

Chapter 3

Adequacy of income support payments

I think that, if the level of student income support, the infrastructure of it and the systems involved with it were improved, there would be no question...that the experience of students collectively in the Australian higher education system would be improved. People would be better prepared. They would be better engaged with their studies. They would be more motivated. They would be more successful because they would have received that level of support. I do understand that there is a balance: students should not get a free-ride...Students are willing to play their part as well, but at the moment that balance is way below what it should be.¹

Income support payments

3.1 A clear message in evidence before the inquiry is that the current income support structures do not provide an adequate level of financial support for students. According to the Australian Council of Social Service (ACOSS), the relative income levels of all income support recipients, including students, has deteriorated over time. In 1998 over 60 per cent of income support recipients were in poverty compared to 20 per cent in 1972-73.² Of the main types of social security payment received by households, studies have consistently found that students in receipt of Youth Allowance and Austudy payments face a relatively high risk of financial hardship.³

3.2 The current maximum live at home rate of Youth Allowance is \$178.70 a fortnight for a person under the age of 18, and \$214.90 for a person over the age of 18. The National Union of Students (NUS) calculated that students eligible for the maximum away from home rate of Youth Allowance, including Rent Assistance, receive an amount which is 17.5 per cent below the Henderson poverty line. Students living in shared accommodation who are ineligible for Rent Assistance receive an amount which is nearly 30 per cent below the poverty line. For recipients of Austudy the figures are more alarming. The base rate for a full-time student aged 25 years and over is a staggering 36.8 per cent below the poverty line, mainly due to Austudy recipients being ineligible for Rent Assistance.⁴

3.3 Figures provided by the National Welfare Rights Network are more alarming. Depending on a person's circumstances, the rates of payment can be up to 50 per cent

1 Mr Max Jeganathan, Australian National University Students' Association, *Committee Hansard*, 13 May 2005, p.22

2 Australian Council of Social Service, *Submission 24*, p.13

3 *ibid.*, p.14. The ACOSS submission draws upon two deprivation studies: the ABS Financial Stress Study (2002) and the ACOSS Emergency Relief Study (1999).

4 National Union of Students, *Submission 89*, p.5

below the poverty line.⁵ The Network's submission provides a useful comparison of income support payments with the relevant poverty line for various social security payments (see Table 1). It shows that adult students receiving the Austudy payment are 49 per cent below the poverty line. The main reason why the total weekly payment is substantially less than other social security payments is that, as previously noted, recipients of Austudy are not eligible for Rent Assistance. As a consequence, Austudy recipients receive \$32 less each week than independent 16 to 24 year old students.⁶

Table 1: Income support payments and the Henderson Poverty Line⁷

INCOME UNIT		SOCIAL SECURITY PAYMENT	TOTAL PAYMENT \$ per week	POVERTY LINE \$ per week	% BELOW POVERTY LINE
A	Single unemployed adult	Newstart Allowance + Rent Assistance	245.70	317.61	23%
B	Single, independent full-time, student 16 to 24 years	Youth Allowance + Rent Assistance	211.65	317.61	33%
C	Single independent full-time student 16 to 24 years	Youth Allowance + sharers' rate of Rent Assistance	195.52	317.61	38%
D	Single, dependent student 18 to 24 years	Youth Allowance	107.45	213.75	50%
E	Single adult student over 25 years	Austudy Payment	163.25	317.61	49%
F	Pension (single)	Pension + Rent Assistance	283.75	257.53	10% above
G	Pension couple (each)	Pension + Rent Assistance	242.20	182.40	33% above

3.4 A number of witnesses compared the level of income support with estimates of students' living costs, to highlight how inadequate income support payments are compared with payments under other social security benefits, such as the Newstart Allowance. The Student Financial Advisers Network (SFAN), for example, estimated that students need approximately \$250 a week or \$500 a fortnight in order to meet their living costs. A full Youth Allowance payment at either the independent rate or

5 Ms Melissa Coad, National Welfare Rights Network, *Committee Hansard*, 13 May 2005, p.25

6 National Welfare Rights Network, *Submission 134*, p.17

7 *ibid.*, p.15

the living away from home rate, with Rent Assistance available in a share house, amounts to \$390 per fortnight, which is a shortfall of at least \$110.⁸

3.5 The level of student income support has not kept pace with either the cost of living, especially spiralling accommodation and transport costs in the capital cities, or the rising cost of higher education. The result is that many students find themselves in a precarious financial situation, struggling to provide themselves with the basic necessities of life. For many full-time students, economic survival has taken over their commitment to study as the prime motivating factor during their time at university.⁹ The Deakin University Student Association viewed the income support benefits currently paid to students as nothing more than a 'fortnightly emergency payment' that covers some, but not all, of the most urgent requirements of students: 'There is no provision for students to put money aside for expenses such as car registration or repairs, medical appointments, or large bills'.¹⁰

3.6 The committee notes that in considering the level of income support, most submissions established some kind of benchmark in order to draw attention to the inadequate payments compared with other social security benefits. The Henderson poverty line was widely referred to in submissions as a measure of relative poverty. The National Welfare Rights Network argued that the Henderson poverty line provides a useful normative benchmark for the adequacy of all social security payments. The committee accepts that the current level of student income support is unacceptable and it is sympathetic to the argument that the base rate of pay should be increased to enable students to earn a decent living wage to cover the basic cost of rent, food, bills and transport. However, the committee is unable to make a firm recommendation on this issue before a proposal to increase the level of payment has been costed and its financial impact fully assessed.

