

Copyright notice

© Copyright Monash University and the author 2002

Within the limits laid down by the Fair Dealing provisions of the Australian Copyright Act 1968 as amended, you may download, save and print article files for the purpose of research or study and for the purposes of criticism or review, and reporting news, provided that a sufficient acknowledgment of the work is made. If you are obtaining an article on behalf of someone else, you may forward a printed copy but not an electronic copy of the article to them. Other than this limited use, you may not redistribute, republish, or repost the article on the Internet or other locations, nor may you create extensive or systematic archives of these articles without prior written permission of the copyright owner.

For further information contact:
Centre for Population and Urban Research
P.O. Box 11A
Monash University
Clayton, Victoria, 3800
Australia.
Phone: 61 3 9905 2965
Fax: 61 3 9905 2993
peopleandplace@arts.monash.edu.au

GOVERNMENT FINANCIAL SUPPORT FOR STUDENTS — THE CASE FOR RADICAL REFORM

Vincent Callaghan

The Australian Government spends a great deal of money assisting tertiary students with living expenses through two programs, Youth Allowance and Austudy, both administered through Centrelink. These schemes are meant to help students from less affluent backgrounds acquire tertiary qualifications. However, their effectiveness in meeting this goal has not been evaluated for many years. The nature of the student population has changed and the schemes now often have perverse and unfair effects. They are also inadequate. They run efficiently, but to what end? On the eve of the implementation of the Nelson report, we need evaluation and reform of student income support urgently.

INTRODUCTION

It is now over a decade since the Report of the House of Representatives Standing Committee on Employment, Education and Training into ‘Student Financial Assistance’;¹ eleven years since the Chapman Review of Austudy; and eight years since the last specific Senate Inquiry into Austudy.² A Senate Inquiry in 2001, although broad in its scope (‘An Inquiry into The Capacity of Public Universities to Meet Australian Higher Education Needs’) did have as one of its considerations ‘the adequacy of student income support measures’.³ However, its report had little to say on this issue.

There have been significant changes over the past years in relation to both the character of post-secondary students and the financial assistance schemes to assist students in their quest for higher educational qualifications and professional career paths. The schemes (Youth Allowance and Austudy) are costly and, although there has been considerable change, there has been no attempt by Government or Government Departments to assess the success or adequacy of these schemes.⁴ It appears that both the Department of Family and Community Services (FaCS) and Centrelink, which administers the scheme, have been far more concerned with demonstrating ‘effi-

ciency’ of throughput and client/customer service than investigating the overall ‘effectiveness’ of the student finance schemes. Consequently, we have schemes which run with relative efficiency but have diminishing relevance to changing student and institutional profiles.

The eligibility criteria for Youth Allowance (YA) were tightened in 1997. Research by the Centre for Population and Urban Research (CPUR)⁵ at Monash University shows that only 36 per cent of full-time undergraduate students under the age of 25 receive any Centrelink benefits.

THE CHANGING CHARACTERISTICS OF TERTIARY STUDENTS

This paper highlights some of the recent changes to student and institutional profiles and their implications for students’ need for and access to financial assistance.

Increasing reliance by students on employment

Students are relying increasingly on part-time employment in order to survive whilst at University or Technical and Further Education (TAFE). Part-time employment is no longer an added extra for students. Rather it is necessary to meet basic needs whilst they pursue their course of study. This is particularly true

in cities where the cost of basics such as rent, food and transport are very high. This high cost of living is known to have a negative impact on students studying in Sydney. (For example, a rural first-year student studying at University of New South Wales (UNSW) was paying \$175 per week in a share house for a bedroom that was a partitioned portion of the garage. This was the best accommodation that she could secure in Sydney. The initial set up costs of the bond of four weeks rent plus two weeks rent in advance left little from her income of Youth Allowance and she had to take two part-time jobs for other necessities.)⁶

McInnis et al. in their July 2000 study *Trends in the First Year Experience*,⁷ point to some significant changes in student profile from their pilot 1994 study. 'The most striking difference [between the 1994 and 2000 studies]...is an increased proportion of students who are enrolled full-time and engaged in part-time work, and an increase in the average number of hours students are employed'.

