

Submission

to

Senate Employment, Workplace Relations and Education
References Committee

Inquiry into student income support

Submitter: Leeanne James

Organisation: The Belmont High School Ex-students Association

Address: 11 Hill St Belmont, 2280

Phone: (02) 29 452593

Fax:

Email: leeanne.james@studentmail.newcastle.edu.au

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

JOURNALS OF THE SENATE

No. 135

Thursday, 11 March 2004

pp. 3142

5 EMPLOYMENT, WORKPLACE RELATIONS AND EDUCATION REFERENCES COMMITTEE—REFERENCES

Senator George Campbell, pursuant to notice of motion not objected to as a formal motion, moved business of the Senate notice of motion no. 3—That the following matter be referred to the Employment, Workplace Relations and Education References Committee for inquiry and report by 25 November 2004:

The living costs of students enrolled in full-time and part-time courses and, in particular:

(a) current measures for student income support, including Youth Allowance, Austudy and Abstudy, with reference to:

- (i) the adequacy of these payments,
- (ii) the age of independence,
- (iii) the parental income test threshold, and
- (iv) the ineligibility of Austudy recipients for rent assistance;

(b) the effect of these income support measures on students and their families, with reference to:

- (i) the increasing costs of higher education,
- (ii) students being forced to work longer hours to support themselves, and
- (iii) the closure of the Student Financial Supplement Scheme;

(c) the importance of adequate income support measures in

Leeanne James
On Behalf of: The Belmont
High School Ex-Student Association
11 Hill St, Belmont
2280, NSW
(02) 49 452593
leanne.james@studentmail.newcastle.edu.au

The Secretary,
Senate Employment, Workplace Relations
and Education References Committee
Suite SG.52, Parliament House
CANBERRA ACT 2600
Telephone: (02) 6277 3521
Fax: (02) 6277 5706

I have written this submission on behalf of the Belmont High School Ex-Students' Association. The Association welcomes the opportunity to comment on student income, and the associated future education of our children and youth. Please find attached the organisation's submission, which particularly pertains to the terms of reference A) i), A)ii) and A)iv) and B)i).

Yours sincerely,

Leeanne James

Introduction

With 1.7 million Australians of working age being welfare recipients, and with the government spending \$22 billion a year to support them, it seems incomprehensible that more effort is not being made to ensure young Australians who wish to gain degrees for future employment, are not better supported financially by the government. Belmont High School was the first comprehensive school in New South Wales. The school celebrated its 50th Anniversary last year. The Alumni students of the Belmont High School Ex-Students' Association are particularly concerned with the well-being of the current and future education of the Belmont High School students, and all other Australian students nationwide. This submission will focus on the poor state of the student welfare system, highlighting the low payments students receive in comparison to other welfare schemes, such as Newstart and the Old Age Pension. The Belmont High School Ex-Students' Association is concerned that the poverty in which some students are forced to live, coupled with an increase in HECS fees from 2005 and more full fee-paying students, will prevent a great number of talented youths ever attending a tertiary institution. This submission will focus on, and draw conclusions from the examination of the Youth Allowance and Austudy student welfare schemes.

A) Current measures for student income support, including Youth Allowance, Austudy and Abstudy –Outline of schemes

Youth Allowance is an income support payment. It's payable to both young students, aged between 16-24 who are studying full time, and young people aged between 16-24 looking for work full time. The rates of pay for this government incentive are means tested. A student is either deemed to be 'dependent', where parental and student incomes determine the amount payable to the student, or 'independent', where the student's own income or that of their partner determine the benefit payable. The payment is means tested. An 18yr old, single student with no income, living away from home, can receive a maximum payment of \$318.50 per fortnight on Youth Allowance (Centrelink, 2004). This translates to \$159.25 per week. Rent assistance is payable to students on Youth

Allowance, however it's only paid to single people without children who receive the living away from home Youth Allowance.

The Austudy scheme is payable to students commencing tertiary or secondary education at the age of 25 or over. The student's income and partner's income (if applicable) determine the amount of benefit payable. The maximum payment under this scheme (subject to an income and assets test) is \$318.50 per fortnight for a single person (Centrelink Pamphlet, Sept 2002).