Student poverty

3.7 The committee is very concerned by mounting evidence of a significant increase in the incidence of poverty among the student population.¹¹ A number of submissions expressed the view that the income support system is narrowly targeted and traps needy students in poverty by penalising them for earning above the personal income test threshold of \$6100 a year. The NUS, for example, argued:

While designed to facilitate access to the education system for students who are unable to provide their own financial support, these payments are

8 Mr Roger Deutscher, Student Financial Advisers Network, *Committee Hansard*, 26 April 2005, p.7

9 Students' Association of Flinders University, *Submission 83*, p.10

10 Deakin University Student Association, *Submission 46*, p.5

11 Judith Bessant, 'The Problem of Poverty Amongst Tertiary Students: Why It is Missing from the Policy Agenda', *Melbourne Studies in Education*, vol.44, no.2, 2003, pp.69-88; Judith Bessant, *Student Poverty and the Enterprise University*, unpublished paper, 2001

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. With income support levels so low, many students struggle just to provide themselves with the basic necessities of life.¹²

3.8 Professor Watts, RMIT University, told the committee that he had seen students on campus who appeared to be suffering from scurvy. Although the problem is not a large one, there are a small number of students, at least at RMIT University, whose dietary deficiencies are great:

They are trying to get by on \$30 a week after they have paid the rent, and it is not going to work. Their skin will start to erupt, they start to look sick and they start to get sick...It is simply unacceptable...to have people coming from suburban Melbourne presenting with symptoms of scurvy.¹³

3.9 The incidence of student poverty is a major concern for indigenous Australians. The National Indigenous Postgraduate Association Aboriginal Corporation submission reported anecdotal evidence collected from the indigenous postgraduate community which shows that low rates of retention and progress of indigenous students is strongly connected with student poverty.¹⁴ Poverty levels in the indigenous population are higher because students have a significantly lower income when compared to the general Australian population. The extent of poverty among indigenous students is also consistent with broader trends which show that indigenous Australians are the most disadvantaged and marginalised group in Australia.¹⁵

Eligibility criteria

Age of independence

3.10 Income support regulations presume that a person is dependent on their family until age 25. While students over the age of 25 are not eligible to apply for Youth Allowance, they may apply for Austudy. The current age of independence was criticised in nearly every submission to this inquiry. The Australian National University Students' Association described it as the 'most ridiculous aspect' of the income support system.¹⁶ The main problem is that it assumes parents are not only able but also willing to support their children at home by contributing to their living and education expenses. However, the evidence does not support this assumption. The review of Austudy in 1992 by Bruce Chapman found evidence of a marked

12 *ibid.*, p.5

13 Professor Robert Watts, *Committee Hansard*, 26 April 2005, p.78

14 National Indigenous Postgraduate Association Aboriginal Corporation, *Submission 98*, p.9

15 *ibid.*

16 Ms Rachel Allen, Australian National University Students' Association, *Committee Hansard*, 13 May 2005, p.14

divergence between families in their preparedness to assist students at university. Parents or spouses often do not value higher education.¹⁷ Thus the high age of independence was considered one of the most fundamental flaws in the student income support system. Dr Ian Dobson claimed that it is likely that no one but the Government thinks that the presumption of family support until age 25 is reasonable.¹⁸ There was also agreement in submissions that the current age of independence is out of step with both community expectations and the criteria applied under other income support payments. Students in receipt of the Newstart Allowance, for example, are considered to be independent at 21 years of age.

3.11 While a person can demonstrate financial independence through their own, rather than their family's, circumstances, by meeting strict workforce participation criteria, Dr Ian Dobson highlighted in his submission that some students are able to prove their independence more easily than others, with their families exploiting a loophole in the definition of 'work':

A student from a family with its own business could 'work' for that business, doing real or imaginary work, and easily meet the income criterion. By being paid about \$900 a month for the 18 months after the end of year 12 by a family business, a student could attain independence in the minimum time.¹⁹

3.12 The committee stresses that the definition of independence has serious implications for indigenous participation rates because it assumes that families are both willing and able to provide financial assistance to their children whilst studying. The National Tertiary Education Union submission emphasised that the indigenous population has a much lower life expectancy than other Australians and therefore a considerably younger age structure than the general population.²⁰ It is significant that the median age for indigenous Australians in 2004 was 20.6 years compared with 36.1 years for non-indigenous Australians. In addition, in 2001, 65.5 per cent of the indigenous population, compared with only 41 per cent of non-indigenous Australians, was under 29 years of age.²¹ That Indigenous people assume social and financial independence at a much earlier age than non-indigenous people was overlooked in the way the threshold of independence was aligned to Austudy:

That clearly demonstrates that the alignment of the independence age threshold to the Austudy level is totally inconsistent with the actual demographics of the Indigenous youth population density and it certainly

17 Bruce Chapman, *Austudy: Towards a More Flexible Approach. An Options Paper*, A report commissioned by the Department of Employment, Education and Training, April 1992, pp.112-13

18 Dr Ian Dobson, *Submission 137*, p.5

19 *ibid.*, p.4

20 National Tertiary Education Union, *Submission 129*, pp.7-9

21 Mr Joel Wright, National Tertiary Education Union, *Committee Hansard*, 26 April 2005, p.60

shows why a lot of those independent students are now finding themselves in a lot of financial trouble.²²

Parental and personal income test threshold

3.13 The committee accepts that the parental income test threshold is too low and has not kept pace with wage increases and the cost of living. The current threshold provides an unrealistic measure of the cost of living and raising children. The problem is compounded in situations where financial support from parents is either ungenerous or absent, which can remove study as an option for many students.²³ Students eligible for the Youth Allowance do not automatically qualify for the full rate if their parents' income exceeds the maximum level permitted (currently \$28,850 for an only child student) and if they exceed the maximum additional income allowed under the scheme (current \$236 each fortnight). The full allowance is only paid to dependent students whose parents are on extremely low incomes. Recipients of Youth Allowance lose 25 cents for every dollar above the family income threshold. Student fortnightly income between \$236 and \$316 reduces the fortnightly allowance by 50 cents in the dollar, while income above \$316 reduces payments by 70 cents in the dollar.²⁴

3.14 The parental income threshold has not changed significantly since 1991 when it was set at \$19,300 per annum. The difference between the 1991 figure and that for 2005 is only the result of indexation.²⁵ The National Welfare Rights Network pointed out in its submission that the current threshold is almost \$4000 lower than the threshold for the Family Tax Benefit. This means that many families surviving on incomes only marginally above the Henderson poverty line are ineligible for Youth Allowance, unless a young person can prove independence.²⁶ This observation is supported by academic research from the Centre for Population and Urban Research at Monash University. Several studies of the Youth Allowance have shown conclusively that the severity of the parental income test disadvantages students from households with modest incomes, particularly those from stable blue-collar and lower white-collar families where the main breadwinner holds a full-time job earning close to average weekly earnings, or where both parents work in lowly paid jobs.²⁷

3.15 The parental income threshold also acts as a disincentive for young people who move away from home to study. The committee heard evidence that students

22 *ibid.*, p.61

23 Australian Council of Social Service, *Submission 24*, p.23

24 See Appendix 4, Chart D(a)—Personal Income test for Youth Allowance, Austudy Payment, Abstudy

25 Vincent Callaghan, 'Government Financial Support for Students—the Case for Radical Reform', *People and Place*, vol.11, no.3, 2003, p.17

26 National Welfare Rights Network, *Submission 134*, p.6

27 Bob Birrell, Ian R. Dobson and T. Fred Smith, 'The New Youth Allowance and Access to Higher Education', *People and Place*, vol.7, no.3, 1999, p.24

sometimes face a situation where living at home is not an option because their course is not offered at a local campus. Students living in the Northern Territory, for example, who choose to study veterinary science, medicine or pharmacy, to name a few, are required to travel to either Adelaide or Perth to study. However, in these situations, any Youth Allowance received is means tested, which puts pressure on students and their families. While the away-from-home rate of youth allowance is higher than the at-home-rate, the committee believes that the parental income test prevents people from exercising the choice to move from home to study elsewhere.

Recommendation 8

The committee recommends that the Department of Education, Science and Training undertake an analysis of the costs and benefits associated with:

- **reducing the age of independence from 25 to each of 24, 23, 22, 21 and 18 years;**
- **increasing the parental income test threshold to a level that reasonably equates with annual average earnings;**
- **increasing the tax-free threshold for students; and**
- **increasing Youth Allowance, Austudy and ABSTUDY payments to the level of the age pension.**

Government senators do not agree with this recommendation.

Rent assistance

3.16 Although Rent Assistance has been available to some income support recipients since 1958, students using the income support system until 1998 were generally ineligible for Rent Assistance. When the Youth Allowance was introduced in 1998, young students living away from home for the first time became eligible for Rent Assistance, which was considered a major advance on the previous eligibility rules. Students on Austudy, however, were not eligible for any Rent Assistance, which has been a long standing grievance. Student bodies told the committee that lack of Rent Assistance for Austudy recipients discourages full-time entry into higher education and prevents students from undertaking courses in areas of high rental or transport costs.

