

# Submission

to

Senate Employment, Workplace Relations and Education  
References Committee

## **Inquiry into student income support**

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**Government  
of South Australia**



## **Submission**

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### **Inquiry into student income support**

June 2004

## Introduction

The South Australian Government believes that no student should be denied access to education simply on the grounds of affordability. Providing funded places in education will not help all Australians if students cannot support themselves while studying. Income support should be accessible and sufficient to enable low-income students the same educational opportunity as those from wealthier backgrounds.

The South Australian Government's Social Inclusion Strategy has a key target of increasing secondary school participation rates in this State. An available and adequate income support system is seen as a critical element of such a strategy.

The SA Government welcomes this Senate Inquiry and is hopeful that it will lead to developing a fairer and more robust student income support system.

This submission argues:

- That current student allowance rates are less than those available to adult job seekers and the eligibility criteria for independent rates may encourage students to leave education;
- The application of the parental income test needs to operate at a higher level and reduce allowance at a slower rate than the current \$1 in every \$4 above the threshold;
- The need for students to be able to receive rent assistance;
- Opposition to the introduction of HECS in vocational education and training, arguing that it will increase study costs to students in this sector;
- Engaging in part-time work affects a student's success in both secondary and tertiary study;
- The need for adequate levels of income support to improve low socio-economic status (SES), indigenous and rural students' access to study; and
- The importance of additional support provided by the State Government and individual institutions to students' educational success.

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SA Government Submission to Senate Inquiry into Student Income Support**Response****(a) Current measures for student income support, including Youth Allowance, Austudy and Abstudy*****(i) the adequacy of these payments***

School principals, teachers, parents, students and tertiary sector personnel have argued that current levels of Youth Allowance, Abstudy and Austudy payments are insufficient to retain marginally attached students in education. Youth Allowance rates at Attachment 1 indicate the difference between student allowance rates and those provided for adult job seekers or pensioners. For example, the single independent rate for a student under 25 with no children living away from home is \$318.50/fortnight compared to the adult Newstart rate of \$389.20/fortnight for someone living in similar circumstances. The substantial difference between the dependent and independent rate even for those over 18, does not recognise the costs associated with supporting a student in the home, especially if parents are themselves in receipt of a benefit such as sickness, disability, age pension or job seeker allowance. Because of the paucity of these payments, students are obliged to engage in part-time work, which as will be shown below, can interfere with their study and affect their success rate.

Increasing these payments can only serve to increase the access, participation, achievement and retention of disadvantaged young people in schooling, further education and training.

Income support payments can be enhanced with access to ancillary support such as rent and transport assistance.

Apart from issues related to the adequacy of payments, the complexity of the processes young people and families have to negotiate to access income support needs to be addressed.

***(ii) the age of Independence***

The age of independence (25) for Youth Allowance payments is out of step with the community's and the government's perception of young people's responsibilities. Governments allow adults at the age of 18 to drink alcohol, smoke, drive, get married, vote, join the army, enter binding contracts and make informed decisions regarding all of these and more, yet for the purpose of Youth Allowance the age of independence is 25. Artificially binding students into a dependent relationship with their families at an age when they are allowed to take full adult responsibility for all other aspects of their lives creates tensions within families that can have negative effect on both family cohesion and the student's ability to remain in study.

The criteria for assessing eligibility for the independent rate of Youth Allowance may in themselves be counterproductive in assisting young people to remain in education. For example, one of the criteria for independence is that the young person has been out of school for at least 18 months and earned at least \$15,990 in an 18 month period before lodging a claim. If considered independent, parental income and a family means test are not taken into account in the calculation of how much the young person will be paid. Young people could interpret this criteria as meaning they have to leave school in order to qualify for independence. The definition of independence is not in itself supportive of young people remaining in school.

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**SA Government Submission to Senate Inquiry into Student Income Support**

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In addition students, particularly in rural and remote areas of the state, often defer an offer to study at university so that they can work for the required time in order to qualify for independent status under Youth Allowance. Young people working for a period of time before making the transition from school to tertiary study may have a number of advantages. However, it appears that many young people are lost to tertiary study when they defer to work to qualify for Youth Allowance but then do not take up their offer at the end of the deferment. This is more likely to occur where the students come from family backgrounds that do not have previous experience of tertiary study.

***(III) parental income test threshold***

Under Youth Allowance if a young person's parent's taxable income for the 2002-2003 financial year was \$28,150 or less (plus additional amounts for each dependent child other than the young person concerned) the young person's payment is not affected by the income test. The rate of payment payable is reduced by \$1 for every \$4 of income over this amount.