The Abstudy payment is an income support payment for Aboriginal Australians and Torres Strait Islanders of any age who undertake secondary or tertiary education course.

a)i) The Adequacy of These Payments

The Australian Council of Social Services (ACOSS) highlighted in their submission to the Senate Inquiry into Poverty and Financial Hardship in Australia (2004, <http://www.acoss.org.au>, retrieved 27/6/04) that Australia's social security system is a "major bulwark against poverty". ACOSS stated, that because of this excellent welfare system, ironically the 'gaps and anomalies' that do exist in Australia's social security system are the major contributors to poverty and hardship in Australia (2004, ACOSS Proposals for Reform to Student Income Support). David Uren and Patricia Karvelas (*The Australian*, 14/5/04) emphasised the strength of Australia's welfare system, explaining that OECD figures show that, "although we have one of the cheapest systems of social security in the world, measured as a percentage of GDP, the level of payments to the poorest thirty per cent of the population is the third highest in the world, exceeded only by Norway and Finland". Despite this strong welfare system and major progress in targeting the reduction of poverty in Australia, the social security payments to many, particularly to students are significantly lower than the 'Henderson Poverty Lines'. The average payments that our secondary and tertiary students are receiving on Austudy and Youth Allowance puts them 57 per cent below the Henderson Poverty Line, according to a comparative table set out by ACOSS in its recent submission to the *Senate Inquiry Into*

Income Support. The figures set out by ACOSS show that a single adult student, who is not in the workforce receives, on average, a total payment of \$151 per week, in comparison with the required \$238 per week to reach the poverty line threshold. These figures place single adult students the farthest below the poverty line than any other group receiving social security payments. Young students from poor disadvantaged backgrounds, living away from home can receive a maximum of \$206 a week in benefits, including rent assistance, which is 15% below the poverty line. The Belmont High Ex-Students' Association agrees with the President of ACOSS when he says, "urgent action must be taken to fix youth poverty" (McCallum, 15/6/04).

A case study that reflects the inadequacy of Austudy payments is that of Will Rossiter, who outlined his personal case in a submission to the Student Income Support Inquiry (Rossiter, 2004). He is a 26 year old student in his final year of a Bachelor of Arts Degree at Macquarie University. He receives the full amount payable on Austudy, which after tax deductions, equates to a miserly \$151.79 a week. This amount falls \$86.21 per week below the Henderson Poverty line. On Austudy, Will does not receive rent assistance and is subsisting below the poverty line whilst trying to complete his degree. The Belmont High Ex-Students' Association President, John Lambkin, says, "It is unacceptable that our young, and promising ex-students are forced to live on benefits that do not even reach the poverty line. Our ex-students who move into tertiary education after completing the HSC are persevering to improve themselves and contribute to the community. It is impossible for students to study to their full capacity if they are living in poverty.

The Australian (Uren and Karvelas, 14/4/04) points out that the disability pension "which pays a higher rate, entitles recipients to a full range of pensioner benefits and does not include activity tests". The growth of the number of people on disabilities pensions "has exceeded the rate at which people incur disabilities" (*The Australian*, Uren and Karvelas, 14/4/04). Further it suggests that there is therefore no incentive for persons to want to shift to Newstart. One must point out that the Disability pension, Newstart and

the Old Age pension still pays better benefits than that paid to struggling students on Austudy who also incur HECS debts.

As indicated, a comparison between the payments for Newstart and those for Austudy and Youth Allowance reveal that unemployment benefits are higher than those for students, creating disincentives for Australia's youth to further their education. Some may argue that the 'special rate' for long term unemployed to go off Newstart to enroll in an education course is incentive enough for unemployed people to improve their job prospects. Those on the 'special rate' receive \$386.90 per fortnight, \$68.40 more than the average Austudy payment. However, ACOSS (2004), points out in its submission that students "suffer from some of the worst anomalies in the system". A single aged or disability pensioner receives \$464.20 per fortnight. Pensioners also receive additional support such as travel and health concessions. As an addition they could receive rent assistance if they are in private rental accommodation. A single unemployed person receives \$389.20 per fortnight if on Newstart. Rent assistance and Health Care Cards may also be available. The Newstart payment is indexed twice yearly to the consumer price index (CPI). Comparatively a single student on Austudy receives \$318.50 per fortnight. There is no access to rent assistance and there is a more strenuous means testing than for either group outlined above. The Austudy payment is indexed only once a year to CPI. Australia has more than 500,00 people on the unemployment treadmill and a lower payment to attend secondary or tertiary education is no incentive for any of those 500,000 people to get off the treadmill and change to Austudy to better their situation (Uren and Karvelas, 14/4/04). ACOSS commented on the outlined disincentives in their submission saying the "different indexation regimes for pensions, allowances and student payments also mean that the gap between the different types of payments will only continue to increase unless action is taken to redress the imbalance" (ACOSS, 2004). The Belmont Ex-Students' Association believes that these inequitable rates of social assistance need to be accounted for by bringing the Youth Allowance and Austudy payments in line with that of Newstart and social security pensions.