3.17 The damaging effect of this anomaly was highlighted in evidence provided by a representative of the University of South Australia Students' Association. The student told the committee he had commenced full-time study at age 24 and was receiving Youth Allowance and Rent Assistance. However, illness resulted in him postponing study and being placed on the Newstart Allowance which provided sickness benefits. When the student resumed study the following year, he was only eligible for income support under Austudy because he was now over 25 and not eligible for Rent Assistance. The student told the committee that he: '...suffered great financial hardship and...could not afford to live where I lived before; I had to move

out. That was a very difficult time and I felt as if I was being penalised for having to take time off because I was unwell'.²⁸

3.18 This example demonstrates how students may be penalised financially by the rigidities of the income support system. Centrelink officers lack the discretion to assess students' eligibility for one form of payment over another, even in exceptional circumstances. The committee believes that a person who is required to postpone a course of study due to ill health and who subsequently loses Rent Assistance by crossing over an arbitrary age threshold, should not be penalised financially. It is the committee's view that there should be a process to enable Centrelink officers to exempt students from the eligibility rules for Rent Assistance, in situations similar to those described in the previous paragraph and where the parental income thresholds prevent students from remote and regional areas studying away from home. The committee believes that Centrelink officers should be able to exercise discretion in circumstances which deserve a more compassionate response.

3.19 It appears there was little public discussion of the reasons for Rent Assistance not being extended to recipients of Austudy, when the Youth Allowance was introduced in 1998. The Tenants Union of Victoria argued that it could not find any policy rationale for the change. The NUS submission stated that budgetary considerations aside, the aged-based criterion, which can be traced to the Commonwealth Scholarship Scheme introduced during the 1950s, was considered appropriate because it was assumed that students over 25 were better able to cover the cost of their education as a result of employment, and therefore were less in need of Rent Assistance than students of a younger age. The assumption is that students who work for a number of years are able to generate enough savings to help subsidise the cost of their education. A number of submissions pointed to empirical evidence which shows how this assumption is no longer relevant. It became outdated by the late 1990s as a result of changes to the youth labour market:

The virtual disappearance of the full time youth labour market means that it is quite wrong to assume that most 25 or 26 year olds in the 21st century have had seven or eight years of full time work to build up substantial savings...The empirical evidence shows how outdated this assumption is.²⁹

3.20 The committee notes that the submission from FaCS had very little to say about Rent Assistance, other than the observation: 'Rent Assistance was not available under the previous AUSTUDY scheme and this has been the case for many years under successive governments. Austudy Payment recipients with dependent children may qualify for Rent Assistance with their Family Tax Benefit'.³⁰ The department attempted to explain the policy background on this issue, by advising the committee

28 Mr Mark Allen, University of South Australia Students' Association, *Committee Hansard*, 28 April 2005, p.26

29 National Union of Students, *Submission 89*, p.25

30 Department of Family and Community Services, *Submission 110*, p.21

that when Youth Allowance was introduced in 1998, the income threshold under Austudy was also increased, presumably to enable recipients to earn more money than was then permitted under Youth Allowance before affecting the level of benefits. This was described as a way of compensating Austudy recipients who were ineligible for Rent Assistance. The department, however, also told the committee that recipients of Austudy no longer receive this type of compensation because the income threshold for both Youth Allowance and Austudy is now the same, at \$236 a fortnight.³¹ The committee notes that previously compensating recipients of Austudy does not explain why they were ineligible for Rent Assistance in the first place. The committee concludes that while the policy rationale for excluding recipients of Austudy from Rent Assistance remains an open question, the explanation provided by FaCS is no longer relevant. This is because the financial benefit which was provided initially to recipients of Austudy under a higher income threshold no longer exists.

3.21 Other witnesses before the committee speculated that there is a contradictory logic to Austudy recipients not being eligible for Rent Assistance. The Tenants Union of Victoria argued that Austudy applies to people who are presumed to have a higher level of independence than people on Youth Allowance and to have settled their housing circumstances by the age of 25. Yet the evidence suggested otherwise: 'All the...indicators are that for people in the age cohort of 25 to 35 their rates of home ownership have declined, so by and large they are reliant on the private rental market for housing'.³² The committee accepts the argument of the National Welfare Rights Network that this situation significantly reduces the opportunity for people over 25 to return to study:

...if someone has been on a disability pension and decides that they can return to full-time study, they will lose about \$150 in their rate of payment and, on top of that, they will lose any availability of rent assistance and various other concessions that come with that. This is a real disincentive for people trying to return to study to get themselves back into the employment market.³³

3.22 The committee finds it unacceptable that the Government will not offer a policy defence of this anomaly which denies Rent Assistance to Austudy recipients. Students receiving Austudy continue to be ineligible for Rent Assistance for no apparent reason. The committee supports the position of NUS that the use of age-based criteria to determine eligibility for Rent Assistance, based on 50 year old labour market assumptions, is patently absurd and arbitrary.

