4 The committee conducted public hearings in Melbourne, Adelaide and Canberra in April and May 2005. The committee notes that mid-way through the inquiry, in late October 2004, responsibility for income support programs, including Youth Allowance, Austudy and other minor payments to students, moved from FaCS to DEST. Responsibility for Rent Assistance and the Family Tax Benefit stayed with

FaCS. All income support payments to students continued to be delivered by Centrelink. In light of this administrative change, and to avoid any confusion, officers from DEST, FaCS and Centrelink agreed to appear together before the committee at the public hearing in Canberra.

Policy neglect

1.5 Most of the evidence to this inquiry showed conclusively that the student income support system has operated in a policy vacuum for too long, and is showing clear signs of policy neglect and poor service delivery. Many witnesses conveyed a strong view that the drift in student income support policy is not only unacceptable but has become an important factor contributing to the financial hardship of many students. A consistent theme in the submissions is that the income support system has remained largely unchanged during a period which has seen a radical shift in the way higher education is delivered across Australia's university sector. One of the consequences of this neglect is that the increasing financial hardship among the student population is not included on the national policy agenda. Students and their representative bodies have struggled to have their voices heard and their worsening financial situation accepted as a serious public policy issue, but to no avail.

1.6 The past decade has seen a major shift in the profile of students, to the extent that the level of income support does not even come close to providing students with a decent living wage to cover the basic cost of rent, food, bills and transport. The level of support provided by Youth Allowance, Austudy and ABSTUDY has been outstripped by rising living costs and the cost of higher education more generally, as well as by spiralling student debt. Many students receive a level of income support which leaves them between 30 and 50 per cent below the poverty line. How students are meant to survive each week on such a 'pittance', as academics have described it,¹ was a question which students raised with the committee at every available opportunity. The committee finds that their evidence, and that of many university administrators, amounted to a collective plea for the government to reform the income support system to relieve the increasing financial strain on students.

1.7 The committee was struck by the consistency and force of the recommendations made by student associations and university administrators across the range of issues addressed in its terms of reference. The committee interprets this response as conclusive evidence that the income support system is in a serious state of disrepair and that nothing short of a major policy review and overhaul of the system is required. There was broad agreement among the witnesses that the base rate of payment should be increased to a level which is at least comparable with the Henderson poverty line. The committee accepts that the Henderson poverty line was raised in evidence most often as a benchmark to demonstrate the low level of financial support which students receive compared with other categories of social security

1 Bob Birrell, Ian R. Dobson, Virginia Rapson and T. Fred Smith, *Higher Education at the Crossroads*, Centre for Population and Urban Research, Monash University, 1993, p.6

support. The committee notes that a renewed commitment by the Government to adequately fund the student income support system, unlikely though this may seem in the current political climate, would require a significant and sustained financial commitment by the Commonwealth. The committee accepts that a strong case was made for the level of financial assistance for students to be increased to an acceptable level, yet it believes that any proposals to substantially increase Commonwealth expenditure in this area should be fully costed and assessed for their financial impact.

1.8 The committee accepts the argument of the Student Financial Advisers Network that the various income support schemes are of diminishing relevance to changing student and institutional profiles. The committee heard from a number of witnesses that the Department of Family and Community Services and Centrelink have become obsessed with demonstrating administrative efficiency and improving client-customer service instead of monitoring and investigating the effectiveness of the various income support schemes. It was as if student income support had disappeared down a black policy hole. Yet the committee received almost no evidence on why the Government has ignored student income support. It is left to the committee to speculate in this area. The committee believes that the decline in funding for students over the past decade can be attributed principally to changes to funding arrangements for higher education and the advent of the 'entrepreneurial' university and the development of a culture and ethos of managerialism. The effect of these changes on students was examined by the committee in its 2001 report, *Universities in Crisis*. The report found that students were paying more for their education at the same time that the level of financial support that they were being offered had declined. This had resulted in the increasing debt burden and paid work commitments of full-time students.²

1.9 While the income support system underwent significant change in 1998 with the introduction of Youth Allowance, more stringent eligibility criteria, harsher parental means testing and an increase in the age of independence to 25 years, the evidence strongly suggests that these and other changes have not kept pace with the fluidity of university structures and the changing profile of students. It was pointed out that many of the regulations governing income support schemes have become increasingly irrelevant and confusing to students.³ One submission noted that, despite its supposed simplicity, Youth Allowance is one of the most complex payment structures in the social security system, resulting in a high level of confusion among students.⁴ A consistent theme raised in evidence was that while the income support schemes run with relative efficiency from the point of view of public administration, students experience a range of difficulties in their dealings with Centrelink. This has

2 These themes are examined in the Senate Employment, Workplace Relations, Small Business and Education References Committee's report, *Universities in Crisis*, September 2001, pp.282-88

3 Student Financial Advisers Network, *Submission 116*, p.2

4 National Welfare Rights Network, *Submission 134*, p.8

resulted in added frustration, financial inconvenience and students under the age of 25 accounting for an unusually high percentage of all administrative and activity breaches imposed by Centrelink.

1.10 It is significant that a House of Representatives committee inquiry into student financial assistance in 1991 found that it was difficult to measure the effectiveness and efficiency of the Austudy program. The report of that inquiry, which became known as the Price Report, was unable to accept the then Department of Employment, Education and Training's (DEET) subjective assessment of Austudy. The data required for the committee to form an objective assessment of the program was not available. Nor could it accept that the Parliament had been allocating hundreds of millions of dollars each year to a program for which few objective measures of effectiveness were available.⁵ The report recommended that the government develop clear policy objectives for student financial assistance programs and that DEET develop performance indicators consistent with these objectives and use them to assess the overall effectiveness of the programs.⁶ The committee notes that the recommendations from this report have never been implemented or even responded to by Government.

Major issues

1.11 The committee believes that the concerns aired more than a decade ago apply with equal force to current circumstances. It became clear during the inquiry that missing from the current debate on student finances is a sense of what the purpose of the income support system is, and how its performance and effectiveness are measured and reviewed by the Department of Family and Community Services and Centrelink. Part of the problem relates to the absence of disaggregated data on the proportion of students receiving less than the full amount of the Youth Allowance and the number of students receiving Youth Allowance who were assessed as either dependent or independent. It has been left to Dr Bob Birrell and others at the Centre for Population and Urban Research at Monash University to analyse data made available to them by the department and Centrelink. The committee notes that their research findings led them to publicly advocate reform of the Youth Allowance eligibility criteria to improve access to higher education amongst lower middle and working class families. Their findings have been studiously ignored by the Government.

1.12 A critical factor in the government's continuing neglect of the student income support system is the shift away from public funding of higher education and the introduction of policies which reflect a 'user-pays' philosophy. The committee had to look no further than the closure of the Student Financial Supplement and Educational Textbook Subsidy Schemes and voluntary student unionism (VSU) legislation for

5 *Student Financial Assistance*, Report of the House of Representatives Standing Committee on Employment, Education and Training, Canberra, 1991, p.22

6 *ibid.*

evidence that Government cost-shifting has resulted in students bearing more of the cost of their education than before. Although the VSU legislation was introduced in the Parliament mid-way through the inquiry, witnesses raised concerns about its likely adverse effect on student finances. There was widespread concern that the legislation will erode the capacity of universities and student bodies to deliver essential services to financially struggling students.

1.13 The extent of student financial hardship is apparent by the number of students forced to work long hours who become trapped in cycles of financial insecurity and poverty. Anecdotal and empirical evidence shows that the level of payment under Youth Allowance, Austudy and ABSTUDY is inadequate and that the system operates with various disincentives, inconsistencies and anomalies which penalise students who are most in need of financial assistance. Students from households with low to modest incomes, from regional and remote areas and indigenous students are hardest hit by these systemic failings. The committee believes that while poorer students are the most deserving of Commonwealth financial support, the current system conspires against them. The committee is particularly concerned by evidence that the current system discourages young people from entering university at a time when the government is trying to maximise the skill level of the workforce.

1.14 The harshness of the eligibility criteria relating to the age of independence, the parental income test threshold and the ineligibility of recipients of Austudy for Rent Assistance are of greatest concern to students. Anomalies regarding the treatment of scholarships as taxable income and the level of income support available for postgraduate students are also a concern. Student bodies told the committee that Centrelink officers are unable to exercise discretion to ensure fair outcomes for students who face exceptional circumstances. This often results in unintended consequences for students and their families. The committee is concerned that students are penalised if they have to move away from home to study a particular course which is not available at their local university because their Youth Allowance payment is means tested. Similar financial penalties apply to students who, as a result of an illness or injury, cross over an arbitrary age threshold and are moved from Youth Allowance to Austudy, resulting in the loss of Rent Assistance.

1.15 The committee accepts, and Government senators emphasise, that there has been a significant rise in the number of people participating in non-compulsory education and combining work with study. The Department of Family and Community Services submission emphasised that young people who combine work with study are contributing to a more educated and skilled workforce.⁷ Yet other evidence mounted a serious challenge to the official line. This is because changes to the higher education system introduced by the Coalition Government have made it harder for many school leavers to gain access to financial assistance while studying.

7 Department of Family and Community Services, *Submission 110*, p.6

They have also produced disincentives for young people who are contemplating enrolling in a university.⁸

1.16 The committee finds that the rules governing the receipt of Youth Allowance and Austudy produce strong disincentives for students who want to work more than one day a week. The income students receive from the limited part-time work they can undertake before they encounter these disincentives leaves them financially vulnerable.⁹ A survey of undergraduate student finances in 2000 by the Australian Vice-Chancellors' Committee found that the income support system places students in a difficult financial bind. The system forces students into more hours of paid employment because the level of income support is inadequate, yet the amount of money which students can earn before their Centrelink payment is reduced does not meet the financial shortfall created by the low level of income support. Students have been protesting against the effect of this anomaly for many years and have been advocating major reform of the system. Yet the Government seems oblivious to their concerns. It has not made any attempts to introduce reforms which students and universities have viewed as necessary. While the topic of student financial assistance is revisited occasionally by governments, little has ever been done to improve the lot of 'financially strapped' students.¹⁰

1.17 The low level of income support forces students to work longer hours to survive. Full-time students now resemble part-time students in their study habits and how they interact with students and teaching staff. There is general agreement among students and academic experts that Government measures are needed to arrest the deteriorating state of student finances. Without Government intervention, a combined weekly total of 60 hours of full-time study and part-time work will soon become the norm for a majority of students. The committee believes this is an unacceptable scenario for students to have to face. Working long hours not only has a detrimental effect on students' academic results and reduces their level of engagement with university life. It also has an economic effect because it delays course completion and entry of skilled young people into the workforce. The committee believes that the evidence presents a clear policy challenge for the government. The income support system should be reformed to reverse the trend of full-time students working longer hours in part-time work.

1.18 The committee does not doubt, and Government senators strongly believe, that many students who increasingly combine work with study are able to strike a balance between the two activities. Students can reap financial and social benefits through paid employment and perhaps lay the groundwork for a smooth transition

8 Bob Birrell, Ian R. Dobson, Virginia Rapson and T. Fred Smith, *Higher Education at the Crossroads*, Centre for Population and Urban Research, Monash University, 1993, p.1

9 Michael Long and Martin Hayden, *Paying Their Way: A Survey of Australian Undergraduate University Student Finances, 2000*, Australian Vice-Chancellors' Committee, October 2001, p.45

10 Ian R. Dobson, 'Youth Allowance: More Please!', *People and Place*, vol.12, no.3, 2004, p.52

from university to full-time employment upon the completion of their course. Full-time students who successfully negotiate work and study are in the minority, however, and generally come from more affluent families. The committee is mainly concerned by mounting evidence that students from households with low to modest incomes experience some form of financial hardship whilst at university. Students from the most financially disadvantaged backgrounds are almost certain to experience extreme hardship. The committee concludes that the relationship between paid employment and study is one of the most important policy issues facing the higher education sector. Providing adequate income support will ensure that work does not interfere unduly with attendance at lectures and tutorials, good study habits and academic performance.

Chapter summaries

1.19 The report deals with these main themes in the following three chapters:

- Chapter 2 provides an overview of current income support arrangements and examines wider concerns regarding the policy framework which underpins the income support system. Issues considered include the collection and analysis of official data on the effectiveness of income support payments, Centrelink's service delivery and customer relations, and the extent to which current income support measures encourage access to higher education, especially for students from disadvantaged backgrounds and indigenous students;
- Chapter 3 addresses the adequacy of student income support measures against a background of rising student poverty; critically evaluates the main eligibility criteria which apply to Youth Allowance, Austudy and ABSTUDY payments; and examines issues affecting postgraduate students and other anomalies in the system. It also examines briefly alternative measures for student income support, including proposals to reform the system to enable students to receive a higher level of financial support for the duration of their studies; and
- Chapter 4 examines the effect of income support measures on students and their families. It looks closely at the trend of students spending more time in paid employment and how this adversely affects academic achievement and student engagement with university. It also looks at the impact on students of the rising cost of higher education and the extra financial burden resulting from the closure of certain financial assistance schemes and the Government's proposed voluntary student unionism legislation.

Chapter 2

Student income support: An overview

There is little doubt that the current arrangements sometimes target ineffectually, basically because there is relatively little sensitivity shown to the varied financial needs and circumstances of the potential clientele. The essential challenge for reform is to improve the targeting so as to ensure that the right amount of assistance is delivered to those who most need it.¹

2.1 A review of basic principles underpinning the Austudy scheme in 1992 by Professor Bruce Chapman, which was commissioned by the then Department of Education and Training (DEET), addressed a perceived lack of policy focus and direction in the area of student income support.² The report noted that government support for students has existed in one form or another for many decades. Teacher scholarships provided by state governments from the 1950s were gradually phased out when the Commonwealth Government introduced the Tertiary Education Assistance Scheme (TEAS) in 1974. This scheme and a number of related educational allowances were combined in 1983 to form Austudy.³ The most recent change to the income support system of relevance to this inquiry was the introduction of the Youth Allowance scheme in July 1998.

2.2 While the objectives of the various income support schemes have changed over time, all of the programs, including the most recent changes in 1998, have included as part of their rationale the notion that specific assistance is required for full-time students from disadvantaged backgrounds. However, the review of Austudy by Chapman found that financial assistance to higher education students could have been better targeted. The remainder of this chapter considers the main features of the current income support measures, and discusses a range of policy issues which have been raised in evidence to this inquiry. The issues relate to the collection and analysis of official data on the effectiveness of income support payments, Centrelink's service delivery and customer relations, and the extent to which current income support measures encourage access to higher education, especially for students from disadvantaged backgrounds and indigenous students.

Student income support schemes

2.3 The current income support system consists of a number of distinct programs with specific eligibility criteria directed at particular groups in the community.

1 Bruce Chapman, *Austudy: Towards a More Flexible Approach. An Options Paper*, A report commissioned by the Department of Employment, Education and Training, April 1992, p.viii

2 *ibid.*

3 *ibid.*, pp.33-51

According to the submission from the Department of Family and Community Services (FaCS), income support for students:

...is intended to encourage young people themselves and their families to help young people stay in education and training and to enable people in older age groups to return to study. Assistance is targeted primarily towards young people from low-income backgrounds undertaking post-compulsory schooling and tertiary study.⁴

2.4 The focus of this inquiry is the major support programs – Youth Allowance, Austudy and ABSTUDY – and issues surrounding the eligibility criteria which relate to the age of independence, income test thresholds and whether the schemes provide Rent Assistance. The committee notes that income support payments are also made under a number of other supplementary study-related schemes for people receiving benefits such as the Newstart Allowance and the Parenting Payment and Disability Support Pension. These schemes include the Education Entry Payment and the Pensioner Education Supplement and Mobility Allowance.⁵

Youth Allowance

2.5 The Youth Allowance payment, which was introduced from 1 July 1998, replaced the Youth Training Allowance, Newstart and Sickness Allowance for under 21 year olds, the existing Austudy payment for under 25 year olds, and the higher rate of Family Allowance for secondary students. According to FaCS, Youth Allowance was introduced to remove disincentives for unemployed people to participate in full-time study or training and recognise the diversity of school to work pathways. Several measures were introduced to achieve this aim: young people less than 18 years had to be in full-time education or training, and Rent Assistance became available to eligible students. Other measures included an 'income bank' for full-time students, the extension of parental means testing to 18 to 20 year-old job seekers and changes to eligibility criteria to broaden the coverage of payment among students.⁶

2.6 The core objectives of Youth Allowance, as described in the FaCS submission, are to:

- ensure that eligible young people receive income while studying, looking for, or preparing for, paid employment;
- encourage young people to choose further education or training over job search if they do not have sufficient skills to obtain long-term employment; and

4 *ibid.*, p.8

5 *ibid.*

6 Michael Long and Martin Hayden, *Paying Their Way: A Survey of Australian Undergraduate University Student Finances, 2000*, Australian Vice-Chancellors' Committee, October 2001, p.33

-
- encourage young people to undertake a range of activities that will promote entry into employment.⁷

2.7 While recipients of Youth Allowance must meet residency and activity test requirements, it is the parental means test which has the largest bearing on who is eligible and the rates of payment. The parental means test, of which details are included in the FaCS submission, consists of three elements: the family assets test which has a current value limit set at \$502,750, the combined parental income test threshold which is currently set at \$28,850 and the family actual means test (FAMT), which relates to family spending and savings. The parental income test threshold is indexed each January in line with the CPI. The rate of Youth Allowance payable is reduced by 25 cents for every dollar over the threshold. Centrelink figures on the current rates of pay for Youth Allowance, Austudy and ABSTUDY and information about the eligibility criteria are reproduced at Appendix 4.

2.8 The criteria for determining independence and dependence are fundamental to understanding the Youth Allowance scheme. Briefly, Youth Allowance recipients may be assessed as independent of, or dependent on, their parents. If a student is assessed as dependent, the parents' income and assets are considered in determining eligibility. The presumption is that parents with sufficient resources will provide financial and material support to their young children while they are undertaking study. According to FaCS, this is consistent with government and community expectations. The committee notes that while it may seem fair to assume that parents will support their children at university in line with community expectations, many families, especially from remote and regional areas, cannot do so. This issue was raised in a number of submissions to this inquiry. A common theme was that the Government is out of touch with the financial and social circumstances facing many low to middle income families.

2.9 Parental means testing does not apply if the person who is applying for Youth Allowance is assessed as independent. While independence for Youth Allowance purposes can be obtained in any number of way (and the FaCS submission includes a long list of criteria), it is the age at which a person is considered independent which has generated the most interest in the written submissions. The age of independence is currently set at 25 years. The committee notes that during the mid-1990s it was reduced from 25 to 21 years, only to be increased again to 25 years in 1997.⁸ The committee notes that the age of independence was examined carefully by the Senate inquiry into Austudy in 1995, when the age of independence was 22 years. The report of that inquiry recommended that a detailed analysis of the costs and benefits associated with a reduction from 22 to 21 years be undertaken. There is no evidence that an analysis of this kind has ever been undertaken by the Government. Concerns about the effect of the current age of independence are examined in more detail in chapter 3.

7 Department of Family and Community Services, *Submission 110*, p.9

8 Student Financial Advisers Network, *Submission 116*, p.11

2.10 There are specific workforce participation criteria which young people can use to establish financial independence from their parents. To be assessed as independent under these criteria, a young person must have:

- worked full-time for 30 hours a week for at least 18 months in a two year period since leaving school;
- worked part-time for at least 15 hours a week for at least two years since leaving school; or
- earned an amount equivalent to 75 per cent of the Commonwealth Training Award Rate in an 18 month period since leaving school.⁹

2.11 According to the FaCS submission, the 18 months of part-time work 'is a sufficiently long period to demonstrate that a young person has established and sustained their financial independence from their parents'.¹⁰ However, like the age of independence, the committee notes that many submissions expressed serious reservations about the stringent nature of the workforce participation requirements, which are examined in the following chapter.

Austudy and ABSTUDY

2.12 While Youth Allowance is designed principally for young people under the age of 25, Austudy is a separate income-support program for students who commence full-time studies or training when they are 25 years or older. Austudy recipients are considered independent of their parents. Only their income and assets (and the income and assets of their partner) are considered in determining eligibility.¹¹ While the introduction of Youth Allowance in 1998 created parallel schemes for students, each with slightly different rules and degrees of flexibility, it resulted only in minimal change for full time students. The most important change was the addition of Rent Assistance for recipients of Youth Allowance. Austudy is the only income support scheme that does not attract Rent Assistance.¹²

2.13 The ABSTUDY program is similar to Youth Allowance and Austudy, except that it is designed specifically for indigenous students who want to stay at secondary school or go on to further studies.¹³ As with Youth Allowance and Austudy, eligibility

9 Department of Family and Community Services, *Submission 110*, p.18

10 *ibid.*

11 Michael Long and Martin Hayden, *Paying Their Way: A Survey of Australian Undergraduate University Student Finances, 2000*, Australian Vice-Chancellors' Committee, October 2001, p.33

12 Department of Family and Community Services, *Submission 110*, p.21. Recipients of Austudy with dependent children may qualify for Rent Assistance with their Family Tax Benefit. Where an Austudy recipient has a partner in receipt of an income support payment which includes Rent Assistance, the partner may receive the full partnered rate of Rent Assistance.