The problem with such thresholds is that poverty does not cease or begin either side of them. Clearly an increase in the threshold would serve to expand the number of young people eligible for income support and increase the level of support for those students currently receiving an income-adjusted payment. This could help to further support young people to remain in education and/or training.

Anecdotal evidence suggests that for many students in families from low socio-economic background Youth Allowance tends to be pooled into fortnightly family income and may not be available to students to support their education. Students then undertake part time work to pay for their educational needs and may increase their hours of work to earn more for recreational needs. The impact of this is discussed below in section (b)(ii) *students being forced to work longer hours to support themselves*.

***(iv) ineligibility of Austudy recipients for rent assistance***

Students on Austudy are currently unable to access rent assistance. The reasons behind this are unclear. This ineligibility particularly impacts on adult students re-entering education and makes it very difficult for such students to undertake study without part time work. This affects students in both secondary and tertiary education.

***(b) The effect of these income support measures on students and their families******(i) increasing costs of higher education***

The Commonwealth's higher education reforms will result in higher tertiary contribution payments for the majority of students. While the government has set a range for student contributions across bands 1, 2 and 3, a majority of universities has decided to increase HECS by the maximum 25% from 2005. The table below shows the Commonwealth contribution for each discipline area and the estimated 2005 HECS rate and that rate + 25%:

## SA Government Submission to Senate Inquiry into Student Income Support

Band	Discipline	Estimated* 2005 Standard HECS	HECS + 25%
1	Humanities, Behavioural Science, Social Studies, Foreign Languages, Visual and Performing Arts,	\$3,854	\$4,818
2	Accounting, Administration, Economics, Commerce, Mathematics, Statistics, Computing, Built Environment, Health, Engineering, Science, Surveying, Agriculture	\$5,490	\$6,863
3	Dentistry, Medicine, Veterinary Science, Law	\$6,427	\$8,034
National Priority	Education	\$3,854	\$3,854
National Priority	Nursing	\$3,854	\$3,854

\* Estimated only at this stage as HECS rate is increased by CPI

Even though students may defer their HECS repayment until incomes reach \$35,000 many students from low-income backgrounds will be deterred from study through fear of taking on substantial debt or by uncertainty of the level of fees they may incur through a course of study.

This may result in students choosing to undertake further study through the vocational education and training sector rather than universities as VET fees are substantially less than HECS. TAFE fees in South Australia for example, are currently capped at \$1200 per annum. Using cost to deter students from low socio-economic backgrounds from higher education further marginalizes them from professional careers. For example, reducing the proportion of low-SES students in higher education has the potential to distort the socio-economic profile of the teacher cohort. It is important that all children and young people have opportunities to form meaningful relationships at school with successful role models from across the community.

While there are advantages in students having greater flexibility to choose the university they attend on the basis of level of fees for their chosen course it will inevitably lead to greater student mobility. In turn this could result in loss of community support networks, greater demands for rent assistance and financial impacts associated with relocation.

Increasing the HECS repayment threshold from \$25,348 to \$35,000 in 2005 is very welcome and a progressive move by the Commonwealth. However, for disadvantaged students, the benefits of the threshold increase may well be offset by the increases in HECS debt and the longer time to repay the debt may also affect a student's willingness to undertake study.

In a previous submission to the higher education review, the South Australian Government argued strongly that the introduction of HECS into TAFE is not supported, even for courses articulating directly with higher education courses. This argument is repeated here:

*For many reasons the SA Government does not support HECS in TAFE. These include those articulated by the TAFE Directors Australia (submission 322) namely:*

SA Government Submission to Senate Inquiry into Student Income Support

- *The higher cost of delivery in universities, the differences in facilities available or the higher subsidies paid by government to university students.*
- *Many TAFE students from disadvantaged backgrounds have their fees waived or reduced. This is one of the main reasons why TAFE has been so successful in improving access to vocational education for this group.*
- *It is impossible to distinguish between a TAFE course that articulates into a university course and one that does not.*
- *Credit transfer may be granted only to TAFE graduates from a specified institution and not another. The amount of credit given for the same qualification can also differ.*
- *Pathways change from year to year as courses in each sector change.*
- *Most TAFE students will not take the decision to try to articulate to a university degree course until they are well advanced in their TAFE study.*
- *Even where there are firm articulation arrangements, these do not provide a student with a guarantee of admission into the university stage of a degree course.*

*In addition it is believed the availability of an income contingent loan will necessarily put upward pressure on TAFE fees, eventually providing an argument for extending HECS to all TAFE courses, and making students pay more for their courses. Vocational education and training graduates earn considerably less over their lifetime than do university graduates. It is unfair to expect them to contribute substantially more than they currently do to the cost of their course.*

*(SA Government, September 2002, Response to the Higher Education Review, Submission No.i353, p6)*

**(ii) students being forced to work longer hours to support themselves**

A significant number of students in South Australia are undertaking part time work.

