

AUSTUDY DEPENDENCE AMONGST STUDENTS IN AUSTRALIA



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Some students' parents appear to be securing government subsidies for their children's education because of their capacity to avoid the means test on Austudy. There is evidence for this in elite private schools and in tertiary institutions. Some wealthy overseas born parents may have an option to manipulate the migration program to obtain HECS places and Austudy for their offspring.

Austudy is the name of the government scheme which provides financial assistance on a non-competitive basis to approved secondary and undergraduate tertiary students aged 16 or over. The standard maximum annual payments in 1994 (for students living at home) were \$3,449 for 16 to 17 year-olds and \$4,148 for those 18 and over. In 1993-94 total Austudy payments reached \$1.45 billion. However, as with many Australian social assistance packages, Austudy is means-tested in order to restrict help to the less affluent. In 1994, the parental income (both parents) threshold was set at the austere level of \$21,000 per annum. The Austudy payment was reduced by \$1 for every extra \$4 of parental income beyond this level to a minimum annual payment of \$1,000. For assets, the limit beyond which no Austudy payments are made is \$369,350 (not including the family home). However, for tertiary students aged 23 or over, there is no parental income or assets test.

There has been much debate about the effectiveness of the government's procedures for carrying out the means test. Its foundation is taxable income. It is therefore possible for families who have managed to minimise their taxable income through such mechanisms as family trusts, or by 'hiding' assets to become eligible. Yet a family in which both parents were low paid process

workers would probably be ineligible. In 1991, the House of Representatives Standing Committee on Employment, Education and Training reported that 'While the committee accepts that the use of taxable income is an administratively simple means of assessing Austudy eligibility, in many cases it is an extremely poor measure of a person's ability to meet education casts. Over a billion dollars in fringe benefits, which are not included in taxable income, are paid each year to employees. In addition, taxable income can be reduced through such mechanisms as negatively geared property'.¹ This report plus widely noted parliamentary comment at the time, such as that students receiving Austudy 'were driving to university in their Volvos', has ensured Austudy arrangements remain controversial.² The potential for some higher income parents to reduce their taxable income and thereby enable their children to become eligible for Austudy was also noted in Chapman's 1992 review of Austudy.³

The Australian Government has sought to prevent such anomalies. It demands a variety of accredited financial data from the claimant's family before making the Austudy payment. It has also responded to some of the Standing Committee's recommendations concerning modifying reliance on taxable income as the basis for the means test. From 1995,

negative-gearing losses on rental properties will be excluded from taxable income. While this is a welcome initiative, it is questionable whether this reform will mollify critics. Recent tax statistics show that 21 per cent of employers and self-employed people paid no tax in 1992-93, including some surgeons earning as much as \$1 million a year.⁴

Our inquiry has been framed in this context. Preliminary work was directed at investigating rates of Austudy dependence by various categories of schools (in the case of secondary students) and country of birth groups (in the case of tertiary students). In order to do this we first had to gather compatible data sets covering: a) Austudy recipients by age, type of school or tertiary institution, and country of birth; and b) enrolment of students in the age and course categories eligible for Austudy by type of school or tertiary institution and country of birth. These data are not published, and are difficult to procure. It is not surprising therefore that there have been no previous reports on Austudy dependency rates. However, we were able to construct these rates from unpublished enrolment data held by the Centre for Population and Urban Research and from unpublished Austudy recipient data supplied by the Department of Employment Education and Training (DEET).

Table 1 provides the number of Austudy recipients by type of school or tertiary institution attended in 1993.

Table 1: Austudy Recipients, 1993

	No. of recipients	Per cent of total
University	154,337	32.9
TAFE	76,348	16.3
Private providers/other	10,452	2.2
Government schools	179,955	38.4
Non-Government schools	48,064	10.2
Total	469,156	100.0

Table 2 provides approximate dependency rates for secondary students, by school category. Nearly 135,000 private school students were aged 16+ and were therefore potentially eligible for Austudy. Of these, 48,064 were beneficiaries. This represents an Austudy dependency rate of just under 36 per cent. It is not surprising that many private students require support, since the private schools include those in funding category 10 (23,915 recipients) which are predominantly systemic Catholic schools attended by many less affluent students. For this category the dependency rate was over 39 per cent. However, it is surprising that there were so many recipients amongst those attending elite schools. There were 1,603 Austudy recipients amongst the students attending the 53 schools which make up Category 1 private schools. This constitutes a dependency rate of 12.2 per cent. Category 1 schools receive the lowest per capita state-aid funding assistance from the Commonwealth government and charge high fees (up to \$7,000 per year). On the surface it seems unlikely that parents able to afford such fees could have children eligible for Austudy. Some may be scholarship holders. Others may be from families who, though rich, have been able to 'arrange' their affairs so as to reduce their taxable income and assets below the Austudy thresholds.

