

Submission

to

Senate Employment, Workplace Relations and Education
References Committee

Inquiry into student income support

Submission no: 43

Received: 17/06/2004

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Inquiry into Student Income Support



Introduction: The HECS Generation: Consequences for the Nation

With today's high cost of education— increasing course fees and the recent deregulation of and increase in HECS— students are struggling financially more than ever. The government insists that its support for students is adequate, yet the Student Financial Advisers Network, made up of people on the ground seeing the day-to-day reality, says that this is not the case.¹ The fact that the La Trobe University Student Representative Council is feeding hundreds of students a week at its free 'Breakfast Club' supports these claims.

But this issue isn't just about individual incomes or the here and now. It's about a future generation so weighed down by education debt that it simply cannot compete financially.

For example, a recent study completed by Dr Richard Reed from the University of Melbourne showed that the burden of HECS debt contributed to more people avoiding home ownership. Dr Reed said that the survey of 400 residents in Adelaide, Melbourne, Perth and Sydney confirmed that the younger generation was avoiding the commitment of a mortgage, despite the fact that home ownership means lower costs in retirement. Dr Reed argues that the benefits of home ownership should be reinforced, and that 'since the depression, home ownership has provided the backbone of Australian industry with substantial employment created both directly and indirectly, and this should continue'.²

UMPA welcomes this inquiry and congratulates the Senate on the initiative. This submission will focus on student income support as it specifically relates to postgraduate students. The areas covered in this submission are:

- Living costs for postgraduate students
- Problems with the Australian Postgraduate Award
- The lack of income support for postgraduate coursework students
- The inequitable divide between the Austudy and Newstart allowances
- The effect of inner city gentrification on students
- The urgent matter of transport concessions for Victorian postgraduates
- Problems with income support for students required to undertake placements.

It will offer recommendations on the measures that should be taken to address the inequities and financial difficulties for students undertaking postgraduate study.

Living Costs

As outlined by the Financial Aid Office at the University of Melbourne, it costs a total of \$15,818 a year for an Australian student to live in an inner suburb of Melbourne in a

¹ Geoff Maslen, 'Thank God for the Salvos: Students Redefine the Poverty Line', *Campus Review* 21 April (2004): 4.

² 'More People Avoiding the 'Risk' in Home Ownership', *Uni News* (The University of Melbourne) 19 April – 3 May (2004): 2.

shared housing arrangement.³ To live close to the University in shared housing costs \$16,632 per annum (‘Counting the Costs: A Guide for Postgraduate Students’). These estimates do not include computer costs (estimated at \$10 – 15 per week) or the cost of running a car (estimated at \$35 – 50 per week). Financial Aid’s advice to postgraduate students is also that ‘course-related costs . . . may be in the \$1000 – 2000 range for the year. This figure varies according to the discipline and any travel, research or conference costs which may be incurred.’

For a student who is able to live at home over the course of their degree the cost is a mere \$7944, making this an attractive option for many undergraduate students. For postgraduate students, however, many of whom have families themselves, it is simply not viable. The costs above are calculated on the basis of a single-no-dependents student and this is not the reality for many postgraduates.

The Australian Postgraduate Award: could you live on \$18,484?

The Australian Postgraduate Award is the government’s living stipend scheme for PhD students. This scheme provides students with a tax-free stipend which in 2004 is \$18,484.

This income is low by any standards; however, it is particularly so when it is taken into account that the average age of postgraduate students is around 33. Because of this, postgraduate students are less likely to be single and much more likely to have pressing financial responsibilities, such as families and mortgages. Because many of these students fall into the HECS generation, they may already have substantial education debts.

However, it is not just the low income represented by the scholarship that is a problem here: the loss of potential income incurred by taking on a PhD is also a factor. For a student able to earn \$40,000 this is a loss of income of \$21,566 *per year*. Added to this is the fact that an income of \$18,434 makes it difficult to secure a home loan.

The APA is currently indexed by the Higher Education Cost Adjustment Factor (CAF) which, according to DEST, ‘does not measure actual price rises but the Commonwealth’s contribution towards annual increases in salary and non-salary costs’.⁴

UMPA puts it to the inquiry that to reflect real increases in the cost of living, APAs should be indexed by the CPI.

The Part-time APA

The part-time APA rate is only \$9906 per annum. It is not tax free, and to be eligible for this option students must have:

- primary care responsibilities for a pre-school child, or
- primary care responsibilities for school-aged children as a sole parent with limited access to outside support, or
- primary care responsibilities for an invalid or disabled spouse, child or parent, or
- a medical condition/s.

³ See ‘Counting the Costs: A Guide for Postgraduate Students’, www.services.unimelb.edu.au/finaid/planning/costliv/index.html.

