



**Submission to the Senate Community Affairs Reference
Committee Inquiry into Poverty and Financial Hardship**

**Presented by NUS President
Daniel Kyriacou
NUS Welfare Officer
Sarah McDowell
and NUS Queer Officer
Belinda Clark**

**Prepared by Women's and Welfare Research Officer
Rachel Standfield**

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Introduction:

The National Union of Students (NUS) is the peak student representative organisation in Australia covering over 650,000 students. NUS welcomes this opportunity to make a submission to the Senate Community Affairs Reference Committee Inquiry into Poverty and Financial Hardship.

This submission from NUS will concentrate on poverty as it impacts on students at Australian universities as well as poverty as a barrier to those trying to access a university education. NUS believes that poverty is a significant issue for Australian students and one that should receive serious attention from government. It is true, however, that students are often overlooked as a segment of the population suffering under conditions of poverty. Recent government attention on the sector during the Crossroads Review into Higher Education paid scant attention to the quality of life of students. Lacking such critical analysis of student poverty, NUS fears the reforms will impact most harshly on students, exposing them to increasingly deregulated fees and erecting further barriers to the participation of students from low socio-economic backgrounds.

The lack of serious attention given to student poverty in Australia can be seen from the deficiency of research into student poverty and its effects. Judith Bessant's work on student poverty, an exception to this rule, states that "research has focused on the socio-economic status of students on entry to study... but once formal study has commences students fiscal profile is largely disregarded."¹

Academics have shown concern from levels of student 'disengagement' with their university studies and the university experience in general. Research certainly shows that students are committing an increased proportion of their time to working, with hours spent in paid work showing a marked increase in the past decade. This same research also shows that students desire to succeed at university is usually strong. In research conducted for the Department of Education, Science and Training, McInnes and Hartley found:

*A substantial majority of respondents are committed to the course; 81 per cent have a strong desire to do well in all their subjects and indeed 44 per cent strongly agree with this item. Somewhat fewer but still a substantial majority (65 per cent) are really enjoying their course ... employed students have the same desire to do well and general commitment to their course as do students who are not working.*²

Recommendation: That DEST, FACS and Centrelink commission research into the level, and effects of, student poverty.

¹ Judith Bessant, "Student Poverty in the Enterprise University", Social Policy and Advocacy Research Centre, Australian Catholic University, Melbourne, 2001, page 12.

² McInnes and Hartley, *Managing Study and Work*, page 39.

The importance of tertiary education:

In the context of the rapid restructuring of the Australian economy arising from globalisation and trade liberalisation the Australian higher education system will play a major role in determining who will be the winners and losers in the new economy. Issues of expanding access, participation and the development of a robust system to facilitate life-long learning are becoming key issues for the whole community in 21st century. Open access to higher education is an important weapon in the fight against poverty, especially to fight the possibility of intergenerational poverty for young Australians from low socioeconomic backgrounds.

New research from the Business Council of Australia estimated the cost to the economy from early school leavers would rise to \$2 billion a year by 2020. The research highlighted an important factor that accounted for early school leaving was coming from a low socioeconomic background, as well as living in rural and regional areas and having poor numeracy and literacy skills³. Encouragement to students from low socioeconomic backgrounds to complete their schooling and participate in higher education is needed to stop this drain on the economy and help people make the most of their potential. Students will continue to be discouraged from staying at school and going to university whilst they face the prospect of continuing to live in poverty throughout the time that they study.

Research also suggests a significant proportion of even the most marginalised young people are serious about furthering their education. A study of young homeless people living in Melbourne, conducted by La Trobe University, found that about 40 per cent still attended school, TAFE or university, and 20 per cent had boosted their attendance since they left home⁴.

These results point to the desire of young people to succeed in their education. NUS asserts that society and government have an obligation to assist and support students in their attempts to secure their future through pursuing education, and one of the primary ways to do so is to combat the poverty that students face.

The importance of higher education to our economy and society makes it a vital area of policy for the Commonwealth. Judith Bessant has written that:

One might expect that a federal government interested in developing a 'clever country' would direct its policies towards facilitating and supporting young people as they educate themselves. Unfortunately this has not been the case. At precisely the same time when students required additional support to educate themselves and thereby help 'build Australia's intellectual capital', we witnessed

³ Business Council of Australia media release, "The Cost of Dropping Out: Australia Risks New 'Underclass' From Early School Leavers", 29 January 2003.