The Belmont Ex-Students' Association is also concerned with the incremental rate at which Austudy and Youth Allowance recipients can earn money without it affecting their social security payments. ACOSS (<http://coss.net.au/news/acoss>, retrieved 28/6/04). President Andrew McCallum (2004, 21/6/04) said in a press release that, "many students are forced to work long hours in addition to doing full time study just to survive." However, a student receiving full Austudy or Youth Allowance payment may earn only \$236 per fortnight before the supplementary income affects their Centrelink payment" (McCallum, 15/6/04). Half of any money earned by a student on Austudy or Youth Allowance, between \$236 and \$316 per fortnight is deducted from their payment. Seventy percent is deducted after \$316. If a student manages to earn \$713.86 per fortnight, the Austudy or Youth allowance is lost altogether. Then the student is taxed again on what he/she has been earning at the end of the financial year. So even when students attempt to better their situation by working, they lose out two-fold, as it detracts from their studies, and they lose the small amount of benefit they had been receiving.

a) ii) The Age of Independence

For the Purpose of Austudy and Youth allowance the age of independence is 25. The Belmont High Ex-Students' Association is concerned that this relatively high age for determining 'independence' burdens the parental family of any youth studying or wanting to study. The youth can remain dependent on the family for up to seven years longer, if one is to consider 18 to be the nominal age for independence. The Association believes that society generally perceives 18 to be 'the coming of age' for young people. The National Union of Students (<http://www.unistudent.com.au/>, retrieved 28/6/04) supports this notion, and along with ACOSS argues that the nominal age of independence should be brought down to 18 years of age. As one ex-student explains, "Eighteen is the age a young person is deemed eligible to vote, go to war, legally drink alcohol, enter pubs and clubs and can be tried as an adult in a court of law. I feel it is an appropriate age to also be deemed 'independent' for the sake of receiving Government benefits." Many ex-students of the Association feel that the age of independence set at 25, is a burden on both the young person and their family unit.

a) iii) The Ineligibility of Austudy Recipients for Rent Assistance

With Austudy recipients already living below the poverty line, as discussed in a)i) of this submission, the Association believes that ineligibility for rent assistance for Austudy recipients has three major effects. Firstly, it widens the gap between Austudy recipients and Youth Allowance, Newstart and pensioners who are eligible for rent assistance. Secondly it increases the hardship for mature age students who want to study after the age of 25. And thirdly, it disadvantages those students who live and study in areas where the rent is extremely high, for example, inner city areas. The Association believes that the rent assistance payment should be expanded to include Austudy recipients. The current maximum rent assistance possible for a single person is only \$95.40 per fortnight (Centrelink pamphlet, 2004). When this is often the cost of rent in a shared inner city house for one week, the Belmont High School Ex-Students' Association joins ACOSS in requesting an increase in the base rent assistance payment (2004, <http://coss.net.au/news/acoss>, retrieved 28/6/04).

B) The Effect of these Income support measures on Students and Their Families

It is the combination of below par benefits for students and many increased costs of higher education that is threatening the ability of the nation's young people to complete tertiary studies. This situation is not only placing a burden on current students and their families regarding the affordability of higher education, it is placing a burden on the futures families of Australia. Our youth will carry with them a Higher Education Contribution Scheme (HECS) debt, that will affect the ability for the young to afford home ownership and to begin a family. This should be recognised as unnecessary. Most ex-students recall a time when they completed their studies free of fees and free of debt, and they would like to see their children (and grandchildren) have the same opportunities for higher education as they have had.

B)i) The Increasing Costs of Higher Education

The Higher Education Support Act 2003 is the legislation that has ratified the rise in HECS by 25 per cent above that of 2003 levels (<http://www.democrats.or.au/print>, retrieved 26/6/04). Many universities have already decided to increase their fees by the maximum twenty-five per cent, including Belmont High School's closest university, the University of Newcastle. The Association is particularly concerned as to how these increases will affect our Belmont High 2004 year twelve graduates, many of who intend to embark on a higher education course. ACOSS (2004) cited a report by Anglicare Tasmania, which identified 'the cost of courses' and 'the cost of living while studying' as "significant potential barriers to their participation in education" (ACOSS, 2004:28). The ACOSS report then goes on to state that "debt aversion appears to be a significant factor in low-income families' decisions over whether their children will undertake higher education" (ACOSS, 2004:28). These increased HECS fees have been coupled with a deregulation of our higher education system, giving universities the power to increase the domestic full-fee paying places by ten per cent, from twenty-five to thirty-five percent, of all places in a course. Once again, discrimination against those students who cannot afford a full-fee paying place can be seen. This, paired with poor income support, threatens to cut off the opportunity for some of our talented young students to realise a tertiary education.

