

Submission

to

Senate Employment, Workplace Relations and Education
References Committee

Inquiry into student income support

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The Secretary
Senate Employment, Workplace Relations and
Education References Committee
Parliament House
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To Committee Members,

I am making this submission to the Senate as I have an ongoing interest in the effective running of Education and Training in Australia. I am currently the Chair of the ACT Legislative Assembly's Standing Committee for Education.

Last year, the Assembly Committee completed its inquiry into Vocational Education and Training in the ACT. I have included a copy of our Committee's Report as we touched on the issue of student income support for both students in the VET sector, as well as apprentices and trainees.

In March this year, the ACT Legislative Assembly successfully passed a motion I put forward calling on the Federal Government to review and re-assess student support payments. I welcome the Senate's inquiry into these payments and believe there are many reasons why these payments need to be reviewed, as outlined below.

Student debt figures

Australian university students will be \$10 billion in debt by the end of this financial year and that figure is estimated to blow out to \$15 billion in four years. \$10 billion in Higher Education Contribution Scheme debt with an expected 50 per cent increase in four years time. While that figure is astronomical, it still does not take into account the millions of dollars students owe in personal loans and credit cards.

In 2003 there were more than 929,000 part-time and full-time students enrolled in universities across the country and more than two million involved in vocational educational and training.

Of the 929,000 university students, 513,618 were HECS-liable. 97 per cent of HECS-liable students were undergraduate students. Around 21 per cent of HECS-liable students paid their HECS contribution upfront in 2003, while the remaining 79 per cent deferred their payment. That equates to about 405,700 students.

I believe Australia is facing a crisis. Vocational and university students are finding it more and more difficult to meet the increasing cost of living while studying, and many have to decide between studies and work, because they simply can't afford to study.

Increased cost of living

The estimated annual cost of living for ACT university students is between \$13,000 to \$15,000, with an additional \$2000 per year recommended to cover books, rental bond and other expenses, but the average student income is \$10,630 per annum.

This means, each year, a large majority of students are living in a budget deficit of between \$1,500 and \$6,500. Bills don't simply disappear if you are a student or on a low-income. Students are borrowing money from financial institutions, lenders or family; or paying for bills and items on credit. While this has always been the case to some extent, I believe it has blown out to an alarming level.

It is not just a small amount of students who are living in debt. The Australian Vice-Chancellor's Committee 2001 report revealed that 78.2 per cent of all university students in Australia are in a budget deficit. And I'm sure that figure has increased since 2001.

There are a number of reasons why this is the case. Firstly, the cost of living has increased. Accommodation, food and clothing are all more expensive than they were 10 years ago. Textbooks and materials have also increased in cost. But a major reason for the blow out in debt is the increase in university and course fees across Australia.

Increased education costs

When HECS was introduced in 1989, all students were charged a flat rate irrespective of their course of study. In January 1997, the Howard Government introduced a three-tiered system of charges to reflect the differing cost structure of various courses and the differing potential earning capacity of graduates.

This year the HECS contribution levels are:

- \$3,768 per annum for arts and humanities; justice, legal studies; social science and behavioural science; visual and performing arts; education; and nursing. The majority of these degrees and qualifications take three years to complete, so \$3,768 times three equals \$11,304.
- \$5,367 per annum for mathematics and computing; other health science; agriculture and renewable resources; built environment and architecture; science engineering and processing; and administration, business and economics courses. Again the majority of these courses take three years to complete but some take four and five years. This means by the completion of these courses, HECS deferring students can be between \$16,101 and \$26,835 in debt.
- The third level is \$6,283 per annum for law; medicine and medical science; dentistry and dental services; and veterinary science. These courses take at least five years to complete, with some specialist medical courses stretching to six and seven years. So if we do the sums again, these students will find themselves in debt between \$31,415 and \$43,981 by the time they complete their degrees.

From 2005 all these fees could increase by 25 per cent under the Federal Government's new Higher Education package. Under the new package, institutions will be able to increase HECS by up to 25 per cent on current rates. We have already seen since the announcement of the package, several universities decide to increase fees the maximum 25 per cent.

Students from disadvantaged backgrounds

The Higher Education Report for the 2004 to 2006 Triennium showed that students from poor families remain as unlikely to attend university as in the early 1990s. Students from financially disadvantaged homes make up 14.5 per cent of the university population, compared with 25 per cent of the general population.

In 1991 the figure was similar at 14.7 per cent. I believe a large reason for this is the difficulty many students have in obtaining Government benefits such as Youth Allowance, Austudy and Abstudy and the low amount students receive when they are eligible for these payments.

Inadequacy of student support payments

In 2003 only 171,430 university students were receiving Commonwealth assistance for living costs. That means the remaining 757,570 university students were reliant on their families, employment or other forms of income to meet the costs of living while studying. The three main Government allowances available for students are Youth Allowance, Austudy and Abstudy.

