

Submission

to

Senate Employment, Workplace Relations and Education
References Committee

Inquiry into student income support

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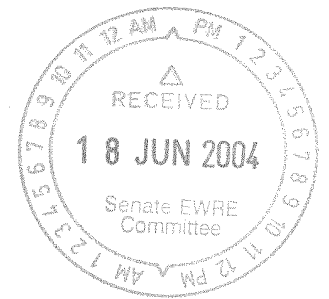
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1.0 Introduction

The Students' Association of Flinders University welcomes the opportunity to make a submission to the Senate Employment, Workplace Relations and Education References Committee inquiry into student income support.

Our submission is informed by the needs and interests of our members, students enrolled at the Flinders University of South Australia. At the core of our submission are the Students' Association's policies, regulations and constitution. As a participatory democratic organisation which is accountable to all of its members, we are committed by all these items of legislation to a higher education sector which is:

- a genuine mass system open to all those who would benefit from participating in it at some time(s) in their life;
- a system that encourages participation for intellectual inquiry as well as vocational reasons;
- a system that strongly encourages lifelong learning;
- a system that is strongly articulated with other post-secondary systems to maximise credit transfer; and the recognition of prior learning both on a national and global level;
- a system that meets community expectations about equity, quality and student success;
- a system that encourages the progressive redistribution of income, wealth, prestige and power to a more equitable distribution;
- a system that encourages co-operation and collaboration rather than competition;
- a fully free system so that no one will be financially penalised for participating in higher education;
- a system that encourages regular small group discussion between students and staff for all courses;
- a system that allows students sufficient time outside of formal assessment for intellectual reflection and participation in campus social life;
- decision making inside universities to be based on committees of equal numbers of students and staff and a role for mass university meeting;
- a system based on ethical priorities for research.

This submission, which is framed by the above policy, will seek to address some areas of concern to our members in regards to the current student income support regime.

HECS charges and up-front fees are only one barrier to education for many groups in society. Access to income support is a more immediate barrier facing students - much more so than an income contingent, deferred loans scheme. Income support is necessary to ensure the

participation of people from low-income backgrounds whose families are unable to support them for the duration of their studies.

Furthering the participation in higher education of people from lower socio-economic backgrounds still remains an important democratic objective:

“A key principle of higher education must be equity of access, with recognition of the important contributions to be made by disadvantaged groups and regions. The removal of barriers to higher education, and participation from the full cross section of the population is vital to a socially inclusive society. Similarly, a well educated citizenry is essential to a thriving national economy and society.”¹

Income support is also necessary to free up valuable study time to ensure that students concentrate the majority of their time and energies on their studies rather than economic survival.

2.0 Access to Student Income Support

Currently 38.7 percent of students receive government income support of some kind. Of this number 23.3 percent receive Youth Allowance, 10.3 percent receive AUSTUDY, with the remaining receiving other Commonwealth income support such as Newstart or Disability pensions.²

3.0 The Common Youth Allowance

Youth Allowance is an income support scheme available for full-time students aged 16 to 24 (or unemployed people under 21).

Status	Allowance Paid Per Fortnight
Single, no children:	
Under 18, at home	\$174.30
Under 18, away from home	\$174.30
18 and over, away from home	\$318.15
18 and over, at home	\$209.70
Single, with children	\$417.40
Partnered, no children	\$318.50
Partnered with children	\$349.80

Since coming to power in 1996 the Howard government has dramatically tightened access to student financial assistance.

¹ New South Wales Government, *Submission to the Ministerial Review of Higher Education*, 2002, p. 14

² AVCC, *Paying Their Way: a study of undergraduate university student finances, 2000*, AVCC, 2001 p. 4

In 1998 the Howard government increased the age at which a student is eligible to receive payment as an 'independent' from 22 to 25. This policy move was based on the misguided assumption that: (a) young people will remain dependent on their parents until the age of 25, and (b) that the young person's parents were willing and able to give them a portion of the household income.

The Students' Association is particularly concerned that the government does not deem students 'independent adults' until they reach the age of 25. Young people are currently tried in courts of law as independent adults at the age of 18, can vote at the age of 18, and can apply for bank loans at the age of 18.

The Youth Allowance family income test effectively excludes all but very low-income families from accessing student income support. Currently a student living at home receives around \$102 a week if the family income is less than \$27,400. For families with one child the payment is reduced by 25 cents for every additional dollar of family income when the parent's income exceeds the threshold of \$27,400 p.a. A student living in a family with an income of \$37,000 p.a. will receive just \$51 a week. This amount is simply not adequate to cover the weekly expenses associated with higher education nor is the payment enough to offset the cost of raising a teenager (estimated by ACOSS to be around \$160 to \$220 per week³). Furthermore it is worthy to note that \$37,000 is not much more than the average graduate starting salary.

