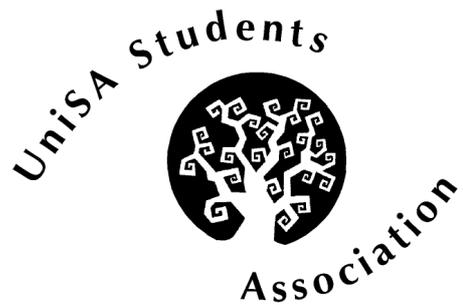


# University of South Australia Students Association



## **Senate Community Affairs References Committee Inquiry into Poverty and Financial Hardship in Australia:**

*Submission from the University of South Australia  
Students Association*

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## 1.0 Introduction

The University of South Australia Students Association is the formal body representing students enrolled at the University of South Australia. It is formally recognised by the University Council. The objects of the Association under its Constitution are, *inter alia*, to promote and defend the interests and welfare of students at the University; and to promote and encourage equity and access for all students of the University.<sup>1</sup>

The Students Association represent around 22,000 domestic students enrolled at the University of South Australia.<sup>2</sup> These students are enrolled in 40 academic disciplines at both the undergraduate and postgraduate level across the University's five metropolitan campuses<sup>3</sup> and the regional campus at Whyalla in the State's mid-north.

The University of South Australia has a strong commitment to equity, articulated in its Statement of Strategic Intent and Act of Parliament. The University's Equity Plan provides for a range of systematic and short term measures to improve access and participation for groups traditionally under-represented in higher education. In 2001, nearly half (48%) of students at the University of South Australia met one or more of the equity characteristics defined by the Department of Education, Science and Technology. In terms of socio-economic status, 23.5% of commencing Australian students in 2001 came from low socio-economic backgrounds. This is just under the benchmark of 25% and approximately 8 per cent higher than the national average for higher education institutions.<sup>4</sup>

Given this equity profile, a large proportion of University of South Australia students are in receipt of government income support and live on low incomes. Analysis of the responses from University of South Australia students to the recent Australian Vice-Chancellors' Survey of Student Finances shows that 70 per cent of full-time students had a gross income of less than \$10,000 per annum (about 5% more than the national figures).<sup>5</sup> These figures match the Association's day to day contact and feedback from students at this University which indicates that many experience financial hardship. The Association has adopted a formal policy on student poverty and student income support, which states that:

*Current Commonwealth income support arrangements do not adequately provide for the basic financial needs of students. The living allowance ... is well below both the level of unemployment benefits and the poverty threshold. The low level of income support and the often restrictive regulations governing eligibility for assistance have done little to offset the deepening poverty of thousands of Australian students. Yet, appropriate and thus increased levels of income support are essential if the Government is to ensure that Australians from all sectors of society have the opportunity to participate successfully in tertiary education.*<sup>6</sup>

The University of South Australian Students Association, therefore, welcomes this opportunity to make a submission to the Senate Community Affairs References Committee *Inquiry into Poverty and Financial Hardship in Australia*.

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<sup>1</sup> University of South Australia Students Association, Constitution, Clause 3.1 *Objects*.

<sup>2</sup> A further 8,000 international students are enrolled in programs offered in South Australia and offshore.

<sup>3</sup> The metropolitan campus at Underdale in the City Western Suburbs is scheduled to close in 2005, with the academic programmes offered at this campus to be transferred to the City West, City East and the northern suburb's campus of Mawson Lakes.

<sup>4</sup> University of South Australia Corporate Plan 2002-2003, July 2002 and Equity Plan, June 2002.

<sup>5</sup> University of South Australia Planning Unit, Analysis of Institutional Report for University of South Australia of *Paying Their Way, A Survey of Australian Undergraduate Student Finances, 2000*, May 2002.

<sup>6</sup> University of South Australia Students Association, Higher Education: Statement of Principles and Policy.

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## 2.0 Overview

This submission will address term of reference 1 (c) “the effectiveness of income-support arrangements in protecting individuals and households from poverty.” The focus of this submission will be on the financial situation of higher education students. In making this submission we do not seek to diminish the plight of other groups in the community who face severe financial hardship, but would like to highlight the situation of students who face a day to day struggle to balance the stress of study with the pressure to cope financially.

Students as a group in the community are often overlooked in discussions of poverty and financial hardship. Student financial hardship is often dismissed as a short-term transition period or indeed as a ‘normal’ part of the student experience. As Judith Bessant, Director of the Social Policy and Advocacy Research Centre, at the Australian Catholic University explains:

*The somewhat romantic idea that student-poverty is a normal part of student life; that it offers some kind of ascetic experience, that it is ‘fun’ or an adventure for young people to live ‘like church mice’ in austere communal households is a common view.<sup>7</sup>*

Unfortunately, the prevalence of such views tends to legitimate student poverty and financial hardship and mask the reality of the difficult financial position that many students experience. The University of South Australia Students Association submits that it is time to move beyond such ‘romantic’ misconceptions and address the real financial needs of students.

Surveys of student finances indicate that tertiary students are amongst the poorest sections of the Australian community. This research shows that the average personal income for full-time students is less than \$9,000 per annum. Many student budgets are in deficit and many students are forced to take out loans to continue with their studies. The low level of benefits and tight eligibility criteria for Commonwealth student income support means that many students are forced to rely on casual and part-time employment to survive. There is growing evidence that financial stress and the pressure of juggling study and employment is creating unreasonable levels of pressure on students and diminishing the quality of students’ educational experience.

For students in the most dire of circumstances, student poverty and financial hardship mean: poor accommodation, inadequate nutrition, adverse effects on health, and psychological stress.

