

# Submission

to

Senate Employment, Workplace Relations and Education  
References Committee

## **Inquiry into student income support**

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**Submitter:** Mr Gary McMurtrie  
President

**Organisation:** Central Queensland University Student Association

**Address:** PO Box 77  
Central Queensland University  
NORTH ROCKHAMPTON QLD 4701

**Phone:** 07 4970 7294

**Fax:** 07 4970 7213

**Email:** [cqusa-president@cqu.edu.au](mailto:cqusa-president@cqu.edu.au)

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**Submission to the Senate Employment, Workplace Relations and Education  
References Committee: The living costs of Students enrolled in full-time and  
part-time Courses**



**Disinvestment**

From the perspective of students, changes in Government policy have resulted in both direct and indirect cost transfer to students. The Australian Vice-Chancellors' Committee (AVCC) discussion paper: *Our Universities: Our Future*, p. 14 provided a comparison of the average annual charges or fees for domestic undergraduate students in a number of Organisation for Economic Co-operation and Development (OECD) countries. The average annual HECS charge for Australian students of \$4360 compares with an average cost on the UK of \$0-2837, \$6433 in the US (for 4 year public institutions) and \$2280-\$3040 in New Zealand.

The direct cost of Higher Education to Australian university students is, comparatively speaking, high. In addition, it is also worth noting that many OECD countries have reached the view that the proportion of costs of Higher Education that can be borne by students through fees, has reached saturation point (V L Meek: *Use of Higher Education Policy Research*, December 6, 2000).

Australian students already contribute more to Higher Education costs than most OECD counterparts, what is missing is the commitment of the Government to invest in Australia's most valuable resource, its people.

Rupert Murdoch best summed up the consequences of disinvestment in Higher Education. Murdoch said that "without urgent support for our centres of learning, Australia is at risk of becoming something worse than globally disadvantaged; it is no exaggeration to say that we are threatened with global irrelevance!"

**Profile of Students – Debt Aversion**

At Central Queensland University (CQU), the number of 50 to 60 year-olds exceeds that of 17 year-olds. If anyone over 21 years of age is considered a mature age student, then they constitute 78% of the CQU student population.

The significant number of mature age students with commitments (children, partners, mortgage), and the high number of students from low socio-economic and rural backgrounds, are, in the opinion of the CQU Student Association (CQUSA), more debt adverse than affluent individuals, and have a much lower earning capacity over their reduced working life.

In 2001 the Australian Vice Chancellors Committee research into student finances concluded that most students were, by necessity, employed while studying, to the extent that their education was significantly compromised. Even so, on average university students live at least a third below the poverty line. (Long, M. and Hayden, M. (2001), *Paying their way: A survey of Australian undergraduate university student finances*, 2000, Canberra: Australian Vice-Chancellors' Committee.)

The Federal Minister for Education, Dr Brendan Nelson, blatantly misled Parliament when suggesting that the cost of a university degree totaled \$8000. Trivializing the cost of a university degree Minister Nelson went on to liken it to the cost of buying a 1992 Commodore VP V6 automatic with mags, an immobiliser and a 10- stack CD player, or a three-month backpacking holiday in Asia and Europe with a Euro rail pass and \$55 a day spending money. Such rhetoric ignores the real cost of Higher Education.

For most students meeting the costs of day to day living whilst undertaking study is a significant burden, with many being debtors of the university. They also graduate with a significant HECS debt, and, at CQU, often a past Supplement Loan debt.

High debt and low earning returns contribute to what the Council of Deans term the 'Brain Drain' out of Australia. The introduction of the student loan system HELP, particularly when coupled to a deregulated fee regime, will exacerbate current trends. Further, a deregulated fee regime is likely to reduce equity of access, particularly for any Australian living outside metropolitan areas. Finally, student loans coupled with deregulated fees will result in the fragmentation of the university sector. Fragmentation of the university sector is unlikely to be on any material difference in quality, but rather in perceived prestige. The CQUSA Australia needs skilled professionals, not in other countries, but in our cities, towns and communities, contributing to the economic and social prosperity of our nation.

### **Student Debt**

The Higher Education 2003-2005 Triennium Report indicates that student debt has increased nearly a billion dollars in 2002-03 to \$9.057 billion, and continues to rise. The HECS debt has doubled from 4 to 9 billion dollars since the Howard Government came to power. The CQUSA is of the opinion that the Federal Government changes to Higher Education will substantially accelerate student debt.

What Government views as efficiency gains in Universities is in fact cost transfers to students, contributing to debt, as Universities either directly or indirectly implement a regime of ancillary charges. Hence, in addition to the escalating HECS/HELP debt, there is the alarming increase of internal debt. Internal student debt at CQU already totals millions of dollars, resulting from the incapacity of students to meet both their day to day living and escalating educational costs.

It is the view of the CQUSA that some of the problems with student debt have been masked by the Student Supplement Loans Scheme, where students take on future debt by trading a part of their Austudy for a loan. Our opinions based on the views of students is that rather than a safety net, the Supplement Loan Scheme is itself a debt trap, masking the very real problem of inadequate financial support of students.

The full extent and impact of inadequate cost of living support for students will be increasingly apparent since the Supplement Loans Scheme was repealed; with no concurrent package for the reform of a livable allowance for students. We voice our concern that the Higher Education Reform package debated at length by parliament has not considered in any manner the issue of student cost of living support, when it is

clearly recognised in the Australian community that the lack of student support is at a critical level causing hardship and extreme pressures on students and their families.

