

Submission

to

Senate Employment, Workplace Relations and Education
References Committee

Inquiry into student income support

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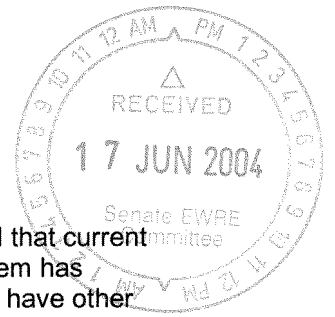
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SUMMARY

Griffith University welcomes this inquiry into student income support. We contend that current student income support payments to many students are inadequate and the system has excluded many students from receiving these payments even though they do not have other means of income support. This had led to a situation where many of these students have to work part time (some even work full time or in a few part time/ casual jobs) in order to survive financially.

For many, the level of income support has been a deterrent to commencing tertiary study or has delayed progress due to reduced study load. Many students relying on current levels of income support compromise health, community involvement and family commitments during their years at university. In addition current policy treats students unequally creating confusion and an inequitable system.

Griffith University recommends (in priority order):

1. A change in policy so that people on Austudy are also eligible for rent assistance;
2. An increase in the basic rate for Youth Allowance, Austudy and ABSTUDY to the same level as the Newstart Allowance in the short term, and to the same level as the Pension in the longer term;
3. A reduction in the age level at which students can claim the independent rate for Youth Allowance from 25 years to 21 years in the short term, in line with Newstart Allowance. In the longer term, the age of independence should be reduced to 18 years;
4. An increase in the amount of rent assistance payable to ensure students have adequate financial support to pay rent in line with market rises;
5. An increase in the threshold for parental income defining eligibility for benefits to the level of the Family Tax Benefit A in the short term. In the longer term, a thorough review should be conducted to ensure the threshold is equitable for all family situations.

Griffith University's Responses to the Questions in the Review

On 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,**

The Basic Rates for Youth Allowance, Austudy and ABSTUDY

Assuming a student is single, has no children and is living away from home, the basic rate for these payments is only **\$318.50¹** per fortnight, compared to the basic rate of **\$408.60¹** per fortnight for people in receipt of the pension and **\$389.20¹** per fortnight for people on Newstart Allowance. There is no reason why students who are studying full time should be expected to survive on a lesser amount of income support than

¹ The Centrelink rate in June 2004

people in these other categories. This creates barriers for people from disadvantaged backgrounds in their access to higher education.

Furthermore it creates a significant disincentive for those receiving Newstart Allowance to undertake further study to improve their employability (reduction in income from Newstart to Austudy rates, plus the fact that recipients of Austudy are not eligible for Rent Assistance).

According to the Melbourne Institute of Applied Economic and Social Research, the poverty line for the December 2003 quarter for a single person who was not in the work force was \$245.25 per week ie **\$490.50 per fortnight** (including housing).² Therefore, the basic rate for student income support is well below the Australian poverty line.

Many students are forced to work part time (some even work full time when they are studying full time) to supplement their income but this is difficult for people from disadvantaged backgrounds who need to focus on their study (let alone those who need additional support to succeed). The introduction of the Commonwealth Learning Scholarships in 2004 is a welcome step in addressing the needs of students from financially disadvantaged backgrounds. However, the number of scholarships available is limited and many students who need financial support will not receive this.

The number of domestic students at Griffith in 2003 was 24 225. The number of Commonwealth Learning Scholarships allocated to Griffith was 239 (comprising 109 Commonwealth Education Costs Scholarships and 130 Commonwealth Accommodation Scholarships). This allocation reflects less than 1% of the student population. The University will be augmenting its current equity scholarships scheme with additional scholarships from 2005 which should benefit approximately 200 additional students – although, as is widely recognised, income tests applied to scholarships reduces their value to students.

Table 1 shows the number of disadvantaged students at Griffith University in 2003. It is evident from this that these equity scholarships will provide additional assistance to those students in severe financial hardship but that their general needs for adequate income support, and the needs of many other economically disadvantaged students must be addressed through the student income support system if they are to be given equal academic access.