To redress this situation we recommend that:

1. The maximum level of Youth Allowance and Austudy payments be increased to the equivalent of the poverty line.
2. That students in receipt of Austudy payment be eligible for rent assistance; and
3. That eligibility criteria be expanded by increasing the parental income test to 100 percent of average weekly earnings.

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<sup>7</sup> Bessant J, *Student Poverty in the Enterprise University*, Australian Catholic University, 2002, p.10.

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### 3.0 Student financial hardship and student poverty

Most surveys of student financial circumstances conclude that many students are living in financial hardship. The low level of Commonwealth income support for students and the restricted access to payments has contributed to poor standards of living for many students. Student poverty and financial hardship is evident in the numbers of students who are unable to afford adequate or suitable accommodation; miss out on meals or have inadequate nutrition; are unable to afford adequate medical care; are forced to work long hours in poorly-paid casual and part-time work; and experience severe stress and poor psychological health.

A survey of undergraduate students across the six rural and metropolitan campuses of LaTrobe University, in 1999, found that:

- five percent of students overall missed classes due to the cost of childcare, with larger responses at the University's rural campuses;
- 28% of students were unable to afford to run heating when required;
- almost half reported having their health negatively affected by financial hardship, with dental care being the most unaffordable;
- 39% of students were unable to eat adequately due to financial hardship with significant numbers of rural students often going without food; and
- two thirds were engaged in employment as their main source of income, adversely affecting their ability to attend classes and work on their study, a source of considerable pressure and stress on the students concerned.<sup>8</sup>

A 2001 study of students enrolled at metropolitan universities in Melbourne by Judith Bessant from the Australian Catholic University found similar health and safety issues for students living in poverty. It found that 34% of respondents indicated that their income negatively impacted on their health. Of those on inadequate incomes, more than half stated that they cut back on activities such as going to the doctor, dentist or to other health professionals.<sup>9</sup>

The study also examined the relationship between poverty and the quality of student life. Students attempting to study and engage in paid employment complained of lack of sleep, inability to concentrate in classes, having no time to relax between work and study, and not having sufficient time to spend with family and friends. The insecurity of part-time and casual employment and the changeable hours associated with casual employment also impacted on students. They found it difficult to plan study activities and were uncertain about their level of finances from week to week.<sup>10</sup> The pressure to survive financially through part-time work has a major detrimental impact on the study patterns of many students. The pressures to survive often mean that it is extremely difficult to balance the time devoted to study with that devoted to paid employment. When students cannot balance these competing commitments it is often study that is adversely affected, with students reducing their commitment to study and the quality of their educational experience. As Bessant explains:

*When students attend classes exhausted by their employment, when students can hardly stay awake after a night of stocking shelves at the local supermarket, or similar nightshift work, the value of their education experience is dubious.<sup>11</sup>*

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<sup>8</sup> Wilson E, Report on the Student Experience of Poverty at La Trobe University, September 2000, pp. 1-2.

<sup>9</sup> Bessant J, op cit, pp. 9-10.

<sup>10</sup> Ibid, p. 7.

<sup>11</sup> Ibid.

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Two in-depth studies of student poverty have been conducted at the University of Ballarat. These studies grew out of a community response to media reports in the early 1990s that students at the University were living in caves and begging for food. The first study consisted of structured interviews with 54 students on their 'economic circumstances'. It found thirty four of the students interviewed (64%) were living under the poverty line. The study also assessed a number of 'cultural' indicators of poverty. It found that three of the indicators had been widely experienced over the past year: deferring medical or dental treatment for more than a month, being unable to buy essential texts or materials for study purposes, and avoidance of purchase of clothes for financial reasons. In addition, the study found that thirteen students (24.1%) had been two or more weeks behind in their rent, twelve students (22.2%) had gone without food for financial reasons in the past month, eleven students (20.4%) had missed classes because they could not afford transport, and thirteen (24.1%) had missed classes to go to employment. They found that one student had slept in their car.<sup>12</sup>

The second study involved in-depth interviews with seventeen full-time students from the University of Ballarat who were living on low incomes below the poverty line. All participants in this study had annual incomes of \$9,000 or less, with the lowest reporting an annual income of \$5,500. Fourteen participants were in receipt of AUSTUDY, and most were either working casually or part-time (11 respondents) or seeking employment (3 respondents). The use of in-depth interviews enabled students to discuss their "coping strategies" for surviving financially. These included:

- having to be dependent on others or accept help from charities or friends;
- taking out loans to cover debts or overusing credit cards;
- selling essential items such as vehicles;
- having to scrounge for food from waste bins;
- being involved in illegal activities;
- having to increase part-time work which may affect study time;
- reducing one's study load in order to obtain unemployment benefits; or
- reducing daily food intake.<sup>13</sup>

The scale of the financial situation faced by university students has been amply demonstrated by the Australian Vice-Chancellors' Committee (AVCC) study of student finances in 2000. This study, based on the responses of over 30,000 undergraduate students, asked respondents to provide details of their income and expenditure patterns for a calendar year. It found that the mean income for full-time students was \$8,939 per annum, while their mean expenditure was \$12,694 per annum, an overall deficit of \$3,755 or 42 per cent. The average deficit for all students including part-time student was 21 per cent. Student incomes are clearly insufficient to meet living and study and other course related costs.<sup>14</sup>

The survey also examined student's reliance on loans. It found that one in ten students had to take out a loan in order to continue their study, and that the average amount was \$4,000, a figure not dissimilar to the average annual deficit of full-time students and a substantial amount in the context of student incomes. It needs to be recognised that these loans are over and above HECS loans, and contribute to increasing levels of student indebtedness.<sup>15</sup>

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<sup>12</sup> Newton J and Turale S, "Student Poverty at the University of Ballarat", *Australian Journal of Social Issues*, Vol 35, No. 3, August 2000, pp. 251-266.

