

Submission

to

Senate Employment, Workplace Relations and Education
References Committee

Inquiry into student income support

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Summary of Terms of Reference:

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,
- (b) the effect of these income support measures on students and their families,
- (c) the importance of adequate income support measures in achieving equitable access to education
- (d) alternative student income support measures

1. LSES AS A SOURCE OF EDUCATIONAL DISADVANTAGE

Under-representation of LSES students

Low socio-economic status sets actual barriers to entry to higher education – primarily financial circumstances and educational background – as well as less tangible barriers that nevertheless constitute powerful disincentives to potential students.

Studies have shown that, for candidates from lower socio-economic backgrounds, the monetary costs of higher education and the financial circumstances of their family are much more likely to prevent their attendance at university. One third of candidates from this group indicated that, if they attended university, they would have to support themselves financially.¹ People from low socio-economic backgrounds have a greater tendency to consider the short-term opportunity costs of attending university as a major factor in their decision.²

People of low socio-economic status (LSES) continue to be under-represented in higher education. Nationally, participation rates have remained at around 15% since they were first monitored in 1990, compared to the estimated representation of LSES people in the Australian community of 25%.³

Non-monetary factors

Low socio-economic groups experience monetary and non-monetary barriers to accessing higher education. Structural, social, and familial barriers contribute to financial factors which make going to university seem neither relevant nor attainable.⁴ Lack of confidence, support or encouragement for potential students compounds their sense that university is not a realistic or beneficial option for them.⁵

Various research reports have indicated that the sources of educational disadvantage for LSES people include:

- The attitudes and aspirations of families and peers;
- Academic attainment and school attended;
- Lack of information about actual costs of higher education
- Lack of information about the long-term benefits of higher education compared to the immediate returns from taking a job after completing high school.⁶

A study by the Department of Education, Science and Technology affirmed that socio-economic background is the major factor in the variation in student perspectives on the value and attainability of higher education.⁷

¹ R. James, *Socioeconomic Background and Higher Education Participation: An analysis of school students' aspirations and expectations*, DEST, 2002, 50.

² James, above, 50.

³ Review of the Higher Education Equity Program Discussion Paper, DEST, p9

⁴ James, above, 45

⁵ James, above, 45, 47

⁶ James, above, 45, 47

⁷ James, above, 50

Gender and LSES

With a clear relationship established between higher education and employment opportunity, job security and income, it is crucial to consider the significance of gender in educational opportunity. Research findings by DEST have shown that low SES status is a much greater inhibitor for female candidates than male candidates for higher education.

Examining the perceptions of low SES candidates, 34% of low SES males, but 41% of low SES females stated that the costs of education would make university impossible for them.⁸ 43% of low SES females thought that their families would be unable to support the costs of their study.⁹ Monetary factors and debt aversion were far more pronounced for low SES females than for low SES males. Also, the difference of the effect of financial considerations on low SES females compared to low SES males was far greater than the difference between high SES female and male candidates.¹⁰

Of equal concern are recent findings that males from rural and isolated backgrounds are steadily becoming vastly under-represented in higher education, and that educational disadvantage in rural and isolated areas is substantially a socio-economic effect.¹¹

Low SES and elite courses

SES status has always been a determining factor in a student's field of study. This is evident in elite courses such as law and medicine, now identified as HECS Band 3 courses. One study reveals around 11-15% of students of students in these courses are low SES,¹² while another finds up to 90% are high SES.¹³ This figure has remained relatively consistent for several decades, pre-dating the introduction of HECS.¹⁴ A 1984 Commonwealth survey found that over 75% of veterinary science and law students had fathers in professional or managerial occupations.¹⁵ Low SES students are represented much more highly in courses of study such as science, business, education and nursing, the HECS Band 1 and 2 courses, enrolling at rates of 19 to 21%.¹⁶

A 1998 study showed that course selection was determined primarily by intrinsic interest in the field,¹⁷ suggesting that students from low SES backgrounds had much lower intrinsic interest in disciplines such as medicine and law. Another factor was the under-

⁸ James, Cited in K. Carrington and A. Pratt, *How Far Have We Come? Gender disparities in the Australian higher education system*, Current Issues Brief No. 31 2002-03, Department of the Parliamentary Library, 2003, 10.

⁹ James, cited in Carrington and Pratt, above, 10.

¹⁰ Carrington and Pratt, above, 10.

¹¹ James, et al, *Analysis of Equity Groups in Higher Education 1991-2002*, Department of Education, Science and Training, Australian Government, 2004.

¹² L. Andrews, *Does HECS Deter? Factors affecting university participation by low SES groups*, 99F, Occasional Paper Series, DETYA, 1999, 18.

¹³ Carrington and Pratt, above, 10.