Table 1: All Griffith University Domestic Students by Equity Group³

Equity Groups	Total number	% total domestic students
Students from NES background	816	3.4%
Students with a disability	927	3.8%
Women in non-Traditional Area	4,423	18.3%
Indigenous	288	1.2%
Rural	2162	8.9%
Isolated	156	0.6%
Low Socio-Economic Status	3,820	15.8%
Total Domestic Students	24,225	

² Source: *Poverty Lines: Australia December Quarter 2003*, Melbourne Institute of Applied Economic and Social Research, The University of Melbourne

³ Equity Group Statistics 2003, Department of Education, Science and Training

An analysis of income levels of students in a tertiary access program coordinated by Griffith University in collaboration with a local TAFE college (Logan Tertiary Access Program) demonstrates that the vast majority of these students enter university with very limited resources. Their financial disadvantage is long term, not precipitated by their embarking on tertiary study, but certainly exacerbated by it where income support is inadequate.

The Student Financial Supplement Scheme provided access to funds for extra financial support for students who needed it, albeit at the student's cost in the long term. With the termination of this scheme from 2004 additional hardship is experienced by students unable to finance their costs whilst studying. In recognition of this it is timely that the basic rate for student income support be increased to an appropriate level.

In addition, the current rate of rent assistance requires urgent review. Table 2 shows the amount of rent assistance students receive depending on their situation.

Table 2: Rent Assistance Received, Where Student is Single with No Children

Rent per week	Rent Assistance received per week (if not sharing)	Rent Assistance received per week (if sharing)
\$60	\$13.5	\$13.5
\$80	\$28.5	\$28.5
\$100	\$43.5	\$31.5
\$120	\$47.2	\$31.5
\$140	\$47.2	\$31.5

Rents shown here constitute a considerable proportion of current income support received, providing little by way of uncommitted funds. This is compounded by the rising cost of engaging in tertiary level education (student charges, textbooks, equipment etc), which is elaborated elsewhere in this paper.

According to the Australian Institute of Health and Welfare, reporting on the profile of recipients of Commonwealth Rent Assistance (CRA), "the youngest age group spent the largest proportion of their income on rent before and after CRA is received"⁴. The report also confirmed that after CRA is received,

- 43.7% of people in receipt of Youth Allowance are paying 30%-50% of their income on rent and
- 20.9% are paying more than 50% of their income on rent

With already very limited income from Centrelink and paying a large percentage of their income on rent, these students are left without much money to pay for other basic necessities including food. The recent report on poverty and financial hardship also stated that "payments are currently at such low levels and have such stringent restrictions on eligibility that they effectively keep people in poverty while they are studying"⁵.

It is critical that due attention is paid to ensuring that government policy does not normalise student debt as an unavoidable feature of the student experience, but rather that the expectation is that the majority of students will receive sufficient

⁴ Bulletin 14, Commonwealth Rent Assistance, June 2002, A profile of recipients, Australian Institute of Health and Welfare, Australian Government (p 13)

⁵ *A hand up not a hand out: Renewing the fight against poverty*, Community Affairs Reference Committee, The Senate, March 2004 (p 289)

income support to enable them to complete their studies in minimum time and contribute to the knowledge and service economies in ways which enrich society on a number of levels.

Recommendation 1.

A change in policy so that people on Austudy are also eligible for rent assistance [see also section (iv)]

Recommendation 2.

An increase in the basic rate for Youth Allowance, Austudy and ABSTUDY to the same level as the Newstart Allowance in the short term, and to the same level as the Pension in the longer term

Recommendation 3.

An increase in the amount of rent assistance payable to ensure students have adequate financial support to pay rent in line with market rises.

