

**Senate Rural and Regional Affairs
and
Transport References Committee**

**Inquiry into Rural and Regional Access to
Secondary and Tertiary Education Opportunities**

Submission by Kim Pett

Thank you for the opportunity to participate in our democracy.

The major headings of this submission are aligned with the terms of reference for the inquiry.

The charts in this document should be interpreted in conjunction with Fact Sheet No 24 released by the Australian Government titled *'Student Income Support – Increased Assistance for Students and Families'*.

A. The financial impact on rural and regional students who are attending metropolitan secondary schools, universities, or TAFE

My submission is restricted to the impact on rural and regional students attending universities or TAFE. I have no knowledge of the situation for students attending secondary schools.

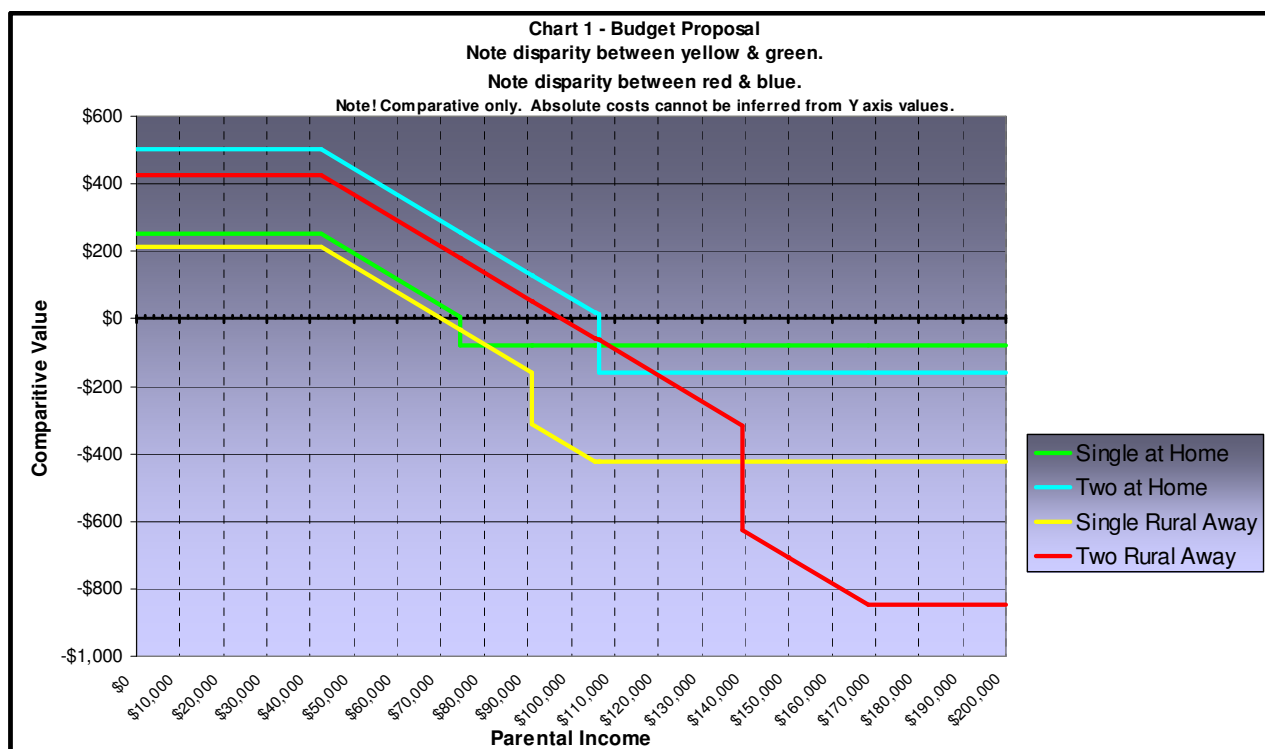
There are many variables bearing on the issue of student income support. The best method of illustrating and comparing costs and benefits for different numbers of students in differing circumstances with different levels of parental income is by way of a chart. Chart 1 below represents student support provisions as proposed in the recent budget and encapsulates the disparity between regional and metropolitan students.