⁴ Julie Szego, "Homeless Youth Work for Brighter Tomorrow", *The Age*, 19 February 2003, page 8.

the implementation of policies which have placed substantial barriers in the way of tertiary students realising 'quality graduate outcomes'.⁵

Levels of Income Support:

Due to the reduced capacity of students to derive income while they are studying, many students are on low incomes and are reliant of income support from government. Low levels of income support as well as stringent eligibility restrictions force many students to live in poverty.

NUS believes that adequate student income support is an absolutely necessary requirement for an equitable and open education system. NUS is not alone in this assertion, with researchers also pointing to problems with income support levels for students:

Government income-support programs are very important in allowing less financially advantaged students to continue studying, but many concerns were expressed that the level of income support is too low and that access to the scheme is too restrictive... The total income from income support and limited part-time work, combined with educational expenses, leaves participants in these programs financially vulnerable.⁶

University students studying full-time are eligible for one of three income support payments: Youth Allowance, Austudy or ABSTUDY. These payments, while designed to facilitate access to the education system for students who are unable to provide their own financial support, are currently at such low levels, and have such stringent restrictions on eligibility, that they effectively keep people in poverty while they are studying.

It is of serious concern that current levels of income support are a long way below the Henderson poverty line. Research by the Australian Council of Social Services last year concluded that income support levels for students were between 20 and 39 per cent below the poverty line⁷. With income support levels set so low, many students struggle just to provide themselves with the basic necessities of life. Students also face additional expenses associated with their courses which place additional burdens on their financial position. With the cost of textbooks alone taking up \$200-\$600 a semester, students can spend up to a month's income support payments each semester just on books⁸.

Payments for students on Austudy, that is students 25 years or over, are 39 per cent below the poverty line. Inexplicably, these students are deemed ineligible for rent assistance. If

⁵ Bessant, page 2-3.

⁶ Long, M and Hayden, M, *Paying Their Way: A Survey of Australian Undergraduate Student Finances, 2000*, Australian Vice Chancellors' Committee, Canberra, October 2001, page 5.

⁷ ACOSS media release, "Over 400,000 unemployed and students move further below poverty line", 23 July 2002.

⁸ Ian Wallace, "learning out of con texts", *Courier Mail*, Tuesday 28/01/2003, page 11.

they were unemployed, instead of trying to upgrade their qualifications by returning to study, these people would receive Newstart payments and be eligible for around \$80 extra a week⁹.

Rent Assistance is a payment of up to \$40 per week to help pay for housing costs. It is only available to Youth Allowance recipients who are considered 'independent'. While the extra money can make a great deal of difference to a student struggling on payments well below the poverty line, in 2000-01 only 23.1 per cent of full-time students on Youth Allowance received Rent Assistance¹⁰.

Recommendation: That income support payments be lifted to the level of the poverty line.

Indigenous students:

Policy changes introduced by the Coalition Government have worked against the provision of adequate income support for students, and have impacted severely on Indigenous students. Changes to income support for Indigenous students in 2000 mean that fewer students now receive ABSTUDY, and many receive reduced payments. These changes to ABSTUDY were implemented against all advice and warnings from the Indigenous community, ABSTUDY advisers, the NTEU and NUS. At the time it was predicted that almost 95% of the Indigenous students in higher education would have been disadvantaged by the changes¹¹. And sure enough, Indigenous enrolments fell from 8367 in 1999 to 7342 in 2002, a fall of 18 per cent, and a reversal of a decade of steadily increasing enrolments¹².

These changes impact harshly on Indigenous students, members of the group of people in Australia who face the greatest level of economic disadvantage. Average incomes for Aboriginal and Torres Strait Islander people were \$14,200 in 1996. This was 30 per cent lower than the average income for the total population of \$21,100. The level of this economic disadvantage is stark when it is realised that Indigenous incomes would have to increase by a total of \$1.6 billion in 1996 terms for income equality with the rest of the population¹³.

Recommendation: That changes made to ABSTUDY in 2000 be reversed, at no detriment to the small number of students who may have benefited from the changes.

⁹ Ibid.

¹⁰ Runaway Youth Debt.

¹¹ "Analysis of the Proposed Changes to ABSTUDY on Indigenous Students", Final Report, May 1999, Deakin University.

¹² NUS, *Submission to the Crossroads Review of Higher Education*, July 2002, page 20.