(ii) the age of independence,

Full time students are only regarded as independent when they turn 25 while individuals looking for work are regarded as independent at age 21. Many students under 25 are not supported by their parents for various reasons and must therefore:

- study part time and look for work so that they are eligible for Newstart Allowance (for people aged between 21-25). This creates interrupted study patterns and delays program completion (and hence tax payer contribution)
- defer their study for 1- 2 years and work (sometimes in various part time and casual jobs) so that they will meet the independent criteria for Youth Allowance when they commence their study. This has creates unnecessary delay to their tertiary education and hence contribution to the economy.
- work part time when they are studying full time in order to support their study financially. This can impact adversely impact on study. Some students have to work many hours per week and some are working in more than one part time job to supplement their income – often just to provide for basic necessities like food and transport to work and study.
- work and save enough money before they commence full time study at a tertiary institution. This acts as a disincentive for people to access higher education because saving extra money is difficult, if not impossible, for those on low incomes.

The assumption that students are independent only when they reach the age of 25 years is difficult to justify when the Australian culture encourages young people to be independent at an early age. The age at which people in Australia can marry, vote, sign contracts etc is 18 years old. Many parents expect students from 16 years old to contribute towards household costs.

Families face increasing costs in raising children to age 18 years. To expect them to support adults to age 25 years, even when they are living away from home, appears contrary to the expectation that adults over 18 years of age pay their way in our society.

Under the current eligibility criteria many students are in fact left without any financial support, including those:

- whose parents not willing, for whatever reason, to fill out their income details on the application form
- whose parents have moved away or overseas and in no way financially support the student
- whose parents cannot financially support them due to financial disadvantage not currently being considered under the guidelines eg. households carrying a lot of debt, households duplicating costs due to family breakdown and shared care.

Recommendation 4.

A reduction in the age level at which students can claim the independent rate for Youth Allowance from 25 years to 21 years in the short term, in line with Newstart Allowance. In the longer term, the age of independence should be reduced to 18 years.

(iii) the parental income test threshold,

For many students who are not regarded as independent, their parental income has become a barrier for their eligibility for Centrelink payments even though their parents do not earn sufficient money to financially support them when they are studying. Currently, if combined parental income reaches **\$28 150⁶**, students will have their payment reduced by \$1 for every \$4 over the threshold. What this means is, for a student who is **over 18 and living at home**, they won't be eligible for any Youth Allowance if their combined parental income exceeds **\$49958**. Table 3 shows how parental income affects a student's Youth Allowance.

Table 3: Impact of Parental Income on Youth Allowance Entitlement

Combined Taxable Parental Income per Annum	Combined Parental Income per Week after Tax (one income family)	Combined Parental Income per Week after Tax (two income family ⁷)	Youth Allowance Received per Week (if student is under 18 and living at home)	Youth Allowance Received per Week (if student is 18 and over and living at home)
\$28,100	\$468	\$487	\$89	\$105
\$30,000	\$498	\$518	\$89-\$9=80	\$105-\$9=96
\$35000	\$578	\$597	\$89-\$33=56	\$105-\$33=72
\$40,000	\$658	\$677	\$89-\$57=32	\$105-\$57=48
\$45,000	\$737	\$757	\$89-\$81=8	\$105-\$81=24
\$50,000	\$817	\$837	\$89-\$105=0	\$105-\$105=0

Currently, the income threshold for the maximum rate of Family Tax Benefit A is **\$31,755**. The purpose of the Family Tax Benefit is to help families with the cost of raising children. The income threshold for Family Tax Benefit A is higher than the parental income threshold for Youth Allowance when both address the cost of raising dependent children. According to the Melbourne Institute of Applied Economics and Social Research, the poverty line for a couple with one child with one person in the workforce should be \$486.36 per week (including housing) after tax in the December quarter of 2003⁸ (before tax income is about \$29 250 per year). Therefore, the current parental income threshold for Youth Allowance is even lower than the poverty line.

⁶ The rate in June 2004. Additional income allowed if parents have additional dependent children.

⁷ Assuming the income is split equally between the two parents

⁸ *Poverty Lines: Australia*, December Quarter 2003, Melbourne Institute of Applied Economics and Social Research, The University of Melbourne.

Families cannot be expected to support their children to study in tertiary education when their household income is below the poverty line. This works against people whose parental income exceeds the threshold but who, in reality, need financial support to commence study. The Australian Bureau of Statistics stated the average weekly earnings for all employees as \$734 in August 2003.⁹ The current parental income threshold is unreasonably low, compared with the average weekly earnings.