The students in this study are 'first year' students. The average number of hours of part-time work being undertaken was 12.5. Similar research conducted at La Trobe University⁸ and unpublished research at Deakin University⁹ found consistent patterns of part-time employment by first year students. The Australian Vice-Chancellors Committee (AVCC) commissioned a study in 2000 *Paying Their Way*.¹⁰ This found that the average number of hours worked by students in paid employment was 14.5 hours per week. This is equivalent to two working days per week. The research consistently shows that the benefits from YA/Austudy are insufficient for students to live on without resorting to more hours of part-time employment than is recommended for adequate application to

study programs. The amounts of money students can access from Centrelink have not kept up with the costs they need to pay for rent, food, text books, printing, web access and so on. Universities and other educational institutions, in an increasingly tight budgetary climate, are introducing and seeking cost recovery, putting more and more costs on to students. Costs for photocopying, network/web access, parking, payment for statements of academic records, late-fee costs and so on are adding significantly to students' financial burden.

What is of even greater concern is the evidence from La Trobe University¹¹ and Deakin University¹² studies which show that, for first year students, there is a very strong connection between financial problems and health concerns and a consequent impact on academic performance. The majority of students' reliance on their parents for the whole of their course has a considerable influence on their feeling of independence and their self esteem.

Students who have to live away from home to study

Students who have to live away from home are generally from regional, rural and isolated areas of Australia. However, the group also includes students from urban areas whose course choice requires them to live away from home. This may be because of the time commitment required by their program of study, or travel times involved can be detrimental to the study time available, or to their need for access to suitable part-time work.

Recent research indicates that there is a very clear correlation between the participation rates of regional, rural and isolated students in post-secondary education and their perception of or their ability to, survive financially.

James et al. in the National Board of Employment, Education and Training (NBEET) publication entitled, *Rural and Isolated School Students and Their Higher Education Choices*,¹³ highlight the financial disincentives perceived by students who would need to leave home in order to study. The study states that, 'At least twice the proportion of the least advantaged students believe that the cost of university fees may stop them attending university'.¹⁴

The research goes on to state that rural and isolated students 'are more likely than urban students to perceive discouraging inhibitors and barriers such as the cost of living away from home. The cost of higher education, including fees and living expenses associated with leaving home, are serious inhibitors or barriers'.¹⁵

It is most interesting to note that the former Minister for Education, Training and Youth Affairs, Dr. David Kemp,¹⁶ acknowledges that there are 'huge regional disparities' in participation rates. In the so-called leaked Cabinet document, he states that the current system 'has no capacity to reduce huge regional disparities in higher education. Nineteen to twenty-one year olds in the top five participating areas — affluent capital city suburbs — are five times more likely to go to university than their counterparts in the five areas at the bottom of the list'.¹⁷

Ian Dobson and Bob Birrell, in an article entitled 'Equity and university entrance — a 1997 update',¹⁸ conclude: 'the poor representation of students from low SES areas is not new. The trend towards higher proportions of private school students amongst commencing undergraduates is one manifestation of this situation. Much more needs to be done if universities are to represent truly the socio-economic make up of Australian society'.¹⁹

The real indictment of Federal

Governments over many years is that, although the disparity between urban and regional students has been known for a long time, very little has been done to address the situation. In 1988, for example, following the Country Education Project study, *Three Times Less Likely*,²⁰ there was an acknowledgement that there needed to be a concerted effort to deal with regional disparity. In 1990, *A Fair Chance for All*²¹ indicated that Australia's post-secondary education sector should mirror the social make-up of the Australian population overall.

It is clear from all recent research that, for regional/rural and isolated students, this has not occurred. The most recent available Department of Employment, Training and Youth Affairs (DETYA) performance indicators on access by equity groups are the 1999 data. These show that students from low socio-economic status backgrounds and from isolated areas are participating at 40 per cent of the rate at which they should relative to population share.

