



Students' Representative Council The University of Sydney

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Submission Inquiry into the Social Services and Other Legislation Amendment Bill 2013

With particular reference to
Schedule 6 : Acts to replace the student start-up scholarship with an
income-contingent student start-up loan

Introduction

The Students' Representative Council represents over 33 000 undergraduate students at the University of Sydney. We have commitment to broaden access to higher education for students from disadvantaged backgrounds and have extensive casework experience providing specific advocacy and advice services for students receiving or seeking income support.

We welcome the opportunity to make this submission to the Senate. The Bill is a significant one effecting the wellbeing of hundreds of thousands of students. We ask that the Senate gives serious consideration to the proposal to replace the student start-up scholarship with an income-contingent student start-up loan, and urge the Senate to not pass this part of the Bill.

Summary

The SRC opposes the abolition of the Start Up Scholarship and its replacement with an income contingent student start up loan for the numbered reasons outlined below.

1.

The existing Start Up Scholarship was the only improvement in the adequacy (or size) of income support payments for students in decades.

2.

The contribution of the Start Up Scholarship raised Youth Allowance, Austudy and Abstudy somewhat closer to, though not over, the poverty line.

3.

Increasing levels of debt and financial stress is clearly evident in recent research into the financial circumstances of students.

4.

The abolition of the Start Up Scholarship would take away \$1.186 billion over 5 years from hundreds of thousands of the poorest students.

5.

The Start Up Scholarship is extremely beneficial in giving student a lump sum of money (for textbooks, computers, and very importantly for Bond and other housing expenses) at times through the academic calendar when they needed it to stay in their courses.

6.

With the Start Up Scholarship families (including regional students) struggling to support their dependents finally got some semester based lump sum support even if the tight income test meant the fortnightly payment was relatively small.

7.

An additional heavy income contingent deferred payment debt is inequitable.

8.

These schemes perform very badly - when something like it was tried before as an education loan it was widely recognized as a failure with particularly bad impacts on the most vulnerable student including single parents and indigenous people.

9.

The introduction of a deferred scheme into Social Security Law is a break with the distinctive Australian social welfare model and sets a significant precedent for the introduction of this form of long term debt for all vulnerable people who rely on social security payments.

Secondarily, The SRC also opposes the grandfathering arrangements in their current form.

- The grandfathering clause in the Legislation offers some limited protection to existing recipients of payments but its operation is inequitable. If a student ceases to qualify (ie goes part-time) and goes off the payment for reasons beyond their control they loose the benefit of the existing scheme. In our extensive casework experience with University students they take breaks from study or go part-time for many unavoidable reasons to do with illness, their family and caring responsibilities, financial crisis, and degree reasons relating to progression and pre-requisites. These vulnerable people should not be subject to the choice of continuing full time education when that is not sensible for their circumstances (and risking failing their study) or if they do take time off deciding if they can afford the loss of money or debt on the new arrangements (and choosing not to return to study).

1.

The existing Start Up Scholarship was the only improvement in the adequacy (or size) of income support payments for students in decades.

The need for increases in the adequacy (or size) of income support for students was finally recognised in the major Review of Australian Higher Education Report ('the Bradley Review') of December 2008 (pp.47-67) . The expert panel saw this as fair, important and necessary for improvements in low SES participation in higher education. It recognized that these payments were inadequate and had not meet the basic needs of poor students facing rising costs particularly in housing. Increases to the size of payments through Start Up Scholarships integrated into the Social Security System were a key part of the Bradley proposals for improvement and reform, implemented by the Government in 2010.

The Bradley Review noted:

The purchasing power of the average income support payment has dropped significantly between 2000 and 2006, as shown in Figure 17, for all benefits and for Youth Allowance.

Expressed in 2000 dollar values, the average Youth Allowance benefit in 2006 buys just under 73 per cent of what the corresponding benefit purchased in 2000. The corresponding figure for average overall income support benefits is 79 per cent.

There has also very likely been an adverse effect on the purchasing power of income support which can be traced in large part to the role of rent increases. Students living away from home are more likely to be using the majority of their incomes to pay rent. Calculations undertaken in Chapman and Lounkaew (2008) suggest that increased rent costs are likely to have had a significant adverse effect on the purchasing power of those on student income support, perhaps by as much as 10 per cent on average over the period 1998-2008, and nearly double this for those living in geographic areas in which rents have increased relatively rapidly such as Sydney, Canberra and Brisbane. As NATSEM noted in its report, While full-time students generally do not have the capacity to earn as much as people working full time, the costs of living they face are generally similar...