A joint South Australian Department of Education, Training and Employment (DETE) and Australian Bureau of Statistics (ABS) study in 2000 investigated the number of secondary students enrolled in government schools in this state undertaking part time work. The study showed that 47% of government school students were employed and a further 19.1% were unemployed but were looking for work. Across year levels the highest proportion of students were in Year 12 (55.6%) and Year 11 (44.4%). 9.8% of the total number of students involved in part time work indicated that they were working to help support their family and 35.8% were working to support themselves. Almost 40% of the employed students worked 10 or more hours per week in their main job.

A joint DETE, Senior Secondary Assessment Board of South Australia (SSABSA) and Flinders University study, *Listen To Me I'm Leaving*, Adelaide (2000) into early school leaving raised the issue of the impact of part time work on retention. The study found that many students from low socio-economic backgrounds needed to work in order to support themselves and/or their families (as indicated by the DETE/ABS study above). This need was in some cases related to the students being ineligible for Youth Allowance. Even though family income was low, it was not low enough to qualify for benefits. For other students part-time work played an important part in establishing identity and providing a level of financial independence.

SA Government Submission to Senate Inquiry into Student Income Support

The researchers found that for many of these students the demands of part time work impacted on attendance, participation, achievement and retention. This could be further exacerbated by limited understanding by employers of the dual demands that these students were facing or worse, by employers actively encouraging early school leaving. The study found that for many students the end result of these conflicting demands was leaving school early, often to pursue careers in fast food outlets with limited career prospects.

A study by the Centre for Population and Urban Research at Monash University concluded that "at a time when the current government is trying to maximise the skill level of the Australian workforce, current policy discourages young people from entering universities or studying full time"<sup>1</sup>.

Further, if students earn too much income this impacts through reductions in their Youth Allowance, Abstudy or Austudy. Collectively, students undertaking part time work and schooling clearly need to manage a range of demands and parameters that may be beyond their control or they may be ill equipped to handle.

Similar issues exist for students undertaking tertiary study.

***(iii) closure of the Student Financial Supplement Scheme***

The Student Financial Supplement Scheme closed on 1 January 2004. The Scheme provided low cost loans for students undertaking tertiary study. Under the Scheme:

- loans on a 2 for 1 dollar basis to a maximum of \$7,000 were available to students receiving Youth Allowance, Austudy payment, Abstudy. The Pensioner Education Supplement. Loans on 1 to 1 dollar basis were available to students ineligible for Youth Allowance but whose parents adjusted parental income was below \$55,950
- repayment was voluntary through the 5 year loan contract period
- students received a bonus on repayments made during the loan contract period
- no interest rates applied, but payments were tied to the CPI
- at the end of the contract period the outstanding loan balance was transferred to the Australian Tax Office and the payments were collected through the taxation system
- repayments became compulsory once taxable income reached \$35,886
- repayments were indexed to earnings.

The closure of the scheme may be off-set by an expanded Higher Education Equity Program eg the introduction of Commonwealth learning scholarships (merit based), Commonwealth Education Costs Scholarships (targeted to students from low socio-economic backgrounds and Indigenous students) and Commonwealth Accommodation Scholarships for low income students from rural and regional areas. There are concerns about the number of scholarships available and the distribution of these between institutions. The Commonwealth appears to have distributed scholarships on institutional size rather than performance in enrolling low income students.

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<sup>1</sup> Higher Education at the Cross Roads, Centre for Population and Urban Research, Monash University 2003



SA Government Submission to Senate Inquiry into Student Income Support

Stakeholder groups may have had reservations about the Student Financial Supplement Loans (including leading tertiary students into debt), but they agree that the scheme served a purpose. For example, in 2002 15.6% of recipients of Student Financial Supplement Loans were Indigenous and the President of the National Indigenous Post Graduate Association Corporation (NIPAAC) in a media release dated 10 December 2003, commented, 'For many Indigenous students, the loan scheme offered a choice between being a poor student, and not being a student at all.'

The closure of the loan scheme would appear to remove one further support for the most disadvantaged students in making the transition from schooling to tertiary study.