Note! This is a comparison only and includes costs or benefits where a distinction can be made between students living at home whilst studying and those that have to relocate. No attempt has been made to calculate absolute values. Therefore, when interpreting the chart below, the coloured lines should be compared with other coloured lines only, and the values on the Y axis should be interpreted for comparative purposes only. In other words, it is the difference between the coloured lines at a given level of parental income that is important, not the absolute value that is inferred by the values on the Y axis.

See Appendix A for assumptions made in relation to the chart shown over.

Chart 1 – Changes to Student Income Support as Proposed in the Budget

These proposals severely disadvantage rural students.



The Green Line – Comparative Value for Single Student Living at Home

Parental Income	Comparative Value
\$0 - \$42559	YA (\$244.40) + Start-Up – Costs
\$42560 - \$74419	YA tapers to nothing + Start-Up - Costs
> \$74419	No Start-Up. Costs only.

The Yellow Line – Comparative Value for Single Student Living Away from Home

Parental Income	Comparative Value
\$0 - \$42559	YA (371.40) + Start-Up + Relocation + Rent Assistance – Costs
\$42560 - \$90974	YA tapers to nothing + Start-Up + Relocation + Rent Assistance – Costs
\$90975 - \$105469	No Start-Up. No Relocation. Rent Assistance tapers to nothing - Costs
>\$105469	No Rent Assistance. Costs Only

Note the difference between the green & yellow lines, especially for parental incomes greater than \$80K

The Blue Line – Comparative Value for Two Students Living at Home

Parental Income	Comparative Value
\$0 - \$42559	YA (244.40) x 2 + Start-Up x 2 – Costs x 2
\$42560 - \$106279	YA tapers to nothing. + Start-Up – Costs
>\$106279	No Start-Up. Costs only.

The Yellow Line – Comparative Value for Two Students Living Away from Home

Parental Income	Comparative Value
\$0 - \$42559	YA (371.40) x 2 + Start-Up x 2 + Relocation x 2 + Rent Assistance x 2 – Costs x 2
\$42560 - \$139388	YA tapers to nothing. Start-Up + Relocation + Rent Assistance – Costs
\$139389 - \$168380	No Start-Up. No Relocation. Rent Assistance tapers to nothing - Costs
>\$168380	No Rent Assistance. Costs Only

Note the difference between the blue & red lines, especially for parental incomes greater than \$110K

I live with my family in a house that I built myself that has one bathroom, we have two second hand cars, and the family holiday is two weeks in a caravan, we are comfortable enough to be able to fund our own retirement without burdening the state but we are not rich. The key introductory phrase for this inquiry is :-

“equitable access to secondary and post-secondary education opportunities to students from rural and regional communities attending metropolitan institutions, and metropolitan students attending regional universities”

The point of the inquiry is therefore not to compare my family with other rural families, but to compare my family with urban families. I have an urban counterpart, same job, same pay, and we both will have two children attending university concurrently in Sydney. It will cost me approximately \$700 more per fortnight (after tax) than it will cost my urban counterpart to send two children to university. How is this fair?

There is a fundamental inequity between urban students who can continue to live in the family home and get on a different train to go to university, and regional students who must relocate and find expensive urban accommodation.

Until the budget announcements, country kids would take a gap year and work for \$13/hr to qualify for Youth Allowance under the independence criteria. This is not something that they would do if they had a choice. These students would rather go straight to university with their more affluent (or less affluent) cohorts and graduate one year earlier as this allows them to receive a professional salary (and start paying off their HECS debt) one year earlier. A further disadvantage is that for subjects such as mathematics you can forget a lot in a year and it is hard for gap year students to rebuild their momentum. Rural families have to date taken this disadvantage in their stride and accepted that this is the only way to educate their children. These families now feel that their classification by the government as rorters is an insult and that the inequity between rural and regional families and their urban counterparts must now be properly addressed.

Note on the graph that for two students the disparity between living at home (blue line) or away (red line) is not that large until you reach a parental income of around \$120,000 then the gap widens sharply, and the red line disappears over a virtual cliff at \$139,389. It is the presence of sharp declines such as this that have resulted in an over reliance on the gap year and consequently higher costs to government.