<sup>13</sup> Turale S, "Making Ends Meet", *Youth Studies Australia*, Vol. 20, No. 2, June 2001, pp.29-35.

<sup>14</sup> Long M and Hayden M, *Paying Their Way: A survey of Australian Undergraduate University Student Finances, 2000*, Australian Vice-Chancellors Committee, October 2001, p. 2; Table 2.1; Table 2.6.

<sup>15</sup> *Ibid*, p. 2.

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In their survey the AVCC also examined student attitudes to Youth Allowance and Austudy payments. The study found that while the availability of income support encouraged many students to enrol and continue their studies, the overwhelming response, with few exceptions, was that the payments received were inadequate. Comments quoted in the report include:

*I cannot live and study effectively on Austudy. However I have little choice.*

*It is quite difficult to survive on Austudy and pay for textbooks, rent, etc.*

*My Youth Allowance payments are simply not enough when compared with my expenses. It is very difficult to borrow money from my parents, as they are pensioners and together receive not much more than \$16,000.*

*It's hard to study full-time on Youth Allowance. Parents only offer limited support. A lot of my friends dropped out due to their financial situation. How do you survey them? You can't. You have no idea how many students drop out because of debt<sup>16</sup>.*

The AVCC study documented student employment patterns and their impact on study patterns and commitments. It found that a large proportion of students were engaged in paid employment, seven out of ten students were in paid employment during university semester, and that students worked long hours. Among full-time students, average number of hours worked by those in paid employment during semester was 14.5 hours, a threefold increase over data collected in the 1984 survey of student finances. From the AVCC study, concrete data emerged illustrating the adverse impact of paid employment on student's engagement with University study. In particular, the AVCC survey found that:

- one in ten students in paid employment during semester 'frequently' misses classed because of their employment; and
- paid employment adversely affected study 'a great deal' for two in every ten students in paid employment during semester.<sup>17</sup>

A more detailed analysis of the impact of paid employment on students' experience of university life and academic performance has been conducted by McInnes and Hartley. Their research, based on a survey of more than 1500 full-time students in employment, found that, while there was a wide range of reasons and motivations behind students engaging in paid employment, more than two-thirds (68 per cent) indicated that meeting basic needs such as rent, food and transport was an 'important' reason for employment and sixty-two percent indicated that employment was required to 'supplement other income' such as Youth Allowance and Austudy payments.<sup>18</sup>

In terms of hours of paid employment worked, McInnes and Hartley found that on average respondents worked 14.7 hours in the most recent week they were employed (a similar result to the earlier AVCC study). However, it should be noted that some students worked far more hours than this average suggests. Thirty-eight per cent of respondents worked 16 hours or more in paid employment per week and 18 per cent worked 21 hours or more.<sup>19</sup>

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<sup>16</sup> Ibid, pp.40-41.

<sup>17</sup> Ibid, p. 2.

<sup>18</sup> McInnes C and Hartley R, *Managing Study and Work: The impact of full-time study and paid work on the undergraduate experience in Australian universities*, Evaluations and Investigations Program, Department of Education, Science and Training, 2002, pp. 30-31.

<sup>19</sup> Ibid, p.16.

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A key issue for students is not simply the number of hours worked, but whether they can obtain regular hours of employment and the rate of pay. McInnes and Hartley estimate that between 20 and 40 per cent of respondents experienced irregular hours of work, and that the spread of hours varied significantly, with 21 per cent indicating that the hours they worked varied between 11 and 15 hours per week. They also found that many students were employed in low paid jobs with more than 60 per cent of student jobs paid less than \$15 per hour.<sup>20</sup>

There are major implications for students that flow from irregular hours of employment. It is difficult for students working irregular hours to plan their study activities and to be confident they will have sufficient income to meet their bills and day-to-day costs. From interviews with students, McInnes and Hartley report that some respondents found highly variable employment “very stressful.” It is also clear that substantial numbers of students (53 per cent of respondents) find it difficult to say ‘no’ to an employer when asked to work more hours than they normally do.<sup>21</sup>

The survey also provides other measures of the pressures and stress that students experience from trying to balance employment and study. In particular, the study found the following indicators of conflict between student employment and work and their capacity to engage in study. Of respondents surveyed:

- 41 per cent agreed that their paid work ‘gets in the way’ of their academic study;
- 63 per cent said they were often overwhelmed by all they had to do;
- 34 per cent agreed that worrying about money made it difficult to concentrate on study;
- 33 per cent had ‘seriously thought about taking a break from uni to earn more money;’
- 21 per cent found it difficult to find subjects to fit with their hours of employment;
- 19 per cent worried about failing university because of their paid work;
- 17 per cent found the time travelling to work got in the way of their academic work;
- 13 per cent frequently missed lectures, labs and tutorials because of their employment.<sup>22</sup>

While it is true that many students cope with the pressures of employments and are able to perform at a high standard at university, and others are able to manage even though their paid employment has an impact, there are substantial numbers of students who are forced to compromise their studies and their expectations about university. This often entails adopting study strategies that limit their capacity to fully engage with the material in their subjects and academic programs.