3.23 The committee emphasises that the issue of Rent Assistance has become critical for increasing numbers of students who are finding it difficult to afford

31 Ms Susan Bennett, Department of Education, Science and Training, *Committee Hansard*, 13 May 2005, p.58

32 Mr Mark O'Brien, Tenants Union of Victoria, *Committee Hansard*, 13 May 2005, p.37

33 Ms Melissa Coad, National Welfare Rights Network, *Committee Hansard*, 13 May 2005, p.27

housing, the cost of which has risen sharply over recent years with the property market boom.³⁴ The Tenants Union Victoria told the committee that not only is the current inequity between Youth Allowance and Austudy surrounding Rent Assistance unacceptable, the level of Rent Assistance payable to recipients of Youth Allowance is inadequate. This is mainly because housing has become less affordable in the capital cities and many regional centres. It was argued at a public hearing that Rent Assistance is not meeting the needs of students who rent. It was described by the Tenants Union of Victoria as an inadequate payment operating in a poorly functioning market. There are many thousands of students in Victoria who receive the maximum Rent Assistance but who pay more than 30 per cent of their income on housing costs. This figure is supported by evidence which shows that increasing numbers of students are forced to live in boarding houses and caravan parks, often at locations distant from where they have to study and work, which adds considerably to the cost of transport.

Recommendation 9

The committee recommends that Rent Assistance be made available for all recipients of Austudy, but not before a costing is undertaken by the Department of Education, Science and Training. The committee recommends that the costing be completed before the end of 2005 and reported to the Parliament.

Other issues

Indexation

3.24 The committee accepts the assessment of the National Welfare Rights Network that there is a major, unjustifiable inconsistency in the method of indexation for different social security payments. There does not appear to be a logical or fair reason why Youth Allowance, Austudy and ABSTUDY payments are not indexed as favourably as other social security payments.³⁵ Newstart and other pension payments are indexed twice yearly in line with either the CPI or male total average weekly earnings (MTAWE), whichever is higher. Youth Allowance, Austudy and ABSTUDY payments, however, are indexed only once a year, on 1 January, based on the CPI for the previous 12 months and pegged to the previous June quarter. This means it may take up to 18 months after a specific cost of living increase for the various income support rates to be adjusted. The committee notes that the shift away from calendar year annual entitlement calculations has removed the primary administrative barrier to aligning the indexation of student income support schemes with other pension payments. According to the National Welfare Rights Network, because the MTAWE has generally been higher than the CPI since 1998, the

34 Mr Trevor White, Australasian Campus Union Managers Association, *Committee Hansard*, 26 April 2005, p.33

35 National Welfare Rights Network, *Submission 134*, p.7

fortnightly increase in the pension has been \$116 compared with \$61 for Youth Allowance.³⁶

3.25 Students who qualify for Youth Allowance are permitted to earn only \$6,100 a year before their payments decline. The committee is concerned that whereas the value of Youth Allowance and the family income limits are indexed against inflation each January, as described above, the recipient's permitted earnings are not. The committee does not understand why the \$6,100 figure has not been indexed against inflation since 1993. Had it been indexed each year, the value of current earnings would be in excess of \$8,000.³⁷ The committee believes that students are at a disadvantage as a result of this anomaly. If this indexation is not addressed by the government, income support payments for students will continue to fall as a proportion of average weekly earnings.

Recommendation 10

The committee recommends that the Department of Education, Science and Training undertake an analysis of the costs and benefits associated with making the method of indexation for student income support payments consistent with the indexation of the pension.

Postgraduate students

3.26 Postgraduate student bodies raised a number of concerns with the level of financial support available to postgraduate research and postgraduate coursework students, which are often overlooked in discussions about student income support. According to the Council of Australian Postgraduate Associations (CAPA), approximately 34,000 research students, 70,107 coursework masters students and many other postgraduates studying other degrees receive no Commonwealth financial support. Austudy is only available for students studying graduate or postgraduate diploma courses. The CAPA submission argued: 'This is a disgrace for a country which purports to see a future for itself in the knowledge economy. Students studying at the highest levels should not be those receiving least support'.³⁸

3.27 Other postgraduate associations which provided evidence to this inquiry agreed that the most glaring weakness in the current financial support for postgraduate students is the gap between the average time a student takes to complete a postgraduate degree and the duration of an Australian Postgraduate Award (APA) scholarship. The APA is the main form of income support available to postgraduate students, supporting 4,500 of Australia's 38,640 domestic research students.³⁹ While the duration of an APA scholarship is currently three years, government funding to

36 Ms Melissa Coad, National Welfare Rights Network, *Committee Hansard*, 13 May 2005, p.25

37 *ibid.*

38 Council of Australian Postgraduate Associations, *Submission 74*, p.10

39 *ibid.*, p.12

universities for their postgraduate doctoral researchers is for four years. This means that students are told they have four years to complete their degrees but are funded for only three. This leaves a gap of up to twelve months where a student is ineligible for any income support, usually during the most crucial time in the student's candidature – the writing up stage.⁴⁰

3.28 Survey responses presented as evidence to this inquiry by CAPA show that the current funding arrangements for APA scholarships hinder, rather than encourage, timely completion of courses. When scholarship funding ceases, some students take leave to seek employment while others fail to complete their course. President of the University of Melbourne Postgraduate Association, Mr Matthew Belleghem, told the committee:

Every time we get a research report back from our university or from other universities, the average time [of] completion and the point in the candidature at which those students who do not complete decide to discontinue indicate that the gap between the average completion time and the duration of the APA is a very significant hindrance to students finishing their studies in a timely manner.⁴¹