Means testing is a blunt instrument that introduces distortions. For instance, income that is salary sacrificed is included as parental income, but recent advice from CentreLink is that losses on a negatively geared investment property are deducted. Means testing that is applied in a guillotine like fashion at a prescribed parental income as proposed in the budget is a particularly blunt instrument. Families with two or more concurrent students will find that the marginal return for the secondary income earner is very poor when compared with resigning in order to reduce parental income to beneath the threshold level.

I understand that there has been rorting of the gap year, and that many urban students from affluent families are receiving Youth Allowance whilst living at home. Interestingly though, the budget proposals make no attempt to retrospectively make these students ineligible for benefits and it is perplexing that the government is however planning to act retrospectively with regard to current gap year students. This is a separate issue that I will address under terms of reference point C.) *The implications of existing and proposed Government measures on prospective students living in rural and regional areas.* The rorting however must be addressed.

The solution to this problem is to remove the sharp declines in support for accommodation whilst simultaneously tightening the independence test, and to recognise that (up to a point) you cannot have a situation where a family has to pay up to \$700 / fortnight more to educate their children based solely on the location of the family home.

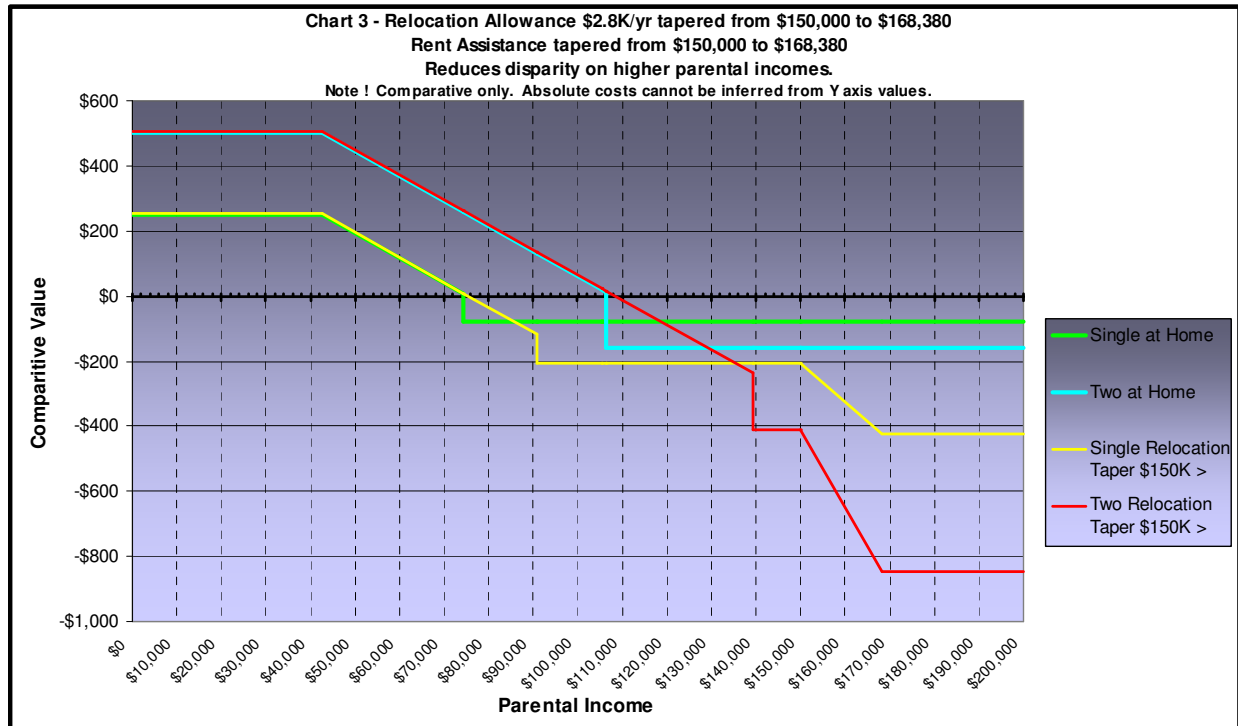
Politicians receive \$215/day *Living Away from Home Allowance* and it is not means tested. I do not begrudge you this as there is a cost for you to live away from your families and this cost is independent of income. Within reason, the same principle should be applied to the cost for kids from the bush to study away from home.

