

RE: STUDENT INCOME SUPPORT INQUIRY

To The Senate Employment, Workplace Relations and Education
References Committee,

I put forward this submission as a case study of my own situation, knowing that it is partially representative of other students in tertiary education. I am currently 26 years old and in the final year of a Bachelor of Arts course at Murdoch University. Being single and without children, I assume that my financial situation is likely to be at the better end of the scale for undergraduate students.

This said, my mode of study has been inconsistent since commencing my course in 1998, largely due to financial pressures. After refusing a place at Swinburne University due to the high expense of studying in Melbourne, I have recently moved to regional WA to finish my degree.

My submission responds to the following components of the terms of reference:

(a) current measures for student income support, including Youth Allowance, Austudy and Abstudy, with reference to:

(i) the adequacy of these payments.

I am currently in receipt of the full allowable amount of Austudy, \$318.50 per fortnight. This equates to a gross yearly income of \$8281, which attracts a 17% income tax rate for the amount above \$6000. Omitting tax deductions, my net weekly income is effectively \$151.79.

Austudy allows income from employment to supplement this payment, but with an incremental 'tax' on gross income above \$236 per fortnight. 50% of every dollar earned between \$236 and \$316 per fortnight is deducted from my Austudy payment. This increases to 70% for gross income above \$316 per fortnight, to the point where I would get no Austudy payment if earning \$713.86 per fortnight. This income is then taxed again by 17% at the end of the financial year.

The flaw in this incremental system is that there is no incentive to earn more than the initial \$236 per fortnight to supplement Austudy payments. The effective 'tax' rates are simply too high for it to be worthwhile. Furthermore the definition of these tax brackets means that gross income is not necessarily directly proportion to net income. For instance, if I earn \$400 per fortnight I am only gaining \$120 per week more than the standard Austudy payment. But if only earn \$300, I will gain \$150 per week. So in some instances, the less I earn the better off I will be.

The latest calculation of the Henderson poverty line sits at \$245.25 per week, after tax. Consequently, my standard Austudy payment of \$151.79 is 39% below this figure. Even if I earn the maximum amount allowed before my Austudy payments are reduced, my net weekly income will only be \$4.48 (1.8%) above the Henderson poverty line. This is almost equivalent to a sandwich and a milkshake.

In this way, it seems that Austudy is deliberately engineered to make certain that students live in poverty. It sends a message to myself and other students that we will have to work on top of full-time study, but only just enough to put the tips of our heads above the poverty line.

(iv) the ineligibility of Austudy recipients for rent assistance

If I'd stayed in my last residence to study in Melbourne, my rental commitment of \$126 per week would have amounted to 79% of my Austudy payment. Fortunately I have had the good sense to move somewhere cheaper where my rent accounts for only 53% of Austudy income. Even with this lesser burden, if I had access to rent assistance I would still receive the maximum available amount of \$63.60 per fortnight for shared accommodation.

My ineligibility for rent assistance only reinforces the notion that students are selectively targeted to live in poverty. It is difficult to rationalise why Newstart recipients not only receive substantially higher fortnightly payments of \$389.20, but also have access to rent assistance when those on Austudy don't. This suggests that an unemployed 21 year old has greater expenses, including rent, than those of a 26-year-old student.

The most perplexing discrepancy, however, is between Youth Allowance and Austudy. Youth Allowance recipients, including students under 25, are also eligible for rent assistance. I can find no hint of evidence that suggests that the rent burden is any lesser for students after they turn 25, yet their rent assistance is withdrawn. This is a significant disincentive for students to continue studying past 25, possibly contributing to the 30% of students who do not complete university. It is also contrary to the Minister's policy to 'encourage lifelong learning'.

Another discrepancy is the lack of access to the Job Network when on Austudy. While I am encouraged to work on Austudy to supplement my income, I am denied access to a range of services that would help me find employment – a range of services that only cater for the unemployed and students under 25.

(b) the effect of these income support measures on students and their families, with reference to:

(i) the increasing costs of higher education,

The multiple expenses incurred from studying severely strain the budget of an Austudy income. This is especially so at the commencement of a semester, when books, materials and fees need to be paid for simultaneously.

For example, an unforeseen \$380 Student Services and Amenities fee at Swinburne University made me reconsider the financial sensibility of studying in Melbourne. Although I was working full-time on a reasonable income, I was informed of the fee the day before enrolments and couldn't come up with the money at such short notice. The next day I was told that I couldn't enrol.

At Murdoch University this fee is only \$70 and while the fee is not required immediately, it does attract a \$25/month penalty for paying it late. This time on an Austudy income, I haven't yet paid this fee. My limited budget required me to prioritise more immediate costs such as books, vehicle maintenance and a computer upgrade before commencing this semester. Now standing at \$120, this fee is equivalent to 80% of a week's worth of my standard Austudy allowance, placing it beyond my means for the time being.

(ii) students being forced to work longer hours to support themselves,

As explained above, I don't think the disincentives within Austudy have necessarily forced students to work *longer* hours. They certainly have to work *long* hours to supplement their income, on top of a full-time study load. The maximum amount of \$236 per fortnight that I can earn is equivalent to about 8 hours (or 1 day) per week. While this requirement doesn't seem completely unreasonable, it is sometimes difficult to find employment that is flexible around study commitments, especially towards the end of semester. The second half of semester is typically when most assessments are due in, and in my case I find it impossible to spare a day each week during this period. Working at this time would be seriously detrimental to my performance as a student.