Further they noted (our emphasis) :

3.3.6 What needs to be done

*Higher education is becoming less affordable. The panel has concluded that the contributions made by students themselves through **the income contingent loans scheme** are currently appropriate and **should not be increased any further**. However, the arrangements for income support and publicly-funded scholarships need urgent attention.*

<http://www.innovation.gov.au/highereducation/ResourcesAndPublications/ReviewOfAustralianHigherEducation/Pages/ReviewOfAustralianHigherEducationReport.aspx>

2.

The contribution of the Start Up Scholarship raised Youth Allowance, Austudy and Abstudy somewhat closer to, though not over, the poverty line.

'A Guide to Australian Government payments' (20 Sept – 31 December) shows Youth Allowance is currently \$407- per fortnight or \$203.50 per week. Rent assistance (at the common 'sharer' rate) is \$82- per fortnight or \$41- per week.

The Combined total amount is \$489- per fortnight or \$244 – per week.

The Start Up Scholarship added the equivalent of \$39.42 per week to this, bringing the total to \$283- per week.

The Henderson poverty line in June quarter for a single allowee was \$490.37. Presumably it would now be higher.

With the Scholarship included the Youth Allowance payment is 58% of the poverty line. **Without the Scholarship it is 50% of the poverty line.**

<http://www.humanservices.gov.au/corporate/publications-and-resources/a-guide-to-australian-government-payments>

<http://melbourneinstitute.com/miaesr/publications/indicators/poverty-lines-australia.html#y2013>

3.

Increasing levels of debt and financial stress is clearly evident in recent research into the financial circumstances of students.

Students worry about money and about debt. This impacts on their study and on their decisions. The proposed change will further undermine their situation.

We refer the Committee to the study 'University student finances in 2012 ' A study of the financial circumstances of domestic and international students in Australia's universities (Emmaline Bexley, Suzanne Daroesman, Sophie Arkoudis and Richard James for Universities Australia July 2013)

The Press release from Universities Australia (15 July, 2013) noted:

Around two-thirds of students have reported incomes below the poverty line as student debt soars by almost 30 per cent in just six years according to the findings of the University Student Finances in 2012 report.

According to Universities Australia's comprehensive report, soaring personal debt levels - that have risen from \$28,861 in 2006 to \$37,217 in 2012 - have also resulted in far greater levels of financial distress among students, with more than two-thirds of respondents now reporting worries about their financial situation.

The level of financial distress is even greater amongst students from low socio-economic backgrounds and indigenous students, where it jumps to over three quarters and four out of five students respectively.

The survey also finds that the financial demands for almost half of all university students outstrip their earnings.

Other findings include:

** The number of students who believe that the requirements of external work negatively **affect their performance at university** has jumped 10 percentage points to **50 per cent** since 2006.*

** Over a quarter of employed full-time undergraduates work over 20 hours per week.*

** Two-thirds of full-time domestic undergraduate students have incomes of less than \$20,000 a year, below the poverty line, including 21 per cent who have incomes of less than \$10,000.*

** Half of all undergraduate students rely on some form of financial support from their family.*

These new findings build on previously announced highlights from the report including that: 80 per cent of full time undergraduates work an average of 16 hours a week; a third of students report regularly missing classes because of work and 17 per cent said they regularly went without food or other necessities.

"This report clearly shows that financial stress on university students is increasing," said Belinda Robinson, Chief Executive of Universities Australia, the peak body representing Australia's universities.

"While the impact of this on dropout rates and future enrolments is unclear, it is of sufficient concern to justify close monitoring - particular in the context of meeting the government's goal to have 20 per cent of students from low SES backgrounds enrolled by 2020," she said.

<http://www.universitiesaustralia.edu.au/page/media-centre/2013-media-releases/student-debt-and-financial-distress-soar--survey/>

In particular it hits hard certain students including those facing housing stress. The Report itself said

*.. an increasing polarization between the „haves“ and the „have-nots.“ For example, of those full-time, domestic students who indicate that their financial situation is often a source of worry to them, 40.4 per cent are over 25 years of age (compared to 22.6 per cent of those who do not say they often worry about finances). They are also more likely to be renting (41.7 per cent compared with 24.3 per cent of others), and to be financially unreliant on their family (52.8 per cent compared with 35.1 per cent of others). The concern these students express about their financial situation is not unjustified and has real, negative outcomes for them: they are **around three times as likely to have had to defer** because of finances at some point than are others (15.1 per cent compared with 5.2 per cent), and, most tellingly, one in four of those who often worry about finances – 25.2 per cent – indicate that they regularly go without food or other necessities because they cannot afford them, compared to just 1.5 per cent of other students. These findings suggest that policy around income support schemes need to be revisited to ensure that levels of income support are appropriate to the increasing number of non-school leavers entering the system; people who are independent of their family and have a range of adult responsibilities.*