Abstudy is available for Indigenous persons who are aged 14 years or more and studying part-time or full-time. How much assistance students receive is dependant on a number of factors, but the basic amount paid for a single independent student is \$318.50 a fortnight.

Former president of the National Indigenous Postgraduate Association, Peter Randall said many indigenous students were unable to study because of their financial situations and enrolments reflect this, with indigenous students only making up 1.6 per cent of all new higher education students in 2003.

Austudy is available for eligible students aged 25 and over who are studying full-time or part-time. The basic rate for an Austudy student is also \$318.50 per fortnight.

The maximum amount students can receive on Youth Allowance, (paid to eligible under-25s) is \$410 per fortnight.

But many students find they are not eligible for Youth Allowance because their parents' income is taken into consideration. Currently, students up to 25 years of age are considered dependent on their parents, unless they can prove otherwise. For many this is impossible to do, so a large majority of 23 and 24 year-olds completely miss out on Government support.

When looking at those fortnightly amounts - \$318.50 for Abstudy, \$318.50 for Austudy, and \$410 for Youth Allowance – I believe it little wonder that Australian students are in a crisis situation.

Student poverty

To use the ACT as an example, the average rent paid per week in Canberra is about \$120. When that fortnightly amount of \$240 is deducted from the student allowances,

it leaves \$78.50 per fortnight for Austudy and Abstudy students to survive on and \$170 per fortnight for Youth Allowance students. If food, clothing, books, materials, travel and any other costs are then taken out of the remainder, it becomes evident why 78.2 per cent of Australian university students live in a budget deficit.

I believe the amount Australian students are currently paid on the different students allowances places them in an untenable financial situation.

The National Union of Students, the Australian Vice-Chancellor's Committee (AVCC), the Australian National University Student Association and the ACT Council of Social Service are all in agreement that the Federal Government needs to review student support arrangements immediately and re-assess the eligibility criteria to make it easier for more students to obtain.

They are also united in saying that student poverty – and having to work long hours in paid employment in order to pay the bills – is a massive issue for university students.

The pressures of employment

Professor Di Yerbury from the AVCC commented in an article on February 12, 2004 that, "More students are being forced to work, and for longer hours. This affected their time spent studying, which led to failures and drop-outs." She also said that, "We need a review of student income support from top to bottom."

I believe that the Federal Government should restructure the student income support system so that it is effective in reducing the need for students to work excessive hours and so avert the detrimental effects heavy work commitments have on academic performance. This is a particular concern for students whose family income is sufficient to exclude them from Youth Allowance, but is not high enough that their families are able to support them while studying.

The AVCC's 2000 survey on undergraduate student finances, "Paying their Way", revealed that full-time students worked an average of 14.4 hours a week, or about two days every week to meet their living costs. This is nearly three times the hours worked by students in 1984. The numbers of students forced to work has also increased, with 70 per cent of all Australian students in paid employment compared with 50 per cent 20 years ago.

But, I believe it is a "Catch 22" for many students on Government allowances – they need to work to supplement their support payments, but then the more they earn, the less support payments they receive. Students can only earn up to \$236 a fortnight before their payments are reduced. To get around this, many students do cash-in-hand work, but conditions and pay levels in these types of jobs are often below the Australian standards. Others limit their work hours so they earn just below the \$236 per fortnight, but say that although their payments remain the same, the extra money they earn makes little difference when it comes to paying bills and living costs.

The AVCC's 2000 report, "Forward from the Crossroads" revealed that many students identified the financial need to undertake employment as a problem for their studies. Nearly one in every 10 students who are employed "frequently" miss classes

because of work and nearly two in every 10 students in paid employment say that the work adversely affects their study "a great deal".

The report also addressed whether financial circumstances had influenced the choices students had made in respect to courses of study and of mode of study and revealed that:

- Financial circumstances had influenced the choice of 11.1 per cent of all students. The percentage was similar for full and part-time students.
- The choice of university was influenced by financial circumstances for 17.4 per cent of students. The percentages were slightly higher for full-time rather than part-time students.
- Financial circumstances influenced the choice of mode of study of 23.3 per cent of students. The percentages for part-time students were substantially higher than for full-time.

Conclusion

I believe Australia as a whole will pay the price if more students are forced to dedicate less time to their studies. All nations depend increasingly on three critical elements: new discoveries, highly trained personnel and expert knowledge. Australia's universities have a primary role in supplying two of these and are a major source for the third.

It is reasonable that students should pay some part of the costs of their tuition. But the enormous public benefit that we all share in an educated workforce should not be taken for granted. We can not afford to waste even a small fraction of our talented youth, but at the moment and in the future if Howard's Higher Education package remains in place, many of our youth and the advances they can bring to our society will be wasted.

I believe it is evident the entire student support system needs to be reviewed and re-assessed. Australian students are already under enough pressure trying to complete their degrees and don't need the added burden of worrying about how they will afford to pay bills and living costs each week. To prevent more students from dropping out of university for financial reasons, it is imperative that student support payments are re-assessed to better reflect the increasing cost living.

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