The real cost here is the cost to our society that results from a structural disincentive for kids from the bush to relocate to the cities to study as it is these students who are far more likely to return to the bush as professionals. If you take a holistic view, eliminating this disincentive is in fact, not a cost.

Chart 3 below illustrates a revised treatment of Rent Assistance and Relocation Allowance. Amending these two components will address the locational inequity in a well targeted fashion, and if the tighter conditions proposed for the independence test are retained, rorting of the system will become much harder.

Chart 3 – Amend Relocation Allowance to \$2.8K/yr with taper from \$150K-\$168.38K Taper Rent Assistance from \$150K - \$168.38K

This initiative largely removes the regional/metropolitan inequity.



The Green Line – Comparative Value for Single Student Living at Home

This line is unchanged from Chart 1

Parental Income	Comparative Value
\$0 - \$42559	YA (\$244.40) + Start-Up – Costs
\$42560 - \$74419	YA tapers to nothing + Start-Up – Costs
> \$74419	No Start-Up. Costs only.

The Yellow Line – Comparative Value for Single Student Living Away from Home

Parental Income	Comparative Value
\$0 - \$42559	YA(371.40) + Start-Up + Relocation + Rent Assistance - Costs
\$42560 - \$90974	YA Tapers to nothing, Start-Up + Relocation + Rent Assistance – Costs
\$90975 - \$150000	No YA. No Start-Up. Relocation + Rent Assistance - Costs
\$150001 - \$ 168380	Relocation and Rent Assistance taper to nothing - Costs
>\$168380	No Relocation Allowance. No Rent Assistance. Costs only.

Note that the green & yellow lines are almost coincident up to parental income of \$90K and the gap between \$150K & \$168,380 is reduced.

The Blue Line – Comparative Value for Two Students Living at Home

This line is unchanged from Chart 1

Parental Income	Comparative Value
\$0 - \$42,559	YA (244.40) x 2 + Start-Up x 2 – Costs x 2
\$42,560 - \$106,279	YA tapers to nothing. + Start-Up – Costs
>\$106,279	No YA. No Start-Up. Costs only.

The Yellow Line – Comparative Value for Two Students Living Away from Home

Parental Income	Comparative Value
\$0 - \$42,559	YA (371.40) x 2 + Start-Up x 2 + Relocation x 2 + Rent Assistance x 2 – Costs x 2
\$42560 - \$139388	YA Tapers to nothing. Start-Up + Relocation + Rent Assistance – Costs
\$139,389 - \$150,000	No YA. No Start-Up. Relocation + Rent Assistance - Costs
\$150,001 - \$168,380	Relocation and Rent Assistance taper to nothing - Costs
>\$168,380	No YA. No Rent Assistance. Costs only.

Note that the blue & red lines are almost coincident up to parental income of \$106K, and the gap after that is much reduced.

Note that revising the Relocation Scholarship from \$4000 in the first year and \$1000 in subsequent years to \$2800 every year makes the green and yellow lines almost coincident up to a parental income of about \$90,000 and makes the red and blue lines almost coincident up to a parental income of \$106,000. This measure therefore totally eliminates the inequity up to these income levels.