⁴ For more information on the CAF see www.dest.gov.au/highered/he_report/2004_2006/split_pdf.htm. As per DEST advice, the increase of 2.6 percent in the award in 2004 has been arrived at using this year’s CAF and the previous year’s CAF to give a percentage increase between the two.

If it is necessary to restrict the number of students studying part-time by implementing equity categories then it follows that the students in those categories should be afforded the same benefits as those studying full-time; that is, part-time scholarships should also be tax free.

Ultimately, the government's failure to adequately support postgraduate study will result in slower progress for PhD candidates and longer completion times as postgraduates are forced to take up more work simply to get by. By attaching funding to completion rates the government has made this situation worse by washing its hands of the issue: through the Research Training Scheme's funding arrangements, the government is exerting extreme pressure on universities *and* PhD students to ensure completions, without providing the necessary support to bring this about.

Recommendation 1

That APA scholarships be increased and that they be indexed according to the CPI, not the CAF.

Recommendation 2

That part-time APA scholarships be tax free.

Lack of Financial Support for Coursework Postgraduates

Although PhD students struggle to get by on low-level scholarship income, postgraduate coursework students are often unable to gain access to any financial support at all and are at the mercy of rising course fees and now the deregulation of HECS. The Postgraduate Education Loan Scheme (PELS) was introduced in 2002; however, this scheme only covers the cost of course fees. It has completely failed to address the problem of living costs or study materials for postgraduate coursework students.

The Financial Aid office at the University of Melbourne has identified meeting living and study material costs as one of the main financial challenges facing postgraduate coursework students (Deutscher 2002). Vince Callaghan, spokesman for the Student Financial Advisers Network and the Australian and New Zealand Student Services Association, says that although students can apply for a loan through their university, 'the amounts that can be borrowed are relatively small and usually the loan has to be repaid within a year'.⁵ As Callaghan points out, there is an irony in access to the loans where equity is concerned as 'those who are taking out loans know they can pay them back. The really poor students are less likely to borrow so they have to work in order to survive.'

Rising course fees also present a major financial hurdle for students and are often a barrier to students taking up postgraduate study in the first place. This, along with the recent deregulation of HECS, is reducing access to education by pushing debt-averse students out of the system. Appendix A, 'Postgraduate Domestic Student Course Fees 2001 to 2004', shows the extent to which fees have risen in the past couple of years. As outlined in that table, the cost of a Master of Science, for example, has increased by 80 percent from 2001 to 2004.

⁵ *Campus Review* 21-27 April (2004): 7.

Recommendation 3

That an income support scheme for postgraduate coursework students be established which covers living costs, not just course fees.

The Austudy/Newstart Divide

Depending on age, students who are studying full-time may be eligible to receive Austudy. But even those students who are eligible for these benefits are in a worse position than those people receiving unemployment benefits.

There are added benefits for people receiving Newstart, including rent assistance which is not available for people receiving Austudy; despite the fact that many students have to pay high rent due to their enrolment at inner city campuses. Compare the following benefits for a person receiving the Newstart benefit and one dependent on Austudy as income.⁶

Status	Austudy	Newstart + rent assistance	Youth Allowance + rent assistance
Single	\$318.50	\$389.20 + 95.40 \$484.60	\$174.30 + \$95.40 \$269.70
Single, with children	\$417.40	\$421.00 + \$112.14 \$533.14	\$417.40 + \$112.14 \$529.54
Partnered, with children	\$349.80	\$351.10 each + 112.14 \$463.24	\$349.80 + \$112.14 \$461.94
Partnered, no children	\$318.50	\$351.10 each + \$90.20 \$441.30	\$318.50 + \$90.20 \$408.70

Both the Austudy and Youth Allowance payments for students studying full-time should at least be brought into line with the Newstart allowance. Students have the added expense of often having to live in expensive inner city areas in order to attend university as well as the substantial expense of textbooks, particularly so now that the government plans to scrap the eight percent textbook subsidy.

Recommendation 4

That rent assistance be extended to Austudy recipients.

Recommendation 5

That the eight percent subsidy on textbooks be retained.

The Effects of Inner City Gentrification on Students

For students attending inner city campuses the issue of affordable housing is a pressing one. Statistics show that Carlton, the suburb directly surrounding the University of Melbourne, has a higher median rental cost than for the average inner Melbourne suburbs. This is largely fed by the strong demand for rental units by students seeking

⁶ Figures are calculated using the maximum rent assistance. See www.centrelink.gov.au/internet/internet.nsf/payments/rent_assistance.htm

accommodation close to the University. Indeed, it has been calculated that 33 percent of residents in Carlton are aged between 20 and 29, double the Melbourne average.⁷

Statistics also show that in the financial year ending June 2002, the median house price in Carlton was \$387,000, a very healthy 14.71 percent capital growth. The median unit price was \$238,000, constituting an even more substantial 18.46 percent capital growth.⁸ There is no provision currently made for rental assistance for students on Austudy, particularly for those attending universities in high-cost areas, such as inner city Melbourne. Neither is there an allocation in the Australian Postgraduate Award for students residing in inner city areas.

