

Submission

to

Senate Employment, Workplace Relations and Education
References Committee

Inquiry into student income support

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Australian Vice-Chancellors' Committee
the council of Australia's university presidents

***Fundamental change: the way forward for
student income support***

***The AVCC submission to the
Senate Student Income
support Inquiry***

July 2004

AVCC Submission on student income reform

The Australian Vice-Chancellors Committee (AVCC), representing 38 of Australia's universities, welcomes the opportunity to provide a submission to the Australian Senate's Student Income Support Inquiry. The issue of income support is central to considerations of equity and access to higher education.

In this submission the AVCC focuses primarily on part four of the committee's Terms of Reference "alternative student income support measures" and:

- (i) argues for a different approach to income support for people seeking necessary education and training for their longer term future;
- (ii) examines the recent evidence provided by research into student finances and its impact on the learning experience;
- (iii) looks at some relevant international experience; and
- (iv) proposes the way forward to create an effective income support system for Australians while they study.

The first three terms of reference revisit the existing arrangements to consider options to improve them but not substantially change them.

The AVCC considered that such measures are not sufficient. There must be a fundamental change in student income support in Australia to establish student income support arrangements that will provide Australian students with sufficient income during the period in which they are studying.

1. A Different Approach to Student Income Support

The key problem with current arrangements is that students are finding short term employment but to the detriment of their studies and longer term employment capacity.

The emphasis of existing student income support is very much focussed on reducing welfare dependency and increasing self-reliance for those of working age. This is due to it being part of the broader income support safety net where all support for people under 25 is brought together as Common Youth Allowance. In its discussion paper on welfare reform¹, the Government argued that "too many students rely heavily on inadequate income support" and "the income support system does not always provide clear incentives to study".

There is considerable tension between the focus on the need for those of work age to be in employment and the Government's statements on the importance of education. The Government's statement *Our Universities: Backing Australia's Future* states that "education should not simply prepare young Australians for the future – it should equip them to create the kind of future they want" arguing that higher education "educates our future workforce, creates future leaders, [and] drives much of our economic and regional success"².

The income support system deems people to be of working age once they are past the point of compulsory education (15 in most cases). Yet it is clearly acknowledged by all Governments that further education and training to complete year 12 or its equivalent and, for most people, additional vocational training or higher education is essential for ensuring their productive

¹ *Building a simpler system to help jobless families and individuals*

² B. Nelson, *Our Universities: Backing Australia's Future*, pp1, 6.

participation in the workforce in later years. For most people this is best achieved through full time education and training or an effective mix of training and related employment.

A number of State Governments now recognise this formally by extending the effective age of required education and/or training.

This means that for a further five or more years past the age of compulsory education young people from poorer backgrounds need access to an effective income support system which has the goal of supporting them over a number of years to gain the necessary education and training, not one that has the goal of supporting them sufficiently in the short term while they find immediate employment.

Such an income support system should also extend to older workers who recognise the need to substantially upgrade their education and skills to ensure effective longer term employment.

The Government has now created a seven year learning entitlement for all Australians in the *Higher Education Support Act*. **All Australians should also have access to a suitable level of income support through those seven years, with the capacity to renew entitlement at the same rate as renewal of the learning entitlement.**

2. Recent Evidence on Student Finances

***Paying their way*, the AVCC's survey of the finances of 35,000 undergraduate domestic students conducted in 2000, provides substantial evidence that students are struggling financially and, as a result, are engaged in work to a much greater extent than before.³**

The report found that undergraduate students are increasingly falling into two categories: those facing significant difficulty in surviving on student income support; and, alternatively, those who are struggling to find time for proper study as they meet the demands of full or part-time work required to earn an adequate income. One impact is that students take longer to complete their degrees, pushing back their capacity to contribute in the workforce.

The proportion of full-time students who are in paid employment during semester has increased in the last two decades. In 1984 about five in ten undergraduates were employed during the semester. In 2000, more than seven in every ten students were employed during the semester. Part-time students are even more likely to be in paid employment with almost nine in ten working during semester.

Not only are more students in paid employment during the semester, those who are employed are working longer hours. In 1984 full-time undergraduate university students worked an average of five hours every week during semester. By 2000, full-time students worked an average of 14.4 hours a week, or about two days every week - and nearly three times the hours worked by students in 1984.

Many students identified the financial imperative to undertake employment as a problem for their studies. Nearly one in every ten students who are employed 'frequently' miss classes because of that work - or about 33,900 students. Nearly two in every ten students in paid employment say that the work adversely affects their study 'a great deal' - or about 70,600 students Australia-wide.

Other relevant findings of this study include:

³ Michael Long and Martin Haydon, *Paying their Way*, 2001, http://www.avcc.edu.au/news/public_statements/publications/index.htm

- 12% of students obtained a repayable loan in order to continue studies, with the average loan being \$4,000. Those most likely to take out loans were students with low Socio-Economic Status, Indigenous women, students with disabilities and women with dependent children;
- 23% of students stated that their mode of study was affected by their financial circumstances with 54% of part-time students indicating that they would prefer to study full-time if financial circumstances permitted;
- nearly 20% of students who have financially dependent children, miss classes “sometimes” or “frequently” because they cannot afford childcare, pointing to the difficulty of supporting children while studying; and
- 8% of students had their application for Government income support rejected because of the parental income test.

These findings are supported by more detailed studies of smaller groups undertaken by Judith Bessant⁴ and Craig McInnes⁵.