Table 3 indicates Austudy dependency rates by country of birth among full-time undergraduate students who are Australian residents. For all such students the rate was 53.2 per cent in 1993. Though the Austudy means test appears to be severe, the proportion of students receiving assistance has increased. In 1987 Austudy replaced an earlier benefit also means tested, called the

Table 2: School enrolments aged 16+ and Austudy recipients, 1993

Private funded schools category	No. of full time enrolments 16+	No. of Austudy recipients	Per cent dependent on Austudy
1	13,156	1,603	12.2
2	8,443	1,172	13.9
3	15,383	2,825	18.4
4	1,923	509	26.5
5	1,416	493	34.8
6	3,645	1,127	30.9
7	1,920	626	32.6
8	6,396	1,526	23.9
9	8,391	3,184	37.9
10	61,132	23,915	39.1
11	9,514	3,769	39.6
12	1,887	492	26.1
Unfunded	1,110	-	-
Funding category unknown	-	6328	-
Total private schools	134,316	48,064	35.8
Government schools	279,941	179,955	64.3
Total all schools	414,257	228,019	55.0

Source: Department of Employment, Education and Training

Tertiary Education Assistance Scheme (TEAS). In 1979, 41 per cent of eligible higher education students received TEAS and in 1984, 37 per cent.⁵

Given the austerity of the means test and the well-known fact that tertiary students are drawn disproportionately from higher socio-economic class families, current dependency on Austudy appears to be high. The dependency rates for the Vietnamese-born (95.6 per cent) and Lebanese-born (84.1 per cent) are particularly high. This should not surprise, however, given that these students come from predominantly working-class communities. The relatively high dependency rates for students born in Hong Kong and, to a lesser extent, Malaysia require more analysis, since migrants from these countries are located at the upper end of the socio-economic spectrum. In what follows we

focus on this issue, both as a case study of Austudy's rules and of the dilemmas raised by immigration.

AUSTUDY AND STUDENTS OF MIGRANT ORIGIN

In previous issues of *People and Place* we have explored trends in the enrolments of tertiary students born overseas.⁶ It was noted that the requirement that overseas-born students who do not hold permanent residence status pay a 'full fee' varying from \$9,000 to \$25,000 per year gives such students an incentive to obtain permanent residence status. In some instances foreign students may achieve permanent residence through a 'change of status' claim after arrival in Australia (for instance by marriage to an Australian resident, or through the 1 November 1993 'amnesties' currently being processed).⁷

However, for many families resident outside Australia and interested in sending their children to Australian universities, one means of avoiding the overseas student full fee is to tailor the family's immigration movements to their children's educational needs. Once a principal applicant gains a permanent entry visa, whether as a Business Migrant, Independent or any other migrant category, dependent children can be included in the application. (Dependent children are defined as children under the age of 18, plus those 18 or over who live in the family home as dependents, including students.)

The financial advantages in obtaining resident status (relative to full-fee overseas student status) are considerable. Residents contribute to their tertiary education via the Higher Education Contribution Scheme (HECS) which in 1993 was \$2,328. Students can elect to either pay this contribution up front to receive a 25 per cent discount (15 per cent in 1993), or to defer their liability to be repaid (on a sliding scale) via the taxation system once their salary reaches \$26,402. (The only exception to this rule is for New Zealanders who must pay up front if they have been resident in Australia for less than two years.) However, should a student decide to pay via the deferred tax option, then leave Australia on the completion of their course, they may make no contribution at all.

By 1993 there was a large number of students enrolled in tertiary institutions

Table 3: Austudy dependency rate: undergraduate students in tertiary education by country of birth

	No. of full-time enrolments	No. of Austudy recipients	Dependency rate (%)
Australia	226,810	117,518	51.8
New Zealand	4,214	2,651	62.9
UK	10,194	5,948	58.3
Canada	895	392	43.8
Italy	356	214	60.1
Greece	315	215	68.3
Vietnam	5,649	5,400	95.6
Hong Kong	4,576	2,349	51.3
Malaysia	3,742	1,737	46.4
Lebanon	640	538	84.1
Turkey	302	195	64.6
Other	32,401	17,180	53.0
Total	290,094	154,337	53.2

Source: Austudy recipients, DEET Enrolments, Centre for Population and Urban Research

with permanent residence status who had arrived in Australia since 1986. The largest number of these came from Hong Kong (3,969), United Kingdom (2,944), and Malaysia (2,651). Access to higher education on local terms is only one of a number of factors shaping decisions to migrate to Australia. In the case of Hong Kong migrants, 'visa insurance' related to the uncertainties of the 1997 Communist Chinese takeover is the dominant concern. However, a recent survey of business migrants indicated that educational opportunities for their children is also a significant factor.⁸ Whatever the original motive for migration, there is evidence of a return pattern, or 'Astronaut Phenomenon' amongst Hong Kong migrants, whereby the principal applicant and perhaps his or her spouse return, but leave their student-aged children in Australia. Whether intended or not, the outcome is that children from these families gain access to higher education on favourable terms. Given the buoyant nature of many Asian economies, it may be that

once the students have completed their education they will leave Australia too.