3.29 The committee heard evidence that full-time coursework degrees have become popular over the last five years. However, domestic students completing Masters or postgraduate coursework degrees are ineligible for income support under Youth Allowance and Austudy. According to the Flinders Postgraduate Students' Association, there is a myth that students undertaking postgraduate coursework degrees are already working professionals who are able to recoup the costs of their courses, many of which are fee paying courses: 'The reality is many of these students—nurses, teachers—are required to pursue these coursework awards as a part of their employment, just to stay where they are'.⁴²

3.30 Other problem areas with the income support arrangements for postgraduate students were brought to the committee's attention. First, a serious inequity in the income support system is created by part-time APA scholarships being subject to income tax under the ss.51-10 of the *Income Tax Assessment Act 1997*, whereas full-time APA scholarships are not. This situation is based on an assumption, rejected by CAPA as a red-herring, that part-time scholarship recipients should pay tax because of their potential to earn additional income. CAPA maintained that taxing part-time APA scholarships is unreasonable because they are only available to students with carer responsibilities or an incapacitating medical condition.⁴³ Second, a number of

40 Mr Nigel Palmer, Flinders Postgraduate Students' Association, *Committee Hansard*, 28 April 2005, p.40

41 Mr Matthew Belleghem, University of Melbourne Postgraduate Association, *Committee Hansard*, 26 April 2005, p.39

42 Mr Nigel Palmer, Flinders Postgraduate Students' Association, *Committee Hansard*, 28 April 2005, p.42

43 Council of Australian Postgraduate Associations, *Submission 74*, p.15

professional postgraduate degrees, particularly in medicine and psychology, take four years to complete because they include a mandatory work placement and coursework components. If the degree is funded through an APA, income support will cut out after three years even though the degree will take a minimum of four years to complete. The committee also heard that as a result of changes in the way DEST allocates funding for postgraduate research, some universities have reduced the standard six month extension of the APA to three months, while other universities have withdrawn the extension altogether.

3.31 A final area of concern relates to a general perception that students striving for an undergraduate qualification are deserving of Commonwealth financial assistance whereas students who stay at university and commence a postgraduate degree should be prepared to cope financially without the same level of assistance. The committee accepts the view of CAPA's President, Mr Stephen Horton, that students who try to improve their qualifications and improve their employability are being placed in a financially difficult situation:

If the current situation continues we will end up with an underclass of highly qualified people. This is a situation that exists in the United States...It places being able to borrow for home-ownership schemes out of people's range. The assumption that they have been helped through their undergraduate degree exists, but it is erroneous.⁴⁴

Scholarships

3.32 The committee is concerned that some scholarships are subject to the social security income test arrangements while others are not. The Commonwealth Learning Scholarships, for example, which were included as part of the Government's reform package in 2003 under the Higher Education Support Act, are exempt from the social security test as are fee paying and fee waiver scholarships. However, most university-funded scholarships, as well as those provided by benefactors and philanthropists, are subject to the income test arrangements. The Department of Family and Community Services told the committee that the policy reason for exempting certain scholarships from the social security test is that the benefit of these scholarships is not discretionary cash for the use of the student:

The broad rationale is that where fees are being waived or exempt the student is not able to use that as they would income that they had earned or received for another purpose. They do not have discretion in the use of that income, whereas scholarships which provide cash to a student are considered more like income that another student may earn and are treated in the same way as earned income.⁴⁵

44 Mr Stephen Horton, Council of Australian Postgraduate Associations, *Committee Hansard*, 26 April 2005, p.43

45 Mr Benjamin Wallace, Department of Family and Community Service, *Committee Hansard*, 13 May 2005, p.60

3.33 This is a serious concern for vice-chancellors and students who have difficulty accepting the discretionary argument.⁴⁶ Some discretionary scholarships, such as the Commonwealth Learning Scholarships, are not subject to the income support test. The Australian Vice-Chancellors' Committee claimed that the Government's failure to exempt other scholarships from income tax arrangements has discouraged people from making donations to universities: 'It is a ludicrous situation where scholarships offered by universities are...taxed to the extent that some universities question what benefit there is in giving the scholarships, given that the students lose a large part of the money through taxation'.⁴⁷ University of Canberra Vice-Chancellor, Professor Roger Dean, expressed concern that creating exemptions for certain scholarships and not others undermines their primary purpose, which is to enable students to undertake scholarship 'for the development of the economy and...society'.⁴⁸ Similar concerns were expressed by the University of Sydney submission which noted that students who receive an Access Scholarship funded by the University have their scholarship assessed as income compared to students holding a Commonwealth Learning Scholarship: 'The existence of two schemes side by side creates an inequitable situation'.⁴⁹

3.34 The Group of Eight also voiced its concern about the taxation of scholarships and its impact on students from low socio-economic backgrounds. In 2005, it awarded 96 Equity Scholarships, worth \$3000 per annum, directly to students to assist with living costs. However, the scholarships will lose much of their impact because they are assessed as income under the social security means test: 'The vast majority of students from low socio-economic backgrounds are still burdened by an income test which effectively taxes scholarship income and income earned from employment at up to 70 cents in the dollar'.⁵⁰