Equity issues for students who return to study from the workforce

There are some serious anomalies and inadequacies in Youth Allowance and Austudy as they relate to students who commence studies after a period in the workforce.

Commencing students who are defined by Centrelink as 'long term unemployed', that is, those who have been on unemployment benefits for at least six out of the last nine months prior to beginning studies, are entitled to a special benefit (as of 1 July 2003 this was \$376.70 per fortnight for a single student). If, however, you come straight from the workforce and commence studies, the maximum entitlement, as of 1

July 2003, is \$310.10 per fortnight.

This disparity brings with it a major disincentive to move from work to study. There is a further disincentive for those leaving employment to become full time students. If they have accrued any long service leave or recreation leave, they do not become eligible until the accrued leave is deemed to have been taken. There is even a further disincentive still for those students who have put aside some money to assist them through their course of study. These funds are considered by Centrelink as liquid assets and are subject to a Liquid Assets Waiting Period (LAWP) which can leave students without any benefits for up to 13 weeks at the most critical transition phase of their first semester.

For many of these students aged 25 or above, who will be receiving Austudy (rather than Youth Allowance) an additional disincentive is their inability to access Rental Assistance, which is only available to Youth Allowance recipients.

Students with a spouse/partner

A major disincentive for partnered students to commence study is the very restrictive spouse income test. A student loses 70 cents in every 1 dollar when his/her spouse earns over \$701.86 per fortnight (\$18,248.36 p.a.). This restrictive income test particularly disadvantages married/partnered women with children who wish to further their education. It also disadvantages anyone in this category who wishes to undertake further study in order to increase their employability.

Parental income threshold

In 1991, the House of Representatives Committee reviewing 'Student Financial Assistance',²² showed that the parental income test for dependent students was too low. In 1991, the threshold to test

students' benefits was set at a parental income of at \$19,300 p.a. Twelve years later, the threshold has not changed significantly and stands at \$27,400 p.a.

The difference between the 1991 figure and that for 2003 is purely a result of indexation. There has been no attempt by any Government to review and analyse the threshold against actual family incomes and expenditures. Recent median annual household incomes of families with children are in the vicinity of over \$50,000.

The full allowance is, therefore, only paid to dependent students whose parents are on extremely low incomes. Given the low participation of students from low socio-economic status families, as identified by *A Fair Chance for All*,²³ the income test threshold is clearly inadequate. The low parental income threshold also severely impacts on families with moderate incomes. Where parents' combined taxable income is over \$27,400 p.a. the amount of benefits that the student is eligible for is reduced. For every \$1000 p.a. over that taxable income amount the student loses \$250 p.a. from their possible maximum benefit. This impacts most heavily on students who are studying away from home. The lack of reliable information on the parental income test has caused considerable confusion. There is even a myth that some students are eligible for a 'living away from home' stand-alone (non-income-tested) benefit. Many students enroll in the belief that, because they will be living a long distance from home, they will automatically be eligible for an allowance. The reality can be devastating to their academic career.

Age of independence

At what age is a young person no longer dependent on their parents? The standard

legal answer and the societal norm is 18. Clearly most young people are fully responsible for the day-to-day management of their own lives at 18.

Tertiary students are an exception. In the Government's eyes their age of independence is not 18 but at some variable point in their early to mid twenties. In the early 1990s it was 25. Following representation to the Federal Government by The Australian and New Zealand Student Services Association Inc (ANZSSA) and the National Union of Students, it was reduced to 22. By the time of the 1995 Senate Inquiry into Austudy, the age of independence it was still 22 years. That Senate Inquiry recommended that 'a detailed analysis of the costs and benefits associated with a reduction from 22 to 21 years in the age entitlement to independent rates',²⁴ be undertaken.

This did not happen and, in 1997, the Federal Government reinstated the age of independence to 25 years of age. It is clear that a definition of independence starting at 25 years of age is unfair and unjustified. The impact of continued financial dependence on family of origin income for those in the age group of 18 to 25 is frequently negative. Counsellors and Student Financial Advisers consistently report tensions between students and parents which can be traced back to expectations and tensions about income and competing family needs.