We find positive indications here that changes to student income support are having a positive affect... Yet low SES students were more likely to indicate that they regularly go without food and other necessities than were other students, and also more likely to say that paid employment affected their ability to study. Full-time, undergraduate students from low SES backgrounds were also the most likely group (76.7 per cent) to agree that “My financial situation is often a source of worry to me.”

The financial circumstances of Aboriginal and Torres Strait Islander
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Selected further findings:

☐ *In 2012, more than two thirds of students reported being worried about their financial situation. The level of concern about finances has risen substantially since 2006 – by about twelve percentage points across the board. The highest overall level of concern was expressed by full-time, low SES undergraduates, of whom 76.6 per cent indicated that they were worried about finances.*

☐ *An average of about 17 per cent of students reported regularly going without food or other necessities because they were unable to afford them, and there was an increase from 14.7 per cent of full-time domestic undergraduates in 2006 to 18.2 per cent in 2012 who were regularly going without.*

☐ *The level of debt that domestic students estimated they would have accumulated on completion of their studies was substantially higher in 2012 than in 2006, even when adjusted for CPI. Full-time undergraduates, who in other respects appear to have changed little from the 2006 cohort, had higher estimated levels of debt: from \$28,861 in 2006 (plus CPI) to \$37,217 in 2012.*

☐ *Somewhat fewer domestic, full-time undergraduates were in employment in 2012 (80.6 per cent) than in 2006 (85.5 per cent), yet the average hours worked during semester by all full-time students who were in employment has increased; from 14.8 to 16.0 hours for undergraduates; from 17.0 to 20.1 hours for postgraduate coursework students, and from 8.0 to 10.5 hours for HDR candidates.*

Overall, around one quarter of employed, full-time undergraduates were working over 20 hours per week during semester.

☐ *Increased hours of work are affecting students time undergraduates reporting that their work adversely affects their performance at university. This is a rise of 10 percentage points over 2006 levels. One in three domestic undergraduates, and one six international undergraduates, reported that they regularly miss classes because of employment obligations.* - "educa

☐ *The mean expenditure of domestic, parttime students increased sharply between 2006 and 2012: for undergraduates from \$27,319 in 2006 (adjusted for CPI) to \$37,020 in 2012; for postgraduates coursework students from \$29,075 to \$43,817 and for HDR candidates from \$29,110 to \$41,437.*

☐ *The proportion of domestic students who were in **personal budget deficit** in 2012 was greater than in 2006. Around half of all undergraduates – including Indigenous and international students – had a personal budget deficit. Indeed, there was no group of students where more than one third were experiencing a personal surplus.*

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<http://www.universitiesaustralia.edu.au/page/media-centre/2013-media-releases/student-debt-and-financial-distress-soar--survey/>

4.

The abolition of the Start Up Scholarship would take away \$1.186 billion over 5 years from hundreds of thousands of the poorest students.

Start Up Scholarships grew out of a program of direct Commonwealth scholarship programs, and replaced them. Those 38 345 direct grants (paid by the Commonwealth in 2008) have now gone.

The impact of the current Legislation was laid out in the 2013-14 Budget Papers

The 'savings' were estimate to be:

<i>“Department of Education, Employment and Workplace Relations -</i>			
<i>2013- 14</i>	<i>2014-15</i>	<i>2015-16</i>	<i>2016-17</i>
<i>- 0.9</i>	<i>- 4.3</i>	<i>- 5.6</i>	<i>- 5.5</i>
<i>Department of Industry, Innovation, Climate Change, Science, Research and Tertiary Education -</i>			
<i>2013- 14</i>	<i>2014-15</i>	<i>2015-16</i>	<i>2016-17”</i>
<i>- 46.5</i>	<i>- 231.7</i>	<i>- 423.1</i>	<i>- 481.3</i>

Each Scholarship is valued at \$1025 per semester or \$2050 per year.

The 'saving' of \$ 5.5 million from (we assume) Abstudy in the first full 2016-17. Assuming each student gets both semester payments this means **2682 indigenous students** would not receive the Start Scholarship as a grant that year.