Except for New Zealanders, who must establish that they have resided continuously in Australia for six months before becoming eligible, all newly-arrived resident students are immediately eligible for income assistance through Austudy on the same terms as other local students.

HECS PAYMENT ARRANGEMENTS

Data on HECS payment arrangement by place of birth for students enrolled in higher education are summarised in Table 4. Overall, nearly three quarters of students elected to meet their HECS Liability via the 'deferred' option. Students born in Vietnam demonstrated the lowest propensity to pay 'up-front'. Students born in New Zealand and Hong Kong were the most likely to pay 'up-front', but even for these two countries, the rate of deferral exceeds two thirds. The deferral rate among Australia-born students was, very marginally, less than the overall average. The data indicate that the majority of students could avoid the HECS obligations altogether should they leave the country. Overseas-born students, like their Australian-born

counterparts, have generally not taken up the option of the relatively generous discount available (25 per cent in 1994) to up-front payers.

AUSTUDY DEPENDENCE AMONG STUDENTS BORN IN HONG KONG AND MALAYSIA

The rate of Austudy dependence amongst Hong Kong-born university students, at 51.2 per cent, is only marginally lower than the 51.8 per cent rate for Australian born students. (See Table 3.) This is not consistent with the impression given in the recent literature, such as Whiteford's study of pension and benefit recipients, that persons born in Hong Kong have very low rates of welfare dependency.⁹ Kee and Sheldon repeat this characterisation (though, like Whiteford, they do not explore Austudy dependence levels). They suggest that the stigma attached to welfare dependency may be one of the factors contributing to this supposed pattern.¹⁰ This is questionable. Older Chinese migrants, many of whom have been sponsored by children formerly resident in Hong Kong, show a relatively high rate of dependency on Special Benefits (particularly the payment allocated to persons in financial hardship

who are not residentially eligible for the old age pension).¹¹ Nevertheless, few Hong Kong-born migrants receive unemployment benefits. The main reason for this is the high socio-economic profile of Hong Kong origin families resident in Australia. Indeed, according to the 1991 census, male persons born in Hong Kong had one of the highest rates of

Table 4: HECS payment patterns, Australian residents by country of birth

Country of Birth	Deferred	Up-Front	Total	Per cent deferred
Australia	264,390	95,386	359,776	73.5
New Zealand	4,293	1,869	6,162	69.7
United Kingdom	15,020	6,031	21,051	71.4
Vietnam	6,806	521	7,327	92.9
Hong Kong	4,297	1,990	6,287	68.3
Malaysia	3,973	1,358	5,331	74.5
All other countries	45,144	13,558	58,702	76.9
Total	343,923	129,713	464,636	74.0

Source: Senate Estimates Committee E., Employment, Education and Training, Budget Estimates, Vol. 3, June 1994

employment in professional and managerial occupations of all birth place groups. Of all Hong Kong born males employed in 1991, 29.9 per cent were employed as professionals and 12.2 per cent as managers. Malaysian-born males have a similar profile with 34.7 per cent employed in the professions and 12.4 per cent as managers. By comparison 11.8 per cent of Australian-born males were employed in the professions and 16 per cent in managerial occupations. British males have a similar socio-economic position.

Given this high socio-economic profile, it is odd that over half of the Hong Kong-born tertiary students should qualify under the income and assets tests for Austudy. Since a high number of business migrants came to Australia from Hong Kong in the late 1980s one would expect this group to possess substantial assets. Well over half this business migration flow, which peaked at 10,600 (including dependents) in 1989-90, came from Hong Kong. Those accepted had to prove that they could bring into Australia at least \$500,000 for investment purposes as well as funds for their personal residence. It is likely that many Hong Kong-born students derive from this business migration flow. Unlike the Independent and Concessional migration categories there was no age factor built into the business migration selection process in the late 1980s. Many of those selected were in the older age bracket with late-teen children. Each Business Migrant visaed from Hong Kong in 1989-90 included an average 3.2 dependents in their visa application.

AUSTUDY ASSESSMENT PROCEDURES

Austudy officials indicate that 40 per cent of Hong Kong-born Austudy

recipients are 'independents', that is, they receive the benefit because they have reached age 23 or can show that they have been self-supporting — as by working for at least three years. As 'independents' they are not evaluated according to the parental income or assets assessment tests. For all students on Austudy the proportion of 'independents' is around 24 per cent. This provides a partial explanation for the Hong Kong situation.