3.35 In March 2004, Flinders University Vice-Chancellor, Professor Anne Edwards, wrote to the Minister for Family and Community Services, the Hon. Kay Patterson MP, seeking an amendment to income test regulations to exempt from income testing not only the Commonwealth Learning Scholarships but all scholarship income for university students. The university argued that taxing university-sponsored scholarships 'contradicts the Government's stated goal of increasing higher education participation by students from low socio-economic backgrounds'.⁵¹ It could see no policy justification for treating low income students who receive university scholarships to assist with living and education costs any differently from low income

46 The University of Newcastle, *Submission 33*, p.4

47 Mr John Mullarvey, Australian Vice-Chancellors' Committee, *Committee Hansard*, 13 May 2005, p.9

48 Professor Roger Dean, University of Canberra, *Committee Hansard*, 13 May 2005, p.11

49 The University of Sydney, *Submission 57*, p.1

50 Group of Eight, *Submission 112*, p.2

51 Flinders University, *Submission 21*, p.3

students who receive Commonwealth Learning Scholarships.⁵² The Minister's response of 6 May 2004 advised that the Government had initiated a review of the social security treatment of scholarships and that the review would consider issues raised by the Vice-Chancellor.⁵³

Recommendation 11

The committee recommends that the Department of Education, Science and Training undertake an analysis of the costs and benefits associated with exempting university-funded scholarships and scholarships funded by benefactors and philanthropists from the social security personal income test.

Alternative student income support measures

A single income support system

3.36 The committee's terms of reference require that it examine alternative student income support measures. The Australian Vice Chancellors' Committee (AVCC) and the National Union of Students (NUS) submissions supported fundamental change to the structure of the student income support system. They argued for an adequate level of financial support for the duration of a student's course, and improvement in the level of access to higher education for students from disadvantaged backgrounds. The NUS submission presented its case for an overhaul of the student income support system in the following terms:

If a future government were to get serious about creating a level playing field of education opportunity for all it would have to look at a comprehensive overhaul of student income support and be prepared to back it up with the additional budgetary measures. Tinkering at the edges of what is essentially a mean and narrowly based system will not do much to address the overall problems of educational inequality.⁵⁴

3.37 Professor Roger Dean told the committee that the AVCC had developed an alternative which not only enhances diversity, access and participation in higher education, but also provides incentives for people to enter post-secondary education. The alternative involves development of a comprehensive student income support payment which is separate from the existing Youth Allowance and structured to support students over the course of their studies. According to the AVCC submission: 'This would provide significantly higher rates than Youth Allowance and be available to a wider group of students. Its purpose would be to support students over the period of a degree [and] not cover a period of temporary unemployment'.⁵⁵ The AVCC believes that a parallel scheme for indigenous students should also be created. At a

52 *ibid.*

53 Additional information, 2 May 2005

54 National Union of Students, *Submission 89*, p.63

55 Australian Vice-Chancellors' Committee, *Submission 114*, pp.5-6

public hearing, Professor Dean clarified how the new payment would work: 'It would be somewhat analogous [to Youth Allowance] but it would be a higher level of support and the criteria would be the educational ones and less the conventional income testing or other criteria that apply'.⁵⁶

3.38 The idea of a separate payment scheme floated by the AVCC is designed to ensure that students can pay for household goods and equipment such as computers. Students would not have to rely on loan schemes such as the former Student Financial Supplement Scheme. The AVCC believes that the cost of such a scheme would be more than returned to the economy through students' future incomes and the reduced likelihood of them requiring Government assistance later in life. The idea of a new income support payment separate from Youth Allowance was supported by the University of South Australia.⁵⁷

3.39 The Student Financial Advisers Network suggested that the committee might consider two modest alternatives. The first approach would apply the rules that are available for Youth Allowance recipients to students receiving Austudy, although this could undermine the rationale of Youth Allowance if it was accessed by people 45 years and over. The second alternative would expand the Newstart Allowance which currently provides a rate of pay higher than for Youth Allowance, and Rent Assistance. The Newstart legislation would have to be amended to provide more flexibility in the range of eligible student activities. It would then be possible for Newstart to resemble Youth Allowance. It would be applied with the same degree of flexibility for students who are under 25 and over 25.⁵⁸

3.40 The committee heard from Professor Robert Watts, RMIT University, that it was time to think outside the 'conventional framework' which has characterised the income support debate. He argued that the government should consider a radical cost-saving and simplified approach which is currently on the agenda in the European policy community. The approach is widely referred to as the basic income model.