¹⁴ Carrington and Pratt, above, 10.

¹⁵ Andrews, above, 18, citing research by Marginson.

¹⁶ Andrews, above, 18.

¹⁷ Andrews, above, 18, citing research by Harvey-Beavis and Elsworth.

representation of low SES students amongst those who achieved the high tertiary entrance scores required to gain admission to these courses.¹⁸

It has been claimed by some commentators that deregulating undergraduate fees will have devastating effects on the representation of low SES students in Band 3 courses, with an outcome that the candidature in such courses will comprise genuinely gifted students from private schools, who currently dominate those courses, as well as competent but less gifted students from the same schools whose families can afford the fees. Political commentator and academic Robert Manne wrote, "It will become increasingly rare to find even exceptional government school students studying law or veterinary science or dentistry".¹⁹ Such conclusions assume no other interventions by universities, such as equity scholarships, to address any negative impacts of deregulating undergraduate fees.

2. STUDENT LIVING EXPENSES

The working student

Poverty has increasingly asserted its presence in the classroom over the last decade through student performance affected by long working hours, hunger, or inability to pay for essential study items. Poverty is, indeed, a teaching and learning issue as much as it is an access issue.

In addition to creating a barrier to higher education access, financial circumstances also affect the way students study. An AVCC report into undergraduate student finances released in 2001 found that 11.1% of students were influenced by financial circumstances in their choice of course, 17.4% in the choice of university, and 23.3% in their mode of study.²⁰

A number of reports document the highest levels of working students and students with loans in history. More than 70% of full-time and 87% of part-time undergraduate students now work between 14-32 hours/week.²¹ Employment rates for full-time students have increased by 50% since 1984, and students work three times as many hours as students in 1984. Paid employment is the reason why 7% of students miss classes "frequently" and why 21.3% miss classes "sometimes". 58.2% of students identified their employment as having an adverse effect upon their study.²²

In the context of high youth unemployment, an increase in part-time work, the introduction of GST on books, all compounded by an inflated rental market and an extreme shortage of affordable childcare, student poverty is more serious than ever.

For a high percentage of students, commitment to study has been overshadowed, as a priority, by economic survival.

¹⁸ Andrews, above, 18.

¹⁹ R. Manne, "Potential sting in Nelson reforms", *Sydney Morning Herald*, 16 May, 2003.

²⁰ M. Long and M. Hayden, *Paying their way: A survey of Australian undergraduate student finances*, cited in the *Report on Student Poverty and Financial Hardship at UTS*, p 6.

²¹ B. Birrell, I.R. Dobinson, V. Rapson, and T.F. Smith, *Higher Education at the Crossroads*, Centre for Population and Urban Research, Monash University, 2003.

²² Long, *Paying their way*, above, 13-14.

Youth Allowance

In 1996-97 the Common Youth Allowance (CYA) was introduced, replacing Austudy for most students. The CYA has much tougher eligibility requirements, and the age of independence was increased from 22 to 25. The effect of the changed eligibility criteria means that only students from the most acutely disadvantaged backgrounds are able to access financial assistance. Students who do qualify for the CYA are on an income 37% below the Henderson poverty line²³.

In the same Budget that introduced the CYA, HECS rates were increased from 23% of course costs to 43% of course costs, and repayments were deducted from earnings as soon as they reached \$20,700, where previously earnings of \$28,000 incurred deductions.²⁴ The recent lifting of the repayment threshold to \$35,000 is a welcome and positive step for low income earners.

The provision of viable student income support to cover living costs at the time of studying is a key measure for increasing the participation rate of students from low income backgrounds.

Recommendations

- That Youth Allowance, Austudy and Abstudy rates be increased to enable students to attend university without being prohibited by the cost of living or the need to work long hours.
- That the age of independence be reverted to 22 years.
- That Austudy recipients living away from home be eligible for Rent Assistance.

Commonwealth Learning Scholarships

The Commonwealth Learning Scholarships Programme offers a significant but insufficient number of financial assistance scholarships to low SES students. A recent survey by the NSW State Government reported in the Sydney Morning Herald estimated that up to 95% of eligible students would miss out on a scholarship.

From 2005, in order to qualify for Higher Education Equity Program funding, universities must provide equity scholarships to supplement the Commonwealth Learning Scholarships.

Under current legislation, students are likely to be financially disadvantaged when universities attempt to alleviate circumstances of poverty that impact on their access,

²³ Poverty Report, Australian Government, 1975. An inquiry headed by Professor Ronald Henderson found that, even applying the most "austere" poverty line, 20.6 percent of families and single people were living in, or near, poverty. The 1998 *Australian Poverty, Then and Now* Report, the first major survey since 1975 found the figure to be one and a half times higher, at 30.4 percent. A separate year-long Senate inquiry reported to Government on 11 March 2004 that 21% of Australians are surviving on less than \$400 a week, which is below the \$431 minimum wage.