¹³ NTEU Indigenous Tertiary Education Policy Committee, submission to the Senate Inquiry in the capacity of public universities to meet Australia's higher education needs, 2001, page 2.

Queer Students:

The age of independence being set at 25 has serious implications for non-heterosexual young people. Some students who choose to 'come out' to their families will be accepted and supported, but unfortunately others are subjected to more than just expressions of "disappointment" but physical response, emotional abuse and manipulation. Homelessness and estrangement are not uncommon, and depression and suicide rates are well recognised as much higher for non-heterosexual young people than for their heterosexual counterparts.

Centrelink recognises that it may be unreasonable for some young people to continue living at home because of their family relationships, and these people may be eligible for independent rates of Youth Allowance. For claims of family breakdown Centrelink will generally want to contact the young person's parents or guardians, even if this is not in the student's best interests. Difficulties that young lesbians, gays and bisexuals face in the application process include:

- repeat high levels of disclosure to multiple persons;
- the presumption that young people are being dishonest or being fraudulent; or
- a reluctance of the department to consider statements from non-authority figures (friends or partners) as appropriate evidence.

In addition to these problems, young queer students face discrimination in claiming independence as the definition of a *de facto* relationship in social security legislation applies only to relationships between people of the opposite sex. Young people who are married or have been in a heterosexual *de facto* relationship can claim independence from their parents, while those in same-sex relationships cannot, a situation which is blatantly discriminatory.

Recommendation: That same sex couples be included in the definition of "youth allowance couple" for the purpose of independence. That all student income support legislation be amended to give the same rights to students in same sex relationships.

Recommendation: That the criteria assessing independence be relaxed in relation to family conflict and homophobia arising from a student's sexuality.

Breaching:

Low rates of income support are not the only problem that students and other young people face, they often have difficulties interacting with the social security system. Young people are the group which are most likely to be subject to the harsh 'breaching regime' of Centrelink. In 2000-2001, 57 per cent of all Activity Test Breaches were applied to young people under 25, and more than 17,000 of Youth Allowance debts were

related to study issues¹⁴. The impact of this was strong on many Youth Allowance recipients, with 57 per cent of all independent rate recipients under 18, 68 per cent of 18-20 year olds, and 42 per cent of all 21-24 year olds have a debt to Centrelink¹⁵. Breaches can lead to a reduction of social security payments for up to six months, or for a third breach, cancellation of the entire income support payment for eight weeks.

Interview conducted with Youth Allowance recipients by the Welfare Rights Centre in Sydney found that all young people had trouble surviving on Youth Allowance payments. The reasons they gave were the inadequacy of Youth Allowance payments, the repayment of Centrelink debts, the impact of Centrelink breaches and the burden of transport fines. The Welfare Rights Centre concluded:

Essentially these problems meant that many young people were not receiving a full or adequate rate of Social Security payment. This has significant consequences for young people, particularly those who are homeless or marginally connected with their families. These consequences include:

- *entrenched poverty*
- *further homelessness*
- *criminal activity or contact with criminal justice agencies, and*
- *inability to complete or undertake education.*¹⁶

Recommendation: That the breaching regime be abolished.

The Age of Independence:

One of the most difficult aspects of the income support system for young people is the age of independence. Young people are considered dependent on their parents until the age of 25. Youth Allowance payments are means tested against parental income for seven years after people are considered adults by any other measure of society. The low parental income threshold of \$27,400 before payments are reduced means that many students are ineligible for any income support at all. 21 per cent of students don't even apply for support and a further 5 per cent are refused by Centrelink because of their parents income levels or assets¹⁷.

The consequences for individual students of the age of independence provisions are serious. Many families above the income threshold are not in a financial position to support their children through tertiary education:

¹⁴ Welfare Rights Centre Sydney, *Runaway Youth Debt – No Allowance For Youth: An Analysis of the Causes and Impact of Extensive Debt in the Youth Allowance System*, National Welfare Rights Network, Sydney, October 2002, page 14-15 and 36.

¹⁵ *ibid*, page 14-15.

¹⁶ *ibid*, page 16.

¹⁷ Jonathan Pearlman, "Debt Dodgers", *Sydney Morning Herald*, 29 January 2003, supplements, page 8.

I am not eligible for Austudy because the government says my dad earns too much. I live with him and his second family and three half sisters who are much younger than me. I can't afford to live on my own and feel a real burden on my father. I don't like asking him for money because he always seems to be worried about making ends meet¹⁸.