13 Department of Education, Science and Training, *Submission 124*, p.3

is subject to income and asset tests for either parent or the student.¹⁴ The level of income support payable under ABSTUDY is determined by the age of the student, whether the student has approval to live away from home and the level of income the student, their parents or partner receives. The maximum rates payable under ABSTUDY are aligned with those payable under the Youth Allowance scheme for students up to the age of 21 years.

2.14 Before the Government introduced major changes to ABSTUDY in 2000, it was widely acknowledged that it provided indigenous students with some financial advantages compared with recipients of other income support payments. Indigenous students received additional allowances for essential course costs and for travel costs in situations where students had to move location in order to attend university. Policy changes which took effect from 1 January 2000 further aligned ABSTUDY with the operations of Youth Allowance and Austudy and, according to evidence from the National Tertiary Education Union (NTEU), further lowered the level of income received by the majority of indigenous students.¹⁵ The NTEU expressed the view that changes introduced in 2000, particularly to the Away From Base Component, amounted to a major restructure which cut back the components that were designed to make the scheme culturally and economically relevant to indigenous students.¹⁶ The committee examines these changes and their impact on indigenous participation and access to higher education in chapter 3.

Policy neglect

2.15 There is an underlying concern in evidence that income support for students has suffered from policy neglect and bureaucratic inertia since the early 1990s, if not before. The committee is concerned that there has not been a government initiated review of the entire income support system since Professor Chapman's study in 1992. The Chapman review followed the report of a House of Representatives inquiry into student financial assistance in 1991 (the Price Report). That report made a number of recommendations, including that there be a systematic review of Austudy. Since then, certain issues relating to income support for students have been examined by the Senate's education references committee.¹⁷ The 1995 report of the inquiry into the administration of Austudy examined difficulties with the administration of the scheme and possible changes to improve the delivery of payments to students. The report's findings and recommendations were ignored by government.

14 *ibid.*, p.34

15 National Tertiary Education Union, *Submission 129*, p.3

16 *ibid.*

17 Senate Employment, Education and Training References Committee, *Report on the Inquiry into Austudy*, June 1995; Senate Employment, Workplace Relations, Small Business and Education References Committee, *Universities in Crisis: Report into the capacity of public universities to meet Australia's higher education needs*, September 2001, pp.282-88

2.16 The study completed in 2001 under the auspices of the Australian Vice Chancellors' Committee (AVCC), *Paying Their Way*, is another example of a report that has been ignored. Dr Ian Dobson, a Research Fellow at the Centre for Population and Urban Research at Monash University, pointed out that publication of the AVCC's study was an appropriate time for the Government to commission a large study to examine how the student experience has changed and how income support measures could be brought into line with the financial needs of students. The Government, however, not only ignored the AVCC's report but also a number of research publications from the Centre for Population and Urban Research. Dr Birrell observed that the Government has been reluctant to revisit the income support system in the light of new evidence: 'Every time we have put out statistics on this they have been grabbed and pushed into the front line of debate but that has never been sustained'.¹⁸

2.17 The committee believes that student income support policy has not changed substantially over the past five years. One submission noted that although the income support system has developed over time in response to changes in Australian society, some of the main income support issues facing young people have not been addressed by the Government. Incremental policy change since the mid 1980s has not increased students' access to a living income. The Youth Affairs Council of Victoria argued:

Young people and their advocates are raising many of the same issues today as they did two decades ago. Over the years, young people have repeatedly voiced concerns about the level of income they receive and the subsequent poverty they experience, the degree to which they are eligible to receive income support and the complexity of the system.¹⁹

2.18 The committee sought the views of witnesses in an effort to understand why current policy on student income support is so out of step with the financial circumstances of students. Dr Birrell suggested that in the current political climate, with its prevailing 'user-pays' mentality, students in universities are viewed as beneficiaries of government subsidies who eventually make substantial financial gains from this public investment through high income earning careers.²⁰ It was also suggested that the information required to highlight the deficiencies of the current system in a convincing way has not been made publicly available. The committee does not believe that the lack of information is a sound reason for government inaction. Anecdotal and empirical evidence on the state of student finances has been available for a number of years.

2.19 The committee notes that the students who appeared before it spoke positively and passionately about how adequate income support for students is arguably the most intelligent investment a government can make in the future of Australia. The committee fully supports the view of one witness that the education that students gain

18 Dr Bob Birrell, *Committee Hansard*, 26 April 2005, p.17

19 Youth Affairs Council of Victoria, *Submission 67*, p.2

20 *ibid.*

should be 'beneficial, dynamic, engaging and really positive and vibrant for society'.²¹ To realise this ideal would require a radical shift in the government's thinking. The higher education system would need to be seen not as a financial burden to be minimised by the government through relentless cost-shifting. Instead, it would need to be seen as 'an investment in...citizens and in society economically, culturally and socially. Education, full stop is an investment. It is an investment that the government and society make in their people'.²²

2.20 The committee notes in particular the view of the Australian National University Students' Association, that the financial plight of students is a direct consequence of the government having shifted the cost of higher education directly on to students and their families without any commensurate or proportional increase in income support. Mr Max Jeganathan made the valid point that the education of students:

...should not be considered a cost and a burden that governments are trying to shrug off or minimise their liability over...It is not about cost-efficiency; it is about making a real commitment financially and morally to a group of people that are very important to the future of the country in all respects. I think that is what has been forgotten.²³

2.21 The submission from FaCS does not provide a detailed policy rationale for the various income support measures, or a defence of the system's various anomalies. The committee is surprised by this because of the significant financial outlays for student income support which the department administered. During 2003-04, for example, the Government provided approximately \$2.3 billion through Youth Allowance, \$259 million through Austudy and \$168 million under the ABSTUDY scheme.²⁴ In addressing the issue of equitable access to education, FaCS referred only to a Youth Allowance Evaluation Report of 2002 which apparently provides a glowing assessment of that program's effectiveness in encouraging more young people to stay in education and training. The FaCS submission claimed that the flexibility built into Youth Allowance, which enables people to qualify for financial assistance while undertaking a range of activities, '...allows any barriers to participation that the young person may have to be addressed prior to participation in the employment market or further education or training'.²⁵ As will become clear later in the report, these claims have been seriously challenged by independent research on the effectiveness of Youth Allowance and by the overwhelming majority of submissions to this inquiry.

21 Mr Max Jeganathan, Australian National University Students' Association, *Committee Hansard*, 13 May 2005, p.21

22 *ibid.*

23 Mr Max Jeganathan, Australian National University Students' Association, *Committee Hansard*, 13 May 2005, p.21

24 Ms Jessie Borthwick, Department of Education, Science and Training, *Committee Hansard*, 13 May 2005, p.45

25 Department of Family and Community Services, *Submission 110*, p.37

2.22 The committee notes that a number of witnesses supported the view that a comprehensive assessment of the effectiveness of the income support system is long overdue, and should be conducted on a more regular basis and at arms length from government. The National Union of Students (NUS) cautioned against the 'grand review' of income support every twenty or so years, which is an ineffective way for governments to approach this issue. It argued for a review of income programs approximately every three years by an expert body, with findings to be made available for public and parliamentary scrutiny. The committee believes that such a review is necessary because the current living and financial conditions of students is dynamic and fluid, and government policies are clearly having an impact on students.

Recommendation 1

The committee recommends that the Government commission an independent expert panel to review the performance and effectiveness of the student income support system. Such a review should include public consultation and any reports and findings should be tabled in the Parliament. The committee recommends that the panel include a nominee from each of the key stakeholder groups.

Why student poverty is missing from the policy agenda

2.23 The committee believes that one of the main consequences of policy neglect of student income support is that the financial plight of students and the incidence of student poverty have not registered as significant policy issues. Although this was referred to briefly at the Melbourne public hearing, the committee believes the Government should pay closer attention to the issue of student poverty and its underlying causes. Part of the problem is that student poverty is poorly understood and insufficiently researched, which means that little is known about how students complete their university studies while struggling financially. According to Professor Judith Bessant, while there is a considerable body of academic research on the socio-economic status of students when they enter university, their financial profile after the commencement of study has been largely ignored by researchers and policy makers.²⁶

2.24 The committee believes that raising awareness of student financial hardship is an important step towards removing barriers to future reform of the income support system. It also accepts that raising community awareness of student poverty faces many practical and political hurdles. Professor Watts, RMIT University, argued at a public hearing that students occupy at best a 'discursive space' in media reports when they engage in protests or similar activities. It was Professor Watt's firm belief that students are rendered invisible to policy makers because of negative stereotyping:

[The system] encourages the kinds of things that you see perpetuated in public discourse—what you can call negative stereotyping of this or that recipient group. Students are just one of a number of groups that—to use

26 Judith Bessant, *Student Poverty and the Enterprise University*, unpublished paper, 2001

the vernacular—get it in the neck because they are defined as deviant, problematic, troublemakers or outside the mainstream.²⁷

2.25 The issue has been examined in detail by Professor Bessant who examined how narratives about university students within the policy making community and the community more generally prevent the issue of student poverty from being taken seriously as a policy issue. Bessant isolated four factors which explain why student poverty is not included on the national policy agenda:

- The comparatively low social and political status of students gives them minimal political clout. University is a relatively short-lived and transitional experience for students which has practical implications for collective action as well as the political effectiveness of student groups;
- students experiencing financial hardship do not have the victim status that is assigned to other youth issues like suicide or homelessness; thus, as non-victims, public sympathy cannot be solicited and pity or compassion mobilised to assert influence;
- student poverty is not generally seen to constitute an immediate social threat that warrants a corrective policy response in the same way that other youth issues like substance abuse or juvenile crime do; and
- students are often referred to as a privileged group, in receipt of a valuable university degree which will stand them in good stead for life-long earnings and employment security. This characterisation not only works against students in terms of public sympathy and support in respect of financial hardship, it also perpetuates a prejudice that can be easily mobilised with the effect of increasing costs to students.²⁸

Data collection and analysis

2.26 The committee believes that the main barrier to any review of the adequacy and effectiveness of the income support system is the absence of disaggregated data required for a proper assessment of income support programs. Dr Bob Birrell and Dr Ian Dobson have published a series of articles on Youth Allowance in which they address whether the introduction of the Youth Allowance payment in 1998 has improved access to higher education for young people from low socio-economic backgrounds. The authors have voiced their concern that the data necessary to undertake a full assessment of the impact of the system for student financial assistance is not available in the public domain, and has not been analysed or disaggregated by FaCS or Centrelink.

27 Professor Robert Watts, *Committee Hansard*, 26 April 2005, p.75

28 Judith Bessant, 'The problem of Poverty Amongst Tertiary Students: Why it is Missing from the Policy Agenda', *Melbourne Studies in Education*, vol.44, No.2, 2003, pp.79-85

2.27 The submission from Dr Dobson, which includes the most recent and reliable published data on the Youth Allowance scheme, highlights the limited range of data which Centrelink provides for public scrutiny. It argues that three particular categories of data are needed to carry out an informed assessment of the effectiveness of the Youth Allowance scheme: the number of school, TAFE and university recipients of Youth Allowance, disaggregated; the proportion of recipients receiving less than the full amount of the Youth Allowance; and the number of students receiving Youth Allowance who were assessed as either dependent or independent.²⁹

Recommendation 2

The committee recommends that the Department of Education, Science and Training and Centrelink coordinate the collection of data on income support measures and that disaggregated data on student income support payments be made publicly available.

2.28 The committee was encouraged by the positive attitude conveyed by officers from DEST towards the income support system, which moved from FaCS to DEST in October 2004. Ms Jessie Borthwick, Group Manager, Strategic Analysis and Evaluation Group, told the committee that the administrative change meant that the department had an opportunity to look afresh at income support for students in relation to other educational and training policies and the effects of income support measures on students.³⁰ The committee has reason to believe that with responsibility for student income support returning to DEST, a range of data may now become available through annual reporting, something which FaCS apparently had stopped doing. Mr Hastings, NUS, told the committee it was likely that DEST would eventually report annually on issues such as students who do not receive any student income support, students withdrawing from university because of inadequate financial support, and students who defer because of concerns about lack of funding and resources.³¹

2.29 On the issue of students withdrawing from university as a result of inadequate financial support, the AVVC indicated to the committee that it had been approached by DEST regarding a survey of drop-out rates for students which was being undertaken by the department. Ms Borthwick advised the committee that the survey, for which a steering committee consisting of the AVCC, universities and DEST had been formed, was triggered by discussions between the department and the education minister. The survey would look especially at the attrition rates for first-year students, the group that is most likely to drop out of university.³² While the survey apparently

29 Dr Ian Dobson, *Submission 137*, p.2

30 Ms Jessie Borthwick, Department of Education, Science and Training, *Committee Hansard*, 13 May 2005, p.44

31 Mr Graham Hastings, National Union of Students, *Committee Hansard*, 26 April 2005, p.24

32 Ms Jessie Borthwick, Department of Education, Science and Training, *Committee Hansard*, 13 May 2005, p.48

will canvass a wide range of issues, the committee expects that DEST will include in the survey a question or questions relating to income support.

Recommendation 3

The committee recommends that the Department of Education, Science and Training include in its exit survey of students a question about the level of income support and whether it was a factor in students withdrawing from university.

Program efficiency versus policy effectiveness

2.30 The committee is concerned by evidence from the Student Financial Advisers Network (SFAN) that over the past decade FaCS and Centrelink have been far more concerned with demonstrating administrative efficiency and improving client-customer service than monitoring and investigating the effectiveness of the income support schemes.³³ This issue was raised with the committee on a number of occasions at public hearings, and has apparently been an issue of concern for a number of years. The RMIT Student Union argued that over the last ten years, the focus of student income support administration has shifted from providing adequate assistance to enable students to meet their financial needs, to demonstrating efficiency of throughput and client/customer service.³⁴ Under a heading entitled 'The Efficient Delivery of Nothing', the RMIT Student Union submission concluded: 'While Centrelink is more efficient, the question arises: efficient at what?'³⁵

2.31 These concerns are consistent with the findings of the Price Report which concluded in 1991 that DEET's performance indicators emphasised processing efficiency rather than program effectiveness. The report found that income support programs had never been properly evaluated and that billions of dollars had been spent on programs for which the success or otherwise had never been assessed. The committee believes that nothing substantially has changed over the past decade.

Recommendation 4

The committee recommends that the Department of Education, Science and Training develop clear policy objectives and performance indicators for the student income support system, and that Youth Allowance, Austudy and ABSTUDY be assessed against these annually. The committee recommends that the results of these assessments be reported in the Department's annual report on Higher Education.

33 Student Financial Advisers Network, *Submission 116*, p.2

34 RMIT Student Union, *Submission 78*, p.14

35 *ibid.*

Service delivery issues

2.32 A number of student associations and student unions raised concerns about the quality of service provided by Centrelink and other shortcomings with its administration of the income support system. The committee notes that problems with the delivery of income support payments were raised during previous parliamentary inquiries, relating to the quality of advice provided by Centrelink, delays with processing applications and Centrelink's ineffective communication about rights and responsibilities. It was found that students in breach of Centrelink's administrative requirements faced a reduction in their payment without first being notified.³⁶ Recommendations were made that students should receive balanced, customer-oriented advice commensurate with departmental obligations of duty of care, and that adequate publicity and information packages should be made available to enable students to make informed decisions before applying for financial assistance.³⁷

2.33 A number of issues raised in evidence during this inquiry suggested that service delivery remains a major area of concern for students and parents, and that problems have not been addressed by the Government. There is evidence of a lack of adequate and consistent information flowing to students and parents from Centrelink, especially to prospective students from rural and regional areas:

At present the information flow from Centrelink to students is almost non-existent. As a result, students who are Centrelink's customers are unlikely to have any idea of their eligibility for benefits or any of the other entitlements that are available to them...

Centrelink has argued that much of its information is 'on line'. As professionals dealing on a day to day basis with students...SFAN staff are clearly aware of the inadequacy of providing information in this format to students.³⁸

2.34 Centrelink's plain English, reader-friendly and comprehensive guide to Austudy has not been updated since 1998. According to SFAN, the current sixteen page guide to Youth Allowance gives minimal information to students, and is an inadequate tool for student advisers. Centrelink's current application form, at thirty-six pages, is more voluminous and complicated than the tax form put out by the Tax Office.³⁹ Frustration over the lack of adequate and accessible information from Centrelink has forced SFAN to produce an internet based 'money guide', which is a comprehensive explanation of Youth Allowance and Austudy, including how best to deal with Centrelink staff.

36 *ibid.*, p.52

37 Senate Employment, Education and Training References Committee, *Report on the Inquiry into Austudy*, June 1995, recommendation 15, p.x

38 Student Financial Advisers Network, *Submission 116*, p.12

39 *ibid.*

2.35 The President of the Students' Association of the University of Adelaide, Mr David Pearson, told the committee of the frustration which many students experience with the amount of paperwork involved in applying to Centrelink for income support benefits, and the financial penalties incurred by students when Centrelink's administrative process breaks down:

...a problem that many students have is that when they [fax Centrelink] the vast majority of students who walk through our doors screaming, it is not about, 'Look at my HECS debt. It's so huge', it is: 'I've been on the phone to Centrelink for two hours and I still don't understand what they're talking about...I am always telling them to go and see the welfare officers who used to work for Centrelink. But they are continually stuffing things up. They lose the forms that you have to send in every week and, if they lose it, they will cut your payment and they will not even tell you.'⁴⁰

2.36 The National Tertiary Education Union (NTEU) voiced its concern about the service delivery aspects of ABSTUDY, noting that the program's restructure in 2003 resulted in a nation-wide reduction of ABSTUDY centres responsible for processing claims from fourteen to four areas sites – North Australia, Central and North Queensland, West New South Wales and Western Australia.⁴¹ It is NTEU's belief that the rationalisation 'has significantly diminished the capability of the administration of ABSTUDY to take into consideration the specific cultural and socioeconomic sensitivities relative to indigenous students' applications'.⁴² The NTEU's submission noted that a number of service delivery issues which were identified during the committee's 2001 inquiry into Australia's higher education needs, continue to create difficulties for students and prospective students. These include lengthy delays in processing applications, lost correspondence resulting in further delays, and reports of Centrelink staff deferring to the expertise of Aboriginal staff, resulting in issues not being addressed if Aboriginal staff are not available.⁴³

2.37 The committee accepts the NTEU's assessment that problems which continue to affect the service delivery of ABSTUDY will not be addressed satisfactorily until ABSTUDY is structured as a specialised indigenous support scheme administered and implemented by dedicated Centrelink officers who are prepared to communicate directly with indigenous students.⁴⁴ This, however, would require a shift in government thinking and a change in policy from 'mainstreaming' indigenous education services to accepting that indigenous students often require specialised advice provided by suitably qualified and trained indigenous staff.

40 Mr David Pearson, Students' Association of the University of Adelaide, *Committee Hansard*, 28 April 2005, p.26

41 Mrs Michelle Cornish, Centrelink, *Committee Hansard*, 13 May 2005, p.58

42 Mr Joel Wright, National Tertiary Education Union, *Committee Hansard*, 26 April 2005, p.58

43 NTEU, *Submission 129*, p.12

44 *ibid.*

2.38 The committee is concerned by reports that Centrelink has advised some full-time students to apply for the Newstart payment instead of Youth Allowance, which provides access to a higher level of pay as well as Rent Assistance, and that some students have had their benefits cut-off without notification.⁴⁵ The advice to apply for Newstart means that students are encouraged to reduce their course load in order to be eligible for unemployment benefits. Miss Monica Okulicz, Deakin University Student Association, expressed frustration with Centrelink's advice, which was considered to be unhelpful and demoralising:

Last year I was in a dire financial situation and Centelink told me that I should reduce my course load and go on to Newstart. That was their way of helping me. I think it is very alarming that Centrelink offered this as an option instead of helping me—that they would regard unemployment as my best-case scenario.⁴⁶

2.39 Centrelink Deputy Chief Executive Officer, Ms Carolyn Hogg, stressed at a public hearing that it is not Centrelink policy to advise students one way or the other on jobs or learning opportunities. Centrelink's primary role is to ensure that a person seeking government assistance is made aware of all the entitlements, including the conditions and rates of payment, and the implications for the customer's personal circumstances. This advice should enable the customer to make an informed choice about the most favourable entitlement.⁴⁷

2.40 On the issue of students having their benefit cut-off without notification and being left in a dire financial situation, Centrelink advised the committee that its guidelines require that every effort be made to contact the customer before payments are stopped: 'In terms of trying to ensure that students are informed of their rights and obligations, we do this not only at the time they are granted income support; every Centrelink letter that they receive subsequently will remind them about key messages and obligations'.⁴⁸

2.41 The committee notes that Centrelink has recently implemented a range of measures to improve its service delivery outcomes. An example is the provision of on-line services to enable students to access personal information and lodge claims for income support over the internet.⁴⁹ The committee is also aware that an attempt was made by Centrelink in 2001 to identify where it might be able to better assist students, through the formation of a partnerships group with the Student Financial Advisers Network. The group included FaCS, indigenous representatives, the National Union of

45 Mr Mark Allen, University of South Australia Students' Association, *Committee Hansard*, 28 April 2005, p.27

46 Miss Monica Okulicz, Deakin University Student Association, *Committee Hansard*, 26 April 2005, p.62

47 Ms Carolyn Hogg, Centrelink, *Committee Hansard*, 13 May 2005, p.53

48 Mrs Michelle Cornish, Centrelink, *Committee Hansard*, 13 May 2005, p.54

49 Ms Carolyn Hogg, Centrelink, *Committee Hansard*, 13 May 2005, p.50

Students, parents and schools associations and the National Youth Roundtable. However, the group's last meeting was held in March 2003 and, apparently without participants being notified, has not been reconvened. Mr Vincent Callaghan, SFAN, told the committee that while the partnerships group had 'worked very well', a more effective avenue for communication between FaCS, Centrelink and their customer organisations was needed to build a more effective income support scheme.⁵⁰

Recommendation 5

The committee recommends that a National Partnerships Group, consisting of representatives from Centrelink, the Student Financial Advisers Network and other relevant groups, be reconstituted and meet on a regular basis to discuss changes and difficulties associated with student financial assistance and to make recommendations to the relevant ministers.