The parental income test also does not consider parents' debt, only income. As long as the parental income exceeds the threshold they are expected to support adult children until they are 25 years old even where crippling debt makes this impossible financially.

Recommendation 5.

An increase in the threshold for parental income defining eligibility for benefits to the level of the Family Tax Benefit A in the short term. In the longer term, a thorough review should be conducted to ensure the threshold is equitable for all family situations.

(iv) the ineligibility of Austudy recipients for rent assistance;

The policy that people on Austudy are not eligible for rent assistance is not equitable and cannot be justified. It is not reasonable that these students who are surviving on government income support while they are studying are singled out as not needing rent assistance. Most of these students also have to pay rent, like many others who are on other types of income support such as Youth Allowance. This policy has forced these students to survive on a very small amount of money because they have to use part of their Austudy payment to pay for their rent, the rate of which has increased considerably in recent years. Table 4 indicates the increase in rent in three difference locations in the vicinity of Griffith's various campuses.

Where there is no University residential facility and high pressures on existing accommodation in an area like the Gold Coast, students are forced into high cost rental accommodation or alternative arrangements that are not conducive to study. This can be particularly so for Indigenous Australian students.

Table 4: Median Weekly Rents in Griffith Vicinity 2002-2004 (Source: Residential Tenancy Authority website)

Type of houses	Locations	Median Weekly Rents			% of increase from 2002 (in 2 years)
		Mar 2002	Mar 2003	Mar 2004	
1 bedroom flat/ units	Brisbane South (Inner)	\$120	\$125	\$140	17%
	Logan	\$ 90	\$95	\$120	33%
	GC Central-East	\$ 180	\$195	\$210	17%
3 bedroom houses	Brisbane South (Inner)	\$225	\$245	\$265	18%
	Logan	\$160	\$175	\$200	25%
	GC Central - East	\$245	\$270	\$300	22%

Recommendation (see Recommendation 1)

A change in policy so that people on Austudy are also eligible for rent assistance.

⁹ "Employee earnings continue to rise", Media Release, Australian Bureau of Statistics, 11, March 2004

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

(i) the increasing costs of higher education,

Costs associated with tertiary study have been higher in recent years especially since the GST was introduced in 2000. According to the Australian Bureau of Statistics¹⁰, the CPI change over the twelve months to 2004 March quarter was:

- 8.4% for tertiary education
- 6.5% for health
- 13.1% for fruit
- 6.5% for vegetables
- 4.3% for housing.

The cost of textbooks is clearly a significant burden for students. In the recent report of poverty and financial hardship this was acknowledged as follows:

"The Vice Chancellors study found that students pay around 10 per cent of their annual income on course related courses, or an average of \$1231 a year, with textbooks making up about a quarter of these costs."¹¹

These increases in costs associated with education as well as basic necessities have put extra financial stress on students. However, the basic rate of Youth Allowance, Austudy and Abstudy have only increased 2.6% in the past year (from \$310 in 2003 to \$318 in 2004).

The following factors have also contributed, and will contribute to increased costs for tertiary students:

- the expectation that all students would have access to a computer, and internet access at home, with most official communication between the institution and students now done through the web and via emails, and with many materials sent on-line
- emerging fields of study with high technology related costs (software, production costs) eg multi-media
- increases in costs of services accessed through external providers eg full cost recovery in relation to accessible formatting, Braille etc
- increased emphasis on work experience/ internships in tertiary programs resulting in students incurring extra expenses (eg travel costs, work clothes, child care etc)
- the increase in the cost of textbooks when the Educational Textbook Subsidy Scheme is abolished by the Government in July 2004.
- the increase in HECS charges of 25% as a result of the recent Higher Education Reforms

Student Services at Griffith University is currently conducting a survey on students who are applying for leave of absence at our Queensland College of Art. Most of the students who replied mentioned that financial concerns had been one of the major reasons for them to withdraw from their studies. A summary of preliminary results, on the sample of respondents who have returned the survey to date appears in Table 5.