The current age definition of financial independence appears to be of purely budgetary convenience.

The rules on age of independence are inhibiting many year 12 students from proceeding directly from school to University. Many students are now deciding on a gap year. If they take time away and work they may earn the required amount (at present \$15,666) within an 18 month period since leaving

secondary school. This will free them of the parental income test. Centrelink will then consider them to be independent. This will allow them to access the Youth Allowance.

Apart from the variability and lack of logic in the definition of the age of independence, there is also a major disincentive, particularly to students who have completed their initial degree and wish to enhance their qualifications and marketability by doing further studies, such as honours or post-graduate degrees, diplomas and Masters preliminary courses. A reduction in the age of independence would not only make logical sense but would assist students to pursue their studies and assist in the development of the nation's knowledge base, their employability and overall worth to the community.

Personal income threshold

A student on YA/Austudy benefits is permitted to earn some extra money without affecting the level of benefits they receive. This is just as well as the current benefits (maximum \$8060 p.a. including rent allowance, or \$221 per fortnight for living away from home students) is insufficient. The current allowable personal income limit is \$236 per fortnight without affecting the YA/Austudy benefit. But even if the student adds this to their Centrelink benefit the amount is still inadequate. The University of Melbourne (see Table 1) has produced budget sheets for students that estimate annual costs for various categories of students. These are based on 52 weeks of the year for renting students and 31 weeks for residential college students.

Even with the maximum dependent or independent YA/Austudy benefit, plus Rental Assistance, a total of approximately \$9,000 per annum, a

student from an Australian capital city could not possibly survive without considerable hours of part-time employment unless they were living at home with parents whose incomes allowed them to be generous.

It is difficult to appreciate the rationale of putting a restriction on a student's earnings when those earnings are assisting students to survive in their course and succeed academically. The House of Representatives Inquiry in 1991²⁵ recommended that the allowable personal income be raised to \$8,000 in the year and, if earning above that amount, the student should only lose 25 cents in the dollar. In 1993, the personal income threshold for students was raised to \$6,000. If a student earns over \$236 per fortnight, they will lose 50 cents for every dollar they earn over that amount. When a student's income goes above \$316 per fortnight they will lose 70 cents for every dollar they earn. It is quite clear that the costs for rent, textbooks, consumables and the cost of living have increased dramatically since 1993. However the amount of money a student is allowed to earn without a reduction in their benefits has remained unchanged at \$6,000 since 1993.

In those intervening years, the costs incurred by students have increased dramatically. There should be no personal income threshold for students. This is because YA/Austudy is taxed in the same manner as other employment income and students' incomes should be considered in the same way as all Australian taxpayers.

CONCLUSION

In 1992, following a recommendation from the House of Representatives Report, Professor Bruce Chapman²⁶ undertook a review of student financial schemes. Since then, there has been no

comprehensive assessment of the schemes. In 2000, 17 universities financed a review of students' financial support. It is worth noting that DETYA declined to be involved in this study. The Commonwealth Government, which outlays an extremely large amount of taxpayers' money on student financial benefits schemes, has not actually assessed the effectiveness of these schemes in almost twelve years. This is a matter of some concern.

The Nelson report, *Backing Australia's Future*,²⁷ foreshadows a wide range of changes to tertiary education. Many of these will affect students. Do these changes take student welfare into account and their capacity to finish their studies? The answer seems to be no. We have had a recent decision to scrap the Supplement loan scheme as of 1 January 2004 which could seriously disadvantage students who have relied on this scheme to study. We have the proposed introduction of Accommodation and Education Scholarships to assist 'equity' students. Since FaCS and the Australian Taxation Office (ATO) will consider these scholarships to be part of a student's 'earned income', accessing these scholarships may actually disadvantage the very students they have been introduced to assist.