Judy Schneider from the Social Policy Research Centre at UNSW has analysed young peoples' increasing financial dependency on their parents from the perspective of their citizenship rights. Schneider concludes that young people are excluded from full citizenship if they don't have "the right to sufficient economic resources to allow a life of 'civilised being according to the standards prevailing in society'".¹⁹ By making young people financially dependent on their parents for such a long period of time after they have reached adulthood, and by keeping income support levels so far below the poverty line, the Government is effectively denying young people their full citizenship rights and ensuring that many remain financially marginalised throughout the whole period of their tertiary education.

Students financial dependence on their parents, forced on them through the ridiculous age of independence and harsh parental means testing arrangements of the income support system, places the burden of paying for education on those families which are least able to afford it. Schneider quotes a study by Harding and Szulkalska who found that 21 per cent of households containing dependent young people are living in households with incomes below the Henderson Poverty Line. Increasing levels of financial dependence place financial pressure not only on students, but on whole families.

Recommendation: That the age of independence for income support be lowered to 18.

Working Hours:

The combination of income support payments below the poverty line, strict eligibility requirements, and dependence on parents until the age of 25 means that many students rely on paid employment to support themselves through university. The Department of Education, Science and Training recently released a report on student working hours. The average full-time student is working 15 hours a week, but forty per cent work more than 16 hours, and 18% work 21 hours or more²⁰. Two-thirds of students surveyed said they needed to work just to meet their basic needs, and 40% said work got in the way of their study. Despite the idea of working to help establish a career after graduation, many jobs are low paid and not at all related to student's course of study. Students still say their commitment to study is high, with four out of five having a strong desire to do well in their course.

¹⁸ Quoted in Bessant, page 6.

¹⁹ Judy Schneider, *The Increasing Financial Dependence of Young People on Their Parents*, SPRC Discussion Paper Number 96, Social Policy Research Centre, UNSW, Sydney, February 1999, page 3.

²⁰ Craig McInnes and Robyn Hartley, *Managing Study and Work: The Impact of Full-Time Study and Paid Work on the Undergraduate Experience in Australian Universities*, DEST, Canberra, 2002, page xi.

This means that university is a very different experience for many students than that of their peers of a decade ago. In 1994, 26 per cent of first year students reported relying on employment as their main source of income, but by 1999 this has increased to 37 per cent²¹. Because jobs related to a student's field of study are hard to come by students will struggle to hold on to relevant positions, with final year students particularly in professional courses trying to juggle a full-time job with full-time study²².

The study for DEST by McInnes and Hartley also found that many students are having difficulty coping with their work and study commitments:

Substantial proportions acknowledge money worries and stress from studying and working; 40 per cent agree that their paid work gets in the way of their academic studies; 34 per cent that worrying about money makes it difficult for them to concentrate on their studies; and a high 63 per cent, significantly more women than men, say they are often overwhelmed by all they have to do²³.

The fact that students have to work such long hours to survive while trying to further their education has implications for the whole sector, and the value that students can gain from their education. The Australian Vice Chancellor's Committee expressed this view in their submission to the Senate Committee into Higher Education:

there is growing concern that students' work obligations in part time, and sometimes full time, employment prevents them from gaining optimum value from their studies. The effort of holding down a number of jobs hinders students from attending all their classes or having sufficient time for out of class study²⁴.

Housing Issues:

One of the most pressing issues for students is the cost and quality of their housing. A decent place to live is one of the basic needs of life, and a major consequence of poverty is a tenuous housing position.

There are disturbing trends in relation to youth housing. They paint a picture of young people being squeezed out of accommodation options because of inadequate income support payments, and the rising costs of housing particularly in inner urban areas.

²¹ Bessant, *Student Poverty in the Enterprise University*, page 8.

²² McInnes and Hartley, *Managing Study and Work*, page xii.

²³ *ibid*, page xi.

²⁴ *Universities in Crisis*, page 286.

The number of young people living at home with their parents increased from 43 to 48 per cent over the decade to 1998²⁵. For students under 25 who are not counted as independent and unable to get youth allowance because of their parent's income levels, there may be little choice but to stay at home. Research from the Australian Housing and Urban Research Institute found that 19.1 per cent of students who don't receive independent rates of Youth Allowance felt their housing was too far away from their tertiary institution²⁶. Thirty per cent of this same group of students had concerns about family and household conflict. The researchers concluded that "family/household conflicts are probably indicative of the strained relationships that can occur in any family as young people get to that age of potential independent living but remain at home for reasons of cost or comfort."²⁷

For those who do move out of home the nature of independent living is also changing. In 1980, 26 per cent of young people lived alone, but by 2000 only 9.3 per cent of young people lived on their own. By contrast, the numbers of young people living in share accommodation increased from 17.5 per cent in 1980 to 38.8 per cent in 2000²⁸.