Government senators do not agree with this recommendation.

2.42 The committee believes that notwithstanding efforts by Centrelink to improve its service delivery, the constant stream of complaints from students demonstrates that there is significant room for improvement. The committee accepts the useful suggestions and recommendations included in written submissions by various student associations and professional student bodies. These include that Centrelink produce an accessible, comprehensive and reader friendly guide for students, parents and advisers; review its information products for students; make consistency of advice a priority in its training programs; and improve the flow of information to students.⁵¹ The committee believes these are reasonable and achievable goals that could be implemented in a timely and cost-effective manner.

2.43 The committee believes that while improvements in each of these areas will assist students in accessing the income support system, the nature and extent of the problems with Centrelink's customer service warrant a comprehensive and independent review of the delivery of income support payments.

Recommendation 6

The committee recommends that the Auditor-General be requested to conduct an audit of Centrelink's delivery of financial assistance to students, paying particular attention to service delivery issues.

Government senators do not agree with this recommendation.

50 Mr Vincent Callaghan, Student Financial Advisers Network, *Committee Hansard*, 26 April 2005, p.2

51 Student Financial Advisers Network, *Submission 116*, pp.12-13

Student income support and access to higher education

2.44 It is widely recognised by the Commonwealth and state governments that vocational training and higher education after year 12 is essential to ensure participation in the workforce in later years. A 1990 report on equity in higher education by the then Department of Employment, Education and Training stated that people from all groups in society should have the opportunity to participate in higher education. It noted further that this goal would only be realised by changing the balance of the student population to reflect more closely the composition of society as a whole.⁵² The AVCC submission noted that people from poor backgrounds need access to an effective income support system for at least five years past the age of compulsory education to gain the necessary education and training for future employment.⁵³ Six equity groups are currently included in the Government's Higher Education Equity program (HEEP): indigenous students; people from low SES backgrounds and from rural or isolated areas; people with a disability and from non-English speaking backgrounds; and women in non-traditional areas of study.⁵⁴

General trends

2.45 Several submissions argued that students were prevented from attending university by their inability to support themselves.⁵⁵ Student income support is therefore considered a vital component of any general strategy to improve access to higher education, particularly for students from low and middle income families.⁵⁶ Research shows that people from disadvantaged backgrounds are generally under-represented in higher education.⁵⁷ It was argued by one student association that the current income support measures do not offer disadvantaged students the support they need to stay in higher education long enough to complete their degree.⁵⁸ This was confirmed by the University of Adelaide which noted that some students from disadvantaged backgrounds leave university because the cost of studying and living expenses exceeds the amount of income support they receive.⁵⁹

2.46 Studies by Dr Bob Birrell and others from the Centre for Population and Urban Research at Monash University have shown that student finance is at the heart of the equity issue: 'The existence of equity targets and the well-meaning rhetoric about promoting opportunity emanating from university equity officers means little if

52 Reference to the DEET report is in University of Technology Sydney, *Submission 73*, p.8

53 AVCC, *Submission 114*, p.3

54 Australasian Campus Union Managers Association, *Submission 95*, p.13

55 NSW Student Guild, *Submission 48*, p.6

56 *ibid.*; NUS, *Submission 89*, p.61

57 Australian National University Students' Association, *Submission 85*, p.14

58 Students' Association of the University of Adelaide, *Submission 75*, p.20

59 The University of Adelaide, *Submission 49*, p.4

students do not have access to funds sufficient for their living expenses'.⁶⁰ Their studies have found that young people from lower middle and working class backgrounds are under-represented in the higher education system. The number of full-time students aged 19 and above is growing much more rapidly than those aged 19 or less. The figures show that very few students who move from school to university are eligible for Youth Allowance. By 2001 only 21 per cent of students aged less than 19 who were studying full-time received Youth Allowance. Of these students, about a quarter did not receive the full rate because their family income was above the income threshold. Analysis of unpublished Centrelink data shows that the overall increase in the number of people in receipt of Youth Allowance since 1998 masks movements up and down the scale according to age:

The outcome is a product of reduced access for young students and improved access for older students. In the case of young students (aged less than 19) [the data] shows that the recipient rate has declined significantly from 33 per cent in 1998 to 21 per cent in 2001. On the other hand, recipient rates have generally increased for older students.⁶¹

2.47 The authors concluded that current income support policy, especially the harshness of the eligibility criteria, discourages young people from full-time university study at a time when the Government is trying to improve skill levels. The committee is concerned by these findings. Many students are entering university part-time in order to earn the income necessary to become eligible for Youth Allowance, at which time they enrol as full-time students. This is consistent with the committee's findings about the effect of the eligibility criteria on students and their families.

2.48 Another issue which is of concern is the under-representation of rural students in higher education. A paper by Vincent Callaghan refers to research which indicates that there is a clear correlation between the participation rates of regional, rural and isolated students in post-secondary education, and their perception of their ability to survive financially. It is generally recognised that students who need to leave home in order to study, including students from urban areas whose choice of course requires them to live away from home, face financial disadvantage.⁶² Callaghan refers to 1999 data which shows that students from rural and isolated areas attend university at 40 per cent of the rate of other students, relative to their share of the population.⁶³

60 Bob Birrell, Ian R. Dobson and T. Fred Smith, 'The New Youth Allowance and Access to Higher Education', *People and Place*, vol.7, no.3, 1999, p.20

61 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, p.5

62 Vincent Callaghan, 'Government Financial Support for Students – the Case for Radical Reform', *People and Place*, vol.11, no.3, 2003, pp.15-16

63 *ibid.*

Participation rates for indigenous students

2.49 The committee acknowledges that indigenous Australians from remote communities and where English is their second or third language, are some of the most disadvantaged students in the higher education system.⁶⁴ A consistent theme raised in evidence was that the ABSTUDY scheme is no longer able to provide effective support to indigenous students. This is a direct result of funding cuts to ABSTUDY in 1997-98 and again in 2000, and of policy changes which have further aligned ABSTUDY with the entitlements and eligibility criteria for Youth Allowance and Austudy.⁶⁵ The NTEU submission argued that the changes cut back components of ABSTUDY that were designed to make it culturally and economically relevant to indigenous students. There is concern over the changes to the Away From Base Component of ABSTUDY. This particular scheme provides different levels of assistance for indigenous students who chose to study close to their home and families for cultural, community or family reasons. According to the NTEU: 'It is still the main pathway available to indigenous students from rural, remote and isolated areas to access higher education and not be forced to leave their communities, families and country'.⁶⁶

2.50 Changes to the Away From Base Component in the 1997-98 budget resulted in payments being made only to indigenous students who study at an institution located more than 36 hours travel by land away from their home. Students were not entitled to the allowance if the institution was within a three day drive of their home. The NTEU submission noted that the changes bore most heavily on independent indigenous students living in urban locations who had left remote or regional locations to study. Further changes to the Away From Base Component were introduced in 2000. Members of the NTEU involved in the administration of ABSTUDY have argued that the changes have had a detrimental effect on the level of assistance provided to indigenous students. One of the changes was a reduction of funded return trips from five to four in any year, which resulted in a corresponding reduction in the number of residential schools attended by students.⁶⁷

2.51 The committee is concerned by evidence that the various changes to the ABSTUDY program have reduced the participation rate of indigenous students in higher education. The overwhelming response from student bodies and university administrators is that these various changes to the ABSTUDY scheme have contributed to the fall in the number of ABSTUDY recipients from 7789 in 1998 to 5845 in 2001, and are closely related to the overall fall in indigenous higher education enrolments.⁶⁸ The National Indigenous Postgraduate Association Aboriginal

64 Flinders University, *Submission 21*, p.4

65 RMIT Student Union, *Submission 78*, p.35

66 National Tertiary Education Union, *Submission 129*, p.10

67 *ibid.*, p.10

68 *ibid.*

Corporation told the committee: 'Overall, the changes to Abstudy in 1998 had disastrous effects on Indigenous enrolments'.⁶⁹ This is supported by the NTEU's submission to the Department of Education, Science and Training's review of the effect of the ABSTUDY policy changes from 2000. These have seen a decline of up to 15 per cent in annual indigenous higher education commencement rates, and a severe reduction in the growth rate of indigenous participation compared with the rate over previous decades.⁷⁰

2.52 Mr Joel Wright, NTEU, told the committee that the decline in indigenous enrolments is directly related to the changes introduced in 2000:

The introduction of the changes to the guidelines governing the away-from-base benefits under the Abstudy scheme significantly impacted on the majority of urban students enrolled in higher education, simply as a consequence of not recognising that those students had moved from remote areas and rural areas into an urban environment, in a number of cases as independent students. As a consequence of the changes to the away-from-home guidelines the majority of those students were made ineligible for further support under the scheme. On an initial analysis, they represented 70 to 80 per cent of the total Indigenous cohort who were negatively affected by those changes.⁷¹

Recommendation 7

The committee recommends that the Department of Education, Science and Training undertake an analysis of the costs and benefits associated with reversing the Government's changes to the Away From Base Component of ABSTUDY in 1997 and 2000.

Government senators do not agree with this recommendation.

69 Ms Vicki-Ann Speechley-Golden, *Committee Hansard*, 26 April 2005, p.45

70 Mr Joel Wright, National Tertiary Education Union, *Committee Hansard*, 26 April 2005, p.53

71 *ibid.*, p.54

Chapter 3

Adequacy of income support payments

I think that, if the level of student income support, the infrastructure of it and the systems involved with it were improved, there would be no question...that the experience of students collectively in the Australian higher education system would be improved. People would be better prepared. They would be better engaged with their studies. They would be more motivated. They would be more successful because they would have received that level of support. I do understand that there is a balance: students should not get a free-ride...Students are willing to play their part as well, but at the moment that balance is way below what it should be.¹

Income support payments

3.1 A clear message in evidence before the inquiry is that the current income support structures do not provide an adequate level of financial support for students. According to the Australian Council of Social Service (ACOSS), the relative income levels of all income support recipients, including students, has deteriorated over time. In 1998 over 60 per cent of income support recipients were in poverty compared to 20 per cent in 1972-73.² Of the main types of social security payment received by households, studies have consistently found that students in receipt of Youth Allowance and Austudy payments face a relatively high risk of financial hardship.³

3.2 The current maximum live at home rate of Youth Allowance is \$178.70 a fortnight for a person under the age of 18, and \$214.90 for a person over the age of 18. The National Union of Students (NUS) calculated that students eligible for the maximum away from home rate of Youth Allowance, including Rent Assistance, receive an amount which is 17.5 per cent below the Henderson poverty line. Students living in shared accommodation who are ineligible for Rent Assistance receive an amount which is nearly 30 per cent below the poverty line. For recipients of Austudy the figures are more alarming. The base rate for a full-time student aged 25 years and over is a staggering 36.8 per cent below the poverty line, mainly due to Austudy recipients being ineligible for Rent Assistance.⁴

3.3 Figures provided by the National Welfare Rights Network are more alarming. Depending on a person's circumstances, the rates of payment can be up to 50 per cent

1 Mr Max Jeganathan, Australian National University Students' Association, *Committee Hansard*, 13 May 2005, p.22

2 Australian Council of Social Service, *Submission 24*, p.13

3 *ibid.*, p.14. The ACOSS submission draws upon two deprivation studies: the ABS Financial Stress Study (2002) and the ACOSS Emergency Relief Study (1999).

4 National Union of Students, *Submission 89*, p.5

below the poverty line.⁵ The Network's submission provides a useful comparison of income support payments with the relevant poverty line for various social security payments (see Table 1). It shows that adult students receiving the Austudy payment are 49 per cent below the poverty line. The main reason why the total weekly payment is substantially less than other social security payments is that, as previously noted, recipients of Austudy are not eligible for Rent Assistance. As a consequence, Austudy recipients receive \$32 less each week than independent 16 to 24 year old students.⁶

Table 1: Income support payments and the Henderson Poverty Line⁷

INCOME UNIT		SOCIAL SECURITY PAYMENT	TOTAL PAYMENT \$ per week	POVERTY LINE \$ per week	% BELOW POVERTY LINE
A	Single unemployed adult	Newstart Allowance + Rent Assistance	245.70	317.61	23%
B	Single, independent full-time, student 16 to 24 years	Youth Allowance + Rent Assistance	211.65	317.61	33%
C	Single independent full-time student 16 to 24 years	Youth Allowance + sharers' rate of Rent Assistance	195.52	317.61	38%
D	Single, dependent student 18 to 24 years	Youth Allowance	107.45	213.75	50%
E	Single adult student over 25 years	Austudy Payment	163.25	317.61	49%
F	Pension (single)	Pension + Rent Assistance	283.75	257.53	10% above
G	Pension couple (each)	Pension + Rent Assistance	242.20	182.40	33% above

3.4 A number of witnesses compared the level of income support with estimates of students' living costs, to highlight how inadequate income support payments are compared with payments under other social security benefits, such as the Newstart Allowance. The Student Financial Advisers Network (SFAN), for example, estimated that students need approximately \$250 a week or \$500 a fortnight in order to meet their living costs. A full Youth Allowance payment at either the independent rate or

5 Ms Melissa Coad, National Welfare Rights Network, *Committee Hansard*, 13 May 2005, p.25

6 National Welfare Rights Network, *Submission 134*, p.17

7 *ibid.*, p.15

the living away from home rate, with Rent Assistance available in a share house, amounts to \$390 per fortnight, which is a shortfall of at least \$110.⁸

3.5 The level of student income support has not kept pace with either the cost of living, especially spiralling accommodation and transport costs in the capital cities, or the rising cost of higher education. The result is that many students find themselves in a precarious financial situation, struggling to provide themselves with the basic necessities of life. For many full-time students, economic survival has taken over their commitment to study as the prime motivating factor during their time at university.⁹ The Deakin University Student Association viewed the income support benefits currently paid to students as nothing more than a 'fortnightly emergency payment' that covers some, but not all, of the most urgent requirements of students: 'There is no provision for students to put money aside for expenses such as car registration or repairs, medical appointments, or large bills'.¹⁰

3.6 The committee notes that in considering the level of income support, most submissions established some kind of benchmark in order to draw attention to the inadequate payments compared with other social security benefits. The Henderson poverty line was widely referred to in submissions as a measure of relative poverty. The National Welfare Rights Network argued that the Henderson poverty line provides a useful normative benchmark for the adequacy of all social security payments. The committee accepts that the current level of student income support is unacceptable and it is sympathetic to the argument that the base rate of pay should be increased to enable students to earn a decent living wage to cover the basic cost of rent, food, bills and transport. However, the committee is unable to make a firm recommendation on this issue before a proposal to increase the level of payment has been costed and its financial impact fully assessed.

Student poverty

3.7 The committee is very concerned by mounting evidence of a significant increase in the incidence of poverty among the student population.¹¹ A number of submissions expressed the view that the income support system is narrowly targeted and traps needy students in poverty by penalising them for earning above the personal income test threshold of \$6100 a year. The NUS, for example, argued:

While designed to facilitate access to the education system for students who are unable to provide their own financial support, these payments are

8 Mr Roger Deutscher, Student Financial Advisers Network, *Committee Hansard*, 26 April 2005, p.7

9 Students' Association of Flinders University, *Submission 83*, p.10

10 Deakin University Student Association, *Submission 46*, p.5

11 Judith Bessant, 'The Problem of Poverty Amongst Tertiary Students: Why It is Missing from the Policy Agenda', *Melbourne Studies in Education*, vol.44, no.2, 2003, pp.69-88; Judith Bessant, *Student Poverty and the Enterprise University*, unpublished paper, 2001

currently at such low levels and have such stringent restrictions on eligibility that they effectively keep people in poverty while they are studying. It is of serious concern that current levels of income support are a long way below the Henderson poverty line. With income support levels so low, many students struggle just to provide themselves with the basic necessities of life.¹²

3.8 Professor Watts, RMIT University, told the committee that he had seen students on campus who appeared to be suffering from scurvy. Although the problem is not a large one, there are a small number of students, at least at RMIT University, whose dietary deficiencies are great:

They are trying to get by on \$30 a week after they have paid the rent, and it is not going to work. Their skin will start to erupt, they start to look sick and they start to get sick...It is simply unacceptable...to have people coming from suburban Melbourne presenting with symptoms of scurvy.¹³

3.9 The incidence of student poverty is a major concern for indigenous Australians. The National Indigenous Postgraduate Association Aboriginal Corporation submission reported anecdotal evidence collected from the indigenous postgraduate community which shows that low rates of retention and progress of indigenous students is strongly connected with student poverty.¹⁴ Poverty levels in the indigenous population are higher because students have a significantly lower income when compared to the general Australian population. The extent of poverty among indigenous students is also consistent with broader trends which show that indigenous Australians are the most disadvantaged and marginalised group in Australia.¹⁵

Eligibility criteria

Age of independence

3.10 Income support regulations presume that a person is dependent on their family until age 25. While students over the age of 25 are not eligible to apply for Youth Allowance, they may apply for Austudy. The current age of independence was criticised in nearly every submission to this inquiry. The Australian National University Students' Association described it as the 'most ridiculous aspect' of the income support system.¹⁶ The main problem is that it assumes parents are not only able but also willing to support their children at home by contributing to their living and education expenses. However, the evidence does not support this assumption. The review of Austudy in 1992 by Bruce Chapman found evidence of a marked

12 *ibid.*, p.5

13 Professor Robert Watts, *Committee Hansard*, 26 April 2005, p.78

14 National Indigenous Postgraduate Association Aboriginal Corporation, *Submission 98*, p.9

15 *ibid.*

16 Ms Rachel Allen, Australian National University Students' Association, *Committee Hansard*, 13 May 2005, p.14

divergence between families in their preparedness to assist students at university. Parents or spouses often do not value higher education.¹⁷ Thus the high age of independence was considered one of the most fundamental flaws in the student income support system. Dr Ian Dobson claimed that it is likely that no one but the Government thinks that the presumption of family support until age 25 is reasonable.¹⁸ There was also agreement in submissions that the current age of independence is out of step with both community expectations and the criteria applied under other income support payments. Students in receipt of the Newstart Allowance, for example, are considered to be independent at 21 years of age.