The 'savings' for (we assume) Youth Allowance and Austudy recipients in 2016-17 would be \$481.3 million, meaning **234, 780 Youth Allowance and Austudy students** would not receive the Start Scholarship as a grant that year.

http://www.budget.gov.au/2013-14/content/bp2/html/bp2_expense-16.htm

5.

The Start Up Scholarship is extremely beneficial in giving student a lump sum of money (for textbooks, computers, and very importantly for Bond and other housing expenses) at times through the academic calendar when they needed it to stay in their courses.

The Start Up Scholarship is designed to provide support for students on income support at particular periods of the academic year when they are most at need.

Research such as the 'University student finances in 2012 ' identifies the impact for sudden demands of escalated costs at the start of each semester. Standard textbook cost in even one subject can be up to \$600- per semester. Lap tops cost \$1400-.

The SRC caseworker staff has at times seen the way a lack of necessary money can lead students to not be able to start subjects successfully, and how the absence of textbooks or equipment can even lead to student dropping out.

Most demanding is the costs of rent and bond for student in or seeking rental housing. The latest NSW Government quarterly data reveals the current cost of median rentals in Sydney. As an example a three bedroom house in the Inner City the median rental is \$830- per week, equating to **rent of \$276- per room per week**. In the middle ring (further from the majority of universities and therefore carrying greater transport costs) have a three bedroom house has median rental of \$550- per week, equating to \$180- per room per week. These numbers are considerably higher if a student is not able to share a house ie for single bedroom apartments.

Bond payments are commonly 4 weeks rent: equating to a **bond of \$1100-** a room in a 3 bedroom share house the inner city or \$720- a room in the middle ring.

<http://www.housing.nsw.gov.au/About+Us/Reports+Plans+and+Papers/Rent+and+Sales+Reports/Latest+Issue/>

6.

With the Start Up Scholarship, families (including regional students) struggling to support their dependents finally got some semester based lump sum support even if the tight income test meant the fortnightly payment was relatively small.

Some, though not all, 'dependent' students have parents willing and able to provide some regular though minimal financial support (\$50 per week might be a common sum), even with significant mortgage or other debts of their own. Their capacity to provide larger sums to their children is often very limited.

One of the features of the Start up Scholarship arrangement is that for the first time a student, with a marginal fortnightly rate of student income support payment due to the impact of test on relatively modest joint parental income (which might be only as high as \$70 000), could still qualify for the lump sum of the Scholarship and therefore have the capacity to meet the demands of rental housing and other costs.

Students from regional and isolated communities traditionally have low participation rates in higher education. This is compounded by their need to move out of the parental home to attend university. Changes to legislation relating to Youth Allowance in recent years have explicitly recognised this **disadvantage to regional students**.

The removal of the Start up Scholarship as a grant will again marginalize these and other students who receive little other support.

7.

An additional heavy income contingent deferred payment debt is inequitable.

Income contingent schemes suffer from a range of problems.

A) A deterrent to study for some.

Deferred loans distort who enters higher education and the course they do. HECS is a barrier to access for certain groups in society. SRC caseworkers have experiences of students where financial pressures such as these have been one factor in leaving study and/or not progressing.

Debt aversion is a feature of life of people from low socio economic backgrounds and many mature age students. What defines the lives of people living in poverty is insecurity brought about by a lack of resources dealing with difficult life events and how this compounds multiple disadvantages. Risk is something they are acutely aware of. The 'rational' economist's notion of entering into significant debt as an 'economic investment' in your own 'human capital' to gain a potential return over a 'work lifetime' - is not a meaningful assessment for many people from low socio economic backgrounds.

We also refer you to two reviews of equity research by Fran Ferrier and Yvette Devlin who highlight the barriers HECS creates for low SES, rural and mature age students, particularly in expensive HECS courses such as Medicine, Dentistry law and Vet Science. Debt affects the choices disadvantaged students make about what course they will pursue. The current and earlier Government's support for reduced HECS on National Priority courses such as Nursing and Education (and more recently Maths and Science) are at minimum a recognition that HECS, even when deferred, is a deterring factor in course choice.

