NUS Research

Submission To Senate Education and Employment Committee

Inquiry into Schedule 6 of the Social Services and Other Legislation Amendment Bill 2013

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NUS welcomes this opportunity to present our views on Schedule 6 of the *Social Services and Other Legislation Amendment Bill 2013*. Given the time constraints we have kept our comments brief but are happy to provide additional information to Senators where we are able to do so.

The Start-Up Scholarships grants, introduced in 2010, are one of the key progressive reforms to improving access to higher education arising from the 2008-9 Bradley Review of Higher Education.

NUS had long campaigned prior to this for a scheme to help needy students deal with accumulated up front study-related costs such as textbooks, course readers, photocopying, computers, internet access, equipment, uniforms and other course related fees and costs not covered by HECS or FEE-HELP.

2012 Study related annual expenditure by full time domestic undergraduates (dollars)[1]

	Low SES Full-Time	Other Full Time Domestic Undergraduate
Textbooks	691	584
Stationary	317	260
Personal Computers	466	479
Other computer costs	446	318
Credit/loan commitments for study	383	175
Other university costs	32	46
Transport To and From	1359	1210
Other study related Items	122	91
Total	$3370	$3163

The Start-Up Scholarships are available to all students on Centrelink student income support payments (Youth Allowance, AUSTUDY, ABSTUDY). In 2013 they received $1,025 at the start of Semester One, and a second payment at the start of Semester Two (a total of $2050). The scholarships cover about two thirds of the average up front study costs (tuition fees and student organisation fees can be deferred through HELP loans).

The student income support reforms associated with the Bradley review provided better targeting of the support but did not increase the base cost of living allowances or rental assistance. The typical student on independent Youth Allowance living away from home is eligible to receive a maximum benefit (inclusive of rent assistance) that is 54.7% of the Henderson Poverty line. The Universities Australia student finance survey[2] released this year found that:

- 18.2% of full time undergraduate students reported that they regularly go without food and other necessities because they cannot afford them;

[1] Adapted from data in Universities Australia, *University student finances in 2012: A study of the financial circumstances of domestic and international students in Australia's university* (E. Bexley et al), Centre for the Study of Higher Education, July 2013, pg 86
[2] Ibid, pg 8

- In terms of paid work the average hours worked by full time students has increased from 14.6 hours in 2006 to 16 hours in 2012. A quarter of employed full time domestic undergraduates are working in excess of 20 hours a week (a level where student academic performance begins to get significantly impaired).[3]

Many students on income support face the dilemma of either living in poverty or doing excessive paid work during the semester that affects their study and may lead to eventual preclusion or withdrawal. In these circumstances the start up scholarships have provided an important circuit breaker at the start of each semester so that students do not skimp on essential study costs.

Unfortunately the funding pool for Start Up Scholarships has already been raided twice since 2010. The amount of the Start-Up grant to students was reduced in 2012 to pay for the re-establishment of gap year workforce participation criteria for inner regional students (to qualify for Independent Youth Allowance). Then in 2012 the government announced that the indexation of Start-Up Scholarship payments would be frozen until 2017.

This legislation shifts the nature of the Start Up Scholarships from a grant to a HECS-HELP style loan. This new arrangement will apply to new students who enrol after Jan 1 2014. Existing students will be grandfathered until they come off student payments.

While an income contingent loans system is preferable to leaving students to face the costs up front NUS is firmly opposed to this measure:

- 1. According to the most recent Universities Australia student finances survey the level of debt that domestic students estimated they would have accumulated on completion of their studies. It has increased from $28,861 (plus CPI) in the last survey 2006 to $37,217 in 2012. This measure will increase low income student debt by a further $6-7,000 for three year degrees and $12-13,000 for six year degrees. [4]

- 2. Australian students already pay amongst the highest fees in the OECD. International studies of similar loans schemes show that high student debts deter many secondary students from disadvantaged backgrounds from aspiring to go to university. [5]This study debt aversion occurs well before year 12 (which is what Australian researchers have almost exclusively looked at). Australian research into study debt aversion in the key low-middle secondary school year (where the key student decisions on whether or not to undertake higher education are formed) is at best scanty.

- 3. The Australian research literature also provides little guide to the tipping point where the level of accumulated study debts causes big changes to student

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[3] Applegate C, and Daly A, *The Impact of Paid Work on the Academic Performance of Students: a Case Study from the University of Canberra*, Discussion Paper, Centre for Labour Market Research, 2005

[4] Universities Australia, *University student finances in 2012: A study of the financial circumstances of domestic and international students in Australia's university* (E. Bexley et al), Centre for the Study of Higher Education, July 2013

[5] See for example a study of the deterrent effect of different hypothetical fee levels on 11-16 year olds in: Sutton Trust, *Young Person's Omnibus 2010* (wave 16): A research study among 11-16 year olds, UK, 2010

enrolment patterns. Britain has reached such a tipping point with its student loans program. Applications by part-time entrants to British universities have fallen by an extraordinary 40% since 2010 following the massive increases in the British HECS-style fees system in 2012.[6] The percentage of accepted young applicants from the lowest socio-economic quintile fell by 2.9% in 2012-13 despite extra scholarships funded from part of the extra fee revenue (reversing a trend of improving low socio-economic enrolments).[7]

- 4. This conversion of grants into loans also raises the fear that other student income support grant programs may be converted into loans schemes by future governments looking for budget savings. There was an optional loans supplement scheme in Australia from 1993 – 2005. The loans scheme differed from the proposed Start Up loans in that students traded in part of their grant to get the loan and repayment of the loans was additional to HECS repayments (ie both loans deducted from graduates incomes at same time). The loans supplement was abolished in 2005 due to the high non-repayment rate. This legislation raises the spectre that a future government could turn Youth Allowance, ABTUDY or ABSTUDY into HECS-style loans. The Scandanavian and central European countries that have some sort of loans program for income support tend to have free education or low tuition fees so the total student debt is not excessively high.

- 5. The Start Up Scholarships were not the product of increased Commonwealth funding for student income support. The Bradley Review, which developed the proposal had been instructed that the changes had to be budget neutral. The funding for the Start Up scholarships came from cutbacks to other parts of the student income support program, most notably restrictions to students qualifying for income support through working in a gap year. The conversion of the scholarships to loans is in effect a double cut to student income support.

- 6. While the legislation states that existing students will be grandfathered the experience with the 2012 increase to HECS for Maths and Science students was that the grand-fathering was quickly abandoned the following year as a budget saving measure.

- 7. The Bradley reforms are a carefully crafted tapestry of deregulation, student income support changes, and the Higher Education Participation and Partnership Program incentives (for universities to improve low SES admissions and retention), to realise the long cherished aim of lifting low SES participation above 20%. Pulling out some of these threads will undoubtedly flow on and undermine other efforts to achieve this important social goal.

- 8. The extent that this legislation acts to undermines this goal is case of short term budget gain leading to longer term budget pain. According to Grattan Institute data the typical Australian male graduate will pay about $500,000 in extra tax (and some study costs) over their lifetime compared to a year 12 school leaver (the figure is around $300,000 for women). [8] Every student deterred from enrolling or

[6] Office for Fair Access, Annual Accounts and Report 2012-13, ordered by House of Commons, UK, July 2013, pg 5
[7] Ibid, pg. 17
[8] Norton A., (2013), Mapping Australian higher education, 2013 version, Grattan Institute, pg. 71

completing their degree by this legislation is also a loss to long term Commonwealth funding far outweighing the commonwealth subsidies for their study.