3.11 While a person can demonstrate financial independence through their own, rather than their family's, circumstances, by meeting strict workforce participation criteria, Dr Ian Dobson highlighted in his submission that some students are able to prove their independence more easily than others, with their families exploiting a loophole in the definition of 'work':

A student from a family with its own business could 'work' for that business, doing real or imaginary work, and easily meet the income criterion. By being paid about \$900 a month for the 18 months after the end of year 12 by a family business, a student could attain independence in the minimum time.¹⁹

3.12 The committee stresses that the definition of independence has serious implications for indigenous participation rates because it assumes that families are both willing and able to provide financial assistance to their children whilst studying. The National Tertiary Education Union submission emphasised that the indigenous population has a much lower life expectancy than other Australians and therefore a considerably younger age structure than the general population.²⁰ It is significant that the median age for indigenous Australians in 2004 was 20.6 years compared with 36.1 years for non-indigenous Australians. In addition, in 2001, 65.5 per cent of the indigenous population, compared with only 41 per cent of non-indigenous Australians, was under 29 years of age.²¹ That Indigenous people assume social and financial independence at a much earlier age than non-indigenous people was overlooked in the way the threshold of independence was aligned to Austudy:

That clearly demonstrates that the alignment of the independence age threshold to the Austudy level is totally inconsistent with the actual demographics of the Indigenous youth population density and it certainly

17 Bruce Chapman, *Austudy: Towards a More Flexible Approach. An Options Paper*, A report commissioned by the Department of Employment, Education and Training, April 1992, pp.112-13

18 Dr Ian Dobson, *Submission 137*, p.5

19 *ibid.*, p.4

20 National Tertiary Education Union, *Submission 129*, pp.7-9

21 Mr Joel Wright, National Tertiary Education Union, *Committee Hansard*, 26 April 2005, p.60

shows why a lot of those independent students are now finding themselves in a lot of financial trouble.²²

Parental and personal income test threshold

3.13 The committee accepts that the parental income test threshold is too low and has not kept pace with wage increases and the cost of living. The current threshold provides an unrealistic measure of the cost of living and raising children. The problem is compounded in situations where financial support from parents is either ungenerous or absent, which can remove study as an option for many students.²³ Students eligible for the Youth Allowance do not automatically qualify for the full rate if their parents' income exceeds the maximum level permitted (currently \$28,850 for an only child student) and if they exceed the maximum additional income allowed under the scheme (current \$236 each fortnight). The full allowance is only paid to dependent students whose parents are on extremely low incomes. Recipients of Youth Allowance lose 25 cents for every dollar above the family income threshold. Student fortnightly income between \$236 and \$316 reduces the fortnightly allowance by 50 cents in the dollar, while income above \$316 reduces payments by 70 cents in the dollar.²⁴

3.14 The parental income threshold has not changed significantly since 1991 when it was set at \$19,300 per annum. The difference between the 1991 figure and that for 2005 is only the result of indexation.²⁵ The National Welfare Rights Network pointed out in its submission that the current threshold is almost \$4000 lower than the threshold for the Family Tax Benefit. This means that many families surviving on incomes only marginally above the Henderson poverty line are ineligible for Youth Allowance, unless a young person can prove independence.²⁶ This observation is supported by academic research from the Centre for Population and Urban Research at Monash University. Several studies of the Youth Allowance have shown conclusively that the severity of the parental income test disadvantages students from households with modest incomes, particularly those from stable blue-collar and lower white-collar families where the main breadwinner holds a full-time job earning close to average weekly earnings, or where both parents work in lowly paid jobs.²⁷

3.15 The parental income threshold also acts as a disincentive for young people who move away from home to study. The committee heard evidence that students

22 *ibid.*, p.61

23 Australian Council of Social Service, *Submission 24*, p.23

24 See Appendix 4, Chart D(a)—Personal Income test for Youth Allowance, Austudy Payment, Abstudy

25 Vincent Callaghan, 'Government Financial Support for Students—the Case for Radical Reform', *People and Place*, vol.11, no.3, 2003, p.17

26 National Welfare Rights Network, *Submission 134*, p.6

27 Bob Birrell, Ian R. Dobson and T. Fred Smith, 'The New Youth Allowance and Access to Higher Education', *People and Place*, vol.7, no.3, 1999, p.24

sometimes face a situation where living at home is not an option because their course is not offered at a local campus. Students living in the Northern Territory, for example, who choose to study veterinary science, medicine or pharmacy, to name a few, are required to travel to either Adelaide or Perth to study. However, in these situations, any Youth Allowance received is means tested, which puts pressure on students and their families. While the away-from-home rate of youth allowance is higher than the at-home-rate, the committee believes that the parental income test prevents people from exercising the choice to move from home to study elsewhere.

Recommendation 8

The committee recommends that the Department of Education, Science and Training undertake an analysis of the costs and benefits associated with:

- **reducing the age of independence from 25 to each of 24, 23, 22, 21 and 18 years;**
- **increasing the parental income test threshold to a level that reasonably equates with annual average earnings;**
- **increasing the tax-free threshold for students; and**
- **increasing Youth Allowance, Austudy and ABSTUDY payments to the level of the age pension.**

Government senators do not agree with this recommendation.

Rent assistance

3.16 Although Rent Assistance has been available to some income support recipients since 1958, students using the income support system until 1998 were generally ineligible for Rent Assistance. When the Youth Allowance was introduced in 1998, young students living away from home for the first time became eligible for Rent Assistance, which was considered a major advance on the previous eligibility rules. Students on Austudy, however, were not eligible for any Rent Assistance, which has been a long standing grievance. Student bodies told the committee that lack of Rent Assistance for Austudy recipients discourages full-time entry into higher education and prevents students from undertaking courses in areas of high rental or transport costs.

3.17 The damaging effect of this anomaly was highlighted in evidence provided by a representative of the University of South Australia Students' Association. The student told the committee he had commenced full-time study at age 24 and was receiving Youth Allowance and Rent Assistance. However, illness resulted in him postponing study and being placed on the Newstart Allowance which provided sickness benefits. When the student resumed study the following year, he was only eligible for income support under Austudy because he was now over 25 and not eligible for Rent Assistance. The student told the committee that he: '...suffered great financial hardship and...could not afford to live where I lived before; I had to move

out. That was a very difficult time and I felt as if I was being penalised for having to take time off because I was unwell'.²⁸

3.18 This example demonstrates how students may be penalised financially by the rigidities of the income support system. Centrelink officers lack the discretion to assess students' eligibility for one form of payment over another, even in exceptional circumstances. The committee believes that a person who is required to postpone a course of study due to ill health and who subsequently loses Rent Assistance by crossing over an arbitrary age threshold, should not be penalised financially. It is the committee's view that there should be a process to enable Centrelink officers to exempt students from the eligibility rules for Rent Assistance, in situations similar to those described in the previous paragraph and where the parental income thresholds prevent students from remote and regional areas studying away from home. The committee believes that Centrelink officers should be able to exercise discretion in circumstances which deserve a more compassionate response.

3.19 It appears there was little public discussion of the reasons for Rent Assistance not being extended to recipients of Austudy, when the Youth Allowance was introduced in 1998. The Tenants Union of Victoria argued that it could not find any policy rationale for the change. The NUS submission stated that budgetary considerations aside, the aged-based criterion, which can be traced to the Commonwealth Scholarship Scheme introduced during the 1950s, was considered appropriate because it was assumed that students over 25 were better able to cover the cost of their education as a result of employment, and therefore were less in need of Rent Assistance than students of a younger age. The assumption is that students who work for a number of years are able to generate enough savings to help subsidise the cost of their education. A number of submissions pointed to empirical evidence which shows how this assumption is no longer relevant. It became outdated by the late 1990s as a result of changes to the youth labour market:

The virtual disappearance of the full time youth labour market means that it is quite wrong to assume that most 25 or 26 year olds in the 21st century have had seven or eight years of full time work to build up substantial savings...The empirical evidence shows how outdated this assumption is.²⁹

3.20 The committee notes that the submission from FaCS had very little to say about Rent Assistance, other than the observation: 'Rent Assistance was not available under the previous AUSTUDY scheme and this has been the case for many years under successive governments. Austudy Payment recipients with dependent children may qualify for Rent Assistance with their Family Tax Benefit'.³⁰ The department attempted to explain the policy background on this issue, by advising the committee

28 Mr Mark Allen, University of South Australia Students' Association, *Committee Hansard*, 28 April 2005, p.26

29 National Union of Students, *Submission 89*, p.25

30 Department of Family and Community Services, *Submission 110*, p.21

that when Youth Allowance was introduced in 1998, the income threshold under Austudy was also increased, presumably to enable recipients to earn more money than was then permitted under Youth Allowance before affecting the level of benefits. This was described as a way of compensating Austudy recipients who were ineligible for Rent Assistance. The department, however, also told the committee that recipients of Austudy no longer receive this type of compensation because the income threshold for both Youth Allowance and Austudy is now the same, at \$236 a fortnight.³¹ The committee notes that previously compensating recipients of Austudy does not explain why they were ineligible for Rent Assistance in the first place. The committee concludes that while the policy rationale for excluding recipients of Austudy from Rent Assistance remains an open question, the explanation provided by FaCS is no longer relevant. This is because the financial benefit which was provided initially to recipients of Austudy under a higher income threshold no longer exists.

3.21 Other witnesses before the committee speculated that there is a contradictory logic to Austudy recipients not being eligible for Rent Assistance. The Tenants Union of Victoria argued that Austudy applies to people who are presumed to have a higher level of independence than people on Youth Allowance and to have settled their housing circumstances by the age of 25. Yet the evidence suggested otherwise: 'All the...indicators are that for people in the age cohort of 25 to 35 their rates of home ownership have declined, so by and large they are reliant on the private rental market for housing'.³² The committee accepts the argument of the National Welfare Rights Network that this situation significantly reduces the opportunity for people over 25 to return to study:

...if someone has been on a disability pension and decides that they can return to full-time study, they will lose about \$150 in their rate of payment and, on top of that, they will lose any availability of rent assistance and various other concessions that come with that. This is a real disincentive for people trying to return to study to get themselves back into the employment market.³³

3.22 The committee finds it unacceptable that the Government will not offer a policy defence of this anomaly which denies Rent Assistance to Austudy recipients. Students receiving Austudy continue to be ineligible for Rent Assistance for no apparent reason. The committee supports the position of NUS that the use of age-based criteria to determine eligibility for Rent Assistance, based on 50 year old labour market assumptions, is patently absurd and arbitrary.

3.23 The committee emphasises that the issue of Rent Assistance has become critical for increasing numbers of students who are finding it difficult to afford

31 Ms Susan Bennett, Department of Education, Science and Training, *Committee Hansard*, 13 May 2005, p.58

32 Mr Mark O'Brien, Tenants Union of Victoria, *Committee Hansard*, 13 May 2005, p.37

33 Ms Melissa Coad, National Welfare Rights Network, *Committee Hansard*, 13 May 2005, p.27

housing, the cost of which has risen sharply over recent years with the property market boom.³⁴ The Tenants Union Victoria told the committee that not only is the current inequity between Youth Allowance and Austudy surrounding Rent Assistance unacceptable, the level of Rent Assistance payable to recipients of Youth Allowance is inadequate. This is mainly because housing has become less affordable in the capital cities and many regional centres. It was argued at a public hearing that Rent Assistance is not meeting the needs of students who rent. It was described by the Tenants Union of Victoria as an inadequate payment operating in a poorly functioning market. There are many thousands of students in Victoria who receive the maximum Rent Assistance but who pay more than 30 per cent of their income on housing costs. This figure is supported by evidence which shows that increasing numbers of students are forced to live in boarding houses and caravan parks, often at locations distant from where they have to study and work, which adds considerably to the cost of transport.

Recommendation 9

The committee recommends that Rent Assistance be made available for all recipients of Austudy, but not before a costing is undertaken by the Department of Education, Science and Training. The committee recommends that the costing be completed before the end of 2005 and reported to the Parliament.

Other issues

Indexation

3.24 The committee accepts the assessment of the National Welfare Rights Network that there is a major, unjustifiable inconsistency in the method of indexation for different social security payments. There does not appear to be a logical or fair reason why Youth Allowance, Austudy and ABSTUDY payments are not indexed as favourably as other social security payments.³⁵ Newstart and other pension payments are indexed twice yearly in line with either the CPI or male total average weekly earnings (MTAWE), whichever is higher. Youth Allowance, Austudy and ABSTUDY payments, however, are indexed only once a year, on 1 January, based on the CPI for the previous 12 months and pegged to the previous June quarter. This means it may take up to 18 months after a specific cost of living increase for the various income support rates to be adjusted. The committee notes that the shift away from calendar year annual entitlement calculations has removed the primary administrative barrier to aligning the indexation of student income support schemes with other pension payments. According to the National Welfare Rights Network, because the MTAWE has generally been higher than the CPI since 1998, the

34 Mr Trevor White, Australasian Campus Union Managers Association, *Committee Hansard*, 26 April 2005, p.33

35 National Welfare Rights Network, *Submission 134*, p.7

fortnightly increase in the pension has been \$116 compared with \$61 for Youth Allowance.³⁶

3.25 Students who qualify for Youth Allowance are permitted to earn only \$6,100 a year before their payments decline. The committee is concerned that whereas the value of Youth Allowance and the family income limits are indexed against inflation each January, as described above, the recipient's permitted earnings are not. The committee does not understand why the \$6,100 figure has not been indexed against inflation since 1993. Had it been indexed each year, the value of current earnings would be in excess of \$8,000.³⁷ The committee believes that students are at a disadvantage as a result of this anomaly. If this indexation is not addressed by the government, income support payments for students will continue to fall as a proportion of average weekly earnings.

Recommendation 10

The committee recommends that the Department of Education, Science and Training undertake an analysis of the costs and benefits associated with making the method of indexation for student income support payments consistent with the indexation of the pension.

Postgraduate students

3.26 Postgraduate student bodies raised a number of concerns with the level of financial support available to postgraduate research and postgraduate coursework students, which are often overlooked in discussions about student income support. According to the Council of Australian Postgraduate Associations (CAPA), approximately 34,000 research students, 70,107 coursework masters students and many other postgraduates studying other degrees receive no Commonwealth financial support. Austudy is only available for students studying graduate or postgraduate diploma courses. The CAPA submission argued: 'This is a disgrace for a country which purports to see a future for itself in the knowledge economy. Students studying at the highest levels should not be those receiving least support'.³⁸

3.27 Other postgraduate associations which provided evidence to this inquiry agreed that the most glaring weakness in the current financial support for postgraduate students is the gap between the average time a student takes to complete a postgraduate degree and the duration of an Australian Postgraduate Award (APA) scholarship. The APA is the main form of income support available to postgraduate students, supporting 4,500 of Australia's 38,640 domestic research students.³⁹ While the duration of an APA scholarship is currently three years, government funding to

36 Ms Melissa Coad, National Welfare Rights Network, *Committee Hansard*, 13 May 2005, p.25

37 *ibid.*

38 Council of Australian Postgraduate Associations, *Submission 74*, p.10

39 *ibid.*, p.12

universities for their postgraduate doctoral researchers is for four years. This means that students are told they have four years to complete their degrees but are funded for only three. This leaves a gap of up to twelve months where a student is ineligible for any income support, usually during the most crucial time in the student's candidature – the writing up stage.⁴⁰

3.28 Survey responses presented as evidence to this inquiry by CAPA show that the current funding arrangements for APA scholarships hinder, rather than encourage, timely completion of courses. When scholarship funding ceases, some students take leave to seek employment while others fail to complete their course. President of the University of Melbourne Postgraduate Association, Mr Matthew Belleghem, told the committee:

Every time we get a research report back from our university or from other universities, the average time [of] completion and the point in the candidature at which those students who do not complete decide to discontinue indicate that the gap between the average completion time and the duration of the APA is a very significant hindrance to students finishing their studies in a timely manner.⁴¹

3.29 The committee heard evidence that full-time coursework degrees have become popular over the last five years. However, domestic students completing Masters or postgraduate coursework degrees are ineligible for income support under Youth Allowance and Austudy. According to the Flinders Postgraduate Students' Association, there is a myth that students undertaking postgraduate coursework degrees are already working professionals who are able to recoup the costs of their courses, many of which are fee paying courses: 'The reality is many of these students—nurses, teachers—are required to pursue these coursework awards as a part of their employment, just to stay where they are'.⁴²

3.30 Other problem areas with the income support arrangements for postgraduate students were brought to the committee's attention. First, a serious inequity in the income support system is created by part-time APA scholarships being subject to income tax under the ss.51-10 of the *Income Tax Assessment Act 1997*, whereas full-time APA scholarships are not. This situation is based on an assumption, rejected by CAPA as a red-herring, that part-time scholarship recipients should pay tax because of their potential to earn additional income. CAPA maintained that taxing part-time APA scholarships is unreasonable because they are only available to students with carer responsibilities or an incapacitating medical condition.⁴³ Second, a number of

40 Mr Nigel Palmer, Flinders Postgraduate Students' Association, *Committee Hansard*, 28 April 2005, p.40

41 Mr Matthew Belleghem, University of Melbourne Postgraduate Association, *Committee Hansard*, 26 April 2005, p.39

42 Mr Nigel Palmer, Flinders Postgraduate Students' Association, *Committee Hansard*, 28 April 2005, p.42

43 Council of Australian Postgraduate Associations, *Submission 74*, p.15

professional postgraduate degrees, particularly in medicine and psychology, take four years to complete because they include a mandatory work placement and coursework components. If the degree is funded through an APA, income support will cut out after three years even though the degree will take a minimum of four years to complete. The committee also heard that as a result of changes in the way DEST allocates funding for postgraduate research, some universities have reduced the standard six month extension of the APA to three months, while other universities have withdrawn the extension altogether.

3.31 A final area of concern relates to a general perception that students striving for an undergraduate qualification are deserving of Commonwealth financial assistance whereas students who stay at university and commence a postgraduate degree should be prepared to cope financially without the same level of assistance. The committee accepts the view of CAPA's President, Mr Stephen Horton, that students who try to improve their qualifications and improve their employability are being placed in a financially difficult situation:

If the current situation continues we will end up with an underclass of highly qualified people. This is a situation that exists in the United States...It places being able to borrow for home-ownership schemes out of people's range. The assumption that they have been helped through their undergraduate degree exists, but it is erroneous.⁴⁴

Scholarships

3.32 The committee is concerned that some scholarships are subject to the social security income test arrangements while others are not. The Commonwealth Learning Scholarships, for example, which were included as part of the Government's reform package in 2003 under the Higher Education Support Act, are exempt from the social security test as are fee paying and fee waiver scholarships. However, most university-funded scholarships, as well as those provided by benefactors and philanthropists, are subject to the income test arrangements. The Department of Family and Community Services told the committee that the policy reason for exempting certain scholarships from the social security test is that the benefit of these scholarships is not discretionary cash for the use of the student:

The broad rationale is that where fees are being waived or exempt the student is not able to use that as they would income that they had earned or received for another purpose. They do not have discretion in the use of that income, whereas scholarships which provide cash to a student are considered more like income that another student may earn and are treated in the same way as earned income.⁴⁵

44 Mr Stephen Horton, Council of Australian Postgraduate Associations, *Committee Hansard*, 26 April 2005, p.43

45 Mr Benjamin Wallace, Department of Family and Community Service, *Committee Hansard*, 13 May 2005, p.60

3.33 This is a serious concern for vice-chancellors and students who have difficulty accepting the discretionary argument.⁴⁶ Some discretionary scholarships, such as the Commonwealth Learning Scholarships, are not subject to the income support test. The Australian Vice-Chancellors' Committee claimed that the Government's failure to exempt other scholarships from income tax arrangements has discouraged people from making donations to universities: 'It is a ludicrous situation where scholarships offered by universities are...taxed to the extent that some universities question what benefit there is in giving the scholarships, given that the students lose a large part of the money through taxation'.⁴⁷ University of Canberra Vice-Chancellor, Professor Roger Dean, expressed concern that creating exemptions for certain scholarships and not others undermines their primary purpose, which is to enable students to undertake scholarship 'for the development of the economy and...society'.⁴⁸ Similar concerns were expressed by the University of Sydney submission which noted that students who receive an Access Scholarship funded by the University have their scholarship assessed as income compared to students holding a Commonwealth Learning Scholarship: 'The existence of two schemes side by side creates an inequitable situation'.⁴⁹

3.34 The Group of Eight also voiced its concern about the taxation of scholarships and its impact on students from low socio-economic backgrounds. In 2005, it awarded 96 Equity Scholarships, worth \$3000 per annum, directly to students to assist with living costs. However, the scholarships will lose much of their impact because they are assessed as income under the social security means test: 'The vast majority of students from low socio-economic backgrounds are still burdened by an income test which effectively taxes scholarship income and income earned from employment at up to 70 cents in the dollar'.⁵⁰

3.35 In March 2004, Flinders University Vice-Chancellor, Professor Anne Edwards, wrote to the Minister for Family and Community Services, the Hon. Kay Patterson MP, seeking an amendment to income test regulations to exempt from income testing not only the Commonwealth Learning Scholarships but all scholarship income for university students. The university argued that taxing university-sponsored scholarships 'contradicts the Government's stated goal of increasing higher education participation by students from low socio-economic backgrounds'.⁵¹ It could see no policy justification for treating low income students who receive university scholarships to assist with living and education costs any differently from low income

46 The University of Newcastle, *Submission 33*, p.4

47 Mr John Mullarvey, Australian Vice-Chancellors' Committee, *Committee Hansard*, 13 May 2005, p.9

48 Professor Roger Dean, University of Canberra, *Committee Hansard*, 13 May 2005, p.11

49 The University of Sydney, *Submission 57*, p.1

50 Group of Eight, *Submission 112*, p.2

51 Flinders University, *Submission 21*, p.3

students who receive Commonwealth Learning Scholarships.⁵² The Minister's response of 6 May 2004 advised that the Government had initiated a review of the social security treatment of scholarships and that the review would consider issues raised by the Vice-Chancellor.⁵³

Recommendation 11

The committee recommends that the Department of Education, Science and Training undertake an analysis of the costs and benefits associated with exempting university-funded scholarships and scholarships funded by benefactors and philanthropists from the social security personal income test.