Housing costs, particularly in inner urban areas, place pressure on students to live in share houses. In inner city Melbourne, to take one example, a two-bedroom apartment could be rented for \$154 a week in 1981, but in 1999 would cost \$250²⁹. The University of Canberra is reported to be unable to find accommodation for 200 students this year. Not only is there a waiting period for on-campus accommodation but students are unable to find rental accommodation in the community, prompting the university to appeal to families to take a student as a boarder³⁰.

Housing costs pose a particular problem for students who move from rural and regional areas in order to study, "young people from non-metropolitan backgrounds were between 1.3 and 2.0 times as likely to leave the parental home..."³¹

Given the high costs of rental accommodation, it is no surprise that young people pay a large proportion of their income in rent. Of those who live alone, two-thirds pay more than a quarter of their income on rent, while one-third pay more than half their income in rent. Even for people who live in shared arrangements more than a third of young people spend a quarter of their income in rent and 8 per cent spend more than half their income in rent³².

²⁵ Kylie J Hillman and Gary N Marks, *Becoming an Adult: Leaving Home, Relationships and Home Ownership Among Australian Youth*, Australian Council for Educational Research, Research Report Number 28, September 2002, page 1.

²⁶ Terry Burke, Sarah Pinkney and Scott Eweing, *Rent Assistance and Young People's Decision Making*, Australian Housing and Urban Research Institute, January 2002, page 21.

²⁷ *Ibid*, page 19.

²⁸ *Ibid*, page 12.

²⁹ *Ibid*, page 12.

³⁰ "Crisis for Students", *Canberra Times*, 9 February 2003, page 17.

³¹ Hillman and Marks, *Becoming An Adult*, page 18.

³² Bourke, Pinkney and Eweing, *Rent Assistance and Young People's Decision-Making*, page 14.

These tenuous housing situations and the great proportion of income spent on meeting housing needs mean that many young people find themselves in transient housing arrangements. The AHURI study found that many young people were moving house quite frequently:

Despite the relatively short period of time in independent living, almost three-quarters of the aggregate rent assistance group had moved at least once in the previous year, although a good proportion of these moves will be the first move into independent living; 20.6 per cent had moved twice and 13.0 per cent three or more times³³.

Transient housing arrangements places not only places pressure on young people themselves but is an issue for the provision of government services to assist homeless people. Young people are the most likely to make use of the Supported Accommodation Assistance Program which helps people with crisis accommodation. Almost 2 per cent of young Australian women aged 18-19 were forced to make use of this program in the last year³⁴.

Recommendation: That the Government work to ensure investment in an adequate supply of low-cost housing stock.

HECS and student debt:

One of the major assumptions about student poverty is that it is transient and that a university degree is an automatic ticket to a high income. Students, however, can accumulate a HECS debt of between \$3680 and \$6136 for every year that they study, and most graduate with a debt of between \$11,000 and \$30,000. The overall HECS debt is now \$9 billion which is double the figure from four years ago. The total HECS bill that students owe will rise to \$11.5 billion in 2005-2006³⁵.

The difference between incomes for men and women and the fact that women spend more time outside of the paid workforce results in women take longer to pay off their HECS debts. 93% of men will have paid their HECS debt by age 65, but only 77% of women will³⁶.

Research from the National Tertiary Education Union and NUS has found that between 1996 and 2001 students were paying an extra \$1750 a year in HECS at the same time that

³³ Ibid, page 22.

³⁴ Australian Institute of Health and Welfare, *Homeless People in SAAP: SAAP National Data Collection Annual Report, 2001-2002*, AIHW Catalogue Number HOU72, AIHW, Canberra, 2002, page vxiii. 35 DEST, *Higher Education Report for the 2003 to 2005 Funding Triennium*, DEST Canberra, December 2002, page 64.

³⁶ Bruce Chapman, *The Australian Income-Contingent University Charge System*, ANU, Centre For Economic Policy Research, June 1996, page 3.

government funding per student dropped by \$1200³⁷. This fall of \$1200 a year is the equivalent of 20 hours of tutorials over the year, or one extra professor for every hundred students, or 50,000 more students in the university system.