²⁴ J. Bessant, *Student Poverty in the Enterprise University*, 2002, available at http://www.unistudent.com.au/uploads/nus/campaign/wel_Bessant_Report.pdf. Also B. Birrell, above.

retention and success in tertiary study. Students in receipt of cash or in kind scholarships are subject to income testing that will almost certainly reduce their eligibility for Youth Allowance, Austudy or Abstudy.

The recent Federal budget partially addressed the issue by removing fee exemption scholarships from income testing.

For reasons of equity, it is critical that scholarships providing living or educational cost assistance for low-income students also be exempt from income testing. This type of scholarship is the most common and useful form of university assistance to low-income students. Low income students receiving university scholarships should not be treated differently to low income students receiving Commonwealth scholarships.

The continued imposition of income testing on these scholarships contradicts the Government's stated goal of increasing higher education participation by students from low socio-economic backgrounds. In particular, it creates an inferior 'university' class of scholarship compared to Commonwealth scholarships.

This issue could also be tackled by raising the income threshold to accommodate students who receive scholarships or who work to support their studies.

Recommendations

- That the number of Commonwealth Learning Scholarships be increased.
- That University Scholarships awarded to low income students be income test exempt.
- That the income test threshold be increased to enable students to earn wages or receive scholarships without impacting on Centrelink payments.

3. LSES AND LONG TERM STUDENT DEBT

Low SES, HECS and HELP

In 1989, when HECS was introduced, students were charged an annual flat fee of \$1,800 that represented, on average, 20% of the cost of education. Since 1997, when the tiered system was introduced, students pay an average of 34.5% of the cost of their education. HECS debts as at June 2003 total \$9,057,000,000.²⁵

Student debt affects rates of home ownership, fertility, access to private finance, as well as affecting students' access to, and outcomes from, higher education. The Australian Bureau of Statistics has identified direct links between declining home ownership rates and HECS debts among 25-34 year olds. This link has also had a correlative effect upon the cost of housing rents, and some commentators have claimed that it will affect the capacity of HECS-era students to support themselves in their retirement.²⁶

²⁵ H. Pearse, *The Social and Economic Impact of Student Debt*, Research Paper, Council of Australian Postgraduate Associations, 2003, 6.

²⁶ Pearse, above, 11-12.

An AV-CC study found that in 2000, 10.7% of undergraduates obtained a loan other than HECS in order to continue their studies. The average amount borrowed was \$3,943 accumulated across their years of study, and most loans were taken out by students identified as disadvantaged.²⁷

It is difficult to measure the impact HECS has had upon low SES participation rates. Two reports offer the cautious finding that the introduction of HECS had a small effect upon admissions by low SES students.²⁸ The statistics illustrate that HECS appears to be neither a barrier nor a conduit for low SES candidates. A study of the relationship between low SES and debt aversion (in the context of HECS as a debt) argues that SES does not have a strong or consistent effect upon debt aversion, but that the effect of HECS is felt more keenly by low SES groups because of their attitudes to the university qualification that is the subject of the debt.²⁹ Another study argues that debt aversion is more acute in equity groups, making HECS a greater disincentive for these candidates.³⁰

In July 2003, the *Sydney Morning Herald* and *The Australian* newspapers reported that HECS deferral rates had reached an all-time high of 79% in 2001, demonstrating that HECS had an explicitly disadvantageous effect upon low SES people.³¹ A DEST report released at the same time stated that whilst "HECS had played a major role in expanding access to higher education... The lesson from this study is that any future changes to HECS arrangements would need careful design to minimise their impact, particularly among groups more sensitive to student charges".³²

A measurable impact upon low SES status and HECS has been apparent following the 1997 changes to HECS. In 1997, the amount of HECS was increased, the repayment threshold was lowered, and HECS rates were broken into 3 bands. Whilst the rationale for these changes was to dramatically increase the overall numbers of domestic students in higher education, there has been no improvement in the representation of low SES groups, and these changes can be viewed as an additional disincentive to low SES candidates contemplating university study.

Under the new loans scheme, the Higher Education Loan Programme (HELP), debts will be indexed to CPI, and undergraduate debts will incur a 20% administrative charge that equates to a real interest rate of 1.8% per year over 10 years.³³ The Backing Australia's Future paper suggests that these changes give "greater flexibility", promote a "more diverse" system, and give a "greater range of options" to students.³⁴ It suggests that students will "choose" the size of their debt based upon their choice of course and institution, not recognising that for low SES candidates, the "choice" will be considerably more limited.

²⁷ *Paying their Way*, above, 7.

²⁸ Andrews, above, and James, above.