Alternative student income support measures

A single income support system

3.36 The committee's terms of reference require that it examine alternative student income support measures. The Australian Vice Chancellors' Committee (AVCC) and the National Union of Students (NUS) submissions supported fundamental change to the structure of the student income support system. They argued for an adequate level of financial support for the duration of a student's course, and improvement in the level of access to higher education for students from disadvantaged backgrounds. The NUS submission presented its case for an overhaul of the student income support system in the following terms:

If a future government were to get serious about creating a level playing field of education opportunity for all it would have to look at a comprehensive overhaul of student income support and be prepared to back it up with the additional budgetary measures. Tinkering at the edges of what is essentially a mean and narrowly based system will not do much to address the overall problems of educational inequality.⁵⁴

3.37 Professor Roger Dean told the committee that the AVCC had developed an alternative which not only enhances diversity, access and participation in higher education, but also provides incentives for people to enter post-secondary education. The alternative involves development of a comprehensive student income support payment which is separate from the existing Youth Allowance and structured to support students over the course of their studies. According to the AVCC submission: 'This would provide significantly higher rates than Youth Allowance and be available to a wider group of students. Its purpose would be to support students over the period of a degree [and] not cover a period of temporary unemployment'.⁵⁵ The AVCC believes that a parallel scheme for indigenous students should also be created. At a

52 *ibid.*

53 Additional information, 2 May 2005

54 National Union of Students, *Submission 89*, p.63

55 Australian Vice-Chancellors' Committee, *Submission 114*, pp.5-6

public hearing, Professor Dean clarified how the new payment would work: 'It would be somewhat analogous [to Youth Allowance] but it would be a higher level of support and the criteria would be the educational ones and less the conventional income testing or other criteria that apply'.⁵⁶

3.38 The idea of a separate payment scheme floated by the AVCC is designed to ensure that students can pay for household goods and equipment such as computers. Students would not have to rely on loan schemes such as the former Student Financial Supplement Scheme. The AVCC believes that the cost of such a scheme would be more than returned to the economy through students' future incomes and the reduced likelihood of them requiring Government assistance later in life. The idea of a new income support payment separate from Youth Allowance was supported by the University of South Australia.⁵⁷

3.39 The Student Financial Advisers Network suggested that the committee might consider two modest alternatives. The first approach would apply the rules that are available for Youth Allowance recipients to students receiving Austudy, although this could undermine the rationale of Youth Allowance if it was accessed by people 45 years and over. The second alternative would expand the Newstart Allowance which currently provides a rate of pay higher than for Youth Allowance, and Rent Assistance. The Newstart legislation would have to be amended to provide more flexibility in the range of eligible student activities. It would then be possible for Newstart to resemble Youth Allowance. It would be applied with the same degree of flexibility for students who are under 25 and over 25.⁵⁸

3.40 The committee heard from Professor Robert Watts, RMIT University, that it was time to think outside the 'conventional framework' which has characterised the income support debate. He argued that the government should consider a radical cost-saving and simplified approach which is currently on the agenda in the European policy community. The approach is widely referred to as the basic income model.

It replaces the plethora of means tested, targeted income support schemes with a single payment tied to a somewhat rethought and reworked taxation system to ensure that all the issues of transition, from school through to work, family and university...can be supported by a single payment that all citizens receive as a matter of right, which underwrites their capacity to make these transitions in and out of family, school and work and combines these elements of activity in the way that we now understand is actually the case, and does so on a cost-effective and administratively far cheaper basis.⁵⁹

56 Professor Roger Dean, University of Canberra, *Committee Hansard*, 13 May 2005, p.4

57 University of South Australia, *Submission 113*, p.6

58 *ibid.*, p.8

59 Professor Robert Watts, RMIT University, *Committee Hansard*, 26 April 2005, p.75

3.41 Echoes of this radical proposal are found in the ACOSS submission. It too adopted a broader approach by acknowledging the Government's Youth Pathways Action Plan Taskforce which found in 2001 that young people face a bewildering number of services that are difficult to negotiate, particularly in the transition from school to work or when facing special problems such as homelessness: 'Young people who are in neither education nor employment are especially at risk of falling through the cracks and facing long-term unemployment and a future of ongoing employment disadvantage'.⁶⁰ The ACOSS submission supported the establishment of a National Youth Transition Service, the cost of which would be shared by the Commonwealth and the states, to provide comprehensive transition support for students who are at risk of leaving school early. It is envisaged that implementation of the service would be phased in to provide:

- 'transition brokerage' for government and non-government schools which might include case management and personal support, mentoring and peer supported programs;
- additional funding to extend the Jobs Pathway program; and
- access to employment at a level appropriate to the person's education, skills training and linkages to employment networks and job opportunities.⁶¹

Coverage of scholarships and loans

3.42 The committee has already noted that a number of student associations and the Australasian Campus Union Managers Association (ACUMA) argued that higher education should be viewed by the Government as an investment in the knowledge capital of the nation and not as a financial drain on the public purse. This was a dominant theme underpinning evidence by the Australian National University Students' Association. The ACUMA submission recommended extending a slightly modified Australian Postgraduate Award (APA) scheme to undergraduate and postgraduate coursework scholarships. Using the guidelines for the existing APA, Australian undergraduate scholarships would provide a liveable income, allow limited working hours during day-time, be tax free, include leave provisions and be for a limited duration.⁶²

3.43 The AVCC submission raised the possibility of the Government creating a new set of scholarships to supplement existing income support payments under Youth Allowance, Austudy and ABSTUDY. These new scholarships would be based on the Commonwealth Learning Scholarships and would be exempt from income testing. The AVCC submission argued that:

60 Australian Council of Social Service, *Submission 24*, p.38

61 *ibid.*

62 Australasian Campus Union Managers Association, *Submission 95*, p.15

To make the scholarships effective they should cover at least all students from economically and culturally disadvantaged backgrounds. This would require at least a further doubling of the program. The target should be to provide a scholarship to all students receiving a Government income support benefit and provide others for universities to allocate to students that miss out on income support benefits but who are clearly in financial need to complete their studies.⁶³

3.44 The AVCC raised another alternative at a public hearing which was not canvassed in its written submission. Professor Roger Dean expressed the view that it would be possible to consider extending the HECS loan to cover specific student expenses such as university contracted accommodation and book purchases. This alternative, which the AVCC claimed is a favoured position of many students, is based on the view that there is no evidence that HECS deters students from enrolling in university: 'The principle of extending HECS beyond simply paying tuition fees is already in place through the OS-HELP scheme, and this suggestion is a modification and extension of it which would be very practical'.⁶⁴ The committee notes that student associations are unlikely to support income contingent loan schemes with deferred payment, as is currently the case with HECS, because they place students further in debt. A representative of the Australian National University Students' Association stated:

I would have thought that students would prefer to have the current system where they get the money—that is, they are entitled to income support rather than a loan that will add to everything else they have...I would expect that most students would be opposed to the idea of a carrot being offered to them that actually plunges them deeper into debt. They would prefer income support that comes directly rather than as a loan.⁶⁵

3.45 Notwithstanding this opposition to loan schemes, the Association submission saw merit in the concept of an income contingent 'living expenses' loan of approximately \$8000 per annum which would be paid in addition to the deferred HECS liability.⁶⁶ This was also raised as a possibility by the University of Adelaide submission.⁶⁷ Such a scheme would relieve the extreme financial pressure which students face because of their living expenses, especially for students who struggle financially in the first few weeks of their course. This may reduce the incidence of students dropping out of their course because of insufficient funds.⁶⁸ The committee is sympathetic to the idea because, as Dr Ian Dobson noted in his submission, it is not

63 AVCC, *Submission 114*, p.6

64 Professor Roger Dean, University of Canberra, *Committee Hansard*, 13 May 2005, p.2

65 Ms Aparna Rao, *Committee Hansard*, 13 May 2005, pp.19-20

66 The Australian National University Students' Association, *Submission 85*, p.17

67 The University of Adelaide, *Submission 49*, p.5

68 South Australian Government, *Submission 125*, p.11

possible for students to defer their living expenses.⁶⁹ While university fees are increasing, such a loan scheme would allow repayment of fees to be deferred until the student has entered the workforce, which is the principle behind HECS. Yet the committee is mindful of the argument of the Students' Association of the University of Adelaide that alternative student income support schemes that increase the level of student debt are not the answer. The committee agrees that students should not begin their working life with extreme levels of debt.

69 Dr Ian Dobson, *Submission 137*, p.5

Chapter 4

Effect of income support measures on students

The test of student income arrangements is whether they effectively reduce the need for students to work excessive hours and so avert the detrimental effect on academic performance of heavy work commitments prompted by economic necessity.¹

4.1 An important issue for the committee is the effect of current income support arrangements on students and their families. This chapter tackles the issue from two different angles. First, it examines an upward trend of full-time students working longer hours in part-time employment to financially support themselves, and the adverse effect on their study habits, academic progress and retention in higher education. Second, it examines the increasing cost of higher education and its effect on student finances. The financial strain on students is affected by the rising cost of higher education, livings costs and spiralling student debt. The cancellation of a number of loan schemes, emergency finance schemes and other subsidised financial assistance to students, among them the Student Financial Supplement and Educational Textbook Subsidy Schemes, has come at a time when many students are already experiencing severe financial hardship.

4.2 To these effects must be added those of the Government's voluntary student unionism legislation, which was introduced into the Parliament mid-way through the inquiry. The committee notes that students and university administrators raised concerns about the legislation in the context of students' worsening financial situation. It was argued that the support that university student organisations provide to students in the form of health, education, financial and other services will be severely eroded if the legislation is passed.

4.3 Students are finding it increasingly difficult to support themselves financially under current income support arrangements. The situation is compounded by the stringent eligibility criteria which have made it more difficult for students to participate in higher education, especially students from remote and regional areas. Supplementing income support payments with paid employment is no longer an added extra for many students. Part-time work has become a necessity for students just to make ends meet. They are working longer hours than before to the detriment of their studies and their overall experience of university. The committee believes the financial situation of many students under the policies of the Howard Government is grim, and that the evidence presented to the committee during the inquiry shows that it has deteriorated even further over the past few years.

1 Australian Vice-Chancellors' Committee, *Forward from the crossroads: pathways to effective and diverse Australian universities*, September 2002, p.47

Balancing work and study

4.4 An increasing proportion of students need to supplement their income with paid employment of one kind or another. The trend of students working longer hours in part-time or casual employment is demonstrated by the findings of academic studies and surveys. Professor Craig McInnis and the Australian Vice-Chancellors' Committee among others have provided evidence of how the profile of students has changed considerably over the past decade. More students balancing their studies with part-time work is the most consistent finding. McInnis has recently observed that anecdotal reports of students working more and studying less have been coming from academics in Australia with particular intensity and frustration in recent times.² The trend of increasing hours of part-time work is also mirrored in other education systems, especially the United States, the United Kingdom and France.

4.5 The committee notes a more fundamental shift in the relationship between students and universities: a higher level of student disengagement from university life as well as new forms of student engagement. McInnis has concluded that a large number of full-time enrolled students have become de facto part-time students: 'Leaving aside the growing impact of part-time work on their everyday commitment to their studies, students have in any case less need to spend time on campus in order to study, or to have access to teaching and learning resources'.³ The issue for universities is their role in defining the nature of the undergraduate experience and whether they can shape and control that experience.⁴

4.6 The trend of students working longer hours in part-time work has coincided with major changes in the needs and expectations of a generation of undergraduate students. Students today generally find it more difficult to motivate themselves to study and spend less time on tasks that would improve their learning. They rely on part-time work as the sole or main source of independent income, are less likely to study on weekends, and are more likely to borrow course materials from friends to meet deadlines or to catch up on classes missed. There is also evidence that students do not view being on campus or in tutorials as critical to the quality of the experience of university or vital to their academic success.⁵

2 Craig McInnis, 'Signs of Disengagement: Responding to the Changing Work and Study Patterns of Full-Time Undergraduates in Australian Universities', in Jurgen Enders and Oliver Fulton (eds), *Higher Education in a Globalising World: International Trends and Mutual Observations*, Kluwer Academic Publishers, Dordrecht, 2002, p.175

3 *ibid.*, p.179

4 *ibid.*

5 Craig McInnis, *New Realities of the Student Experience: How Should Universities Respond?*, Paper presented to the Financial Review Higher Education Summit, Sydney, 2003, pp.2-3

Summary of the evidence

4.7 Evidence before the committee showed overwhelmingly that tightening of eligibility criteria for income support payments in the late 1990s and erosion of the maximum level of income support relative to the official poverty line have resulted in more students in part-time employment to pay for the cost of their study.⁶ This is borne out by a number of studies and reports which have examined the patterns of employment by full-time students.

4.8 An analysis of trends in the perceptions and behaviours of first year undergraduate students by academics from the Centre for the Study of Higher Education, University of Melbourne, charted the major patterns of stability and change in the experiences and expectations of first year students over the previous decade.⁷ The report found that the proportion of students engaged in part-time and casual employment and the number of students who rely on paid work as a source of income changed considerably between 1994 and 2000. Over this period, there was a nine per cent increase in the proportion of full-time students who work part-time and a 14 per cent increase in the mean number of hours they work. There was also a significant increase in the number of first year students who reported part-time or casual employment as their main source of income.⁸

4.9 The latest report from the Centre for the Study of Higher Education, published in January 2005, builds on these earlier figures by providing information on the changes over a ten year period in the attitudes and experiences of first year students. The authors found that over the decade from 1994 to 2004 full-time students were spending progressively fewer days on average on campus and reduced hours in class in each week (17.6 hours per week in 1994 compared with 15.9 hours per week in 2004). This trend is accompanied by a significant rise in the proportion of full-time students in paid employment (47 per cent in 1994 compared with 55 per cent in 2004).⁹

4.10 The findings of the 2000 and 2005 studies are consistent with the results of a major survey of undergraduate university student finances conducted by the Australian Vice-Chancellors' Committee (AVCC) in 2000, and published in October 2001 under the title *Paying Their Way*.¹⁰ The report's main findings were that more students are employed, they are employed for more hours and their employment is

6 Students' Association of Flinders University, *Submission 83*, p.10

7 Craig McInnis, Richard James and Robyn Hartley, *Trends in the First Year Experience in Australian Universities*, Department of Education, Training and Youth Affairs, July 2000

8 *ibid.*, p.38

9 Kerr-Lee Krause, Robyn Hartley, Richard James and Craig McInnis, *The First Year Experience in Australian Universities: Findings From a Decade of National Studies*, Department of Education, Science and Training, January 2005, p.v

10 Michael Long and Martin Hayden, *Paying Their Way: A Survey of Australian Undergraduate University Student Finances, 2000*, Australian Vice-Chancellors' Committee, October 2001

more distributed throughout the year. It drew attention to the danger that the increase in paid employment of university students has interfered with their study.¹¹

4.11 Although the figures in the AVCC's report are now somewhat dated, they provide the most complete picture of the extent to which students need to work to survive. The survey found a significant increase in both the number of students in employment and the average number of hours of work compared with the findings of a comparable survey published in 1984. Significantly, the incidence of paid work during semester had increased by around 50 per cent, with 72.5 per cent of all full-time students in employment during semester. The survey also found that the average number of hours worked each week had increased from five hours a week in 1984 to 14.5 hours in 2000. The figures showed conclusively that not only are more students in employment during semester, they are also working longer hours – nearly three times the number of hours worked each week compared with full-time undergraduate students in 1984. The report's executive summary concluded:

Between 1984 and 2000 the combination of the increase in the incidence of paid employment and the increase in the average hours of work for those in paid employment has resulted in a more than four-fold increase for full-time students in the 'burden' of paid employment.¹²

4.12 Recent evidence from the University of Canberra suggests that there is a steady increase in the number of hours in which students are in part-time work. The Vice-Chancellor, Professor Roger Dean, told the committee that full-time students at the University of Canberra work an average 20.9 hours each week, which is a significant increase on the national figure of 14.5 hours reported in *Paying Their Way*.¹³ The figures reported by Professor Dean are based on the findings of a survey of the effect of paid work on the academic performance of students at the University of Canberra. The survey's authors, Craig Applegate and Anne Daly, found that the average student spent 12.7 hours per week in class contact, 11.5 hours per week in extra-curricular activities outside direct class contact hours and a staggering 20.9 hours in paid employment. They noted that 95 per cent of respondents who worked said the primary motivation for working was to earn income, with employment accounting for approximately 60 per cent of their total income.¹⁴

4.13 The committee has reason to believe that the University of Canberra survey findings represent a broader trend in student employment across all university campuses. The results of an undergraduate student welfare survey conducted in January 2005 by Sydney University's Students' Representative Council confirm that

11 *ibid.*, p.87

12 *ibid.*, p.13

13 Professor Roger Deane, University of Canberra, *Committee Hansard*, 13 May 2005, p.3

14 Craig Applegate and Anne Daly, *The Impact of Paid Work on the Academic Performance of Students: a Case Study from the University of Canberra*, Discussion Paper, Centre for Labour Market Research, 2005, p.10

significant numbers of students are working between 15 and 20 hours each week. The survey of 1057 students at the University of Sydney found that 85 per cent of respondents said they were in paid employment, of which 62 per cent worked regularly during semester.¹⁵ The most common number of hours worked fell within the range of 10 to 15 hours per week, the equivalent of two day shifts or 3 casual night shifts. The survey also found that at least 68 per cent of students with regular or irregular work during semester were working more than 9 hours each week, rising to 40 per cent of students who were working more than 14 hours each week during semester.¹⁶

Recommendation 12

The committee recommends that the Government, in consultation with the Australian Vice-Chancellors' Committee and student organisations, undertake regular five-year surveys of student finances and work patterns as per the AVCC's *Paying Their Way* report (2001). These surveys must include a review of all ancillary fees.

Government senators do not agree with this recommendation.

Effect of work on academic performance

4.14 The rising level of interest in the financial conditions of undergraduate students in Australia and overseas has been prompted by concern about the declining academic performance of students.¹⁷ The 2000 report by McInnis, James and Hartley made a number of preliminary findings in relation to the effect of work on academic performance. The report findings suggested a trend of less attachment and commitment to a range of aspects of university life and academic work on the part of those who work long hours in paid employment. It also found a slight but noteworthy decline in motivation to study. The authors concluded that these trends require closer investigation.¹⁸

4.15 The study by McInnis and Hartley in 2002 researched this topic in detail. A substantial number of respondents reported financial concerns and stress from studying and working. The study found that 40 per cent acknowledged that paid work is disruptive of academic studies, and 34 per cent said that worrying about money

15 Students' Representative Council, University of Sydney, *Submission 121A*, p.1

16 *ibid.*, p.2

17 Craig McInnis, 'Signs of Disengagement: Responding to the Changing Work and Study Patterns of Full-Time Undergraduates in Australian Universities', *op.cit.*, p.175

18 Craig McInnis, Richard James and Robyn Hartley, *Trends in the First Year Experience in Australian Universities*, Department of Education, Training and Youth Affairs, July 2000, p.xi

made it difficult to concentrate on their studies.¹⁹ The issue was also examined in the AVCC's *Paying Their Way* report, the findings of which mirrored those by McInnis and Hartley. While the report cautioned that the interpretation of data on the impact of work on study is complex, the hours a student works during the semester clearly has a major influence on the student's academic work: '...the more hours of work, the greater the adverse effect on study'.²⁰

4.16 The report found that three out of every 20 undergraduate students in Australian universities, or some 71,000 students, reported that their studies are affected 'a great deal' by their employment during semester. In addition, 43.5 per cent or 220,000 students reported that study is adversely affected 'somewhat' because of their hours of work. Also revealing is that seven per cent of students 'frequently' missed classes. The Sydney University' Students' Representative Council survey of January 2005 found that 61 per cent of respondents indicated that work adversely affected their study.²¹

4.17 The University of Canberra survey by Applegate and Daly produced some mixed findings on the effect of hours of paid employment on academic performance. They found that the effect of work varies with the number of hours involved:

Working up to about eleven hours per week improves marks marginally...However, the beneficial effects of paid employment appear to decline after 11 hours of work and the effect is estimated to become negative after 22 hours of paid employment.²²

4.18 The survey concluded that some paid employment improves academic performance, perhaps by encouraging good time-management skills. More than 11 hours of part-time work, however, was found to have had a small but negative effect on average marks. Working more than 20 hours each week had a substantial negative effect on students' academic performance.