From their interviews with students, McInnes and Hartley report the following effects of tiredness and pressures of juggling employment and study on students’ study patterns:

*The most frequent mentioned effects in the interview were not having enough time to do in-depth work, doing limited reading or only the minimum reading required, scrambling to finish assignments on time, missing classes and focusing mainly on assessment tasks and assignments.*<sup>23</sup>

There can be no doubt that the quality of students’ educational experience is diminished by long hours of employment, student stress and tiredness. It also raises questions about the long term social impact on graduates who have not been able to adequately engage with their studies due to the pressures of low finances and long hours of employment.

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<sup>20</sup> Ibid, pp. 20-21; p. 28.

<sup>21</sup> Ibid, p. 21; p.22.

<sup>22</sup> Ibid, p. xi, p.36; p.48.

<sup>23</sup> Ibid, p. 48.

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In summary, the following picture emerges of student finances and student poverty:

- The mean income for full-time students is less than \$9,000 per annum, which is less than the relevant Henderson poverty line.
- This level of income is not adequate to meet the average living and study costs experienced by students. Consequently, the average full-time student budget is in deficit by \$3,755 or 42 per cent. The average deficit for all students, including part-time students, is approximately 21 per cent.
- Many students find the level of benefit available through Youth Allowance and Austudy payments inadequate to meet their needs. Strict eligibility criteria mean that many students are not eligible for these payments.
- The numbers of students engaged in paid employment during semester is significantly higher than in previous decades, and full-time students are working longer hours in paid employment than they have ever before. Two of the major reasons that compel students to undertake paid employment are to supplement income support payments and to meet basic needs such food and rent.
- There is growing evidence that the time pressures of balancing paid employment and study is placing students under a great deal of stress. For substantial numbers of students these pressures get in the way of their studies, and they can only cope by adopting study strategies that adversely impact on the quality of their educational experience.

Students experiencing the greatest financial hardship, report:

- Being unable to afford to run heating when required;
- Having their health affected negatively, with dental care being the most unaffordable;
- Being unable to eat adequately and missing out on meals;
- Having to accept help from charities or friends;
- Taking out loans to cover debts or overusing credit cards;
- Selling essential items such as vehicles to pay for bills.

In the most extreme of case, students in dire poverty report:

- Having to scrounge for food from waste bins;
- Sleeping in cars because of a lack of accommodation; and
- Being involved in illegal activities.

There can be no doubt that substantial numbers of tertiary students face severe financial hardship and that groups of students experience poverty with the attendant effects of poor housing, poor nutrition, ill health and psychological distress.

#### 4.0 Student income payments and the poverty line

In Table 1, the maximum ‘away from home’ rate for Youth Allowance and the Austudy payment is compared to the rate for adult unemployment benefits, the New Start Allowance, and with the most recently available figure for the single Henderson Poverty line for a person in the workforce including housing. This value of the Henderson Poverty Line has been chosen because of the travel, accommodation and study expenses incurred by students living away from home.

These figures starkly reveal the wide gap between student income support payments and the poverty line. This gap is the widest for Austudy recipients who do not have access to Commonwealth rent assistance. In their case, the maximum benefit they receive is nearly half (52.7%) of the poverty line. Table 1 also shows the significant discrepancy between student income payment and rate of the New Start Allowance (see Figure 1).

**Table 1 The standard maximum ‘away from home’ rate for Youth Allowance, Austudy Payments, and the New Start Allowance and the Henderson Poverty Line, 2003**

Name of Benefit	Benefit \$ per week	Max. Rent Assistance \$ per week	Total \$ per week	Poverty Line (a) \$ per week	Percentage
Austudy payment (25 years of age and over)	155.05	N/a	155.05	294.08	52.7%
Youth Allowance (18 – 24 years of age)	155.05	46.00	233.05	294.08	68.3%
New Start Allowance (over 21)	187.45	46.00	233.45	294.08	79.4%

(a) The September 2002 quarter of the Henderson Poverty Line is the last published poverty line available from the Melbourne Institute of Applied Economic and Social Research website.