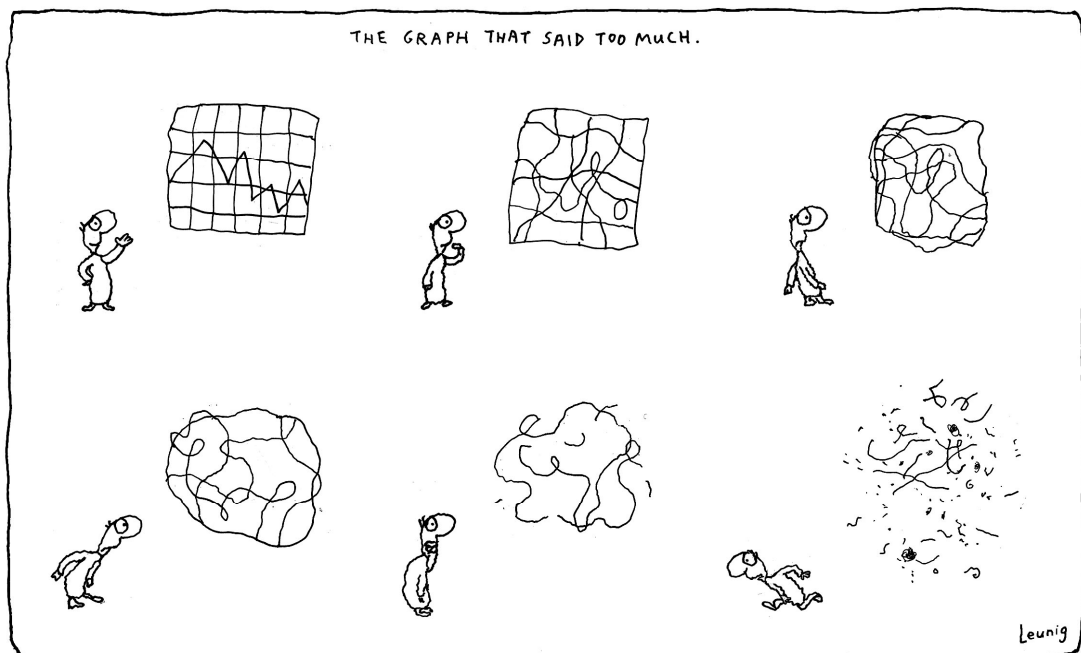
Note that for higher parental incomes that my proposal is for Relocation Allowance and Rent Assistance to taper from \$150,000 to \$168,380. I have chosen \$150,000 for the start of the taper as this is the income level that has been chosen by the government for means testing of the Private Health Insurance Rebate. I have chosen \$168,380 for the end of the taper as this is the income level that the government is already proposing for the end of the taper for Rent Assistance.

The adoption of a taper for Relocation Allowance instead of a guillotine will be a substantial incentive for rural families at the higher end of middle income to make the decision to fund the disparity themselves instead of waiting for two years in order for their students to qualify as independent and receive full Youth Allowance. This measure will actually save money as follows :-

I am proposing an increase for Relocation Allowance from \$7K/4 = \$1750 per year to \$2,800 per year, this is an additional \$1050 per rural student per year but please bear in mind that if the current proposals are adopted then many rural students will have no choice but to qualify for independence. This will delay their university entry for two years and therefore compound the disadvantages of this strategy as outlined above, and will cost the government :-

Youth Allowance	\$9656
Relocation Scholarship	\$4000
Rent Assistance	<u>\$2891</u>
	\$16547 per rural student just in the first year.

I am not a rorter intent on abusing the system, I am only interested in equity between rural and urban families when it comes to the responsibility that I have to secure the best education that I can for my children. I believe that the solution offered in Chart 3 is both equitable and affordable.



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B. The education alternatives for rural and regional students wanting to study in regional areas.

This enquiry has a focus on equity.

For rural and regional students wanting to study in the same town as the family home there are no equity issues.

For rural and regional students wanting to study in a regional area other than their home town the issues of equity are as outlined for terms of reference issue A. If a student is good enough to gain entry into a more highly valued course in a different town then they should not face structural disadvantages.

C. The implications of current and proposed Government measures on prospective students living in rural and regional areas.

Current Government Measures

The existing measures have created a distorted environment on two counts.

Firstly these measures force rural and regional families into employing the gap year strategy as a means of funding the additional accommodation costs of a student attending university in a city. Essentially these families are addressing a locational inequity with a measure designed to address a financial inequity. There are many disadvantages associated with this strategy as pointed out in Terms of Reference Item A. Middle class rural students would rather go straight to university with their more affluent (or less affluent) cohorts and graduate one year earlier as this allows them to receive a professional salary (and start paying off their HECS debt) one year earlier. A further disadvantage is that for subjects such as mathematics you can forget a lot in a year and it is hard for gap year students to rebuild their momentum.

Secondly the existing Government measures are being rorted by urban students taking a gap year to meet the independence criteria for entitlement to Youth Allowance and living a comparatively affluent lifestyle whilst going to university and living at home with their parents. This practice must be stopped for obvious reasons.