A recent study by Dr Bob Birrell and others from the Centre for Population and Urban Research at Monash University found that the number of full-time students aged 19 and above is growing much more rapidly than those aged less than 19. At the same time the recipient rate for Youth Allowance has declined for those aged 19 and under and increased for those aged 20 to 23. It appears that many students are delaying entry to university or entering as part-time students in order to earn the income necessary to become eligible for Youth Allowance at which time they enrol as full-time students. The study concludes that “at a time when the Government is trying to maximise the skill level of the Australian workforce, current policy discourages young people from entering university or studying full-time.”⁶

3. Overseas Experience

The Euro Student 2000 project provides the results of a survey on the social and economic conditions of student life in nine European Union member countries in the year 2000⁷. The countries covered are Austria, Belgium, Finland, France, Germany, Ireland, Italy, the Netherlands and Portugal. The project provides comparative data across a range of indicators relevant to educational policy.

The Euro Student 2000 study highlights the contrasts between Australian and European students:

- the AVCC study found that 80% of Australian students were employed which is high by comparison to the employment rate in Europe, which ranged from 48% in France to 77% in the Netherlands; and
- Australian students received 51% of their total income from employment which is at the upper end of the range found in Europe, which extended from 24% in Belgium to 54% in Austria.

⁴ Judith Bessant, Student Poverty in the Enterprise University, submitted for publication

⁵ Craig McInnis and Robyn Hartley, *Managing Study and Work*, 2002

⁶ Bob Birrell, Ian R. Dobson, Virginia Rapson and T. Fred Smith, *Higher Education at the Crossroads*, Centre for Population and Urban Research, Monash University, 2003

⁷ See Euro Student 2000: Socio-economic living conditions of students, at <http://www.his.de/Abt2/Auslandsstudium/Eurostudent/index.htm>

The United Kingdom Government White Paper on the reform of higher education released in 2003 announced a major expansion and simplification of student support. Student support arrangements will provide increased support for students from low-income families. This will include the reintroduction of grants for students from low-income backgrounds, and expansion of loans schemes to meet living expenses.⁸ More recently, the UK Education Secretary has announced that the family income threshold for students to qualify for the new university maintenance grants is likely to be raised to meet the government's promise that 30% of students will qualify for the award.

It is clear that Australian students are much more reliant of employment to support themselves through study than students in Europe.

4. Reforming Student Income Support

Based on the comments made by the students surveyed in *Paying their way* students who received government income support found it invaluable and many would not be in higher education without it. There was concern, however, about the level of support provided, the restricted nature of access to it and the strong financial disincentives for students who want to work more than about one day a week. The total income from the limited part-time work that a student can undertake before encountering these disincentives, together with the money from the income-support programs, leaves participants in these programs financially vulnerable, especially in the context of the costs of undertaking university education.

The current system of income support disadvantages in particular young people from moderate income families who are excluded (either partially or totally) from receipt of Youth Allowance because of the family income test and whose families are not able to provide more than food and accommodation. As a result, these students live close to or below the accepted 'poverty line'.

The situation highlighted in the welfare reform paper⁹ (paragraph 41) whereby some adult full-time students receive significantly less income support than unemployed people can create dysfunctional incentives. The incentive should be reversed – to encourage longer term education and training.

The income support system needs to acknowledge the crucial importance of participation in higher education to build individual capacity for long term self reliance. There needs to be appropriate incentives for post-school education and training to create the basis for sustained employment and lifelong learning.

5. The way forward:

There are two main ways for this to occur. The AVCC urges the committee to consider both.

a. A comprehensive student income support payment

The first option is for the Government to separate student income support from the existing Common Youth Allowance by creating a new student income support payment which would be structured to support students over the course of their studies. This would provide significantly higher rates than Youth Allowance and be available to a wider group of students. Its purpose would be to support students over the period of a degree not cover a period of temporary unemployment. This would ensure students have the capacity to meet the cost of capital items such as household goods and study equipment such as computers, avoiding the need to call on schemes such as the former Student Financial Supplement

⁸ UK Department of Education and Skills, *The Future of Higher Education*, 2003

⁹ *Building a simpler system to help jobless families and individuals*

Scheme. A parallel scheme should be created for Indigenous students to recognise the needs of those students.

The incentive created for young unemployed to take up education to receive higher benefits would be to their longer term benefit and also to Australia's through promoting education among younger people.

This approach would represent a significant change in income support arrangements.

b. Expand the Commonwealth Learning Scholarships as an addition to income support

The alternative is to keep the Common Youth Allowance (plus Abstudy and Austudy) as the base income support payment available to students but add to it a comprehensive set of Government scholarships based on the Government's new Commonwealth Learning Scholarships. As exempt from income testing, the scholarships provide an effective means to support students without changing the mainstream income support system.

To make the scholarships effective they should cover at least all students from economically and culturally disadvantaged backgrounds. This would require at least a further doubling of the program. The target should be to provide a scholarship to all students receiving a Government income support benefit and provide others for universities to allocate to students that miss out on income support benefits but who are clearly in financial need to complete their studies.

For university students, the scholarships should match their Student Learning Entitlement such that any Australian who is offered a Commonwealth supported place can, where needed, access a scholarship to ensure they could take up the university place.

Since income support applies to more than students at university, similar scholarships would need to be created for other students in receipt of income support.

In addition to the Commonwealth scholarships, universities provide their own scholarships to support students. These remain subject to income testing for Government benefits, substantially reducing their value to students. All cases of university support for students should be exempt from income testing arrangements.

Recommendations

The AVCC recommends that there be a fundamental change in student income support in Australia to establish student income support arrangements that will provide Australian students with sufficient income during the period in which they are studying.

The AVCC recommends two options to achieve this:

- creation of a separate Student Income Support payment, separate from the Common Youth Allowance, that provides a sufficient income for students during their studies; and**
- substantial expansion of the number and length of the Commonwealth Learning Scholarships such that they provide an effective supplement to the standard income support arrangements.**

In addition, all Government and university scholarships for students should be exempt for the purpose of determining entitlement to Government income support benefits.