**Figure 1: Student Income Support Payments**

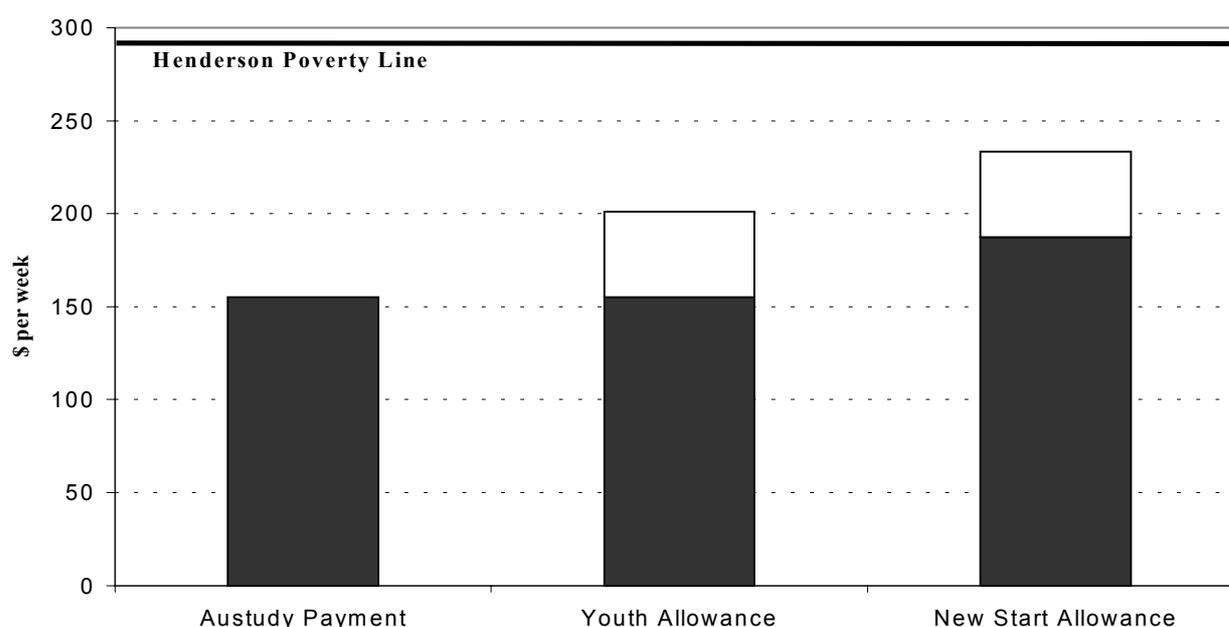


Figure 1 illustrates the gap between the standard allowance for the Austudy payment and Youth Allowance compared to unemployment benefits for people over the age of 21. For students over the age of 21 this gap remains a significant anomaly and potential disincentive to study. For this reason we believe that Austudy and Youth Allowance payments should be brought into line with the New Start Allowance.

The Figure also illustrates another major inequity, the availability of Rent Assistance for Youth Allowance and other social security recipients, which is not available to students over the age of 25 in receipt of Austudy payments. There is no policy justification for the exclusion of Austudy recipients from Rent Assistance. Students over the age of 25 years of age generally have the same rental costs as students aged 24 years and below. Extending eligibility of Rent Assistance to Austudy payment recipients would remove one the more glaring anomalies in income support payments.

However, Table 1 shows that providing Rent Assistance for Austudy recipients and bringing student income support in line with unemployment benefits for people 21 years and older would still leave a gap of 20 percentage points with the poverty line. It would also leave many students in financial hardship. The primary problem with student income support payment is the low level of the basic allowance.

The Henderson Poverty Line provides an historical benchmark against which the relative value of student income support schemes can be examined over the past 30 years. This is shown in Table 2. For the purpose of this comparison, Rent Assistance has not been included. Rent assistance has only been available since 1997 and only to some students in receipt of Youth Allowance. Austudy recipients are not eligible for Commonwealth Rent Assistance.

**Table 2 Maximum ‘away from home’ rate of TEAS/AUSTUDY/Youth Allowance (over 18 no dependents) and the single Henderson Poverty Line, 1974 – 2003.**

Year	Maximum Benefit \$ per week	Poverty Line (a) \$ per week	Percentage
1974	26.90	35.80	75.4%
1979	45.15	69.50	65.0%
1981	49.67	84.10	59.1%
1985	68.87	134.40	51.2%
1987	80.00	147.00 (b)	54.4%
1991	113.25	185.13	61.2%
1995	122.80	215.60	57.0%
2001	145.05	278.04	52.2%
2003	155.05	294.08 (c)	52.7%

(a) Poverty line for a single person in workforce including Housing – March quarter.

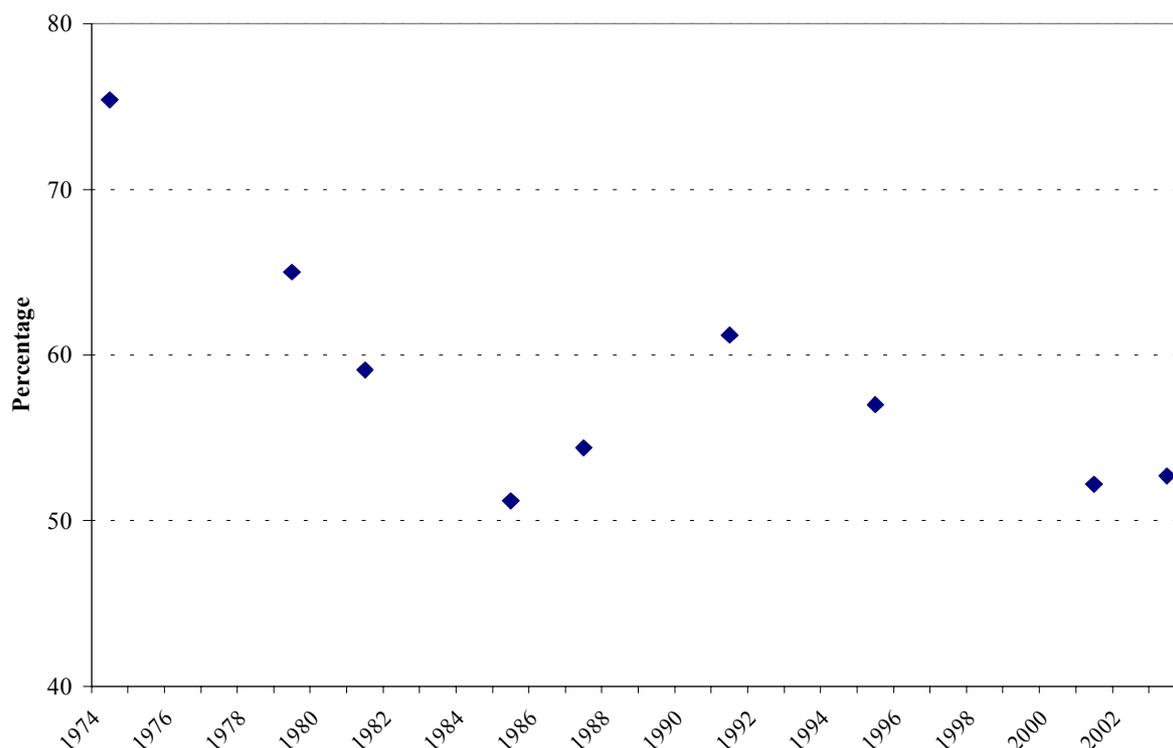
(b) December quarter; (c) September quarter 2002.