Proposed Government Measures

I can see that the government is attempting to address the rorting as mentioned above by making it harder to meet the independence criteria and this is admirable but I believe they have received very poor advice on this and the measures proposed are akin to using a sledgehammer to crack a nut. They have failed to consider the impact on current gap year students from the bush.

Regional and rural families with students taking a gap year this year will be severely disadvantaged by the way in which these measures have been introduced in a retrospective fashion. Current gap year students made their decisions on information provided to them by CentreLink at the time. Many gap year students would not have taken a gap year had they known that the goal posts would be shifted and now feel that they have wasted a year of their life earning \$13/hr when they otherwise may have struggled into university this year and gained a professional salary one year earlier. Many parents have made financial, career, and even place of residence decisions in good faith based on government advice at the time that their students left school. These parents have been in limbo since budget night and are still unable to make informed decisions about their lives.

Advice given to current gap year students should be honoured and they should not be retrospectively disqualified from the classification of independent status based on rules that have been changed since they made their decision.

D. The short and long term impact of current and proposed Government policies on regional university and TAFE college enrolments.

Current Government Policies

Current government policies do not have a distorting affect on enrolments for regional tertiary institutions but this is inadvertent in that currently students can work a gap year to qualify for independence and therefore fund accommodation in a regional TAFE or university, and this is independent of the location of the family home.

Proposed Government Policies

The proposed government policies will introduce distortions into the demographic mix for enrolments in regional tertiary institutions. It will be more difficult for regional students to take up offers of entry into more highly valued courses in the cities, and it will be more difficult for urban students to take the opportunity to study in the country. This will result in the regional tertiary institutions being populated almost entirely by kids from the bush, and conversely reduce the number of rural students studying in city universities.

As a result of the government proposals many regional students will accept places in their local TAFE or university even though they have attained marks that would gain them entry into more highly valued courses in the cities because they can no longer adequately support themselves in a city. As rural and regional students are more likely to return to the country as professionals the proposed policy will result in further reduced availability of professional services in the regions. This is contrary to stated government policy of trying to encourage professionals to practice in regional areas.

Proposed government policies will also introduce distortions into the UAls required for admission into urban and regional tertiary institutions. Demand for entry by locals into regional institutions will increase and this will place upward pressure on UAls. The number of regional students seeking entry into city universities will decrease and this will place downward pressure on UAls. This is a further indication that the government has received poor advice as the outcome of the proposed policy will be that regional students will find it harder to fund an education in the city and also find it harder to qualify for entry into a local institution whereas city kids will find it easier to gain entry into the city institutions. This is not a good outcome.

E. The adequacy of Government measures to provide for students who are required to leave home for secondary or post secondary study.

Until the release of the budget there were measures available for students required to leave home to study but these were de-facto measures in that these students were largely reliant on the gap year to meet the independence criteria to qualify for Youth Allowance. As stated in my response to terms of reference items A & C, this is not something that they would do if they had a choice. These students would rather go straight to university with their more affluent (or less affluent) cohorts and graduate one year earlier as this allows them to receive a professional salary (and start paying off their HECS debt) one year earlier. A further disadvantage is that for subjects such as mathematics you can forget a lot in a year and it is hard for gap year students to rebuild their momentum. Until the budget release outlining the new proposals for student income support the government measures could be described as adequate, but hardly ideal for non-urban students.

The proposed new measures to provide for students who are required to leave home to study can only be described as inadequate as it will be much more difficult to meet the independence criteria and the proposed Relocation Scholarship is inferior to the Commonwealth Accommodation Scholarship that is being replaced.

My response to these proposals is outlined in my response to terms of reference Item A and includes inexpensive and practical alternative measures that will also eliminate roting. I recommend these measures to you.

F. The educational needs of rural and regional students.

The educational needs of rural and regional students are the same as their urban counterparts, we are not from a different planet. The accommodation needs associated with tertiary education however can be quite different in that non-urban students generally have to relocate to attend university.