In addition to a HECS bill, about one in ten students have to obtain a loan in order to study and have loans on average of close to \$4000³⁸. It is not surprising that students relying government income support are about three times as likely to take out a loan to continue their studies. Students from equity groups are also far more likely to take out a loan, including students with a disability, people who moved to study, those from low socioeconomic backgrounds, and women with children or Indigenous women³⁹. Thus the most marginalised students are likely to start their working lives with sizeable debts from their study.

Levels of indebtedness will inevitably have a psychological effect on individual students as they strive to complete their studies. The AVCC report, *Paying Their Way* reported that:

*Many students expressed a sense of despair about their increasing indebtedness ... Concern about the need to borrow to pay for day-to-day living and study expenses was expressed against the backdrop of worry about the postponed liability for HECS ...*⁴⁰

The most insidious of these loans is the Supplement Loan. Students can access extra financial support from the government by trading up to half of their income support as a loan. In effect they borrow up to \$140 a week to gain an extra \$70 in income support payments. Supplement loans prey on the fact that government income support is so far below the poverty line, ensuring that students who are reliant on income support graduate with an even greater level of indebtedness. When repayments on the Supplement Loan are added to HECS repayment, graduates pay up to 10-12 per cent of their income in debts from their degrees.

Recommendation: That the Supplement Loan scheme be abolished, with student income support payment being raised to a level where students do not need to access a loan to continue study.

³⁷ NTEU, CAPA and NUS, *Students Pay More, Universities Get Less, the Government Pockets the Difference: A Study of Subsidised Student Place Funding From 1996 to 2001*, NTEU, Southbank, January 2003.

³⁸ Michael Long and Martin Hayden, *Paying Their Way: A Survey of Australian Undergraduate Student Finances*, 2000, AVCC, October 2001, page 57.

³⁹ Ibid, page 51.

⁴⁰ Long and Hayden, *Paying Their Way*, page 47.

Access to Higher Education:

While students within the higher education system often live in poverty and graduate with high levels of debt, they may be ‘lucky’ to be able to participate at all. Many people from low socioeconomic backgrounds never have the chance to participate in university. The close relation between SES background and high tertiary entrance scores is an issue of concern. For example Monash University’s Place to Place study found that only 11% of students from government schools received ENTER (Equivalent National Tertiary Education Rank) scores of 90 or more. By contrast 51% of private schools students achieved this score or above⁴¹. Proposed reforms to higher education to be announced in this year’s budget are expected to further exacerbate barriers to participation to people from poor backgrounds.

Despite the importance of higher education to alleviating poverty and in particular the effects of intergenerational poverty, people from low socioeconomic backgrounds are seriously under-represented in the university system. In 2000, 14.7 per cent of domestic students at Australian universities were from lower socioeconomic backgrounds, well below the population reference value used by DEST of 25 per cent⁴². This means that Australians from lower socioeconomic backgrounds have about half the likelihood of attending university as Australians from medium or higher socioeconomic backgrounds⁴³.

HECS costs and other financial burdens of attending university are seen as a major deterrent by potential students of low socioeconomic backgrounds. These students are

More likely than other students to believe the cost of university fees may stop them attending university (39%, compared to 23% of high socioeconomic background students). Forty-one per cent of lower socioeconomic background students believed their families probably could not afford the costs of supporting them at university. Well over one-third of lower socioeconomic background students indicated they would have to support themselves financially if they went to university⁴⁴.

This study by Richard James, commissioned by DEST, found that the anticipated cost of university can be a decisive factor for low socioeconomic background students when they are considering higher education. James remarked that: “Little is known of how families who may be averse to debt perceive the benefits of HECS. Research in this area would be valuable⁴⁵”.

⁴¹ Dr Bob Birrell, Virginia Rapson, T. Fred Smith, Ian R. Dobson and D. Edwards, *From Place to Place: School, location and access to university education in Victoria*, Centre for Urban and Population Research, Monash University, May 2002.

⁴² Richard James, *Socioeconomic Background and Higher Education Participation: An Analysis of School Students Aspirations and Expectations*, DEST, Canberra, 2002, page 6.

⁴³ Ibid, page ix.

⁴⁴ Ibid, page x.

⁴⁵ Ibid, page xii.