4.19 The committee received anecdotal evidence that the increasing pressure on students to undertake work in order to survive is having a detrimental effect on their studies. Students in part-time work would once be required to work in the evenings, on weekends and during non-teaching periods. The situation today is very different. Students take jobs during normal business hours on week days and at times which

19 Craig McInnis and Robyn Hartley, *Managing Study and Work: the Impact of Full-Time Study and Paid Work on the Undergraduate Experience in Australian Universities*, Department of Education, Science and Training, 2002, p. xi

20 Michael Long and Martin Hayden, *Paying Their Way: A Survey of Australian Undergraduate University Student Finances, 2000*, Australian Vice-Chancellors' Committee, October 2001, p.87

21 Students' Representative Council, University of Sydney, *Submission 121A*, p.2

22 Craig Applegate and Anne Daly, *The Impact of Paid Work on the Academic Performance of Students: a Case Study from the University of Canberra*, Discussion Paper, Centre for Labour Market Research, 2005, p.13

compete directly with the normal scheduling of classes.²³ The National Union of Students (NUS) told the committee that students who work 15 or 20 hours each week engage only in 'shallow learning' in order to receive their degree, rather than in wider academic pursuits. The NUS submission concluded that excessive hours of work:

...is a significant disruption to their education as well as their personal well being. As well as limiting students' ability to reap the full benefit from the courses they are undertaking, students being forced to work long hours in order to support themselves negatively impacts on the broader gains that higher education brings to our culture.²⁴

4.20 The committee is concerned by another effect of employment. Students are taking longer to complete their courses as a result of working longer hours. This delays their entry into the workforce, sometime by several years. There was anecdotal evidence from the University of Adelaide that students across all faculties are requesting extensions to submission deadlines and other special considerations more frequently than in the past as a result of financial pressures and the need to maintain outside employment.²⁵

4.21 There has also been a significant change in the way students approach their studies. According to the Student Financial Advisers Network, there is a trend for students working long hours to commit only the minimum amount of time and effort to their studies:

We see a lot of students skipping classes. Any lecturer will tell you that attendance at lectures is down. Students are now relying on downloading lecture notes from the internet and reading them at home. Students are targeting those areas they think will give them the most benefit. They are only studying those areas that are likely to appear on exams and they are concentrating on assessment task.²⁶

4.22 This assessment is consistent with the conclusion reached by McInnis, that first year students who work long hours in part-time work are less likely to work with other students completing the same courses, and more likely to have studied inconsistently through the semester. These students also tend to anticipate getting lower marks, and are more likely to seriously consider deferring at an early point during their course.²⁷

23 Professor Anne Edwards, Flinders University, *Committee Hansard*, 28 April 2005, p.3

24 National Union of Students, *Submission 89*, p.45

25 Professor Charles Bodman-Rae, University of Adelaide, *Committee Hansard*, 28 April 2005, p.58

26 Mr Roger Deutscher, Student Financial Advisers Network, *Committee Hansard*, 26 April 2005, p.9

27 Craig McInnis, 'Signs of Disengagement: Responding to the Changing Work and Study Patterns of Full-Time Undergraduates in Australian Universities', op.cit, p.179

4.23 Students are spending less time on campus, partly as a result of employment, which means they are missing out on the experience of university life. While surveys by McInnis and Hartley found that university is only a small part of students' lives and that students only spend the hours they have to on campus, the on-campus experience of full-time enrolled working students suffers as a result: 'Many [students] have little sense of the richness that a campus-based experience can offer... The rational decision they make to get through a course while working sometimes excessive hours means losing opportunities for close engagement with the learning process'.²⁸ The conclusion is supported by the observations of a number of student associations:

I think the majority of students want [the holistic experience], but they are unable to take it up because they are spending their time working rather than being at university studying and getting involved in all the extracurricular activities, challenging ideas, and the whole purpose for which universities are there.²⁹

...students felt that they had 'missed out on a whole segment of university life' by having to rush to work from lectures and tutorials. Essentially, students felt unable to become involved in university life... Students thrive on diversity; however the escalating need to work longer hours while maintaining study commitments is impinging upon this freedom.³⁰

4.24 While most of the evidence related to the effect of employment on academic performance, the committee is concerned by evidence that balancing work and study commitments effects students' quality of life and health. A survey of university students in inner city and metropolitan Melbourne in 2001-02 by Professor Judith Bessant, confirmed anecdotal and media reports that students were putting not only their studies but also their health at risk by working long hours. Students who took part in the survey by Bessant commented on always feeling tired in their attempts to combine work and study, lacking sleep, finding it hard to concentrate, feeling rushed and having no time to relax with family and friends.³¹

The nature of part-time work

4.25 While part-time work is now an economic necessity for many students, it is rare for undergraduate students to be able to find employment opportunities related to their area of study. According to the University of South Australia, this situation creates a '...disjunction between study and the rest of the student's life, and works

28 Craig McInnis and Robyn Hartley, *Managing Study and Work: the Impact of Full-Time Study and Paid Work on the Undergraduate Experience in Australian Universities*, Department of Education, Science and Training, 2002, p.xii

29 Mr David Pearson, Students' Association of the University of Adelaide, *Committee Hansard*, 28 April 2005, p.29

30 University of South Australia Students' Association, *Submission 71*, p.7

31 Judith Bessant, 'The Problem of Poverty Amongst Tertiary Students: Why It is Missing from the Policy Agenda', *Melbourne Studies in Education*, vol.44, no.2, 2003, p.72

against providing students with work-related learning experiences'.³² The committee heard numerous accounts of students being compelled to work in low-paid jobs, with many increasingly resorting to the so-called black economy, or cash in hand jobs, as their main source of income.³³ The hospitality and retail sectors are often associated with this form of work. While there is little data or information on the unregulated work that students undertake, the survey by McInnis and Hartley found that 15 per cent of respondents said that the work they do is 'cash in hand'. It appears that the main reason why students engage in unregulated work is the low personal income test threshold on earnings before the Youth Allowance is effected. As Dr Dobson told the committee: 'It is only natural that somebody is going to want to preserve their hard-won youth allowance, especially those students who have gained it because they have become independent'.³⁴ The President of the Students' Association of the University of Adelaide, Mr David Pearson, maintained that students do underhand cash work because '...it is cheap, it is easy, it is off the books and so you do not have to deal with the headaches of dealing with Centrelink'.³⁵

4.26 There was also evidence that students are resorting to product testing as a source of quick and easy cash, mostly in the form medical tests for drugs, cigarettes, sleep deprivation and other products.³⁶ The committee was told that students on campus are increasingly vulnerable to the predatory practices of companies which aggressively market their products and services and exploit financially vulnerable students. The Australian National University Students' Association told the committee that flyers are frequently circulated around the ANU campus which advertise sleep deprivation and dietary products:

There are all sorts of weird and wonderful advertisements for medically related experiments for students to make a quick buck, for cash in hand—it is made quite obvious. They are all over the campus and I am sure they are all over the campuses all over the country. We have to ask ourselves what the purpose of higher education is and in what kind of conditions we want students to be undertaking their higher education, if this is what it is coming to for students to make money to support themselves.³⁷

4.27 The committee is concerned about reports of students pursuing unlawful avenues of employment to earn enough money to complete their course. There have

32 University of South Australia, *Submission 113*, p.4

33 Mr Graham Hastings, National Union of Students, *Committee Hansard*, 26 April 2005, p.23

34 Dr Ian Dobson, *Committee Hansard*, 26 April 2005, p.15

35 Mr David Pearson, Students' Association of the University of Adelaide, *Committee Hansard*, 28 April 2005, p.23

36 *ibid.*, p.28

37 Mr Max Jeganathan, Australian National University Students' Association, *Committee Hansard*, 13 May 2005, p.18

even been reports of students turning to prostitution as a way of supplementing their income, an issue which raises serious moral, health and safety concerns.³⁸

Discussion

4.28 The committee finds that students are working unacceptably long hours in part-time employment to the extent that many students enrolled in full-time courses are beginning to closely resemble part-time students in their study habits, the level of their interaction with other students and teaching staff and their paid work activities. The latest empirical research, which is backed by a large amount of anecdotal evidence, shows a consistent increase in the number of hours students work each week and a corresponding decline in the level of student engagement with studies and other on-campus activities. The committee is concerned that if this trend is not reversed, it will only be a matter of time before a combined weekly total of 60 hours of study and work is the norm for all full-time students. The committee believes this situation is unacceptable, placing enormous pressures on students and their families. Working more than 11 hours a week is known to have a detrimental effect on academic achievement and the overall quality of the student experience at university. Students are less able than before to engage in the full range of university activities, of which the need to work longer hours is arguably the most important reason.

4.29 This situation creates a major policy challenge for university administrators. They are required to provide flexible arrangements for delivering courses to enable people to work. The RMIT Student Union submission noted that the social shift taking place in universities has resulted in a core change to the development and delivery of post-secondary education: 'Curriculum developers and academic teaching staff are increasingly having to consider students' financial situations in the development and administration of their courses'.³⁹ As one vice-chancellor told the committee: 'It is not a minority that you have to accommodate; it is the majority'.⁴⁰ The committee believes strongly that the Government has a responsibility to provide students with adequate financial support to enable them to engage properly with their studies and with the life of the university more generally. The committee believes further that the Government and university administrators have a joint responsibility to manage the new realities of student financial hardship and student disengagement.

4.30 Discussion of the effect of paid employment on the academic performance of students feeds directly into, and reinforces, one of the committee's earlier findings – that the current level of income support for students is grossly inadequate, having fallen between 30 and 50 per cent below the official poverty line. Consideration should be given to providing a level of financial support to encourage students to study full-time and complete courses within the required time without the need to

38 *ibid.*

39 RMIT Student Union, *Submission 78*, p.13

40 Professor Anne Edwards, Flinders University, *Committee Hansard*, 28 April 2005, p.2

work 15 or 20 hours each week. The committee notes the view of Professor Anne Edwards that while the philosophy of income support should not deter people from entering the workforce, full-time students should receive sufficient financial support to enable them not to have work at all:

The incentive ought to be to try and ensure that the levels of income support are sufficient to ensure that students do not take such a lot of part-time work that they delay the process by which they can complete their studies. The best incentive would be to provide sufficient money to allow most students who are on income support not to have to work at all. They could then study full time and get out in three years or four years, rather than dragging their studies out over five years.⁴¹

4.31 The committee does not take issue with students who decide to work part-time as a way of supplementing their income support payment. The important issue is not whether students as a matter of principle should be working while studying, but the imbalance created by students working excessive hours each week just to survive. Student bodies told the committee that students are not opposed to work as they do not expect to be completely self-sufficient, or to 'live like kings' as one student representative put it.⁴² However, financial support is necessary to prevent students jeopardising their studies and being forced to give priority to employment. The committee accepts that students who find the right balance of work and study can reap social and economic benefits and acquire the skills to meet the demands of entering the workforce upon the completion of study. There is no denying that employers increasingly expect that graduates can provide evidence of consistent paid work experience.⁴³

Recommendation 13

The committee recommends that the Department of Education, Science and Training undertake an analysis of the costs and benefits associated with a comprehensive student income support payment which is separate from the existing Youth Allowance and which provides financial assistance to students for the duration of their course.

Government senators do not agree with this recommendation.

41 *ibid.*, p.9

42 Mr Max Jeganathan, Australian National University Students' Association, *Committee Hansard*, 13 May 2005, p.13

43 Craig McInnis and Robyn Hartley, *Managing Study and Work: the Impact of Full-Time Study and Paid Work on the Undergraduate Experience in Australian Universities*, Department of Education, Science and Training, 2002, p.xi

Concluding comment

4.32 The evidence to this inquiry overwhelmingly supports the view that providing appropriate financial incentives for students to reduce their hours in employment should be government policy. The committee agrees with the AVCC's recommendation to the Government's review of higher education, that the Government should restructure the student income support system to reduce the need for students to work excessive hours.⁴⁴ The committee urges the Government to take immediate steps to address the AVCC's concerns. The committee believes that reducing student's reliance on employment will have positive effects on academic performance and student engagement with university life. It will also have an economic benefit resulting from students completing their course on time and entering the workforce more quickly than at present.

Cost of higher education

4.33 Australian has one of the least affordable higher education systems in the world. A recent Educational Policy Institute study of the relative affordability and accessibility of university education in a number of OECD countries ranked Australia as one of the highest fee-charging countries in the world, along with Japan, Chile, New Zealand, the United Kingdom and the United States.⁴⁵

4.34 Not only is university becoming less affordable, the level of investment in higher education by the Commonwealth Government has been declining for some time. The Students' Association of the University of Adelaide submission estimated that the real value of university operating funds allocated by the Commonwealth Government has decreased to such an extent it has resulted in universities losing 20 hours of tutorial assistance per student and 10 hours of lecture time per student each year, as well as a teacher/student ratio of one in one hundred.⁴⁶

4.35 The committee received overwhelming evidence that many aspiring students are being priced out of the higher education market, which is compromising the principle that merit should underpin university entrance. The trend which the committee examined in previous sections – of a decline in student participation in campus activities and of a higher proportion of students working longer hours – is a natural extension of a 'user-pays' education policy which has increased the financial burden on individual students. Students are increasingly bearing the brunt of a decline in public funding for education and a more restrictive social security system.⁴⁷

44 Australian Vice-Chancellors' Committee, *Forward from the crossroads: pathways to effective and diverse Australian universities*, September 2002, pp.45-47

45 Educational Policy Institute, *Global Higher Education Rankings: Affordability and Accessibility in Comparative Perspective*, 2005

46 Students' Association of the University of Adelaide, *Submission 75*, p.13

47 RMIT Student Union, *Submission 78*, p.4

4.36 The introduction of differential HECS payments has roughly doubled the cost incurred by students and the further deregulation of HECS means that many students pay an extra 25 per cent of the cost of their education. The introduction of loan schemes such as PELS and FEE-HELP has allowed some universities to significantly increase their postgraduate coursework fees. According to the NUS, this has resulted in students now funding over 40 per cent of the running costs of universities.⁴⁸

Closure of the Student Financial Supplement Scheme

4.37 The Student Financial Supplement Scheme (SFSS), which ran from 1993 until 1 January 2004, was widely known in its early years as the Austudy/ABSTUDY supplement. However, after the program moved to the Department of Family and Community Services it was renamed the SFSS. Under the scheme, category one loans of up to \$7000 per annum were made available to Youth Allowance, Pension Education Supplement, Austudy and ABSTUDY recipients. Students were required to trade in one dollar of their income entitlement for every two dollars of loan received. The maximum net gain to a student's income was \$3500, or \$135 per fortnight. Other students could qualify for a category two loan of up to \$2000 if they were dependent and not eligible for income support due to the parental income or family actual means test.⁴⁹ Administered through the Commonwealth Bank, payments did not commence for up to five years from the time the loan was taken out, after which it was collected through a HECS-style arrangement, the threshold for which in 2003 was \$34,494.⁵⁰

4.38 The SFSS was accessed by up to 60,000 students at a cost of approximately \$2.5 billion, with most loans being provided between 1995 and 1999.⁵¹ Data provided by the Government in 2003 indicated that the major groups in receipt of loans under the scheme were low income earners (single parents, disabled and indigenous students) who could no longer reasonably ask to be supplemented by their parents or who faced other constraints in the labour market. It became clear that the SFSS was being accessed by the most financially vulnerable members of the student body without which they would not be able to complete their studies.⁵² The NUS told the committee that poor students who were accessing the scheme were receiving high private returns from the education system, notwithstanding that nearly 55 per cent of loans were not being repaid.⁵³ The scheme, however, was widely considered to be a regressive debt trap with an average loan amount of \$20,000, occasionally rising to \$60,000.⁵⁴

48 National Union of Students, *Submission 89*, p.26

49 *ibid.*, p.47

50 National Tertiary Education Union, *Submission 129*, p.15

51 Australasian Campus Union Managers Association, *Submission 95*, p.12

52 National Union of Students, *Submission 89*, p.48

53 Mr Graham Hastings, National Union of Students, *Committee Hansard*, 26 April 2005, p.22

54 Australasian Campus Union Managers Association, *Submission 95*, p.12

4.39 Most submissions were critical of the way the scheme was structured and implemented. The NUS argued that the absence of any sunset provision was a major weakness because students who had arranged their lives around access to the SFSS were 'left high and dry' half way through their degree.⁵⁵ While the scheme's many faults were highlighted in the written submissions, there was ambivalence among student bodies towards the closure of the scheme without any warning being given to affected students and without parliamentary approval.⁵⁶ There was broad agreement that abolishing the SFSS without a replacement loan scheme or an increase in the level of income support would place many students under severe financial stress and in a situation of having to withdraw from university.⁵⁷ There was concern that students would resort to taking out commercial loans with higher interest rates or more hours in part-time work.⁵⁸

4.40 The National Indigenous Postgraduate Association Aboriginal Corporation argued that the scheme should not have been closed without the introduction of an interest-free alternative. The sudden closure of the scheme left many of the 4000 indigenous students, or over 15 per cent of SFSS recipients who had accessed loans, in a difficult financial situation.⁵⁹ Other submissions supported the idea of an income contingent loan scheme that would not involve students having to trade off part of their income support payment, or making available to eligible students a one-off compensation payment to enable students to complete their studies.⁶⁰ According to the Australian Council of Social Service, a one-off payment would go some way towards relieving the financial pressure from any unanticipated reduction in the level of assistance.⁶¹

4.41 Other submissions cautioned against either reinstating or replacing the SFSS with a new loan scheme because of a concern that loan schemes by their very nature contribute to rising student indebtedness. The University of South Australia Students' Association expressed the view that some students have unrealistic expectations of graduate salaries, underestimate the time it will take to repay a substantial debt, and do not consider that their personal life choices may be limited after completing study as their personal debt grows. It argued that students would not need to take out personal loans to cover daily living expenses if they received an adequate level of income support.⁶² The University of South Australia agreed with this position, advising that it had closed its student loan scheme because of the increasing number of unpaid loans,

55 National union of Students, *Submission 89*, p.52

56 Australian Council of Social Service, *Submission 24*, p.34

57 Flinders University, *Submission 21*, p.3

58 RMIT Student Union, *Submission 78*, p.29

59 National Indigenous Postgraduate Association Aboriginal Corporation, *Submission 98*, p.30

60 National union of Students, *Submission 89*, p.53

61 Australian Council of Social Service, *Submission 24*, p.34

62 University of South Australia Students' Association, *Submission 71*, p.8

and also because of a belief that students should not have to accumulate debt in addition to their HECS debt if adequate financial support arrangements are in place.⁶³

Recommendation 14

The committee recommends that the Department of Education, Science and Training examine a new income contingent loan scheme to replace the Student Financial Supplement Scheme.

Government senators do not agree with this recommendation.

The Democrats acknowledge the benefits provided to students through the Student Financial Supplement Scheme, but believe it is not an appropriate model for further consideration.

Closure of the Educational Textbook Subsidy Scheme

4.42 Textbooks are an essential and often prohibitively expensive item for any academic study which can impose a large financial burden on students.⁶⁴ The price of university textbooks can range from \$80 to \$500 for law or medicine.⁶⁵ The AVCC's *Paying Their Way* report noted that textbooks are about a quarter of students' course costs, which probably explains why a significant number of survey respondents conveyed 'despair and venom' at the cost of textbooks.⁶⁶ The Educational Textbook Subsidy Scheme (ETSS) was introduced specifically to mitigate the effect of the Goods and Services Tax (GST). The GST on books was viewed by many as a tax on knowledge which would price some students out of an education. The purpose of the ETSS was to give students an 8 per cent subsidy by compensating bookshops for the GST payable on textbooks. It is estimated that the scheme provided welcome relief in the order of \$6.40 to \$40 per book: 'For people living below the poverty line, these small amounts of relief are vital'.⁶⁷ What was not clear at the time, however, was that the Government, in agreeing to establish the ETSS to secure passage of its GST legislation, did not commit any additional funds for the scheme beyond 2004. Submissions from student associations expressed concern that closure of the scheme, which took effect on 30 June 2004 mid-way during the inquiry, would exacerbate the financial problems of students by making it harder for them to purchase essential study material.

63 University of South Australia, *Submission 113*, p.4

64 Flinders Postgraduate Students' Association, *Submission 92*, p.5

65 Australasian Campus Union Managers Association, *Submission 95*, p.11

66 Michael Long and Martin Hayden, *Paying Their Way: A Survey of Australian Undergraduate University Student Finances, 2000*, Australian Vice-Chancellors' Committee, October 2001, p.30

67 Australasian Campus Union Managers Association, *Submission 95*, p.11

4.43 The committee tried to assess the impact of the scheme's closure on student finances. Anecdotal evidence from students associations suggested that the scheme's closure has been significantly felt by students at universities across the country.⁶⁸ The added cost of textbooks is being felt by students particularly at the beginning of every semester when financial demands placed upon them often reach their peak.⁶⁹ The Australian National University Students' Association told the committee that the abolition of the ETTS was a major issue for students:

Obviously the abolition of that scheme without any proportionate compensation...severely affected students. All the evidence I have is anecdotal...but I did talk to several students after it was abolished last year. I went and hung around the bookshop at the beginning of the next semester and the next term when people were buying textbooks and there was a marked increase.⁷⁰

I was living on campus last year when the scheme was abolished. Before the abolition of the scheme, a number of students around my hall were in quite a fluster and were racing down to the Co-op Bookshop to make sure they bought their texts before the next semester. So they were definitely very aware of the increased costs relating to textbooks, and that resulted in their buying textbooks before they were even confirmed as the texts for the subjects they were taking.⁷¹

4.44 The Flinders Postgraduate Students' Association submission noted that between 2002 and 2004, the association had distributed \$10,000 per annum to postgraduate coursework students suffering financial hardship. In 2003, the majority of grants awarded were apparently used to purchase essential textbooks.⁷² Similarly, the University of South Australia Students' Association found from its student surveys that the purchase of textbooks was the single most burdensome cost borne by students: 'All students admitted to difficulties buying compulsory textbooks and all students agreed that the abolition of the...ETTS would decrease their chances of being able to do so in the future'.⁷³

4.45 The committee finds that closure of the ETTS is having a detrimental effect on students. By closing the scheme, the Government has passed more of the essential costs of higher education on to students. Reports that students view the purchase of

68 Ms Naomi Vaughan, Students' Association of the University of Adelaide, *Committee Hansard*, 28 April 2005, p.18

69 Ms Jacqui Forte, Students' Association of Flinders University, *Committee Hansard*, 28 April 2005, p.19

70 Mr Max Jeganathan, Australian National University Students' Association, *Committee Hansard*, 13 May 2005, p.14

71 Ms Rachel Allen, Australian National University Students' Association, *Committee Hansard*, 13 May 2005, p.15

72 Flinders Postgraduate Students' Association, *Submission 92*, p.5

73 University of South Australia Students' Association, *Submission 71*, p.5

textbooks as a waste of money and only purchase books which can be used for an entire course or those with resale value, are of particular concern: 'As a result, the majority of students reported completing only the required readings, rarely being afforded the luxury of purchasing "extra" readings to bolster their learning'.⁷⁴ The committee is concerned by reports that some students at the Australian National University, and probably at other universities, are using emergency loans to purchase textbooks instead of using the money to pay for rent, food and transport.⁷⁵

Recommendation 15

The committee recommends that the Department of Education, Science and Training undertake an analysis of the costs and benefits associated with restoring the Educational Textbook Subsidy Scheme.