Until the proposed changes to student income support were announced there was a de-facto mechanism that supported the additional accommodation needs of non-urban students. These students took a gap year to meet the independence criteria to qualify for Youth Allowance and this adequately supported away from home accommodation. As stated in my response to terms of reference items A, C, & E, this is not something that they would do if they had a choice. These students would rather go straight to university with their more affluent (or less affluent) cohorts and graduate one year earlier as this allows them to receive a professional salary (and start paying off their HECS debt) one year earlier. A further disadvantage is that for subjects such as mathematics you can forget a lot in a year and it is hard for gap year students to rebuild their momentum. The gap year was taken by non-urban students not as a rort, but as the only way that families could fund their accommodation in a city.

The new proposals for student income support remove this means of funding accommodation and the proposed Relocation Scholarship of \$4K in the first year and only \$1K in subsequent years with a guillotine at a parental income of \$90974 is inadequate and introduces distortions as outlined in my response to terms of reference item A.

My response to terms of reference item A also outlines inexpensive and practical alternative measures for addressing the inequity between urban and non-urban students that will eliminate rorting. I recommend these measures to you.

G. The impact of government measures and proposals on rural and regional communities.

At a superficial level my community is outraged at the proposed new measures for student income support. We feel that we have been abandoned and we cannot understand how the government and the metropolitan media can fail to appreciate the impact that these proposals will have on rural and regional communities. For years our students have been coping the disadvantage of not being able to make a seamless transition from school to university and the fact that the government is now seeking to classify us as rorters is outrageous.

At a non-superficial level the impact on rural and regional communities will be far reaching. It is a well established fact that the likelihood of students from the bush returning in a professional capacity is far greater than the likelihood of a city student relocating to provide professional services in the country. Encouraging professional people to practise in the country is stated government policy but making it harder for students from the bush to study in the cities runs contrary to this policy.

H. Related Matters

A related matter that does not quite fit into any of the terms of this inquiry is the affect that the new proposals for student income support will have on enrolments for tertiary institutions in the cities. Under the proposed conditions, many rural students currently on a gap year will be forced to somehow defer their entry into university for a further year. This will mean a shortage of students in the coming year that will have to be addressed by lowering the UAI followed by a glut of students in the following year that will have to be addressed by raising the UAI. The result will be a distortion in entry levels that could otherwise be avoided.

Conclusions

Please note the introductory paragraph for this inquiry :-

“An assessment of the adequacy of Government measures to provide equitable access to secondary and post-secondary education opportunities for students from rural and regional communities attending metropolitan institutions, and metropolitan students attending regional universities or technical and further education (TAFE) colleges”

It is easy to miss the point of this inquiry, and some will deliberately seek to do so. The issue is one of equitable access to education opportunities **based on location**. If the proposed Government measures are enacted as legislation it will cost me at least \$700 per pay packet more than my urban counterpart to support two students at university in Sydney. This is clearly inequitable.

This debate has crystallized into two issues as follows :-

- 1.) The retrospectivity of the proposed changes on current gap year students.
- 2.) The affect that tightening of the independence test will have on rural students who must relocate.

The Social Inclusion and Participation Group of the Department of Education, Employment and Workplace Relations has responded in a generic fashion to those that have voiced their concerns. This response emphasises some of the positive measures that have been announced and draws attention to the number of independent students **living at home** with high levels of family income. This response however, misses the point. This debate is about students who have to **live away from home**. The generic response also fails to address the key issue of the retrospective nature of these changes on current gap year students.

I am conscious of the fact that simply complaining about the proposed changes without offering a solution is not helpful.

I recommend to you the long term solution to the inequity that the current proposals are exacerbating between urban students and their non-urban counterparts as outlined in my response to terms of reference item A.

In the short term, advice given to current gap year students should be honoured and they should not be retrospectively disqualified from the classification of independent status based on rules that have been changed since they made their decision. The proposed new criteria for independent status in the context of eligibility for Youth allowance must not be enacted until 2011.

Since budget night the government has twice amended the proposed income threshold for employee share schemes. Interestingly, the first proposal was for an increase from \$60,000 to \$150,000 (the threshold that I am proposing for tapering of the Relocation Allowance and Rent Assistance). The latest proposal is to increase the threshold for employee share schemes to \$180,000. Claims that amendments to the budget proposals for student support should be revenue neutral therefore have no validity.