²⁹ Andrews, above, 17.

³⁰ Carrington and Pratt, above, 18.

³¹ Aban Contractor and Gerard Noonan, "Closing shop: uni fees deter students", *Sydney Morning Herald*, 23 July, 2003, and Dorothy Illing, "Students feeling the pinch", *The Australian*, Higher Education Supplement, 23 July, 2003.

³² Aungles, P, et al, Opportunities in higher education : A paper investigating the impact of the Higher Education Contributions Scheme (HECS) on the higher education system, 2002

³³ B. Nelson, *Our Universities: Backing Australia's Future*, DEST, 2003, 22.

³⁴ *Backing Australia's Future*, above, 22.

The consequences of these changes for equity group students, and particularly for financially disadvantaged candidates, will be to provide additional disincentives and barriers to higher education.

Fee deregulation

Probably the most compelling comparison illustrating the exclusion of low SES groups from university can be derived from postgraduate participation rates, as postgraduate fees are now deregulated. The deregulation of postgraduate fees has had a dramatic effect upon low SES enrolments, and most commentators accept that any deregulation of undergraduate fees will have the same effect. The majority of postgraduate coursework students pay full fees, and a significant source of assistance in meeting fees comes from employer contributions.³⁵

The introduction of PELS in 2002 has not removed obstacles to entry for people who don't have access to alternate sources of funding, as fees for postgraduate coursework increased following the introduction of PELS.³⁶ The areas of study that are most likely to attract employer contributions are areas in which low SES people are poorly represented.

With the partial deregulation of undergraduate fees, it is likely that LSES students will increasingly enrol at universities with lower course costs. In turn this has implications for the ability of universities to maintain quality facilities and teaching, and for the market place value of those degrees.

The gradual introduction of full-fee places at Australian universities will also impact negatively on the participation of LSES students. Full-fee places are likely to be taken by students from higher socio-economic backgrounds and lead to the further decline in places available to LSES students on the basis of merit.

The introduction of the FEE-HELP loan for full-fee places is likely to be of little assistance to debt-averse LSES students.

4. BENEFITS OF PROVIDING INCOME SUPPORT TO ENHANCE DIVERSITY

In 1990, the Department of Employment, Education and Training released *A Fair Chance for All*, a report on equity in higher education. That report stated the objective of ensuring "The Australians from all groups in society have the opportunity to participate successfully in higher education", a goal that would be achieved by "changing the balance of the student population to reflect more closely the composition of society as a whole".³⁷

³⁵ Carrington and Pratt, above, 17.

³⁶ Carrington and Pratt, above, 18.

³⁷ *A Fair Chance for All: National and Institutional Planning for Equity in Higher Education*, Department of Employment, Education and Training, 1990, available at http://www.detya.gov.au/nbeet/publications/pdf/90_06.pdf

Low levels of education are associated with vulnerability to social marginalisation and economic hardship, particularly in a society where knowledge-based skills have high value in the labour market. University graduates are identified as having the highest workforce participation rates, and much better access to the skills, services and knowledge enabling meaningful social and cultural inclusion.

Research across many sectors confirms the positive role that education can have in moving people beyond current socio-economic disadvantage. Research commissioned by The Smith Family from the National Centre for Social and Economic Modelling in 2001 showed that poverty rates among those aged 15 years and over sharply declined as educational qualifications increased. This study found that the poverty risk of those with a university education was less than half the rate of those with no post-secondary qualifications.³⁸

These studies emphasise that participation in higher education provides significant life-long benefits to people of LSES, and broader benefits to the Australian community from the increased social engagement and decreased welfare dependency of LSES people.

Clarke³⁹ lists a number of justifications for ongoing public commitment to the achievement of educational equity:

- maximising Australia's human capital;
- supporting social harmony;
- ensuring social justice;
- ensuring the fair sharing of the public funds used to support higher education;
- tapping the benefits of diversity;
- contributing to the defining of Australian culture.

By encouraging and maintaining diversity within the student community, students are able to engage with the widest range of experiences, voices and approaches in their learning environment. Where educational privileges are extended to the broadest possible range of students, a university participates directly in the process by which entrenched economic and socio-cultural barriers are broken down.

There remains a need for pro-active strategies to address the ongoing under-representation of LSES people, and to encourage and support the access and participation of LSES people in higher education.

Effective student income support is a key strategy that should be urgently addressed by Government.

³⁸ Barriers to Participation: Financial, Educational and Technological. A report into the barriers to societal participation among low-income Australians, The Smith Family, March 2003, p 5.

³⁹ Clarke, J. 1997, 'What should drive student equity in higher education? Social responsibility versus reporting obligation', *Journal of Institutional Research in Australasia*, vol. 6, no. 1, pp. 1-17.