It replaces the plethora of means tested, targeted income support schemes with a single payment tied to a somewhat rethought and reworked taxation system to ensure that all the issues of transition, from school through to work, family and university...can be supported by a single payment that all citizens receive as a matter of right, which underwrites their capacity to make these transitions in and out of family, school and work and combines these elements of activity in the way that we now understand is actually the case, and does so on a cost-effective and administratively far cheaper basis.⁵⁹

56 Professor Roger Dean, University of Canberra, *Committee Hansard*, 13 May 2005, p.4

57 University of South Australia, *Submission 113*, p.6

58 *ibid.*, p.8

59 Professor Robert Watts, RMIT University, *Committee Hansard*, 26 April 2005, p.75

3.41 Echoes of this radical proposal are found in the ACOSS submission. It too adopted a broader approach by acknowledging the Government's Youth Pathways Action Plan Taskforce which found in 2001 that young people face a bewildering number of services that are difficult to negotiate, particularly in the transition from school to work or when facing special problems such as homelessness: 'Young people who are in neither education nor employment are especially at risk of falling through the cracks and facing long-term unemployment and a future of ongoing employment disadvantage'.⁶⁰ The ACOSS submission supported the establishment of a National Youth Transition Service, the cost of which would be shared by the Commonwealth and the states, to provide comprehensive transition support for students who are at risk of leaving school early. It is envisaged that implementation of the service would be phased in to provide:

- 'transition brokerage' for government and non-government schools which might include case management and personal support, mentoring and peer supported programs;
- additional funding to extend the Jobs Pathway program; and
- access to employment at a level appropriate to the person's education, skills training and linkages to employment networks and job opportunities.⁶¹

Coverage of scholarships and loans

3.42 The committee has already noted that a number of student associations and the Australasian Campus Union Managers Association (ACUMA) argued that higher education should be viewed by the Government as an investment in the knowledge capital of the nation and not as a financial drain on the public purse. This was a dominant theme underpinning evidence by the Australian National University Students' Association. The ACUMA submission recommended extending a slightly modified Australian Postgraduate Award (APA) scheme to undergraduate and postgraduate coursework scholarships. Using the guidelines for the existing APA, Australian undergraduate scholarships would provide a liveable income, allow limited working hours during day-time, be tax free, include leave provisions and be for a limited duration.⁶²

3.43 The AVCC submission raised the possibility of the Government creating a new set of scholarships to supplement existing income support payments under Youth Allowance, Austudy and ABSTUDY. These new scholarships would be based on the Commonwealth Learning Scholarships and would be exempt from income testing. The AVCC submission argued that:

60 Australian Council of Social Service, *Submission 24*, p.38

61 *ibid.*

62 Australasian Campus Union Managers Association, *Submission 95*, p.15

To make the scholarships effective they should cover at least all students from economically and culturally disadvantaged backgrounds. This would require at least a further doubling of the program. The target should be to provide a scholarship to all students receiving a Government income support benefit and provide others for universities to allocate to students that miss out on income support benefits but who are clearly in financial need to complete their studies.⁶³

3.44 The AVCC raised another alternative at a public hearing which was not canvassed in its written submission. Professor Roger Dean expressed the view that it would be possible to consider extending the HECS loan to cover specific student expenses such as university contracted accommodation and book purchases. This alternative, which the AVCC claimed is a favoured position of many students, is based on the view that there is no evidence that HECS deters students from enrolling in university: 'The principle of extending HECS beyond simply paying tuition fees is already in place through the OS-HELP scheme, and this suggestion is a modification and extension of it which would be very practical'.⁶⁴ The committee notes that student associations are unlikely to support income contingent loan schemes with deferred payment, as is currently the case with HECS, because they place students further in debt. A representative of the Australian National University Students' Association stated:

I would have thought that students would prefer to have the current system where they get the money—that is, they are entitled to income support rather than a loan that will add to everything else they have...I would expect that most students would be opposed to the idea of a carrot being offered to them that actually plunges them deeper into debt. They would prefer income support that comes directly rather than as a loan.⁶⁵

3.45 Notwithstanding this opposition to loan schemes, the Association submission saw merit in the concept of an income contingent 'living expenses' loan of approximately \$8000 per annum which would be paid in addition to the deferred HECS liability.⁶⁶ This was also raised as a possibility by the University of Adelaide submission.⁶⁷ Such a scheme would relieve the extreme financial pressure which students face because of their living expenses, especially for students who struggle financially in the first few weeks of their course. This may reduce the incidence of students dropping out of their course because of insufficient funds.⁶⁸ The committee is sympathetic to the idea because, as Dr Ian Dobson noted in his submission, it is not

63 AVCC, *Submission 114*, p.6

64 Professor Roger Dean, University of Canberra, *Committee Hansard*, 13 May 2005, p.2

65 Ms Aparna Rao, *Committee Hansard*, 13 May 2005, pp.19-20

66 The Australian National University Students' Association, *Submission 85*, p.17

67 The University of Adelaide, *Submission 49*, p.5

68 South Australian Government, *Submission 125*, p.11

possible for students to defer their living expenses.⁶⁹ While university fees are increasing, such a loan scheme would allow repayment of fees to be deferred until the student has entered the workforce, which is the principle behind HECS. Yet the committee is mindful of the argument of the Students' Association of the University of Adelaide that alternative student income support schemes that increase the level of student debt are not the answer. The committee agrees that students should not begin their working life with extreme levels of debt.

69 Dr Ian Dobson, *Submission 137*, p.5