The possible increase in the Higher Education Contribution Scheme (HECS) charges in 2005 by up to 30 per cent by Universities (as allowed by the *Backing Australia's Future* reforms) may further disadvantage students who have to live away from home to study (particularly

Table 1: Annual costs for students

Category of Student	Cost (\$)
Renting house/apartment - shared	17,480
Living at home	8,330
Living in college	13,763
Living in apartment/flat - alone	19,482

rural and isolated students) who already question the value of education against the cost of that education.

Over the past 12 years the student profile has changed significantly. However, policy makers responsible for student financial schemes have not addressed these changes. Now is the time to do so.

Appendix: Case Studies

I have included case studies to highlight in day-to-day terms the problems outlined in the body of this document. The case studies reflect student concerns as reported by The Australian and New Zealand Student Services Association Inc (ANZSSA) and The Student Financial Advisers Network (SFAN) members. These few student issues are but the tip of the iceberg. These actual case studies have been documented and forwarded to the author in his capacity as the spokesperson on student finances to ANZSSA and SFAN.

Employment issues

Jodie is a full-time nursing student at La Trobe University, Bendigo Campus. She is income tested on her parents' income and is eligible for \$105 per fortnight. There are other dependent children in the family and the parents have various loan repayments. They cannot afford to give her regular money. She needs to work. The course she is undertaking has high contact hours and three times a year she had three-week clinical rounds away from the campus. She works stocking shelves in a supermarket at nights, when she can. Her academic performance and her health have suffered greatly.

Renee, a student at Curtin University in Western Australia, is getting \$125 per fortnight from Youth Allowance. Her parents cannot afford to give her any

financial assistance. Their combined income was approximately \$37,500. She needs to get a job but if she earns over \$236 per fortnight she begins to lose her benefit at 50 cents in every 1 dollar earned. She cannot survive without earning more. She is trying to get work for cash in hand, although she knows this is not legal.

Students who have to live away from home

Mark is the first in his family to go to University. He is from Ouyen in Victoria. He has to move. He is to study engineering at Melbourne University. His parents, due to lack of information, assume that he will get 'living away from home' allowance because his home is almost 600 kilometres away. Their combined incomes are \$44,000 p.a. This will make Mark eligible for about \$105 per fortnight. He is also eligible for \$82 per fortnight rent assistance. This is a total of \$187 per fortnight. Mark's parents have been advised that living in College in the first year is recommended. Melbourne University Student Support Services information bulletin indicates that accommodation costs for 31 weeks of the year will be in the vicinity of \$14,163. Mark has had to defer his course.

Returning to study

Nigel is a carpenter who was determined to get a better education. He decided to study Fisheries Management at the Warrnambool campus of Deakin University. Being practical, he knows that he will need some capital behind him since he knows he is going from a salary of about \$690 per fortnight to \$310.10 per fortnight. He saved and put money into his bank account. When he applied for Austudy, he said that he had \$8,000 in his bank account. Centrelink applied the Liq-

uid Assets Waiting Period and will not grant benefits to Nigel for 13 weeks. Nigel has discontinued.

Ruth is in a similar position to Nigel but has \$9,000 in shares as a back up in case anything goes wrong in returning to study. The shares are subject to the Liquid Assets Waiting Period and she will not be granted benefits for 13 weeks at the most crucial time in her academic career.

Student with a partner

Greg is married with two young children. He has a milk bar business but is worried about the economic downturn. He makes a decision to return to study. He began a course at Queensland University of Technology (QUT) in Accounting with enthusiasm and his first assignments were graded with credits. His significant drop in income and the severe income test on his wife's income (she works casual hours as a nurse) have made his continuation as a full-time student impossible. He dropped to studying one subject in the fifth week of the semester.

Parental income test anomaly

Debbie is studying first-year Arts at a university in Sydney. She is living away from home. A year and a half ago, her

mother remarried. Debbie found this second marriage very difficult. Her stepfather has a family of his own and will not take any financial responsibility for Debbie. Even though he pays nothing for Debbie and she is now living away from home, her stepfather is defined within the legislation as a 'parent'. She will be income tested against both his income and her mother's if Centrelink considers that she would 'normally' live with her mother and her partner. She became ineligible for Youth Allowance.