Birrell, Dobson and Smith (1999) have provided further evidence that the means test for Youth Allowance is excluding students from households in the \$30,000 to \$40,000 income bracket.⁴ Many families in this modest income range are struggling to maintain living standards, particularly those with very young children or teenagers to support.⁵ The Youth Allowance income and assets test is imposing additional financial pressures for these families. Students who are unable to obtain employment may find themselves in a situation of forced dependency on their families. Students often have very little control over their parents' willingness or capacity to support their children. Where parents are

³ ACOSS, *Proposals for Reform to Student Income Support*, Submission to the Senate Employment, Workplace Relations and Education References Committee's Inquiry into student income support, June 2003, p. 21

⁴ Birrell, B, Dobson, IR, Smith, TF, 'The New Youth Allowance and Access to Higher Education', in: *People and Place*, Vol 7, No 3, 1999

⁵ ACOSS (2003), *op.cit*, p. 20

unwilling or unable to provide financial support students may find continuation of study increasingly difficult.

An attitudinal study conducted by James (2002) has also provided some evidence that the lack of effective income support schemes for students may be impacting negatively on the decision to undertake higher education by individuals from low-income backgrounds:

“The perceived cost of higher education appears to be a major deterrent for Australian students of lower socio-economic background...Forty-one per cent of lower socio-economic background students believed their families probably could not afford the costs of supporting them at university. Well over a third of lower socio-economic background students indicated they would have to support themselves financially if they went to university.”⁶

Parental Income Threshold and Male Average Weekly Earnings

Year	Parental Income Threshold (PIT) \$ per year	Average Weekly Earnings (a) \$ per year	PIT / AWE
1974	5300	5361.2	98.9%
1975	6300	6708.0	93.9%
1978	8700	9890.0	88.0%
1979	8700	10608.0	82.0%
1982	11034	14731.6	74.9%
1983	12278	17154.8	71.6%
1986	14995	20961.2	71.5%
1987	15745	22734.4	69.3%
1990	18150	27409.2	66.2%
1991	19300	29260.4	66.0%
1994	21300	32141.20	66.2%
1995	21660	32994.0	65.6%
1997	23350	35037.6	66.6%
1998	23400	36077.6	64.9%
2003	27400	43338.8	63.1%

(a) Male Average Weekly Earnings (total earnings) for previous year. 1974-1979 Sept Qtr, 1982-2003 Aug Qtr.

With such a drastic tightening of eligibility criteria for Commonwealth income support it is little wonder that the percentage of younger students

⁶ James, R, *Socioeconomic Background and Higher Education Participation: An Analysis of School Students Aspirations and Expectations*, DEST, 2002, p. x

(aged 19 or younger) receiving Youth Allowance has declined from 33% in 1998 to 21% in 2001.⁷

4.0 Austudy

Austudy is an income support scheme available for full-time students aged over 25 years.

Status	Austudy Payment Paid Per Fortnight	Youth Allowance	Newstart*
Single	\$318.15	\$318.15**	\$385.00
Single, with children	\$417.40	\$417.40	\$416.40
Partnered, with children	\$349.80	\$349.80	\$347.30
Partnered, no children	\$318.50	\$318.50	\$347.30

*Newstart is an income support scheme available to unemployed people aged 21 and older

** 18 and over, away from home.

The Austudy income support scheme has a number of serious shortcomings for mature age students. Austudy payments are substantially less than unemployment (Newstart) benefits. In addition, single people on Austudy do not receive rent assistance, unlike those on Youth Allowance and Newstart benefits.

The lower level of financial support provided under the Austudy scheme creates a strong disincentive for unemployed adults to upgrade their qualifications by returning to study.

Students undertaking Masters (Research) and Doctorate awards are ineligible for Austudy payments. This unfairly disadvantages students who have been unable to obtain Research scholarships and those who may require these awards to enter their chosen profession. This tight eligibility criteria may also serve to discourage prospective students from undertaking postgraduate study.

5.0 Living below the 'Poverty Line'

The most commonly accepted official measure of poverty in Australia is the Henderson poverty line. This is an income-based indicator of a person's capacity to spend on essential goods and services. A number of other methodologies do exist for measuring poverty in Australia, however of all the measures of a person's resources, income comes closest to measuring deprivation in a market economy.