When the Whitlam Government replaced the Commonwealth Scholarship Scheme with the non-competitive, means tested grants scheme, the Tertiary Education Assistance Scheme (TEAS) in 1974, the maximum benefit was intended to provide students with an allowance that meet their basic living costs. The first government review of TEAS in 1975 supported this proposition and stated that: “the maximum payments under TEAS should relate to the basic needs of students at a level that would enable them to study without inordinate financial pressure.”<sup>24</sup>

<sup>24</sup> *Tertiary Education Assistance Scheme, Report of the Committee for the Review of Scheme*, presented to the Federal Minister, May 1975, cited in Giles G and Houghton R, *Is this Misery and Anxiety the Way to Finance the*

In 1974, the maximum TEAS allowance was set just above 75% of the poverty line. We can observe from Table 2 and Figure 2 that the maximum allowance has been allowed to significantly erode in relation to the poverty line since 1975. A decade after the introduction of TEAS the maximum allowance had reached its lowest point of 51.9% or nearly half the value of the poverty line. While there were moderate improvements in the level of the allowance in the period 1987 to 1995, Table 2 shows that the value of student income support in comparison to the poverty line has again plunged to low levels. It now only one and half percentage points higher than its position in 1985.

**Figure 2: Maximum TEAS/AUSTUDY/Youth Allowance Benefit as a Percentage of the Henderson Poverty line**



Student income support schemes no longer provide the level of support envisaged by the architects of TEAS. Students now study under severe pressure from financial concerns and the need to combine employment with study. Students who rely exclusively on Youth Allowance or Austudy, or only have moderate access to casual or part-time employment on top of their income support, are living in severe financial hardship. In some cases, as we have shown in Section 3.0 of this submission students are living in very dire circumstances. This situation needs to be redressed as a matter of urgency.

We therefore recommend that:

1. The level of Youth Allowance and Austudy payments is pegged to 100% of the relevant Henderson Poverty Line.
2. That students in receipt of Austudy payment be eligible for rent assistance.

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## 5.0 Access to Student Income Support

Access to Youth Allowance and the Austudy payment is restricted to less than 40 per cent of the full-time student population. Of those who are eligible for payments, large numbers receive only part payments. One of the main factors restricting eligibility is the stringent means tests that apply to parental income. The parental income test is applied to all students who do not qualify for the independent rate of income support, regardless of whether students actually receive material support from their immediate family.

The parental income test assumes considerable financial dependency of students on parents and immediate family. In many instances, the assumptions of parental or family support that underpin this means test are not justified. Some parents are not able to provide sufficient financial support for study, or are unwilling to provide such support. In other cases, the application of these rules and the parental income test puts students into a situation of forced dependency on their family. For students in these circumstances, insufficient family support is cause for material financial hardship.

Lifting the stringent restrictions on eligibility for Youth Allowance is a further mechanism to alleviate financial hardship and poverty among students. It will enable more students to access income support and increase the level of payment to others.

### 5.1 Current Eligibility Criteria<sup>25</sup>

To qualify for Youth Allowance payments a student must be at least 16 years of age, an Australian resident and have lived in Australia for a total of two years, studying full-time in a Government approved academic program and at an approved institution, and meet specified academic rules and financial requirements.

The level of benefit a student receives under Youth Allowance varies according to whether they are deemed to be dependent on and living at home with their parents, or deemed to be dependent and living away from their parents, or can prove that they are *independent*. There are strict definitions of independence under the Youth Allowance regulations. An applicant for Youth Allowance will qualify for an allowance at the independent rate if they can satisfy one or more of the following criteria:

- (a) they are or have been married or have lived in a marriage-like relationship for at least 12 months (except for same-sex couples);
- (b) they have, or have had, a dependent child, where the child is, or was, wholly or substantially dependent on them or their partner;
- (c) they can demonstrate that they been self supporting through employment by having worked at least 30 hours a week for at least 18 months during the last two years, or, having worked at least 15 hours per week for at least two years since leaving school;
- (d) they are a refugee or an orphan, or have been in State care;
- (e) they are 25 years of age or older.

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<sup>25</sup> Information on eligibility criteria and payment rates for 2003 are from the Centrelink website at [www.centrelink.gov.au](http://www.centrelink.gov.au)

There are also a number of categories of independence that stand so long as particular circumstances continue to apply. Applicants for Youth Allowance in these situations need to establish that one of the following conditions apply:

- (a) their parents cannot exercise their responsibilities because they are in prison, or are incapacitated because they reside in a psychiatric or similar institution;
- (b) their parents cannot provide a suitable home because they lack stable accommodation; or
- (c) it is unreasonable to live at home because of extreme family breakdown, or risks to a young person’s health and well being due to drug abuse, criminal activity or domestic violence.

Students who do not meet the criteria for independence, are deemed to be *dependent* on their immediate family, irrespective of whether they receive financial support or not. Parental or family income is then means tested in assessing the student’s entitlement to assistance.

In assessing eligibility and the level of payment available to a dependent student, Centrelink measures parental or immediate family income against a ‘threshold’ figure. For 2003 the parental income threshold is \$27, 400 per annum. This is calculated on the taxable income of both parents/guardians for the previous financial year (2001-2002). It is adjusted upwards for other dependent children in the family.