¹⁰ CPI, March Quarter Key Figures, Australian Bureau of Statistics, 2004

¹¹ *A hand up not a hand out: renewing the fight against poverty*. Report on poverty and financial hardship, Community Affairs References Committee March 2004 (p95)

Table 5: Relevance of Financial Reasons and Work Commitments for Taking Leave of Absence

Study status		Work status		Financial pressures	Work commitments	The cost of the course and resources
		Full Time	Part Time			
Full Time	12	2	7	8	5	8
Part Time	6	4	2	5	2	3
Total/percentage	18(100%)	6 (33%)	9(50%)	13 (72%)	7 (39%)	11 (61%)
		15 (83%)				

This study, once completed, is expected to confirm that financial pressures play a major part in student attrition.

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

Students are forced to work longer hours to support themselves due to:

- the need to earn sufficient income to cover the increasing cost of their studies
- work demands by employers (inability to work required hours often results in losing the job)
- the need to earn extra money to cover extra work related expenses such as car expenses (need to have a car for them to find and maintain a job), safety gear, work clothes etc
- their ineligibility for Centrelink payments and not being financially supported (at all, or to a reasonable level) by their parents
- costs related to supporting families (demographic changes in number of students aged 25-29 years), and the increasing diversity in family structures
- the inadequacy of the current level of student income support which is not sufficient to cover all their study costs.

Working long hours can have adverse effects on students' ability to attend lectures/field trips/placements and to study due to:

- inability to concentrate on their study, too tired after work eg attend lectures after evening or weekend shift
- clashes between work hours and lecture times

Many students have to reduce their study load due to work commitments. As a result, it takes longer for them to complete their degree and hence they rely on income support (if eligible) and casual work (insecure) for longer periods of time.

In the 2000 "Paying their Way" survey¹², 56.1% of respondents from Griffith University said that paid work had an adverse impact on their study (rating this as either "somewhat" or "a great deal"). Some 31.6% of respondents from Griffith University stated that they had to miss classes due to paid work.

¹² *Paying their way, A survey of Australian undergraduate University student finances*, 2000, Institutional Report for Griffith University, Australian Vice-Chancellors' Committee, the Council of Australia's University Presidents, February, 2002.

(iii) the closure of the Student Financial Supplement Scheme;

Even though the Student Financial Supplement Scheme was not an effective scheme from the government's perspective and not an equitable scheme from students' perspective, it nevertheless enabled some students to survive financially during their tertiary education. Many students from disadvantaged backgrounds who may not have had the option of working part time when they are studying full time (eg for health reasons, family commitments etc) took out the Supplement Loan to get them through financially, although recognising it increased their debt. The closure of the Student Financial Scheme without any alternative option in place has had a detrimental impact on these students. Welfare staff at Griffith and elsewhere are aware of a number of academically capable students who reluctantly discontinued studies because of the reduction in their income.

Even if the amount of student income support is going to be increased, it is not expected that it will be high enough to provide all the financial support some students need. Therefore, a new scheme should be implemented to help students requiring this kind of income support or the guidelines for HECS-Help and Fee-Help could be amended to provide for borrowing for education costs in addition to fees/HECS.

(c) the importance of adequate income support measures in achieving equitable access to education, with reference to:

(i) students from disadvantaged backgrounds,

Generally speaking, students from disadvantaged backgrounds need additional support for them to succeed at university. Therefore, it is difficult if they are expected to work part time to supplement Centrelink payments for which they may be eligible. Disadvantaged students (eg single parents, people with disabilities, Indigenous Australians) are also more likely to face barriers to accessing paid employment to support themselves and/or their families.

In the national "Paying their Way"¹³ survey, 39.2% of respondents from Griffith University were from "Lower Middle" or "Lower" income families.

Also, 66.3% of the respondents who studied full time at Griffith University had an income of less than \$9,999 (\$384 per fortnight), which is well below the poverty line of \$490.5 per fortnight.

For these students, sufficient income support is important for them to maintain proper diet, health care and accommodation whilst managing the demands of tertiary study.