⁷ Phillips, D, Cooper, L, Eccles, C, Lampard, D, Noblett, G and Wade, P, *Independent Study of the Higher Education Review: Stage 2 Report, Volume 1 – The Current Situation in Australian Higher Education*, Phillips Curran, June 2003, p. 71

The Henderson poverty line for an employed person is currently (2003 dollars) \$294.08 per week. The Australian Council of Social Services (ACOSS) argues that this is a level of income below which the *risk* of poverty is unacceptably high.⁸

ACOSS has argued in a number of submissions that students are currently living on income support payments 20 per cent to 39 per cent below the Henderson Poverty Line⁹

This has been a long-term historical trend. Since 1975 successive governments have allowed the maximum rate of student income support to erode in relation to the poverty line. The Howard government's 1998 reforms to student income support have undoubtedly accelerated this trend (see table below).

Maximum 'away from home' rate of TEAS/Austudy/Youth Allowance and the Henderson Poverty Line, 1974 - 2003

Year	Maximum Benefit (a) (\$ per week)	Poverty Line (b) (\$) per week	Percentage
1974	26.90	35.80	75.4%
1979	45.15	69.50	65.0%
1981	49.67	84.10	59.1%
1985	68.87	134.40	51.2%
1987	80.00	147.00	54.4%
1991	113.25	185.13	61.2%
1995	122.80	215.60	57.0%
2001	145.05	278.04	52.2%
2003	155.05	294.08	52.7%

(a) Over 18 no dependents. Rent assistance not included.

(b) Poverty Line for a single person in the workforce

The Australian Vice-Chancellors' Committee (AVCC) study of student finances in 2000, *Paying Their Way*, provides further details of financial deprivation experienced by students. The AVCC found that the mean income for full-time students was \$8939 p.a. whilst mean expenditure was \$12694 p.a., leaving a budget deficit of \$3755 or 42 percent¹⁰

⁸ ACOSS, *The Bare Necessities: Poverty and Deprivation in Australia Today*, Submission to the Senate Inquiry into Poverty and Financial Hardship, March 2003, p. 8

⁹ See for example: ACOSS, Federal Budget Priorities Statement 2003 – 2004, *Piecing it Together*, ACOSS Paper 126, January 2003

¹⁰ AVCC, (2001), *op.cit*, pp. 29, 33

The AVCC also found that one in ten students had taken out a loan to continue study, the average amount borrowed being \$4000.¹¹ This is significant given the small size of most students' income - 86.5 percent of Flinders University students are living on less than \$19,000 p.a.¹²

6.0 Working to survive

The tightening of eligibility criteria and the erosion of the maximum level of income support relative to the poverty line has seen increasing numbers of students undertaking paid employment as a means of coping with the financial cost of study.

According to the AVCC, seven in ten students are in paid employment, an increase of 50 percent since 1984. Students average 14.5 hours of work a week, a threefold increase since 1984.¹³

For many students increased time in paid employment is having a detrimental impact on their studies. Two in ten students surveyed by the AVCC said paid employment adversely affects their studies "a great deal", whilst one in ten students 'frequently' miss classes because of employment.¹⁴

The structure of student income support schemes creates a strong disincentive to work more than a couple of days a week on average over the course of a year, as for every dollar earned after this threshold payments are reduced by 50 cents in the dollar and then 70 cents.

7.0 Conclusion

The Students' Association believes that the current student income support regime has a number of serious shortcomings that need to be addressed immediately. For many full-time students, economic survival has taken over commitment to study as *the* prime motivating factor during their time at university. Financial hardship and the stresses associated with it are now undoubtedly impacting on the quality of students educational experience – an education that is largely being paid for by the student enduring the hardship.

¹¹ Ibid, p. 2

¹² Deslandes, A, Paying Your Way...how do Flinders students cope with work and study? *Empire Times*, Vol 34, Edition 2, 2002

¹³ AVCC, (2001), *op.cit*, p. 2

¹⁴ Ibid, p. 2

Recommendations

The Students' Association therefore recommends the following measures to help alleviate a degree of financial hardship experienced by students, and help enhance participation in higher education by low-income groups:

- 1. The level of Youth Allowance and Austudy payments be set at 100 percent of the Henderson Poverty Line**
- 2. Austudy recipients be eligible for rent assistance**
- 3. Students undertaking Masters (Research) and Doctorate awards be eligible for Austudy**
- 4. The Youth Allowance Parental Income Threshold be set at 100 percent of male Average Weekly Earnings**
- 5. The age of independence be reduced to 18 years of age**

References

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