**(c) the importance of adequate income support measures in achieving equitable access to education**

- (i) students from disadvantaged backgrounds**  
**(ii) improving access to education**

Many state, national and international studies have shown a significant correlation between university enrolment and socio-economic status. For example, a study by Marks, McMillan and Hillman *The Role of Student Background and School Factors*, ACER, Melbourne, (November 2001) found that:

- the three major dimensions of socio-economic background – parental occupational status, parental education and wealth are all correlated with tertiary entrance
- a combination of the three major dimensions of socio-economic background correlates substantially higher with tertiary entrance than any of the individual dimensions.

In addition, the study found that the tertiary entrance of Indigenous students was found to be substantially lower than that of non-Indigenous students.

Analysis of DECS and SSABSA student achievement data such as Basic Skills Test results and South Australian Certificate of Education results also show a strong correlation between socio-economic status and student achievement. For example, there is a strong correlation between year 3 and 5 literacy and numeracy results and categories under the DECS Index of Educational Disadvantage.

For some students in rural areas, there is a need to move away from the family home for periods of time to access training required to secure employment. The assets of many rural families are tied up in farm production and unavailable to support students in study. Support for rural students has been a major concern of the SA Regional Communities Consultative Council which has held community forums across the state. The Council's working group on tertiary education has identified a number of issues:

- Problems with means-testing allowances given that farmers are often asset rich and cash poor;
- Variability in farm production makes fair and appropriate means assessment difficult. Farm production can vary significantly from year to year and presents problems in assessing income on an immediate basis – farming families report that an assessments relating to the previous 12 months of higher production may not be properly representative of the year it is applied, should that be a year of down turn;

SA Government Submission to Senate Inquiry into Student Income Support

- Recent scholarships, though welcome, are far too small in number to make a significant impact;
- The current set up does not support family cohesion, nor the retention of young people in regions – students often cannot come home during breaks, as they need to continue part-time work they have taken on in the city or regional centre where they are studying, to make ends meet. This also makes some parents reluctant to encourage their children to pursue tertiary study.

Given the above, appropriate income support for students from low socio-economic backgrounds and particularly for those students experiencing multiple forms of disadvantage eg poverty and isolation, poverty and disability is paramount in providing equality of educational access, participation, achievement and retention.

Increases in Youth Allowance, Abstudy and Austudy would assist students from disadvantaged backgrounds to complete schooling and undertake further education and training. Such increases would support the South Australian government's social inclusion priority of school retention and complement the State's across-government School Retention Action Plan. Individual student financial support goes hand in hand with systemic strategies to improve infrastructure and programs to enhance the educational engagement of our most disadvantaged young people.

**(iii) alternative student income support measures**

The DECS administered School Card payment scheme currently provides support in the payment of school fees for families from low socio-economic backgrounds in government, Catholic and independent schools. The scheme is means-tested eg for a family with one child the threshold is \$27,257. Payment is made to the school in which the student is enrolled. The payment for secondary students is \$176 and primary \$114. In addition, government schools receive a social inclusion supplementation of \$52 for each primary student eligible for School Card and \$47 for each eligible secondary student. In DECS schools the combined School Card and social inclusion supplementation payment is used by schools to pay school fees.

Also, many DECS schools, particularly those serving disadvantaged communities support students to participate in a full range of educational activities through subsidising excursions, sporting trips and other extra curricula activities.

Advice from the University of South Australia is that the University provides income support to students from low socio-economic backgrounds in the form of transition grants. These grants are:

- available to students at entry to the university
- one off
- non repayable
- \$1000 for metro students and \$1500 for country
- designed to provide students with a financial kick start to overcome initial costs involved in beginning tertiary study eg in purchasing books and equipment, paying bonds for rent, fees etc
- are funded through private and corporate sources.

The scheme was implemented after the university found that many students drop out in the first few weeks of their courses because they do not have the initial funds required to set themselves up for tertiary study. South Australia's other universities have similar grants.

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SA Government Submission to Senate Inquiry into Student Income Support

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These grants are further supported by equity entrance schemes such as USANET (University of South Australia), the Fairway Scheme (Adelaide University) and the Student Equal Access Scheme (Flinders University). These schemes appear to have had some success in raising the enrolments of disadvantaged groups of students in tertiary study. Their impact is limited by low SES students' ability to support themselves financially, often without the cultural capital and emotional and financial networks to which their more advantaged peers have access.