While there is little research into and understanding of debt aversion, and in particular what level of HECS debt will be enough to stop low socioeconomic background students from considering university, the Senate Committee report “Universities in Crisis” concluded:

There seems to be broad agreement with Professor Ruth Dunkin, Vice-Chancellor of RMIT, who suggested that there was no further capacity to increase the burden on students in terms of their providing funding towards their education.⁴⁶

There is, however, great concern that the package of higher education reforms to be announced in this year’s budget will indeed include an increase in HECS levels and place even greater pressure on students from poor backgrounds. Proposals such as ‘super-HECS’, a premium level of HECS to be applied at some universities or for some courses, will effectively price students from low socioeconomic backgrounds out of higher education. If they do attend, they will be more likely to go for a ‘discounted HECS’ university or course, and their lack of financial stability will ensure they cannot undertake prestigious courses, no matter what their ability.

Recommendation: That reforms to higher education do not include any increase in HECS or deregulation of student fees.

Higher Education Reform and Implications for Poverty:

The information leaked to the press regarding the contents of the higher education ‘reform’ package indicate that the Government is proposing to charge interest on loans for the ‘deregulated’ component of the fee package. In other words, universities would be free to charge a fee, perhaps up to 25% of HECS, for students to undertake courses in high demand. Students who needed to take a loan to cover this additional fee would be charged interest on this loan at a rate determined by the Government. In New Zealand the interest rate on study debt is currently 7%, higher than some mortgage rates in that country.

The top-up fees will worsen what is already an unfair financial burden on students. The introduction of fixed interest rates on study debts will lengthen repayment times. This is likely to have flow-on social consequences on student debtors economic activity such as superannuation and mortgages. Both measures will have a negative impact on the participation of disadvantaged ‘study debt adverse’ groups.

This proposal is borrowed from the New Zealand model where since 1992 students have been charged an interest rate on loans for the whole of their student fees. The introduction of interest rates, together with fee deregulation in New Zealand, have had a number of major implications for higher education in that country. The first is that interest rates cause the level of student debt to grow rapidly, from \$900 million in 1994,

⁴⁶ Universities in Crisis, page 280.

to \$3,000 million in 1999, to an estimated \$20,000 million in 2020⁴⁷. The NZ Auditor-General has described how the student loans scheme means the Government there operates as a 'virtual bank'⁴⁸.

The New Zealand Government has already had to implement changes to write off interest rate payments for low-income students after repayment times had stretched to 17 years for men by 1999, and a staggering 51 years for women. Despite interest rate write-offs, payments times are still estimated at 15 years for men and 29 years for women⁴⁹. There is evidence that loans also impact harshly on Maori and Pacific people as well as students from low socio-economic backgrounds. The University of Auckland has found a significant change in student demographics in the last decade, releasing a report that found:

*growing disparity on enrolments when socio-economic background is considered. In 1997, only 8 percent of students entering New Zealand universities were from low decile schools, compared with 52 percent from high decile schools. In 1994 the figures were 10 percent from low decile schools and 41 percent from high decile. The report speculates the rising cost of tertiary education, particularly in an area of high living costs such as Auckland, is having a significant disincentive effect.*⁵⁰

In a survey of bank managers in New Zealand, the NZ University Students' Association found that around half of those who had declined finances from applicants with student loans considered those loans as a contributing factor. Graduates have reported being unable to secure loans because of their student loan debts combined with low incomes, and some have not even bothered to apply for loans because of their level of student debt⁵¹. There are further concerns that the level of student debt is impacting on graduate life choices, in particular in relation to child bearing and marriage, establishing businesses, paying for health care, and making provisions for retirement and superannuation⁵².

There is also evidence that student loans and interest charges in New Zealand are impacting on the labour market. Students are more likely to choose courses which are of a low cost, or offer high salaries when they graduate. It is believed that this creates an over-supply of graduates in professions like law and accountancy⁵³. Students who graduate with large debts from high-cost degrees need to charge high fees for their

⁴⁷ NZ Auditor General, *Student Loan Scheme, Publicly Available Accountability Information*, June 2000, page 11.

⁴⁸ *ibid*, page 36.

⁴⁹ NZ House of Representatives Education and Science Committee, "Inquiry into Student Fees, loans, allowances and the overall resourcing of tertiary education", October 2001, page 42-43.

⁵⁰ *ibid*, page 34-35.