CQU has substantial numbers of mature age students and people from low socio economic and rural backgrounds. Many of these students did not want to, but were forced to access the Supplement Scheme just to survive. Neither the Association nor CQU has access to information to fully assess the extent of the impact of the withdrawal of the Supplement Scheme, as the finances are managed by Government. However, anecdotal reporting and demographic profile of domestic CQU students suggests a very significant number of disadvantaged students have, by necessity, been recipients.

The CQU Student Association is justifiably concerned that many students may not be able to continue study now that the Supplement scheme has been abolished, with a flow on effect to CQU and the communities in which it operates. The following example details the effect of the removal of the Supplement Scheme.

In December 2003, a full-time student (single parent with two children) claiming Austudy received \$406.40 per fortnight. The Poverty Line (Melbourne Institute of Applied Economic and Social Research, *Poverty Lines: Australia December Quarter 2003*) indicates a necessary income of \$824.34 per fortnight. The supplementary loan scheme allowed an extra \$203.20 per fortnight. The student was allowed to work and earn a further \$236.00 per fortnight without reducing their original payment. The total potential gross income was \$845.60 per fortnight.

With the abolishment of the supplementary loan scheme, this students' potential gross income is reduced by 24%. An attempt to compensate the lost \$203.20 by more part-time work would result in the original payment of \$406.40 being reduced by \$126.10 to \$280.30 due to the income being above the allowable limit. To maintain parity with previously available income, the student would have to forego the Austudy payment altogether and earn \$845.60 independently. Even if the work were available, which is rarely the case in Central Queensland; this would seriously impact on the time available to succeed as a "full-time" student.

### **Inadequate Student Support**

The detrimental aspect of cost transfer to students, which affects academic performance/completion, and student welfare, is the inadequate public support of students. It is informative to again present the main points from the 2001 Australian Vice Chancellors Committee report *Paying Their Way*.

The AVCC research, based upon responses from over 30,000 undergraduate students from across Australia, reports that:

- annual student budgets are in overall deficit by an estimated 21 per cent - in the case of full-time students, the estimated deficit is 42 per cent;

- seven in every ten students are in paid employment during university semesters - an increase by about one-half since 1984;
- among full-time students, the average number of hours worked by those in paid employment during semester is 14.5 hours per week - a three-fold increase since 1984;
- one in every ten students obtains a loan in order to be able to continue studying;
- one in every ten students in paid employment during semester 'frequently' misses classes because of that work;
- work adversely affects study 'a great deal' for two in every ten students in paid employment during semester;
- financial circumstances influence student choices regarding course undertaken (11.1%), University attended (17.4%) and mode of study (23.3%);
- of students who have financially dependent children, nearly two in ten miss classes 'sometimes' or 'frequently' because they cannot afford childcare; and
- one in every ten students misses classes 'sometimes' or 'frequently' because they cannot afford travel to University.

The disturbing aspect of the AVCC research is the extent of detrimental effects, economic, academic and personal, that students endure as a result of inadequate public support.

The Australian Trade Commission (Austrade) suggests that students need about \$10000 - \$16500 per year for living expenses. (<http://www.austrade.gov.au>). This is to cover expenses such as accommodation, food, transport, utilities, entertainment and clothing. (Airfares and course fees not included). Therefore, using the figures available from the Centrelink website, (<http://www.centrelink.gov.au>) a single student who is over 18 and living away from home receives \$318.50 per fortnight which, annualised, equates to \$8281.00 per year. That is \$1719.00 less than the *minimum* figure to cover basic expenses as recommended by Austrade.

Although the above Austrade information is directed at international students coming from overseas, it can be concluded that government research has been conducted regarding the cost of living for a year, and that such costs are equivalent for both domestic and international students. Therefore, if Australian students are receiving over \$1700 less than the government identified and recommended *minimum* yearly living requirement, then it is easy to understand why students are necessarily turning to other avenues to supplement their income.

The consequences of inadequate student cost of living support, in an environment of Government and institutional cost transfer to students is not constrained to domestic undergraduate students. Half of the CQU student population is International students, who are forced to pay additional charges to meet basic living costs, such as work

permits. Similarly, post graduate students on external scholarships have their scholarships taxed.

## **Conclusion**

It is the view of the CQU Student Association that the only sure way of maintaining a viable and vibrant Australian Higher Education sector is via strategic *public* investment in its major stakeholder; students. The biggest impediment to an equitable and adequate funding regime is that government policy founders on political, ideological and electoral considerations.

Higher Education is a long term economic and social investment, currently controlled by short term political imperatives. With all the social and economic benefits that are derived from Higher Education, which will accelerate in the expanding global and knowledge economies, the key question that needs to be addressed is determining how Australia can ensure long term participation in Australian Higher Education, independent of short term political imperatives.

The CQU Student Association believes the key element to adequately supporting students and raising their standard of living is the restructuring of the current measures for student income support to meet minimal living requirements.

## **Recommendations**

1. That for the purpose of student income support, the age of independence be defined as per community, legal and other measures of social accountability, at 18 years of age.
2. That student income support mechanisms be aligned with and be maintained at a comparative benchmark of the Henderson Poverty Line.
3. That the Education Textbook Subsidy Scheme be reestablished.
4. That designated support for key equity groups is enhanced, such as ABSTUDY.
5. That the threshold for parental income assessment should commence at the average family income.
6. That additional charges and regulations restricting International students' ability to meet the cost of living be removed.
7. That the taxation of Post Graduate scholarships be abolished.