The other alternative is to reduce the study load. I have been through a cycle of full-time, part-time and no study periods twice over the last six years. The personal debt accumulated after a semester or two of full-time study has often meant a return to full-time work the following semester to get back on top. But the penalties for funding my studies in this manner in relation to Austudy are several-fold.

Firstly, part-time students are generally not eligible for Austudy. Because Murdoch University works on a 3-unit system to calculate a full-load semester, even if I drop only one unit I am below the 0.375 HECS requirement and considered part-time. This allows little flexibility for balancing work and study commitments.

Secondly, savings and leave entitlements are included in the asset test when applying for Austudy. This means that the three weeks worth of holiday pay I had accrued from my last job would result in losing the first three weeks of Austudy payments. Consequently, while I'm encouraged to work during semester, there is little incentive to save money before the semester commences. Curiously, the asset test does not account for debt, which may also offset savings or entitlements.

(iii) the closure of the Student Financial Supplement Scheme

The Student Financial Supplement Scheme amounted to a \$1 reduction in Austudy for every \$2 borrowed, with the loan capped at \$7000 per year. In real terms, this loan system consequently had an up-front interest fee of 100%.

The Student Financial Supplement Scheme was effectively a 'loan shark' scheme that preyed on students forced into poverty by Austudy. Not only does it recognise that Austudy is an inadequate income for students, its intention was to remove state responsibility from student welfare by persuading them into further debt.

While I have never accessed this Scheme, I did go to a bank to get a substantially better deal. Borrowing a similar amount to that available from the supplement scheme, this loan has significantly contributed to my study-related debt. But it also allowed me to focus on studying for over a year, without the normal financial burdens when relying solely on Austudy. Unfortunately loans from the private sector often need a guarantor, limiting access for many students.

In any case, borrowing money to supplement Austudy presents another dilemma for students. While Austudy limits students' earning capacity, income from loans does not reduce Austudy payments. This aspect encourages students to accrue debt (which is effectively money that needs to be earned in the future) instead of creating savings during or prior to university.

(d) alternative student income support measures

The imminent partial deregulation of universities and increase in HECS fees under the Nelson reforms will inevitably contribute to the already increasing costs of higher

education for students. Reforming Austudy to make it more accessible and financially substantial would considerably offset these proposed disincentives for students entering tertiary education. Policy should recognise that students are a national asset that will be fundamental in driving the Australian knowledge economies of the future.

Again, referring to the terms of reference, I put forward the following recommendations:

A(i): Increase the amount of the Austudy allowance to at least \$389.20, on par with Newstart allowance. While this figure is still 26% below the Henderson poverty line, any increase in Austudy will help alleviate the financial pressures that ultimately jeopardises a student's academic performance. Reducing the disparity between Austudy and Newstart would also counteract students' perception that they would be better off unemployed than studying.

Increase the allowable amount of personal income that supplements Austudy before incremental penalties are enforced. If a student has the resolve to take on a significant work commitment on top of their study load, they should not be penalised for doing so. If anything they should be commended. I propose an income test that triggers incremental penalties at a level closer to that of the top of the second tax bracket (\$21,600). This would ensure students are not unduly forced to live in poverty and extends tax obligations to students that are more consistent with that of the general population.

It is important to note that even if the extra penalties on income from employment were removed, the amount of revenue from income tax significantly offsets government expenditure on Austudy. For example, if an individual receiving the current full amount of Austudy boosted their gross income to \$21000, their income tax would reimburse approximately 30% of the cost of their Austudy payments.

A(iv): Extend eligibility of rent assistance to Austudy recipients. As mentioned above, this measure would ensure parity with Newstart recipients and, perhaps more importantly, also with Youth Allowance recipients. Although not specifically mentioned in the terms of reference, services such as the Job Network offered to these recipients should also be extended to those on Austudy.

B(i): Extend income support measures to account for all costs incurred as a student. The Minister states 'no eligible student will be required to pay fees up front when they enrol with an eligible higher education institution'. But the Nelson higher education reforms overlook fees such as the Student Services and Amenities fee. It seems unlikely that the proposed increase in HECS fees will reduce the various new fees that universities have introduced for revenue.

Ideally HECS would be expanded to cover all costs incurred relating to tertiary study. Failing this, Austudy could be employed as a measure to compensate for this oversight, perhaps through grants or advance payments.

B(ii): Modify income and assets tests to reflect flexible student income measures. One alternative would be to alter the income bank to commence at \$6000, rather than accumulating to this amount over 51 weeks as it does now. Liquid assets such as

savings and holiday pay would then reduce the income bank, before penalties were applied. This would encourage students to work earlier on or prior to the commencement of a semester, rather than sacrificing study for work during the peak assessment periods later in the semester. It may also discourage student debt.

Extend eligibility of Austudy to part-time students. A system where the amount of Austudy allowance received is directly proportional to a student's study load would allow greater flexibility and equity for students attempting to balance work and study commitments. For part-time students seeking work, perhaps a hybrid version of Austudy and Newstart could apply, with relevant requirements from both. Currently part-time students are only eligible for Newstart, which requires them to leave study if they're offered full-time employment.

B(iii) Reinstate the supplement loans scheme. Despite its flaws, the popularity of this scheme suggests it was an important alternative source of revenue for many students. I propose that the scheme should be reintroduced, but without the condition of trading in a proportion of Austudy entitlements to benefit. Certainly it should be a loan scheme that is equitable to consumers and competitive with loans offered by the private sector. A loan scheme should also offer lump sum advances to cover up front student costs such as fees, materials, bills and computer equipment.

I hope this submission is of some assistance.

Sincerely,

Will Rossiter.