Student services and VSU legislation

4.46 The committee heard evidence at each of the public hearings that the financial strain placed on students following closure of the Student Financial Supplement and Educational Textbook Subsidy schemes, especially for those who do not receive any income support, will be magnified by the Government's intention to push ahead with voluntary student unionism (VSU) legislation.⁷⁶ Although the VSU legislation and its likely impact on the provision of student services are the subject of an inquiry by the Senate's Employment, Workplace Relations and Education Legislation Committee, the committee believes that the concerns raised in evidence during this inquiry are relevant to its terms of reference. At the very least, the range of services which student unions currently provide can be seen as an important supplement to the inadequate income support provisions which the government provides. Any reduction in the level of these services will create more financial hardship for students. The committee is concerned by the unintended consequences of the bill which have not have been addressed by the Government. One example relates to the food services provided by student unions at a number of universities, including Monash, RMIT and La Trobe, for students who cannot afford to eat properly. The RMIT student Union told the committee that these food services will be directly affected by the VSU legislation, which may have major health implications for financially struggling students.⁷⁷

4.47 The situation facing many student-based organisations was captured in evidence at a public hearing by the Australasian Campus Union Managers Association (ACUMA):

74 *ibid.*, pp.5-6

75 Mr Max Jeganathan, Australian National University Students' Association, *Committee Hansard*, 13 May 2005, p.15

76 The Higher Education Support Amendment (Abolition of Compulsory Up-front Student Fees) Bill 2005 was introduced in the House of Representatives on 16 March 2005.

77 Mr Mark Pendleton, RMIT Student Union, *Committee Hansard*, 26 April 2005, p.64

There is \$170 million collected from students for services on campus, and many of those services are provided by the university, not by the student organisation. The issue that the government has with a small proportion of that money needs to be handled in a way that is consistent with the issues that the government has...[T]he unintended consequences of this legislation are going to have a fairly major impact on the services that we can provide students.⁷⁸

4.48 ACUMA told the committee that it was reassessing the financial effect of VSU legislation on the services provided on campuses across Australia, including subsidies to child-care centres, dental and legal aid services, and assistance with accommodation. This process will include a national survey to assess the impact of the VSU legislation. ACUMA described the support mechanisms which student-based organisations provide as 'part of the hidden glue that keeps universities working', a view echoed by the Students' Association of the University of Adelaide: 'the erosion of support for students will eat away at the intellectual landscape of what we are struggling to call a "clever country"'.⁷⁹

4.49 Witnesses raised other concerns with the proposed VSU legislation. It was argued that the legislation in its current form will have a major impact on the services which financially struggling students receive on campus, especially students on low incomes, from rural and regional areas and international students. The NUS argued that many emergency loan and finance schemes, as well as the on-campus welfare, counselling and financial assistance services, will probably be abolished if the legislation is passed: '...under VSU a lot of the emergency schemes which students currently rely on due to the inadequacy of student income support would be lost. This is an issue that really does need to be taken seriously...because it is going to get worse'.⁸⁰

4.50 The NUS also emphasised that not only do student organisations provide a range of services which would otherwise be unavailable to students, they also fulfil a valuable welfare role by being a direct reporting mechanism to university administrators on welfare or occupational health and safety issues:

Student organisations provide a direct reporting mechanism so that students can come into a student organisation, give anonymous evidence to advocates or student representatives and have an issue reported to the university promptly and through official channels. That is the way it should be, that is the way we would like it to stay and that is part of the way that Australian universities maintain quality of teaching and learning.⁸¹

78 Mr Trevor White, Australasian Campus Union Managers Association, *Committee Hansard*, 26 April 2005, p.36

79 Mr David Pearson, Students' Association of the University of Adelaide, *Committee Hansard*, 28 April 2005, p.13

80 Ms Katana Smith, NUS, *Committee Hansard*, 26 April 2005, p.21

81 Mr Felix Eldridge, NUS, *Committee Hansard*, 26 April 2005, p.27

4.51 The committee notes that the financial pressures which are likely to result from the VSU legislation will have an adverse effect on academic performance and the ability of students to complete courses. The Deakin University Student Association told the committee that RMIT and Melbourne universities had surveyed the relationship between the networking that students do at university and retention rates. The survey results show a direct correlation between how effectively students maintain their social networks at university and how well they finish their course:

So activities like the orientation weeks and the clubs and societies that are provided by unions, guilds and associations are a very important part of keeping students at universities. If they are not paid for in some way or if they are undermined in some way then that will have a direct effect on the ability of students to complete their courses.⁸²

Ancillary fees

4.52 The Council of Australian Postgraduate Associations' submission drew the committee's attention to the financial stress caused by students having to fund fieldwork trips, overseas travel for conferences and research, and sometimes their own research equipment. It was pointed out that universities rarely provide funding for these ancillary fees.⁸³ The rising cost of photocopying was also raised with the committee as an area of concern. Loans approved by some postgraduate student associations are being used for photocopying instead of textbook purchases, which was their original purpose.⁸⁴ The committee was told that while many universities allocate to up to \$200 a year to each research higher degree student for the ancillary costs of pursuing research, the money '...does not go very far and students end up investing a considerable amount of money to manage and complete their studies'.⁸⁵

4.53 It appears that undergraduate and postgraduate students are having to cover the cost of ancillary fees, which is adding more to the cost of living and placing further strain on the income support payments. The University of South Australia Students' Association submission described how students are spending up to \$25 dollars each fortnight on ancillary costs such as printing, photocopying and stationery: 'To the average earner, this amount may seem small, however students reflected on the added strain such costs put on their already tight finances'.⁸⁶ The Association was critical of the government for being blind to additional course costs that students are obliged to pay to complete their course:

82 Mr Philip Hunt, Deakin University Student Association, *Committee Hansard*, 26 April 2005, p.68

83 Council of Australian Postgraduate Associations, *Submission 74*, p.9

84 Ms Jacqui Forte, Students' Association of Flinders University, *Committee Hansard*, 28 April 2005, p.21

85 Mr Nigel Palmer, Flinders Postgraduate Students' Association, *Committee Hansard*, 28 April 2005, p.41

86 University of South Australia Students' Association, *Submission 71*, p.6

Such costs include, but are not limited to: the costs of video production, camp costs – accommodation and food – professional printing (ink cartridges and high quality paper), protective clothing such as lab coats, uniforms for placement, the purchasing of case studies, readers and professional presentation of documents such as binding.⁸⁷

4.54 The Students' Association of the University of Adelaide told the committee that it had met with the university administration on at least two occasions to discuss the issue of ancillary fees. Apparently, the university set up a working party to review implementation of its ancillary fee policy. A major issue for the students' association is students' access to course outlines. University policy is that students have access to the outlines free of charge; however, lecturers are beginning to include the outline in their reading bricks which students have to purchase at a cost of up to \$40.⁸⁸

Senator Trish Crossin
Chair

Senator Natasha Stott Despoja

Senator Judith Troeth

87 *ibid.*

88 *ibid.*

Democrats' Supplementary Report

The Democrats are in agreement with the content and most of the recommendations of the Chair's report. Accordingly, our supplementary comments and recommendations are confined to additional issues or areas in which we have different views from those covered by the Chair.

We acknowledge the useful information produced during this inquiry and its relevance to the current debate on the issues surrounding future higher education policy, specifically in relation to student income support measures.

The Democrats, however, believe further background to some issues is required and that the challenging evidence presented to the Committee, and many of the arguments raised in the Chair's report, warrant further or stronger recommendations.

The decline in Commonwealth funding of education, relative to other portfolios, over the past thirty years is of particular concern to the Democrats, as are the recent HECS fee increases for students. The Democrats believe education is an investment, not a cost and that Government policy should work to reverse this trend of declining investment.

The Democrats acknowledge that student poverty has not registered as a significant national policy issue, this is in spite of our attempts to raise the issue of student income support measures constantly, both publicly and in the Parliament. In my first speech to the Parliament on May 1 1996, I expressed my concern about the issue of student debt, and have been speaking about it ever since.

The Democrats have opposed and voted against all attempts to impose fees on students. We have also strongly opposed the decreases in student income support measures that resulted from increasing the age of independence for Austudy, cuts to ABSTUDY, cuts to Rent Assistance, the closure of the Student Financial Supplement Scheme and the abolition of the Educational Textbook Subsidy Scheme.

In 1997, I introduced a Private Member's Bill – the Taxation Laws Amendment (Part-Time Students) Bill 1997 – to ensure both part-time and full-time scholarships were exempt from income tax. The distinction between the two arose from the debate over the Tax Laws Amendment Bill (No.1) 1997 when the bill was amended by the Democrats to ensure full-time scholarships remained income tax free. However, part-time scholarships were not covered by that amendment, and even if they satisfy all other aspects of the exemption provision they are taxed under the current provision.

The Council of Australian Postgraduate Associations – who have consistently advocated for the removal of taxation from all scholarships since 1979 – recommended to the committee the exemption of part-time scholarships from income tax assessment. The Democrats fully support their recommendation and consider it absurd to exclude part-time APA scholarships from income tax assessment and not

other part-time scholarships. The Democrats have constantly raised this issue in successive Parliaments since 1997.

In May 1998, the Government and Opposition combined in the Senate to defeat an Australian Democrats' proposal for students over 25 on Austudy to access Rent Assistance in an amendment to the Social Security Legislation Amendment (Youth Allowance Consequential and Related Measures) Bill 1998.

The Democrats repeatedly expressed concerns about the inequitable nature of the Student Financial Supplement Scheme, while recognising many students relied on it. Many students were simply unable to survive on the rates of income support available at the time, and for many, taking out SFSS loans was their only option. Accordingly, the Democrats moved to 'grandfather' existing students from closure of the Scheme receiving the endorsement of the NUS and Student Financial Advisers Network.

In 2002, 39,892 students accepted the Student Financial Supplement Scheme loans. Of these students, 15.6 per cent were Indigenous, 1.6 per cent were listed as remote, 15.2 per cent were listed as single parenting payment recipients, 12.2 per cent were not born in Australia, and 54.7 per cent – clear majority of those who accepted the loans – were women.

The Democrats emphasised their concerns about all those traditionally disadvantaged groups, not to mention students with disabilities, however, the Government ignored the Democrats' calls to support students on the Scheme after its closure. Not only did the Government fail to provide meaningful, alternative income support measures to students, but they did not even allow the Senate to decide whether the SFSS would close or not, arrogantly closing the Scheme administratively before the Senate debate had concluded.

The Educational Textbook Subsidy Scheme (ETSS) was part of the Book Industry Assistance Package negotiated by the Australian Democrats in 1999 in an attempt to alleviate the impact of the GST on the price of textbooks for students and their families. The Democrats believe all books should be exempt from the GST.

The ETSS was appropriated for only four years when the GST was introduced, and was due to lapse after 30 June 2004. Although there was no formal agreement between the Government and the book industry to extend the scheme beyond this date, until 2003 the Department of Education, Science and Training (DEST) had included forward estimates for the scheme for 2005 and 2006 in the Budget.

Approximately 70 percent of the scheme's allocation related to higher education (universities and TAFEs). Importantly, the ETSS maintained access to textbooks for students, and, therefore, access to education and knowledge.

In June 2003, when it became clear the Government was not intending to continue the ETSS, I introduced a Private Member's Bill in June to extend the ETSS beyond June 2004. Support for the Bill was received from the Australian Vice-Chancellors' Committee, National Tertiary Education Union, National Union of Students, Council

of Australian Postgraduate Associations, Australian Publishers' Association, Australian Booksellers' Association, Australian Campus Booksellers' Association, Australian Society of Authors, and the Australian Medical Students' Association, among others.

A petition launched in March 2004, by the Democrats, to save the scheme received more than 35,000 signatures. Thousands of the Democrats' 'Save Our Subsidy' postcards and stickers were distributed around the country as part of a broader campaign to oppose the abolition of the scheme.

In June 2004, the Democrats' introduced a motion calling on the Government to extend the Scheme which was complemented in the House of Representatives, by Tony Windsor MP. The Senate motion was defeated when Labor voted with Government, opposing the Democrats motion.

The ETSS cost around \$25 million per year and, according to evidence provided to this inquiry, was a significant student income support measure. The benefits of the ETSS are well known, as is the cost of the scheme, and the Democrats believe the scheme should be restored.

The impact of the Government's so-called "Voluntary Student Unionism" policy is likely to have a severe effect on student income support measures currently provided by student organisations all over the country. While it was not part of the terms of reference for the inquiry, the likely impact of the changes resulted in many witnesses expressing their concerns to the committee.

The Democrats believe ample evidence was provided to the inquiry to conclude that the Government's Higher Education Support Amendment (Abolition of Compulsory Up-front Student Union Fees) Bill 2005 should be opposed by the Senate.

Recommendations

The Democrats' recommendations to the *Hacking Australia's Future: Threats to institutional autonomy, academic freedom and student choice in Australian higher education* inquiry, by the Senate's Education, Workplace Relations and Education References Committee in November 2003, included the following recommendations on student income support measures. These recommendations (numbers 1 to 6) are supported by the evidence presented to this inquiry and are still relevant.

Recommendations 7 to 12 are other recommendations supported by the evidence presented to this inquiry.

Recommendation 1

That the age of independence for all student income support payments be lowered to 18.

Recommendation 2

That all forms of student income support be raised to parity with the age pension over a 5 year period.

Recommendation 3

That all Commonwealth education related scholarships be tax free, regardless of the student's study mode.

Recommendation 4

That the Government reverses its decision to increase visa application fees by \$85.

Recommendation 5

The lack of thorough and consistent research on educational outcomes by the Commonwealth that can be compared with previous data has made critical analysis, of previous and future changes to the sector, difficult. That the Commonwealth conduct research into the effectiveness and broader social and economic impact of its higher education policies using established benchmarks that will allow historical comparisons of data.

Recommendation 6

That the number of Commonwealth scholarships for equity groups be increased.

Recommendation 7

That the Government restore the Educational Textbook Subsidy Scheme.

Recommendation 8

That the personal income test for students be abolished.

Recommendation 9

That the Higher Education Support Amendment (Abolition of Compulsory Up-front Student Union Fees) Bill 2005 be opposed by the Senate.

Recommendation 10

That the method of indexation for student income support payments be made consistent with the indexation of the pension.

Recommendation 11

That university-administered scholarships are exempt from the social security personal income test.

Recommendation 12

That Centrelink employ Indigenous staff to deal specifically with Indigenous students.

Recommendation 13

That Section 3.20.15 of the Guidelines for Commonwealth Scholarships be amended such that the duration of a full-time *APA* is four years (eight years part-time) for a student undertaking *Research Doctorate* studies.

Recommendation 14

That Rent Assistance be made available to ABSTUDY Masters and Doctorate students.

Recommendation 15

That Indigenous education be made a National Priority area, and thus exempt from the HECS increases allowed under backing Australia's Future.

Senator Natasha Stott Despoja

Appendix 1

List of submissions

Sub No:	From:
1	Ms Julie McNeill, Qld
2	Mr Ben Ridder, Tas
3	Mr Perry Muhli, ACT
4	Mr Doron Katz, NSW
5	Mr Jason Gallagher, NSW
6	Mr Chris Jenkins, NSW
7	Ms Maya Rana, Vic
8	Mr Ronald Quick, Vic
9	Mr Peter Muirhead
10	Ms Chelsea Dabner, Vic
11	Ms Jennifer Smith, Qld
12	Mr Brendan Lloyd, NSW
13	Mr Will Rossiter, WA
14	Ms Tracey Sleet, Qld
15	Ms Erin Threlfall, ACT
16	Ms Eileen van der Stel, NSW
17	Mr Shaun Douglas
18	Ms Janina Rozycki, Qld
19	Ms Laura Keys, WA
20	Mr Ben Stone, NSW
21	Flinders University
22	RMIT Business

- 23 Mrs Carol Richard, NSW
- 24 Australian Council of Social Service (ACOSS)
- 25 Ms Sarah Thomas, WA
- 26 Ms Hannah Pickles, VIC
- 27 Ms Rebecca Alford, TAS
- 28 Ms Rebecca Kevill, WA
- 29 Fremantle Community Youth Services
- 30 Kai Hodgkin, ACT
- 31 Ms Sara Isherwood, QLD
- 32 Lee Cox, Gold Coast Student Guild
- 33 The University of Newcastle
- 34 Queensland University of Technology, Student Guild
- 35 Monash Student University Union
- 36 NSW TAFE Students Network
- 37 Mr Greg Croke, SA
- 38 Ms Dale Rogers, ACT
- 39 Bendigo Student Association
- 40 Mr Michael Tkacz, WA
- 41 UNSW Postgraduate Board
- 42 Mr Stephen Rixon, NSW
- 43 University of Melbourne Postgraduate Association
- 44 Griffith University
- 45 Southern Cross University, Student Association
- 46 Deakin University Student Association
- 47 Youth Action and Policy Association NSW
- 48 NSW Student Guild

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- 49 The University of Adelaide
- 50 Melbourne Citymission
- 51 Wollongong University Postgraduate Association
- 52 Shelter NSW
- 53 Curtin Student Guild
- 54 Student Association Incorporated, University of Tasmania
- 55 Queensland University of Technology, Student Guild
- 56 Mrs Adele Carrall, NSW
- 57 The University of Sydney
- 58 Mr Daniel Hulme, TAS
- 59 Mr N. Daniel Mookey, NSW
- 60 Ms Carrol Rogers, NSW
- 61 Isolated Childrens' Parents' Association of Australia
- 62 Tuscan Corporation Pty Ltd
- 63 James Cook University Students Association
- 64 Australian Physiotherapy Association
- 65 Tasmania University Union Inc
- 66 Mr Tomas Nilsson, TAS
- 67 Youth Affairs Council of Victoria
- 68 Ms Natalie Rogan, NSW
- 69 Ms Karin MacDonald MLA
- 70 National Ethnic Disability Alliance (NEDA)
- 71 University of South Australia, Students Association
- 72 University of Sydney, Faculty of Medicine
- 73 University of Technology, Sydney
- 74 Council of Australian Postgraduate Associations

- 75 Students Association of the University of Adelaide
- 76 University of Queensland Union
- 77 Napean Interyouth Services and South Penrith Youth Inc
- 78 RMIT Student Union
- 79 Student Association South West College of TAFE
- 80 UTS Students' Association
- 81 National Liaison Committee for International Students in Australia Inc
- 82 University of Western Australia, Student Guild
- 83 Students' Association of Flinders University
- 84 The National Centre for Vocational Education Research
- 85 The Australian National University Students' Association
- 86 The Victorian Ecumenical System of Schools Inc
- 87 Newcastle University Students Association
- 88 La Trobe University Union
- 89 National Union of Students
- 90 Speech Pathology Australia
- 91 Central Queensland University Student Association
- 92 Flinders Postgraduate Students' Association
- 93 Ms Dabby Anderson
- 94 Australian Education Union
- 95 Australasian Campus Union Managers Association
- 96 James Cook University Post Graduate Association
- 97 Youth Affairs Council of Western Australia
- 98 National Indigenous Postgraduate Association, Aboriginal Corporation
- 99 Mr Alec Beckett, NSW
- 100 Ms Anna Painting, NSW

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- 101 Griffith University Postgraduate Students Association
- 102 Monash University Gippsland Student Union
- 103 Queensland Youth Housing Coalition Inc
- 104 University of Western Australia
- 105 Ms Ruth Thompson, University of Technology
- 106 Rivcoll Union
- 107 Ms Yvette Devlin, ACT
- 108 Mr Andrew Ward, NSW
- 109 Sydney University Postgraduate Representative Association
- 110 Department of Family and Community Services
- 111 Isolated Children's Parents' Association of New South Wales Inc
- 112 Group of Eight
- 113 Professor Rigmor George, University of South Australia
- 114 Australian Vice-Chancellors' Committee
- 115 Australian Technology Network
- 116 Student Financial Advisors Network
- 117 Curtin University of Technology
- 118 Mr David Pearson, SA
- 119 The Belmont High School Ex-students Association
- 120 Monash Student Association
- 121 Students' Representative Council, University of Sydney
- 121A Students' Representative Council, University of Sydney
- 122 Brotherhood of St Laurence
- 123 Mr David Hunt, SA
- 124 Commonwealth Department of Education, Science and Training
- 125 South Australian Government

- 126 Liz Darley, NSW
- 127 Queensland Shelter
- 128 Grant Walsh, WA
- 129 National Tertiary Education Union
- 130 Ms Naomi Godden, WA
- 131 Ms Maree Mudge, NSW
- 132 Mr David Booth, NSW
- 133 Ms Jodie Parsons
- 134 Welfare Rights Centre
- 135 Professor Craig McInnis, Vic
- 136 Professor Judith Bessant, Vic
- 137 Centre for Population and Urban Research, Monash University
- 138 Queensland Government
- 139 Tenants Union of Victoria
- 140 Elspeth Grant, SA