Meeting living costs is a particular challenge for rural postgraduates. As outlined in CAPA's 2003 briefing paper 'Improving Access and Equity for Postgraduates from Isolated and Rural Areas', the government has announced the introduction of Commonwealth Accommodation Scholarships which will provide 1500 students from rural and isolated areas with up to \$4000 a year for four years, where the student has to move to study. However, these scholarships are only available to undergraduate students. There is currently no corresponding scheme for postgraduates.

Recommendation 6

That a Commonwealth Accommodation Scholarship scheme (or equivalent) for postgraduate students be introduced.

Full Fare? Not Fair! Transport Concessions for Victorian Postgraduates

Only a very limited number of postgraduate students in Victoria are eligible for transport concessions: some postgraduate coursework awards (Graduate Diplomas and Postgraduate Diplomas) are eligible, while others (Masters by Coursework) are not. All research degree students (Masters and PhDs) are ineligible to receive the concession. No international student, whether undergraduate or postgraduate, is currently eligible for a transport concession card in Victoria (nor in New South Wales). Not only is Victoria the sole state/territory which does not offer concessions to its postgraduate students, it actually charges for the concessions it *does* offer. Undergraduate students are currently charged \$87 a year simply to obtain the card.

This makes travel for students in Victoria a major expenditure and has particular repercussions for international students who arrive believing they will have access to concessions. The cost of a monthly, full fare ticket (depending on the area(s) of travel) ranges from \$93.80 to \$177.30. This may not be particularly daunting for those earning a city income, but it presents a substantial monthly cost for students struggling to get by on an \$18,000 a year scholarship— and, in many cases, even less than that. In addition, the recent abolition of the Short Trip Ticket on metropolitan transport (a cheaper-priced ticket for limited distance travel) means that students are forced to pay the full \$3.00 for a two-hour ticket, even if they are only travelling a short distance.

UMPA and other student organisations have been lobbying for years to get transport concessions for postgraduate students in Victoria; however, the state government has persistently refused to provide them. The government has, instead, pandered to the

⁷ PRD Nationwide, 'Carlton: An Educated Choice,' 6 December (2000). See www.prdnationwide.com.au/melbourne/

⁸ PRD Nationwide.

private transport companies and their profits, at the expense of students and other low-income earners who are dependent on public services.

Recommendation 7

That eligibility for transport concessions be extended to all Victorian full-time postgraduate students, both local and international, as a matter of urgency.

Student Financial Support Scheme: Scrapped without Replacement

This scheme allowed students to trade in \$1 of their income support, such as Austudy payments, for a \$2 loan, with interest rates adjusted according to the CPI. The money that has been traded in then becomes part of the loan and all of it is repayable.

Minister for Children and Youth Affairs Larry Anthony has said that the scheme was established at a time 'when few commercial loans were available to students. Today students have access to commercial loans at competitive interest rates, campus loans and more flexible income support payments.'⁹ UMPA has had ongoing reservations about the Student Financial Support Scheme; however, the government has scrapped the scheme without providing any alternative as a replacement.

As Minister Anthony is well aware, this means that students will now be forced to take out commercial loans to fund their educations. The Commonwealth Bank's personal loan interest rate is currently 11.95 percent. Its Campus Loan scheme has an interest rate that is only one percent less than this, at 10.95 percent. On top of this, students are only able to borrow a maximum of \$5000, which may assist them in a short-term financial crisis but is clearly not enough to live on for any period of time (see Appendix A regarding living costs for a University of Melbourne student).

Recommendation 8

That a Commonwealth loans scheme for students be established with more equitable conditions than those of commercial loans.

Work Support for Placement Students

In 2003 the Howard government announced funding for additional places in the priority areas of nursing and teaching totalling over \$50 million and 18,574 places.¹⁰

UMPA welcomes these increases; however, there are pressing questions regarding support for these students when they are required to undertake placements during their course. Many of these students have to rely on Austudy or Youth Allowance payments which are only \$318 per fortnight for a single person. Consider the following account of the financial difficulties of a placement student on Youth Allowance:

I paid all my bills and rent when I got paid each fortnight, and bought enough food to last for the next fortnight, and then survived without cash till the next pay day. This made it difficult for my placement, as I had to come up with \$25 per week (that's \$75 in total for the placement) for train tickets, as well as somehow paying for lunch each day.
I was petrified a tram inspector would catch me without a ticket in front of [a Melbourne Grammar School] kids! At a school like this poverty isn't

⁹ Hansard 26/6/03 17641.