SA Government Submission to Senate Inquiry into Student Income Support**ATTACHMENT 1****Context Information****Youth Allowance**

A young person may get Youth Allowance if they are:

- aged 16-24 and studying full time (or aged 15 and considered independent) or
- aged 16-20 and looking for full time work (or aged 15 and considered independent), undertaking a combination of approved activities like Work for the Dole or volunteering, or have a temporary exemption from the Activity Test (eg due to illness) or
- aged 25 and over and studying full time, if they were getting Youth Allowance immediately before turning 25 and are still doing the same course. (Other full time students aged 25 and over can apply for Austudy) and
- meet residence requirements
- meet income and assets tests.

Payment schedules are as follows:

Status	Allowance Paid Per Fortnight
<b>Single, no children:</b>	
Under 18, at home	\$174.30
Under 18, away from home	\$318.50*
18 and over, away from home	\$318.50
18 and over, at home	\$209.70
Single, with children	\$417.40
Partnered, no children	\$318.50
Partnered with children	\$349.80
<b>Special rate for long-term unemployed or migrant English students 21 years or over commencing full-time study:</b>	
Single, living at home	\$257.50
Single, living away from home	\$386.90
Partnered, no children	\$349.80

**Abstudy**

Abstudy is a fortnightly living allowance and has additional components to help with costs associated with schooling.

Young Indigenous people qualify for Abstudy if they:

- were 14 years or more on 1 January and are studying at primary school;
- are doing secondary school studies;
- are studying full-time or part-time at a TAFE, university or tertiary institution;
- are doing a distance education or correspondence course; or
- are studying for a Masters or Doctorate; and
- meet residence requirements.

## SA Government Submission to Senate Inquiry into Student Income Support

The level of assistance is dependent on:

- whether the young person is studying full-time or part-time;
- the course being studied;
- age
- whether the young person is living away from home;
- whether the young person is dependent on parents/guardians; and
- how much the young person and partner or parents/guardians earn.

Abstudy asset and means tests are the same as for Youth Allowance.

**Maximum Rates for ABSTUDY Living Allowance**

Status	Allowance Per Fortnight
<b>Students - standard:</b>	
Under 16 years tertiary	\$24.00
Under 16 in State Care and Foster Care Allowance paid	\$174.30
16-17 years in State Care and Foster Care Allowance paid	\$174.30
18-20 years in State Care and Foster Care Allowance paid	\$209.70
Under 16 in State Care and no Foster Care Allowance paid	\$318.50
16-20 years in State Care and no Foster Care Allowance paid	\$318.50
16-17 years	\$174.30
18-20 years	\$209.70
21 years and over	\$389.20
<b>Students - away from home:</b>	
Under 16 years	\$174.30
16-20 years	\$318.50
21 years and over	\$389.20
<b>Independent students - single, no children:</b>	
under 16 years	\$318.50
16-20 years	\$318.50
Under 16 at home	\$174.30
16-17 years at home	\$174.30
18-20 years at home	\$209.70
21 years and over	\$389.20
Single, aged 60 or over (includes Pharmaceutical Allowance)	\$426.80
<b>Independent student - partnered, no children:</b>	
under 16 years	\$318.50
16-20 years	\$318.50
21 years and over	\$351.10

## SA Government Submission to Senate Inquiry into Student Income Support

<b>Independent Student - Single with dependent child:</b>	
under 16 years	\$417.40
16-20 years	\$417.40
21 years and over	\$421.00
<b>Independent Student - Partnered with dependent child:</b>	
under 16 years	\$349.80
16-20 years	\$349.80
21 years and over	\$351.10
<b>Masters and Doctorate students:</b>	<b>\$707.05</b>

**Austudy**

Young people qualify for Austudy payment if they are:

- over 25 years
- doing an approved full-time course at an approved institution, and
- meet residence requirements.

<b>Status</b>	<b>Payment Paid Per Fortnight</b>
Single	\$318.50
Single, with children	\$417.40
Partnered, with children	\$349.80
Partnered, no children	\$318.50
<b>Special rate for long-term unemployed commencing full-time study:</b>	
Single	\$386.90
Partnered, no children	\$349.80

Austudy is subject to income and assets tests.

**Newstart Allowance**

<b>Status</b>	<b>Allowance Rate Per Fortnight</b>
Single, no children	\$389.20
Single, with children	\$421.00
Single, aged 60 or over, after 9 months	\$426.80
Partnered	\$351.10 (each)

**Age Pension**

<b>Status</b>	<b>Maximum Pension Rate Per Fortnight</b>
Single	\$464.20*
Couple	\$387.60* (each)

\* Since July 2000, has included a pension supplement. It is currently: single \$16.90, couples \$14.00 each, couples separated due to ill health \$16.90 each.