In addition, the Family Actual Means Test applies where one or both of a student’s parents were self employed in the previous financial year, or has an interest in a trust, private company or unlisted public company, or has or will claim a tax deduction for a business loss.

The rate of payment received by a student is reduced by \$1 for every \$4 of their parents’ income that exceeds the parental income threshold of \$27,400. The level of allowance available to a student is different for those who live at home and those who qualify for the ‘away from home’ rate. Special higher allowances apply to students over the age of 21 at the time of enrolment who transfer to Youth Allowance from unemployment benefits, which they have received on a long term basis, or are migrants over the age of 21 and are studying an English as a second language course.

In 2003 the following rates apply to Youth Allowance for students 18 years and over.

**Table 3: Maximum Weekly payments for Youth Allowance recipients 18 years of age and older.**

Status	Weekly payment	Special rates
Single, at home	\$102.10	\$125.35
Single, away from home	\$155.05	\$188.35
Single with children	\$203.20	
Partnered, no children	\$155.05	\$170.30
Partnered, with children	\$170.30	

A personal income test is applied to the income of both independent students and students deemed to be dependent on their immediate families. For dependent students a means test is applied to family assets and, for partnered students, a means test is applied to the income and assets of spouses.

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## 5.2 The availability of student income support and the parental income test

Approximately sixty (60) percent of the student population received financial assistance prior to 1974 through the Commonwealth Scholarship Scheme or State Government Teacher Education scholarships. The scholarships were largely available on the basis of merit and income tests applied. In 1974 the Commonwealth scholarships were replaced by the non-competitive Tertiary Education Assistance Scheme (TEAS). This led to a slight increase in the number of recipients on income support and by 1976 around seventy (70) per cent of full-time students were in receipt of some assistance from TEAS or through state-based Teacher Education scholarships.<sup>26</sup>

Over the course of the second half of the 1970s, State governments phased out teacher education scholarships, and the Commonwealth failed to ensure that the parental income test kept pace with changes in average weekly earning. By 1982, the number of full-time students in receipt of income support dropped to forty (40) percent.<sup>27</sup>

The House of Representatives Standing Committee on Employment, Education and Training considered the impact of declining value of the parental income threshold with respect to average weekly earnings in its 1991 report *Student Financial Assistance*:

... when the non-competitive, means tested financial assistance scheme, TEAS was introduced in 1974, its aim was to provide support for low income and 'average' families. Now its successor, AUSTUDY [which has since been replaced by Youth Allowance], through stringent income and assets tests, is directed to families on very low incomes. The level of parent income allowed before allowances were reduced had declined from 100 percent of average weekly earnings in 1974 to 65 percent in 1990.<sup>28</sup>

These concerns about the stringent nature of the parental income test were not, however, addressed under the previous Labor Government and have been continued under the current Government in the new Youth Allowance scheme. In fact, Youth Allowance has extended the same parental income tests (and assumptions about family support) to young unemployed people under the age of 21. The National Centre for Social and Economic Modelling estimates that the extension of the parental means test to unemployed young people resulted in reduced payments for 44 100 unemployed young people, with a further 27 000 unemployed 18-20 year old young people having their benefits cancelled.<sup>29</sup>

In terms of student applicants for Youth Allowance, the continuation of the parental income test has meant that the availability of this benefit is still confined to students from families on very low incomes. The recent Australian Vice-Chancellors Committee survey of undergraduate student finances found that only 23.3 per cent of respondents received Youth Allowance, with a further 10.3 percent of students in receipt of the Austudy payment. If we include all forms of Commonwealth income support, less than four in ten students (38.7%) were in receipt of payments.<sup>30</sup>

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<sup>26</sup> Chapman B, *AUSTUDY: Towards A More Flexible Approach, An Options Paper*, Centre for Economic Policy Research, Australian National University, April 1992, p. 44.

<sup>27</sup> Ibid.

<sup>28</sup> Parliament of the Commonwealth of Australia, House of Representatives Standing Committee on Employment, Education and Training, *Student Financial Assistance*, AGPS, Canberra, March 1991, p. vii.

<sup>29</sup> Szukalska A and Robinson M, *Distributional Analysis of Youth Allowance*, The National Centre for Social and Economic Modelling, Discussion Paper No 49, July 2000, p. 33.