⁵¹ New Zealand University Students' Association, *Student Loans Effect on Graduate Borrowing: A Survey of Bank Managers and Loans Officers*, September 2002, page 2-3.

⁵² NZ House of Representatives Education and Science Committee, "Inquiry into Student Fees, loans, allowances and the overall resourcing of tertiary education", October 2001, page 24-25.

⁵³ *ibid*, page 36.

services in order to maximise their incomes and repay their loans, for example, the Dental Council of New Zealand has reported that almost 80 per cent of dentists now graduate with a debt of over \$80,000⁵⁴.

There is further evidence in New Zealand of a ‘brain drain’ caused by high student debt coupled with interest rates on student loans, impacting on regional areas as graduates seek higher incomes in major cities, as well as the national labour market as graduates go overseas to escape their repayments. The situation appears to be exacerbated in careers such as medicine and dentistry, where relatively high levels of fees, and the length of degrees, mean that graduates need to maximise their incomes:

*Potential students from low-income groups are put off studying medicine, and many graduates go overseas to work... It also creates a shortage of junior doctors, locums, general practitioners, and doctors who will work in rural areas or with disadvantaged communities. In turn, this affects the health of communities, provoking greater reliance on more expensive secondary and tertiary medical care. The cost of primary care will increase as doctors charge higher fees to repay their loans. At medical schools there is reduced innovation in the courses that are taught, there is more pressure on fewer teaching staff, and a career in academic medicine becomes less appealing.*⁵⁵

Recommendation: That reform to the higher education sector be publicly funded, with no increase in student debt levels and no introduction of interest rates on student loans.

Rural and Regional Students and Universities:

Students from rural and isolated backgrounds are under-represented in higher education and face a number of barriers to their participation. At present “for every ten urban people on a per capita basis who attend university, roughly six rural or isolated Australians will do so.”⁵⁶ The Department of Transport and Regional Services has outlined the cause of this under-representation:

*Feedback from people in regional Australia indicates the following barriers to participation: high costs of education; lack of access to quality telecommunications; minimal social and support networks for people moving to larger cities coupled with inadequate income support and a lack of well developed learning culture.*⁵⁷

Students from rural locations who are also from low socio-economic backgrounds are more likely to see the high costs associated with higher education as a reason that they

⁵⁴ *ibid*, page 38.

⁵⁵ *ibid*, page 11.

⁵⁶ Richard James, Centre for the Study of Higher Education, Melbourne University, submission to the Crossroads Review of Higher Education, 2002, page 1.

⁵⁷ Department of Transport and Regional Services, submission to the Crossroads Review of Higher Education, 2002, page 9.

will not be able to participate in university when they complete school⁵⁸. Students from rural backgrounds are also likely to have less ‘push’ factors for them to attend university arising from the perceived value of a higher education amongst their families and communities.

Although all Australian universities fail to meet the ‘equity reference value’ of 25 per cent of students from lower socio-economic backgrounds, the Group of Eight universities fall well below the national average⁵⁹.

Small and regional campuses play vitally important roles not only for students from rural and regional backgrounds, but to the economic life of their communities. The University of New England contributes 20 per cent of the value of the local economy, and the University of Tasmania is the second largest employer in its state.

The policy mix emerging from the Nelson review threatens to further marginalise people from low socio-economic or rural and isolated backgrounds from higher education. In his submission to the Crossroads Review, Associate Professor Richard James from the Centre for the Study of Higher Education at Melbourne University outlined the dual negative impacts of fee deregulation on students from equity groups:

- 1. Higher fees would be a significant deterrent for people from lower socio-economic backgrounds and rural/isolated areas (regardless of whether or not deferred payment is an option, since there is some evidence of debt-aversion among these groups). An overall downturn in participation could be anticipated.*
- 2. The present social polarisation across universities would be intensified as prospective students from lower socio-economic and rural/isolated backgrounds are deterred or excluded by the dual effect of highly competitive entry requirements and the (presumably) higher fees sought by the universities/courses for which there is high demand. The prospect of the universities which confer the greatest positional status serving a social elite would loom large.⁶⁰*

Recommendation: That changes to the higher education system facilitate greater access of students with a regional and rural background, as well as ensure equitable funding and course selection between metropolitan and small and regional campuses.

⁵⁸ Richard James, Centre for the Study of Higher Education, Melbourne University, submission to the Crossroads Review of Higher Education, 2002, page 2.

⁵⁹ *ibid*, page 2.

⁶⁰ *ibid*, page 2.