However, the main factor facilitating Austudy recipience amongst Hong Kong and Malaysian-born students is that their relatively affluent families (like their Australian-born counterparts) are in the best position to 'arrange' their taxation affairs. In addition, the 'Astronaut phenomenon', combined with the maintenance of overseas business interests for parents living in Australia, appears to give a further advantage. We examine why this is the case after a review of the scale of this phenomenon.

Kee and Sheldon have shown through an analysis of the 1991 census that it is substantial. At least a third of those born in Hong Kong who arrived in Australia between 1986 and 1991 were absent at the time of the Census in August 1991.¹² It is difficult to give a precise estimate of how many have left since 1991. The information on passenger cards filled in by travellers on arrival and departure from Australia, is not necessarily reliable. Some persons say they are leaving for the short term (less than 12 months) but in fact stay long term (a year or more). The Australian Bureau of Statistics has estimated that there was a net 32,000 loss of these 'category jumpers' in 1992, 11 per cent of whom were originally visaed from Hong Kong.¹³

Another indication of the propensity of Hong Kong migrants to leave

Australia is the difficulty that researchers find in locating them in Australia. The survey firm responsible for the 1988 Business Migration study cited earlier could only locate a small fraction of the business migrants it sought to contact.¹⁴ Similarly, the researchers conducting a pilot longitudinal study of migration settlement experiences for the Bureau of Population and Immigration Research met problems in finding Hong Kong respondents. They sought to interview a sample of migrants arriving in 1991. Though the interviews were sought just four to five months after arrival only 20 per cent of the 102 Hong Kong-origin migrants in the sample could be located. Further inquiries indicated that 49 per cent had already left Australia. Likewise, only 31 per cent of the sample from Malaysia could be contacted, again largely because a high proportion (37 per cent) had already left Australia.

ASSESSING AUSTUDY CLAIMS WHERE PARENTS LIVE OVERSEAS OR POSSESS FOREIGN INCOME OR ASSETS

When persons claiming Austudy report that their parents live overseas Austudy officers require the applicant to produce income and asset records from the home country. Also, parents living in Australia are required to declare income and assets held overseas. Compliance is far more difficult in these cases than it is for cases who only draw an income in Australia and only hold Australian assets because in these cases Australian tax records and certifying accountants are involved. In cases involving foreign income and assets Austudy officers have to depend on unreliable foreign tax records for income records and on certifications by foreign accountants specified by the applicant for asset

records. In effect, compliance is largely voluntary. Short of investing substantial funds in overseas inspections there is not much the Australian government could do to rectify the situation.

Since 1994, Austudy application forms require new applicants to indicate if their parents entered Australia as Business Migrants. If the answer is 'yes', detailed records of their parents' business affairs and assets are required.

This measure will not affect those whose parents entered Australia when the Business Migration program was at its peak in the late 1980s. The government has not made the measure retrospective. There is no requirement for students who renew their Austudy claim (required annually) to provide this information.

CONCLUSION

The government is endeavouring to ensure both that higher education students contribute to the cost of their education, and that Austudy is granted to those applicants in the greatest need. So far as Austudy payments are concerned, the tightening of the eligibility requirements will need to continue. Nevertheless, the system must remain sufficiently flexible to account equitably for both asset-rich/cash poor applicants (e.g. farm-based students) and for students from low income backgrounds.

We sympathise with the view expressed by Austudy officials that the existing situation does not warrant expensive overseas investigations of parental assets or income earned. Nevertheless, our examination does suggest that there is a significant loophole in the system. At a minimum, all such students with Australian residence should, like their New Zealand counterparts, be required to pay their HECS bill up-front.

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THE MANAGEMENT OF THE IMMIGRATION PORTFOLIO UNDER SENATOR BOLKUS

Ernest Healy

The outcome of the 'Menadue' Review of the Bureau of Immigration and Population Research (BIPR) and Senator Bolkus's intervention in shaping the BIPR's 1995 Outlook Conference raise serious questions about the continued independence and impartiality of the BIPR.

Recent decisions by the Minister for Immigration and Ethnic Affairs, Senator Bolkus, raise serious questions about the Minister's preparedness to tolerate open debate about immigration and multicultural issues, and about the measures he has taken to control the debate. Our main focus is the Minister's interference with the Bureau of Immigration and Population Research (BIPR), but to set the scene we review recent Immigration Review Tribunal (IRT) appointments.

IMMIGRATION REVIEW TRIBUNAL APPOINTMENTS

On October 20th, Liberal Senator and Shadow Minister for Immigration and Ethnic Affairs, Jim Short, put a motion before the Senate calling for an inquiry into '...the manner and method of appointment, re-appointment and non re-appointment of members to the Immigration Review Tribunal...'

The Shadow Minister's concerns were triggered by the recent round of Department of Immigration and Ethnic