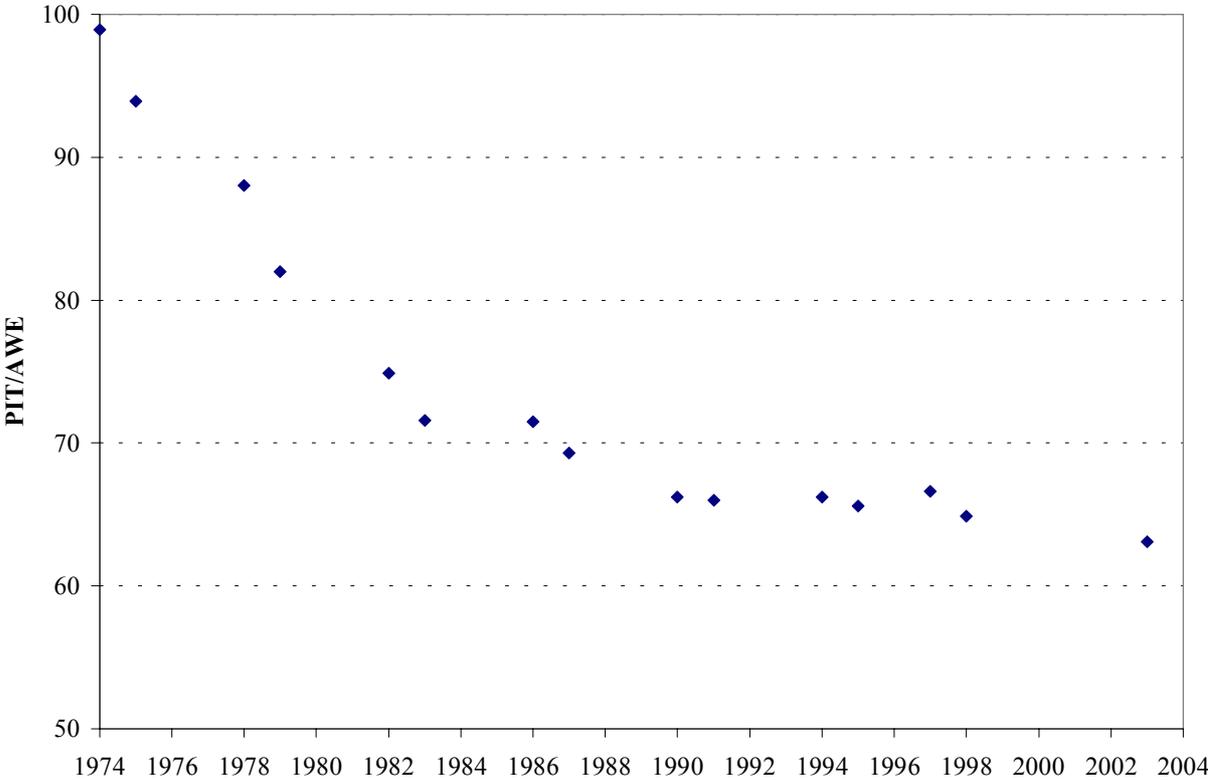
<sup>30</sup> Long M and Hayden M, op cit, p. 4. It should be noted that a very small number of students are in receipt of the parenting payment for sole parents and Disability Support pensions.

**Table 4: Parental Income Threshold and Male Average Weekly Earnings**

Year	Parental Income Threshold (PIT) \$ per year	Average Weekly Earnings (AWE) (a) \$ per year	PIT/AWE
1974	5300	5361.2	98.9%
1975	6300	6708.0	93.9%
1978	8700	9890.0	88.0%
1979	8700	10608.0	82.0%
1982	11034	14731.6	74.9%
1983	12278	17154.8	71.6%
1986	14995	20961.2	71.5%
1987	15745	22734.4	69.3%
1990	18150	27409.2	66.2%
1991	19300	29260.4	66.0%
1994	21300	32141.2	66.2%
1995	21660	32994.0	65.6%
1997	23350	35037.6	66.6%
1998	23400	36077.6	64.9%
2003	27400	43388.8	63.1%

(a) Male Average Weekly Earnings (Total earnings) for previous year. 1974-1979 Sept Qtr, 1982-2003 Aug Qtr. Source: Australian Bureau of Statistics

**Figure 3: Parental Income Threshold (TEAS/AUSTUDY/Youth Allowance) and Average Weekly Earnings**



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In Table 4 and Figure 3, we examine changes in the parental income threshold (PIT) and male average weekly earnings. While the major decline of the income threshold in comparison to average weekly earnings occurred in the late 1970s under the Fraser government, Table 4 and Figure 3 show that the previous Labor government did not reverse this decline, despite its promise prior to the 1983 election that it would restore the parental income threshold to average weekly earnings. Under the current Coalition government the ratio of the income threshold to average weekly earnings has experienced a further small decline. From Table 4 we can see that the parental income threshold has declined to almost 63 per cent of average weekly earnings in 2003.

More than a decade ago, the House of Representatives Standing Committee on Employment, Education and Training recommended that the parental income test be increased to 75 percent of average weekly earnings.<sup>31</sup> The implementation of this recommendation would lift the parental income test to around \$32,500 per annum, which is still a very modest combined income for a family. While this will alleviate the financial hardship felt by students from families on low incomes who receive reduced student payments due to the stringent nature of the parental income test, it will still leave students from families on average incomes with limited financial support. In our view, restoring student income support to its original goals of providing support for students from low income and ‘average’ families requires the setting of the parental income test at 100 percent of average weekly earnings.

We therefore recommend that:

The Commonwealth set the parental income test for Youth Allowance at 100 percent of average weekly earnings.

## **6.0 Final Comments**

As we have discussed at some length in this submission, increased payment for Youth Allowance and the Austudy payment and the relaxation of the stringent parental income test are key measures to reduce the financial hardship experienced by many tertiary students.

In addition, we would like to stress that increasing the level and availability of student income support are key policy mechanisms to improve educational opportunities for people from low income and financially disadvantaged backgrounds. Improved educational outcomes are a crucial factor in enabling people to move out of poverty and overcome financial disadvantage. The 2001 NATSAM study of financial disadvantage in Australia 1990 to 2000 found that poverty rates among people aged 15 years and older declined sharply as educational qualifications increased. This study also found that the poverty risk of people with university qualifications is less than half of those with no post-secondary qualifications.<sup>32</sup>

Increasing the level and availability of student income support available through Youth Allowance and the Austudy payment should therefore be included in the range of measures that should be adopted to alleviate financial disadvantage and poverty in Australia.

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<sup>31</sup> House of Representatives Standing Committee on Employment, Education and Training, op cit, p. xi.

<sup>32</sup> Harding A, Lloyd R and Greenwell H, *Financial Disadvantage in Australia 1990 to 2000: The persistence of poverty in a decade of growth*, National Centre for Social and Economic Modelling, Report Commissioned by the Smith Family, 2001 p. 14