Of particular concern to the Association, is a report by Alice Kelly (*Newcastle Herald*, 27/1/04) that outlines the increase of full-fee paying places that are already occurring at Newcastle University. "The number of full fee-paying students at the University of Newcastle has more than doubled over the past five years to ten per cent of all places, denying thousands of Australian students the chance to study at university (Kelly, 27/1/04). With extra legislative incentive these places will be increased by up to ten per cent. The Belmont Ex-Students' Association fears that many local students will miss out on a tertiary level education that they otherwise should have. The Australian Democrats Senator, Natasha Stott Despoja says that there is already evidence that HECS debt levels, that are projected to reach \$13 billion by 2007, are having a "negative effect

on home ownership and fertility” (Stott Despoja, <http://www.democrats.org.au>, retrieved 26/6/04). This effect is one that should be of interest to the government, whose most recent ‘family’ budget attempts to increase fertility by offering a ‘Baby Bonus’ payment to any parents who have a child after 1 July, 2004.

Conclusion

The Alumni students of Belmont High School recall the time when many of them attended tertiary institutions on full scholarships. They were able to combine these scholarships with part-time work and achieve a higher education without the increment of a HECS debt. They are worried that the education situation for the youth of today does not offer a similar system to that which they once enjoyed.

Recommendations

1. Increase the base payments for Youth Allowance and Austudy payments to equal that of Newstart and the Old Age Pension.
2. Decrease the age of independence from 25 to 18 years of age.
3. Make Austudy recipients eligible for rent assistance and increase the maximum rent assistance from \$47.70 per week to a maximum of \$57.70 per week.

Bibliography

Articles

ACOSS – Australian Council of Social Services 2004, *Submission To The Senate Employment, Workplace Relations and Education References Committee's Inquiry Into Student Income Support*.

Bartlett, A. June, 2004 'Democrats Condemn HECS Hikes at Australian Universities', *Australian Democrats Press Release*.

McCallum, A 15/6/04 'Australia's Youth Deserve A Better Start', *ACOSS Media Release*.

McCallum, A 21/6/04 'Warning: \$600 Increase Could Make Family Payments Lower Later', *ACOSS Media Release*.

Rossiter, W 2004 *Submission To The Senate Employment, Workplace Relations and Education References Committee's Inquiry Into Student Income Support*.

Stott Despoja, N. 24/6/04 'Death Knell For Text Book Subsidy', *Australian Democrats Press Release*.

Stott Despoja, N. June, 2004 'Post Budget Edition of The Higher Education Bulletin' in *The Higher Education Bulletin*.

Stott Despoja, N. 15/6/04 'Urgent Action Needed On Student Poverty', *Australian Democrats Press Release*.

Stott Despoja, N. Jan, 2004 'Welcome To The New Year and, Unfortunately, a New Higher Education Regime' in *Australian Democrats Higher Education Bulletin*.

Newspaper Articles

Kelly, A 27/1/04 'Full-fee Students Tipped To Increase' in *The Newcastle Herald*.

Maiden, S and Robinson, N 21/4/04 'HECS Debt Cut For Low-paid Women' in *The Australian*.

Thompson, M. Jan 31- Feb 1 'Uni Doors To Open For Ivy Leaguers' in *The Sydney Morning Herald*.

Uren, D and Karvelas, P 14/4/04 'Stuck In a Dole Routine' *The Australian – Features* p.11.

Websites

'Abstudy' <http://www.centrelink.gov.au/internet/internet.nsf/payments/qual>, retrieved 27/6/04.

'ALP News Statements –Youth Guarantee: Learn Or Earn'

<http://www.alp.org.au/print.html>.

<http://www.aph.gov.au/senate/committee>, retrieved 28/6/04.

'Aus Stats: Income – Sources Of Income: Tertiary Student Income'

<http://www.abs.gov.au/Ausstats/abs@nsf>, retrieved 28/6/04.

‘Australian Vice Chancellors’ Committee (AVCC) ‘Labor’s 20,000 University Places and Indexation Gets The AVCC Tick’, <http://www.unistudent.com.au/news>, retrieved 20/6/04.

‘Austudy’ http://www.centrelink.gov.au/internet.nsf/payments/qual_ho_au.htm,
Retrieved 20/6/04.

<http://coss.net.au/news/acoss>, retrieved 28/6/04.

‘CDU – Postgrads Student Income Support’ <http://www.lists.cdu.edu.au/pipermail/cdu-postgrads>, retrieved 28/6/04.

<http://www.democrats.org.au/print>, retrieved 26/6/04

‘Financial Supplement Loan – Annual CPI Adjustments’
<http://www.centrelink.gov.au/internet/internet.nsf>, retrieved 28/6/04.

‘Ready Reckoner Table: Income Test’ <http://www.cenrenet/corp/readrec/table010.htm>