Rent assistance anomaly

Greg commenced his course in 2001 as a mature age student. He was 24 years of age. Being under 25 at the time of commencing his studies, he is a Youth Allowance recipient and is eligible for rental assistance of \$82 per fortnight.

Tony began his course in 2003. He had just turned 25 when he applied for benefits. He is therefore an Austudy recipient and cannot access rental assistance. Greg is now older than Tony but he remains on Youth Allowance because he commenced studies before turning 25. This means that he gets rent assistance and Tony misses out.

References

- ¹ Report of House of Representatives Standing Committee on Employment, Education and Training, *Student Finance Assistance*, Australian Government Printing Service (AGPS), Canberra, 1991
- ² Report on the Inquiry into Austudy, Senate Employment, Education and Training, Committee, June 1995
- ³ Senate Employment, Workplace Relations, Small Business and Education Committee, *Inquiry into Higher Education*, Canberra, 2001
- ⁴ Youth Allowance and Austudy are Australian government benefit schemes to assist students who are undertaking study or training programs. The eligibility criteria are strict and the schemes are administered by the government agency, Centrelink.
- ⁵ B. Birrell, V. Rapson, I. Dobson and T. Smith, *Higher Education at the Crossroads*, Centre for Population and Urban Research, Monash University, May 2003 <http://www.arts.monash.edu.au/sociology/cpur/publications/higher_ed_crossroads.html>
- ⁶ For the source of this example see Appendix, p. 20. These case studies reflect student concerns as reported by The Australian and New Zealand Student Services Association Inc (ANZSSA) and The Student Financial Advisers Network (SFAN) members. These actual case studies have been documented and forwarded to the author in his capacity as the spokesperson on student finances to ANZSSA and SFAN.
- ⁷ C. McInnes, R. James and R. Hartley, *Trends in First Year Experience in Australian Universities*, Department of Employment, Training and Youth Affairs, Canberra, 2000

- ⁸ E. Wilson, *Student Poverty Survey*, La Trobe University, Melbourne, September 2000
- ⁹ L. Thies, V. Callaghan, A. Volders, *A Jump Start....First Year Strategies Project Report*, Deakin University, Melbourne, March 2000
- ¹⁰ M. Long and M. Hayden, *Paying Their Way*, Australian Vice-Chancellors Committee (AVCC), Canberra, October, 2001
- ¹¹ Wilson, op. cit., 2000
- ¹² Thies et al., op. cit., 2000
- ¹³ James et al., *Rural and Isolated School Students and their Higher Education Choices*, National Board of Employment, Education and Training (NBEET), Canberra, 1999
- ¹⁴ *ibid.*, p. xvi
- ¹⁵ *ibid.*
- ¹⁶ D. Kemp, 'Proposals for reform in higher education', Cabinet Submission, Parliament of Australia, Canberra, 1999
- ¹⁷ *ibid.*, p. 3
- ¹⁸ I. Dobson, and B. Birrell, 'Equity and university entrance, a 1997 update', *People and Place*, vol. 6, no. 3, 1998, pp. 83-87
- ¹⁹ *ibid.*, p. 87
- ²⁰ 'Three times less likely', Country Education Project, Melbourne 1998
- ²¹ *A Fair Chance for All*, NBEET, Canberra, 1990
- ²² Senate Estimates Committee, Canberra May 2000, Department of Employment, Training and Youth Affairs (DETYA) response to Question 509
- ²³ *A Fair Chance for All*, op. cit., 1990
- ²⁴ Senate Inquiry into Austudy, op. cit., 1995, p. 14
- ²⁵ Report of House of Representatives Inquiry, op. cit., 1991
- ²⁶ B. Chapman, *Austudy, Towards a More Flexible Approach*, An Options Paper, Department of Employment, Education and Training (DEET), April, 1992
- ²⁷ *Our Universities. Backing Australia's Future*, Department of Education, Science and Training (DEST), May 2003