(ii) improving access to education;

Improved standard of education has a positive impact on employment prospects generally, and particularly for people from socio-economically disadvantaged backgrounds. However, for many under financial stress, the prospect of having to survive at or below the poverty line as a student, whilst incurring additional costs, acts as a barrier to accessing higher education. This was acknowledged in the report on poverty and financial hardship¹⁴:

"the perceived cost of higher education appears to be a major deterrent for students from lower socioeconomic backgrounds. Many students do not believe that their

¹³ *Paying their way, A survey of Australian undergraduate University student finances, 2000, Institutional Report for Griffith University, Australian Vice-Chancellors' Committee, the Council of Australia's University Presidents, February, 2002.*

¹⁴ *A hand up not a hand out: Renewing the fight against poverty, Report on poverty and financial hardship, Community Affairs Reference Committee, The Senate, March 2004 (p169)*

families can afford to support them at University and that they would have to support themselves.”

For students with a disability, the additional cost incurred due to their disability (eg travel, specialised equipment, health care, carer costs) also has to be considered and acknowledged. Frequently, these students are exposed to substantial ‘hidden costs’ that are not covered by existing income support programs such as Youth Allowance or Austudy.

The return to education for many equity group students can be a long term and costly prospect, when it comes to completing preparatory courses, followed by their degree studies, and the likely extension of their studies for reasons related to working part-time and other disruptions to study.

Conclusion

In giving substance to its commitment to backing Australia’s ability the federal government will want to ensure that its student income support provisions are fair and reasonable and deliver to Australian students the capacity to engage in their studies unencumbered by financial stress. The returns of this investment will be manifold with respect to improved program completion rates, earlier entry to graduate employment and associated tax contributions. and improved health and well being of student communities.

REFERENCES

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6. *Employee earnings continue to rise*, Media Release, Australian Bureau of Statistics, 11, March 2004
7. Equity Group Statistics 2003, Department of Education, Science and Training
8. *Paying their way, A survey of Australian undergraduate university student finances, 2000*, Institutional Report for Griffith University, Australian Vice-Chancellors' Committee, the Council of Australia's university presidents, February, 2002.
9. *Poverty Lines: Australia, December Quarter 2003*, Melbourne Institute of Applied Economics and Social Research, The University of Melbourne.
10. Residential Tenancies Authority website at www.rta.qld.gov.au



15th June 2004

Submission to:

Senate Employment, Workplace Relations and Education References Committee
'Inquiry Into Student Support Income'

To Whom it may Concern,

The Griffith University Student Representative Council wishes to fully endorse the Griffith University official submission into the Senate inquiry into student support income. The following are issues of particular relevance to our members and require emphasis:-

- The GUSRC wishes to endorse recommendation 2 with added emphasis on the fact that students are having to work increasing amounts of hours to make up for the lack of welfare assistance and increases in costs associated with cost of living and study. The increasing hours derides the ability for those students to study effectively which places them at a disadvantage to those students that do not have to work.
- Student welfare payments are below the poverty line and below that of those on Newstart or the Pension. Students are actually going to have more expenses than those on Newstart or the Pension as they have to pay for student services charge, textbooks and associated costs of studying at a tertiary institution as well as standard living expenses. There is absolutely no reason or justification for student welfare payments to be below those of others.
- The GUSRC fully endorses recommendation 3. With an increasing property market rental payments are simply going to equate to a larger proportion of

student expense. The government needs to take into account these increases and respond accordingly.

- The GUSRC fully endorses recommendations 4 and 5. The idea that most students are considered dependent on parental income over the age of 18 is unrealistic. Many parents do not assist their children at all financially through tertiary studies. This can largely be due to their own financial difficulties they are facing.

The GUSRC asks that these issues be considered thoroughly as current practice severely restricts the ability for students to obtain equitable tertiary education. We ask that the principles of equity, welfare and accessibility to tertiary institutions be considered at all stages throughout the process.

Yours Faithfully,

Monique Bielanowski

Chairperson

On behalf of the Griffith University Student Representative Council

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