Appendix 2

Hearings and witnesses

Melbourne, Tuesday, 26 April 2005

Student Financial Advisers Network

Mr Roger Deutscher, *Chair*

Mr Vincent, Callaghan, *Spokesperson on Student Finances*

Centre for Population and Urban Research, Monash University

Dr Robert Birrell, *Director*

Dr Ian Dobson, *Honorary Research Fellow*

National Union of Students

Mr Felix Eldridge, *President*

Mr Graham Hastings, *Research Coordinator*

Ms Katana Smith, *National Welfare, Small and/or Regional Officer*

Australasian Campus Union Managers Association

Mr Trevor White, *President*

Ms Megan Jenner, *Board Member*

Council of Australian Postgraduate Associations

Mr Stephen Horton, *President*

Ms Sally Skinner, *Research Officer*

University of Melbourne Postgraduate Association

Mr Matthew Belleghem, *President*

National Indigenous Postgraduate Association Aboriginal Corporation

Ms Vicki-Ann Speechley-Golden, *President*

Ms Meryan Tozer, *Research Officer*

National Tertiary Education Union

Mr Joel Wright, *Indigenous Officer, National Office*

Ms Emma Cull, *National Policy and Research Officer*

Mr Paul Kniest, *Policy and Research Officer*

RMIT Student Union

Mr Mark Pendleton, *Research and Information Officer*

Mr Jack Manning, *Welfare and Education Officer*

Mr Stuart Martin, *Officer*

Deakin University Student Association

Mr Philip Hunt, *General Manager*

Miss Monica Okulicz, *Vice-President Undergraduate*

Ms Louise Moran, *Representative Support Officer*

Professor Robert Watts

Adelaide, Thursday, 28 April 2005

Flinders University

Professor Anne Edwards, *Vice-Chancellor*

Students Association of Flinders University

Ms Jacqui Forte, *General Secretary*

Mr James Frazer, *Education Research Officer*

University of South Australia Students Association

Mr Justin Lee, *President*

Mr Mark Allen, *Equity and Welfare Vice-President*

Students Association of the University of Adelaide

Mr David Pearson, *President*

Ms Naomi Vaughan, *Project Research Officer*

University of South Australia

Professor Rigmor George, *Pro-Vice-Chancellor and Vice-President, Access and Learning Support*

Flinders Postgraduate Students Association

Mr Nigel Palmer, *President*

National Centre for Vocational Education Research

Dr Tom Karmel, *Managing Director*

University of Adelaide

Professor Charles Bodman Rae, *Dean, Elder School of Music*

Ms Susan MacIntosh, *Executive Director, Student and Staff Services*

Mr Michael Physick, *Project Manager, Student and Staff Services*

Canberra, Friday, 13 May 2005**Australian Vice-Chancellors' Committee**

Mr Thomas Mullarvey, *Chief Executive Officer*

Professor Roger Dean, *Vice-Chancellor and President, University of Canberra, and Member*

Australian National University Students Association

Ms Aparna Rao, *President*

Mr Max Jeganathan, *Former President (2004)*

Ms Rachel Allen, *Treasurer*

National Welfare Rights Network

Ms Jillian Chapman, *Welfare Rights Advocate, Illawarra Legal Centre*

Ms Melissa Coad, *Education Officer and Caseworker*

Tenants Union of Victoria

Mr David Imber, *Policy and Liaison Worker*

Mr Mark O'Brien, *Chief Executive Officer*

Department of Family and Community Services

Ms Meredith Baker, *Section Manager, Means Test Policy Section, Seniors and Means Test Branch*

Ms Liza Carroll, *Branch Manager, Housing Support*

Mr David Hazlehurst, *Branch Manager, Family Payments*

Mr Benjamin Wallace, *Acting Branch Manager, Seniors and Means Test Branch*

Department of Education, Science and Training

Ms Susan Bennett, *Acting Branch Manager, Income Support for Students Branch*

Ms Jessie Borthwick, *Group Manager, Strategic Analysis and Evaluation Group*

Centrelink

Mrs Michelle Cornish, *National Manager*

Ms Carolyn Hogg, *Deputy Chief Executive Officer, Stakeholder Relationships*

Appendix 3

Tabled documents, answers to questions on notice and additional information

Hearing: **Melbourne, Tuesday, April 2005**
 National Tertiary Education Industry Union
 DEST review into the impact of ABSTUDY policy changes that came into effect in 2000; NTEU Submission, February 2005

Hearing: **Canberra, Friday, 13 May 2005**
 Australian Vice Chancellors' Committee
 AVCC Submission to the Review into the impact of ABSTUDY policy changes that came into effect in 2000, February 2005

Answers to questions on notice

Hearing: **Canberra, Friday, 13 May 2005**
 Centrelink
 received: 27 May 2005
 Answer to questions from Senator Stott Despoja

 Department of Education, Science and Training
 received: 21 June 2005
 Answers to questions

Additional information

Hearing: **Adelaide, Thursday, 28 April 2005**
 University of South Australia Students' Association
 Report on Student Loans at UniSA
 Student responses to the abolition of the Textbook Subsidy Scheme and dealings with Centrelink

Professor Anne Edwards
 Correspondence from Professor Edwards to the Hon Kay Patterson and a response from the Minister regarding student income support and income testing of students in receipt of scholarships.

National Centre for Vocational Education Research Ltd
 TAFE graduate figures

Hearing: **Canberra, Friday, 13 May 2005**
 Centrelink , information package

 The Australian National University Students' Association,
 Emergency and general loans awarded by the Association

Appendix 4

A guide to Australian Government payments*

Youth Allowance (YA)

Basic conditions of eligibility

- Full-time students aged 16 to 24 years, or temporarily incapacitated for study:
 - students aged 16 and 17 must generally be in full-time study;
 - students aged 25 or over, getting Youth Allowance immediately before turning 25 AND remaining in the same course.
- Unemployed, aged under 21, looking for work or combining part-time study with job search, or undertaking any other approved activity, or temporarily incapacitated for work.
- Independent, aged 15 and above the school leaving age (e.g. homeless) who are in full-time study or undertaking a combination of approved activities.

Residential requirements

- Must be an Australian resident.
- Available to newly arrived migrants after 104 weeks as an Australian resident in Australia (some exemptions may apply).
- If exempt from activity test may be paid for up to 13 weeks of temporary overseas absence in certain circumstances. Different rules apply to full-time students.

Basic Rates

- Single, no children:

- Aged under 18, at home	\$178.70
- Aged under 18, away from home	\$326.50*
- Aged 18 and over, away from home	\$326.50*
- Aged 18 and over, at home	\$214.90
- Single, with children \$427.80*
- Partnered, no children \$326.50*
- Partnered, with children \$358.50*

* Rent Assistance may be payable.

- Special rate for long-term income support or migrants studying English aged 21 or over commencing full-time study:

Single, living at home	\$263.90 pf
Single, living away from home	\$396.60 pf
Partnered, no children	\$358.50 pf

- Young people not considered independent must be assessed to get the away from home rate.
- Pharmaceutical Allowance may be paid. See Chart H.
- Payment is generally made to a parent for those aged under 18 who are not independent.
- Advance of Youth Allowance of up to \$500 may be payable.
- Work for the Dole participants may be eligible for an additional payment of \$20.80 per fortnight.

Fares Allowance

- Only paid to tertiary students who have to live away from their permanent home for study.
- Reimbursement of the cost of cheapest practicable form of public transport, regardless of transport actually used.
- Not payable for daily travel.

Rent Assistance

- See Chart G.
- Rent Assistance for single people without children may only be paid to those who receive the away from home rate of Youth Allowance.
- Where both members of a couple without children are getting an allowance or benefit, Rent Assistance is shared.

Parental Income test

- If not independent, a parental income test applies.
- Rate reduces if parent's income exceeds threshold of \$28 850 PLUS for additional dependent children:
 - \$1230 for first dependent child aged under 16;
 - \$2562 for each additional dependent child aged under 16;
 - \$3792 for each dependent child:
 - aged between 16–24 in full time study OR
 - aged between 16–20 and seeking employment OR
 - who receives a boarding allowance or second home allowance under the

Assistance for Isolated Children scheme.

- \$7585 for a tertiary student living away from home, where there are two such children in the family.
- Rate reduces by \$1 for every \$4 over the threshold.
- After applying parental income test, a personal income test is applied.
- The parental income and assets tests does not apply if the parent(s) hold a current low-income Health Care Card or they receive a designated income support payment through either Centrelink or the Department of Veterans' Affairs. The Family Actual Means Test may still apply.
 - If parent(s) have a low-income Health Care Card, the Parental Income Test does not apply, but the Parental Assets and the Family Actual Means Tests do apply.
- In some circumstances (where parental income decreases/increases substantially) parent/s' income in the current tax year is used.

Personal Income test

- Gross income is assessed.
- There is an income-free area of \$62 per fortnight if unemployed and \$236 per fortnight for students.
- Income above the income-free area reduces payment (unless credit in Income Bank).
- See Chart D(a).

Full-time Student Income Bank

- Allows Youth Allowance recipients to accumulate up to \$6000 of any unused portion of their fortnightly income-free area.
- Income Bank credits can be used to offset any income earned that exceeds the fortnightly income-free area.

Assets test

- If not independent, family assets test applies (no personal assets test):
 - No payment can be made if family's assets exceed \$502 750.
 - A 75 per cent discount for farm/business assets applies to the family assets test.
- If independent:
 - Homeowners see Chart A;
 - Non-homeowners see Chart B.
- Payment may be deferred when liquid assets exceed \$2500 (single) or \$5000 (couple or single with dependants).

- Hardship provisions may apply to the personal assets test.

Family Actual Means Test

- Family actual means (i.e. family spending and savings) in the 2002–2003 tax year is used where you are not independent and where one or both of your parents:
 - had an interest in a trust, private company or unlisted public company;
 - was self-employed (except as a sole trader engaged wholly or mainly in primary production) or a partner in a partnership;
 - earned in excess of A\$2500 (including tax exempt income) from a source in Norfolk Island or overseas;
 - was a wage or salary earner who claimed or will claim a tax deduction for a business loss (whether current or carried forward) that does not consist only of a passive investment loss in your partnership income tax returns;
 - had an interest in assets held overseas in excess of A\$2500 or is a migrant who first entered Australia under a business skills category (business migrant) after 31 December 1987.
- In certain circumstances family actual means in the current tax year may be used.
- Where a family member receives Exceptional Circumstances Relief Payment the Family Actual Means Test does not apply.

Austudy Payment

Basic conditions of eligibility

- To qualify for Austudy Payment, a person must be undertaking qualifying study and be aged 25 or over.

Residential requirements

- Must be an Australian resident.
- Available to newly arrived migrants after 104 weeks as an Australian resident in Australia (some exemptions may apply).
- May be paid for up to 13 weeks of temporary overseas absence, or longer in certain circumstances.

Basic Rates

Single	\$326.50 pf
Single, with children	\$427.80 pf

-
- | | |
|--------------------------|-------------|
| Partnered, with children | \$358.50 pf |
| Partnered, no children | \$326.50 pf |
- Special rate for long-term income support recipients commencing full-time study:

Single	\$396.60 pf
Partnered, no children	\$358.50 pf
 - Advance of Austudy Payment of up to \$500 may be available.
 - Pharmaceutical Allowance may be paid. See Chart H.

Fares Allowance

- Only paid to tertiary students who have to live away from their permanent home to study.
- Reimbursement of the cost of cheapest practicable form of public transport, regardless of transport actually used.
- Not payable for daily travel.

Rent Assistance

- Not payable.

Personal Income test

- Gross income is assessed.
- The income-free area is \$236 per fortnight.
- Income above the income-free area reduces payment (unless credit in Income Bank).
- See Chart D(a).

Student Income Bank

- Allows Austudy Payment recipients to accumulate up to \$6000 of any unused portion of their fortnightly income-free area.
- Income Bank credits can be used to offset any income earned that exceeds the fortnightly income-free area.

Assets test

- Homeowners see Chart A.
- Non-homeowners see Chart B.
- Payment may be deferred when liquid assets exceed \$2500 (single) or \$5000 (couple or single with dependants).
- Hardship provisions may apply to the assets test.

ABSTUDY Scheme

Basic conditions of eligibility

- Student is:
 - of Aboriginal or Torres Strait Islander descent according to the ABSTUDY definition of Aboriginality;
 - studying an approved course at an approved education institution;
 - not receiving other government assistance for study.

Residential requirements

- Must be an Australian citizen and normally live in Australia.

Basic Rates

- Living Allowance:

Students-standard	Per fortnight
Aged under 16 years tertiary	\$24.60
Aged under 16 years in State Care and Foster Care Allowance paid	\$178.70
Aged 16-17 years in State Care and Foster Care Allowance paid	\$178.70
Aged 18-20 years in State Care and Foster Care Allowance paid	\$214.90
Aged under 16 years in State Care and no Foster Care Allowance paid	\$326.50
Aged 16-20 years in State Care and no Foster Care Allowance paid	\$326.50
Aged 16-17 years	\$178.70
Aged 18-20 years	\$214.90
Aged 21 years or over*	\$399.30
Students –away from home	
Aged under 16 years	\$178.70
Aged 16-20 years	\$326.50
Aged 21 years or over*	\$399.30
Independent students-single, no children	
Aged under 16 years	\$326.50

Aged 16-20 years	\$326.50
Aged under 16 years at home	\$178.70
Aged 16-17 years at home	\$178.70
Aged 18-20 years at home	\$214.90
Aged 21 years or over*	\$399.30
Single, aged 60 years or over* (includes Pharmaceutical Allowance)	\$437.80

Independent student-partnered, no children

Aged under 16 years	\$326.50
Aged 16-20 years	\$326.50
Aged 21 years or over*	\$360.30

Independent student – single with dependent child

Aged under 16 years	\$427.80
Aged 16-20 years	\$427.80
Aged 21 years or over*	\$432.00

Independent student – partnered with dependent child

Aged under 16 years	\$358.50
Aged 16-20 years	\$358.50
Aged 21 years or over*	\$360.30

* These amounts are indexed every March & September.

- School Term Allowance \$540.80 pa
- School Fees Allowance (at home):
 - Turning 16 before 1 July in school year \$78.00 pa
 - Aged under 16 years at 30 June in school year \$156.00 pa
- School Fees Allowance (boarding):
 - Maximum rate (subject to income test) \$7069.00 pa
 - Income test-free \$6000.00 pa
- Incidentals Allowance:
 - Less than 12 week course \$62.70 pa
 - 12 to 16 week course \$109.80 pa
 - 17 to 23 week (one semester) course \$218.60 pa
 - 24 week to one year course \$444.40 pa

-
- Additional Incidentals Allowance
 - Essential course costs in excess of
 - less than 12 week course \$110.60 pa
 - 12 to 16 week course \$219.00 pa
 - 17 to 23 week (one semester) course \$438.00 pa
 - 24 week to one year course \$877.30 pa
 - Maximum in a year \$2080.00 pa
 - Lawful Custody Allowance essential course costs
 - Aged under 16 years Boarding Supplement \$1926.70 per semester
 - Residential Costs Option \$41.60 pf plus actual costs
 - Masters and Doctorate allowances:
 - Masters and Doctorate student \$18837.00 pa
 - living allowance \$722.50 pf
 - Relocation Allowance \$1485.00 maximum (\$515.00 adult; \$255.00 child)
 - Thesis Allowance
 - Masters \$420.00
 - PhD \$840.00
 - Compulsory course fees or HECS actual costs
 - Fares Allowance actual costs
 - Away From Base Assistance actual costs
 - Maximum payment for Masters/PhD \$2080.00 per year.
 - Remote Area Allowance.
 - Pharmaceutical Allowance may be paid. See Chart H.
 - The Pensioner Education Scheme (PES) is also payable under ABSTUDY (see PES page 13).
 - Advance of ABSTUDY of up to \$500 may be payable.

Rent Assistance

- See Chart G.

Means tests

- Income test on Living Allowance and Rent Assistance.
- The ‘at home’ rate of Schools Fees Allowance and the School Term Allowance are payable to applicants eligible for an income support payment, ABSTUDY Living Allowance, CDEP wages or a Health Care Card.
- Student and parental means tests do not apply to students in State care.

Personal Income Test—Income Bank

- Same as for Austudy Payment and the Youth Allowance personal income test and Student Income Bank for full-time students. Applies to students aged 16 or over and independent students aged under 16.

Parental Income Test

- Same as for Youth Allowance except for some additional circumstances where the parental income and assets tests doesn’t apply and the parental income threshold is raised due to dependent students. Contact Centrelink for details.
- Applies to dependent students.

Family Assets Test

- Same as for Youth Allowance. Applies to dependent students

Family Actual Means Test

- Same as for Youth Allowance. Applies to dependent students.

Independent Students—Assets Test

- Same as for Youth Allowance and Austudy payment.

Independent students—Partner Income Test

- For students aged under 21—same as for Youth Allowance.
- For students aged 21 and over—same as for Newstart Allowance except for 50 cents in the dollar abatement of partner income over the income-free area and adjustments for dependent children.

Chart A and B—Assets test

Chart A—Assets test for homeowners

Family situation	For full allowance
Single	up to \$153 000
Partnered (combined)	up to \$217 000
Illness separated couple (combined)	up to \$217 500
One partner eligible	up to \$217 5000

Chart B—Assets test for non-homeowners

Family situation	For full allowance
Single	up to \$263 000
Partnered (combined)	up to \$328 000
Illness separated couple (combined)	up to \$328 000
One partner eligible	up to \$328 000

Some assets are deemed to earn income, while certain assets are not included in the assets test. Contact Centrelink for more information

Extra Allowable Amount for Retirement Village and Granny Flat Residents

If your Entry Contribution is equal to or less than the Extra Allowable Amount, you are assessed as a non-homeowner. Your Entry Contribution will count as an asset. You may qualify for Rent Assistance. The Extra Allowable Amount is the difference between the non-homeowner and homeowner asset test limits, currently \$110 500.

Hardship provisions

If you have assets but little or no income you are expected to rearrange your affairs to provide for yourself. In some cases that is not possible. If you are in 'severe financial hardship' you may be able to get a social security payment. Different tests apply to such cases.

Chart D(a)—Personal Income test for Youth Allowance, Austudy Payment, ABSTUDY

Income test

Maintenance income does not affect this payment

Family Situation	For full Allowance (pf)	For Part Allowance (pf)
<i>Single, aged under 18, at home</i>		
Students	up to \$236	less than \$514.14
Unemployed	up to \$62	less than \$340.14
<i>Single, aged 18 or over, at home</i>		
Students	up to \$236	less than \$565.86
Unemployed	up to \$62	less than \$391.86
<i>Single or partnered, away from home</i>		
Students	up to \$236	less than \$725.29#
Unemployed	up to \$62	less than \$551.29#
<i>Partnered, with dependents</i>		
Students	up to \$236	less than \$771.00#
Unemployed	up to \$62	less than \$597.00#
<i>Single with dependents</i>		
Students	up to \$236	less than \$870.00#
Unemployed	up to \$62	less than \$696.00#
<i>Long-term unemployed aged 21 or over entering:</i>		
Full-time study at home	up to \$236	less than \$635.86
Students away from home		less than \$825.43#
<i>Partnered, no children</i>		
Students	up to \$236	less than \$771.00#

* For unemployed, fortnightly income between \$62 and \$142 reduces fortnightly allowance by 50 cents in the dollar. Income above \$142 reduces payment by 70 cents in the dollar.

For students, fortnightly income between \$236 and \$316 reduces the fortnightly allowance by 50 cents in the dollar. Income above \$316 reduces payment by 70 cents in the dollar. For students the income test is subject to Income Bank credit.

Partner income which exceeds the cut-off point reduces fortnightly allowance by 70 cents in the dollar.

These figures may be higher if you are eligible for Rent Assistance or Pharmaceutical Allowance.

Note: For ABSTUDY recipients aged 21 years and over the income test is aligned to NSA. The ABSTUDY living allowance is reduced by one dollar for every whole two dollars by which the partner's income exceeds the qualifying limit.

Maintenance income is not included as income for the personal income test.

Chart G—Rent Assistance

Family Situation	Maximum payment per fortnight	No payment if your fortnightly rent is less than	Maximum payable if your fortnightly rent is more than
Single, no children	\$98.00	\$87.00	\$217.67
Single, no children, sharer	\$65.33	\$87.00	\$174.11
Couple, no children	\$92.40	\$141.80	\$265.00
One of a couple who are temporarily separated due to illness, no children	\$98.00	\$87.00	\$217.67
One of a couple who are temporarily separated, no children	\$92.40	\$87.00	\$210.20

* Includes respite care and partner in gaol.

- Rent Assistance for families with children is usually paid with Family Tax Benefit.
See Family Tax Benefit for current rates.
- Rent Assistance is not paid:
 - to people paying rent to a government housing authority, although in some situations sub-tenants may qualify for Rent Assistance.
 - for residents of Commonwealth funded nursing homes and hostels.
 - to single disability support pensioners aged under 21, without dependants, living with parents.
 - to other single people aged under 25, living with parents.

- to students without dependants, who receive Austudy Payment.
- Special rules apply to single sharers, people who pay board and lodging or live in a retirement village.
- Rent Certificates are required to verify rent where a customer does not have a formal written tenancy agreement or is not named as a tenant on a formal written tenancy agreement.
- Rent Assistance is paid as part of another payment. It may be reduced due to the income test rules applying to that primary payment.