<http://www.education.monash.edu.au/centres/ceet/docs/workingpapers/wp64mar06ferrier.pdf> and

<http://www.adcet.edu.au/edequity/advancedsearch.aspx?searchstring=lowses%20poverty%20ses=or&order=alpha&resourcetype=all§or=25,26&category=65,66,67,71,22>

B) Unfair

Income contingent loans can bring individual unfairness. It is appropriate for those that benefit from public education to pay progressive taxation and to make a contribution back to society, but income contingent loans are a bad mechanism for doing this. These are often justified by quoting the aggregate statistics of lifelong earnings that accrue to graduates. Yet they charged on the basis not of an individuals life income but on their enrolment in a course in a particular semester – ie. on a user pays system. If students graduate from a course with a low level of earnings (or say opt for lower paid community or public sector work), or for any number of common reasons beyond their control fail subjects or do not graduate, then they get minimal or no return on the significant debt they have accrued. Progressive income tax is a better way of getting a contribution from those who benefit from public University education.

Income contingent loans also bring generational unfairness. Income contingent systems are a fee that has affected recent generations but not those who preceded them – either in the period of no charges or earlier when grant scholarships paid a large part of the mix. Debt has an impact on housing and family formation for the HECS generation, while tax rates decline and superannuation benefits accrue for the HECS free generation.

Students have already paid their share, with the existing income contingent **HECS debts now totalling around \$23B in 2013**. They do not need more debt.

C) Higher relative 'Private' contributions to getting a University education

Last years OECD Report made it clear that Australia has gone through a period of significant expansion of the private contribution to overall education costs (increasing from 20% in 1996 to 34% in 2012) and declining public investment. Tuition charges are now some of the highest in the world, rivalled only by the United States and Japan.

The OECD has also noted the importance of income support for higher education participation rates:

What's more, the high entry rates seen among some countries that charge no tuition fees may also be due to their highly-developed student financial support systems to cover living expenses, not just the absence of tuition fees. For instance, in Finland, Iceland, Norway and Sweden – four countries with above-average university entry rates – more than 55% of students benefit from public grants, public loans, or a combination of both. By contrast, countries with no tuition fees but less-developed student aid systems – such as Ireland and Mexico – have lower entry rates.

[http://www.oecd.org/edu/eag2013%20\(eng\)--FINAL%2020%20June%202013.pdf](http://www.oecd.org/edu/eag2013%20(eng)--FINAL%2020%20June%202013.pdf)

chart B5.2

Perhaps the most insidious and, in the long term, important effect of income contingent loans is the way it distorts the relationship students have towards their education. Treating education as a commodity narrows the benefits to students and society. The relationship students have towards learning and their teachers is changed in important, but hard to measure, ways. A narrow understanding of higher education leaves less space or opportunity for broader public goods and benefits to a democratic society.

8.

These schemes perform very badly - when something like it was tried before as an education loan it was widely recognized as a failure with particularly bad impacts on the most vulnerable student including single parents and indigenous people.

The Government should recognize past mistakes

The Student Financial Supplement Scheme (SFSS) was an income contingent loan scheme administered by the Education Department , not by Centrelink . It was introduced in the early 1990's for students receiving Austudy (later Youth Allowance and 'Austudy payment'), Pensioner Education Supplement or ABSTUDY.

The SFSS gave short-term relief but was on unjust terms and was unfair to students, trapping them into high levels of debt. The most financially desperate and vulnerable students were the most likely to accept such an unjust deal. SFSS participants were disproportionately from groups often excluded from tertiary education: mature age students, disabled and single parent pensioners, and Aboriginal and Torres Straight Islanders (9,529

ABSTUDY students got SFSS loans in 1999 – 19% of total recipients).

SFSS repayments had to be made at the same time as HECS repayments.

The non-repayment rate was high.

For a **damning summary of the failure** of the SFSS see the parliamentary report of the Closure of the Scheme in June 2003 at

http://www.aph.gov.au/Parliamentary_Business/Bills_Legislation/bd/bd0304/04bd027

9.

The introduction of a deferred scheme into Social Security Law is a break with the distinctive Australian social welfare model and sets a significant precedent for the introduction of this form of long term debt for all vulnerable people who rely on social security payments.

In Australia student income support (including the Start Up Scholarship) in Australia is firmly part of the social welfare system and is embedded in the Social Security Act.

The Australian model of social security has operated since the start of the 20th century as a citizen's right; first with the aged pensions then expanding to broader categories of people, but always as a grant of money not a European corporatist insurance or contribution model. (Castles et al)

Its traditions are social democratic; with an added dimensions of activity and means testing. **It has never been a loan system.** Those students who have meet these activity and means test and who get comparatively low rates of income support should not also be disadvantaged with greater indebtedness.

The introduction of a deferred loan scheme into the Social Security system in Australia also has a danger of setting a precedent for its use with other payments. Vulnerable citizens in need of support from society and who receive Newstart Allowance, or Disability Support Pension or Parenting payment should get that support without the prospect of debt.