¹⁰ See www.dest.gov.au/ministers/nelson/jul_03/n413_140703.htm

acknowledged, so I could hardly tell my supervisors that I couldn't concentrate because I was hungry.

I felt very jealous of people whose Mummy cooked them tea every night, packed their lunch, and had computer facilities at home so they didn't have to go to uni to print out lesson plans and activity sheets in the middle of the bloody night.

Graduate Diploma Student, University of Melbourne.

Because of the full-time requirements for many of these courses (the Graduate Diploma in Education at the University of Melbourne does not have a part-time option) and the low rate of Austudy, many students have to fund their studies through casual work. This income supplement is disrupted by the requirement to complete placements, which run for three weeks, three times a year (or equivalent). This results in extreme financial difficulties for students, as demonstrated by the anecdote above.

Recommendation 9

That a 'placement subsidy' be established to supplement the extra costs and lost income incurred through having to complete placements.

Conclusion and Recommendations: Giving Students a Fair Go

While income for *all* students is an issue, postgraduate students have particular concerns, because they are more likely to have pressing financial responsibilities and/or dependent children. Students receiving Austudy are also ineligible to receive rent assistance, unlike their Newstart and Youth Allowance counterparts. This is a serious omission that needs urgent attention, given that many students are required to live in inner city areas in order to attend their university campus.

It's time that Australian students had a fair go. The user-pays system favoured by the government has severe repercussions for equity and access issues. Education is not a 'product' and students are not 'customers' (as Minister Anthony has repeatedly referred to them).

Australian students are finding it increasingly difficult to fund their educations. On top of this, the quality of their educational experience is being compromised by the extent to which they must work today just to get by. With education comes a better chance of employment and thus less reliance on government assistance in the long run. It is time the government saw income support for students as an investment with long-lasting returns, rather than regarding students as an inconvenient drain on current resources.

UMPA exhorts this inquiry to look with a long-term view at the reality of student income today.

List of Recommendations

Recommendation 1

That APA scholarships be increased and that they be indexed according to the CPI, not the CAF.

Recommendation 2

That part-time APA scholarships be tax free.

Recommendation 3

That an income support scheme for postgraduate coursework students be established which covers living costs, not just course fees.

Recommendation 4

That rent assistance be extended to Austudy recipients.

Recommendation 5

That the eight percent subsidy on textbooks be retained.

Recommendation 6

That a Commonwealth Accommodation Scholarship scheme (or equivalent) for postgraduate students be introduced.

Recommendation 7

That eligibility for transport concessions be extended to all Victorian full-time postgraduate students, both local and international, as a matter of urgency.

Recommendation 8

That a Commonwealth loans scheme for students be established with more equitable conditions than those of commercial loans.

Recommendation 9

That a 'placement subsidy' be established to supplement the extra costs and lost income incurred through having to complete placements.

Appendix A
Postgraduate Domestic Student Course Fees 2001 to 2004

Note:

1. All figures are taken from Melbourne University published documents
2. All figures for course fees are annual costs; some courses are of semester length only so the actual costs would be less than quoted
3. Some costs are quoted in the documents for the total course when it takes longer than a year; in these cases, annual costs are extrapolated

Faculty and Course	Annual Costs				Increase (%)		
	2001	2002	2003	2004	2003 - 2004	2002 - 2004	2001 - 2004
Arts							
Masters	6500	7000	8000	9500	19	36	46
Economics & Commerce							
Grad/PG Dip Economics	8200	10,000	15,500	17,500	13	75	113
Masters App Commerce	1320 or 13,200?	13,600	15,500	17,500	13	29	33
Education							
Grad Cert, Grad Dip, PG Cert & PG Dip	7000	7200	8600	9500	10	32	36
Masters/Doctorate	7000	7200	8600	9500	10	32	36
Engineering							
Grad Cert, Grad Dip & PG Dip	17,200	18,920	20,800	21,000	1	11	22
Masters	17,200	18,920	20,800	21,000	1	11	22
Law							
Grad Dip	8000	8000	10,000	10,000	0	25	25
Masters	16,000	16,000	20,000	20,000	0	25	25
Juris Doctor	36,000	36,000	39,000	39,000	0	8	8
Science							
PG Cert/Grad Dip	8000	8000	13,200	14,200	8	78	78
Master of Science	7500	8400	13,200	14,200	8	69	80
Veterinary Science							
Masters	26,200	27,000	33,500	35,175	5	30	34
Average Percentage Increase							
					7	23	31