



NUS Submission To Federal Budget 2015-16

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NUS Budget Submission on Student Income Support

NUS welcomes this opportunity to make this brief submission to the government on a matter of vital concern to our members.

Many aspects of higher education, such as tuition fee deregulation, are tied up in higher education reform legislation that will be debated by the Senate in the coming sitting weeks. NUS's opposition to tuition fee deregulation is widely known. In this submission we have chosen to focus on an area that is not part of the higher education reform package – the level of student income support payments outside of the proposed Commonwealth Scholarships. The typical student in a share house and receiving the maximum income support level will be 50.2% of the Henderson Poverty line.

Historical Income Support Levels and Changes

In 1949 a constitutional referendum gave the Commonwealth the power to provide financial scholarships to university students. Under the Chifley and Menzies governments a limited number of places were allocated on a competitive (merit) basis. The Whitlam reforms of 1974 included an overhaul of student income support so that it was allocated more widely on a needs basis.

The Tertiary Education Assistance Scheme (TEAS), the forerunner of Youth Allowance and Austudy, was more generous than current programs. The full payment for a single person living away from home in a share house was 75% of the Henderson Poverty Line (the equivalent figure for current Youth Allowance including rent assistance is 48.8% of the poverty line). The parental income test applied for dependent students whose family income was above the male Average Weekly Earnings. The age of independence (ie not assessed by family income) was 25. There was separate program, ABSTUDY, for the small number of Indigenous students, that had been established in 1969.

Under the Fraser Liberal Government (1975-83) the inadequate indexation of the base rate and the parental income test threshold considerably reduced both eligibility and the real value of the allowance. By 1983, the final year of the Fraser Government, the full single payment was 52.4% of the poverty line and the parental income test cut in at 20% below the average wage.

In 1987 under the Hawke Government TEAS was merged with some programs for secondary students and re-branded as AUSTUDY. The real value of the single person allowance was slightly increased to 61% of the poverty line. Under the Keating Government reforms of 1992-3 the age of independence was lowered to 22 but an AUSTUDY loans supplement scheme was introduced. Under the loans system students could opt to trade away up to half of their allowance in order to be able to get a loan for twice as much as they traded in. The loan was repaid in a similar manner to HECS but was on top of and simultaneous with HECS payments. Graduates with HECS and AUSTUDY loans could be paying up to 12% of their gross (pre-tax) income on study debt repayments.

In its first budget the Howard Government embarked on widespread budget cuts over 1996-98. Student income support was not spared and the age of independence was raised back to 25. In

1998 student income support for under 25 year olds was re-located into labour market programs and became Youth Allowance (ie alongside unemployment benefits). There was some gain in this for young students as they became eligible for the rent assistance. However, this did create the anomaly that the students over 25 on AUSTUDY could not get rent assistance.

In 2003 the Howard Government suspended the student loans supplement program and legislatively abolished it in 2005. The main reason for this was concern from the Treasury about the high levels of non-repayment of the loans (54% of loanees) due to the students failing to reach graduate income levels that would trigger repayment. In the final Coalition Budget (2007-8) eligibility for masters by coursework students for income support was extended to students in designated courses that were requirements for initial professional registration.

Bradley Review Reforms and aftermath

In 2005 NUS launched a long term campaign for income support reform. This included taking part in the project panel for Universities Australia's Survey of Student Finances and lobbying for the Senate to conduct an Inquiry into student income. The 2005 Senate Inquiry and 2007 UA survey provided the empirical research to back NUS's reform demands. One immediate benefit of the Senate Inquiry was bipartisan support for AUSTUDY students being eligible for rent assistance.

The newly elected Rudd Government launched the Bradley Review of Higher Education in 2008. NUS worked closely with the review panel, such as establishing student forums around the country for the panel to consult with (for example the NUS Indigenous Students Conference) and providing historic research on the past problems with student income support that the panel were not aware of.

The major changes unveiled in the 2009 Federal Budget were:

- A phased reduction in the age of independence from 25 to 21;
- Parental Income test Threshold increased from \$32,800 to \$42,560;
- Exemption for university scholarships being treated as taxable-income by Centre-link;
- Students doing postgraduate coursework degrees would be generally eligible for student income support.
- The annual personal income bank would be increased from \$6,000 to \$10,400 (ie the amount a student can earn from other sources before their benefit is reduced).

The funding for these changes came by implementing the Bradley Review's recommendation to abolish of two of the three workplace participation criteria for qualifying for independent rate of Youth Allowance (by working for at least 15 hours a week for 2 years or earning over \$18K a year over an 18 month period). The only criteria remaining would be to work for 30 hours a week for 18 months in a two year period. The Bradley review argued that the "gap year" was being used by wealthy families to circumvent means testing.

Many rural students and the National Party were vocal in opposing this measure. Two Senate Inquiries were held on this matter. The ALP Government did not have the numbers in the Senate so agreed in 2010 to an amendment to retain the gap year eligibility option for students in outer regional and remote areas. The Greens and Senator Xenophon worked with Government to flesh out a \$20 million Rural Tertiary Hardship Fund. NUS and other stakeholders served as members on the fund's taskforce to develop the guidelines for the operation of the fund. Later on there was additional legislation was passed that extended the gap year eligibility option for inner rural students as well. Under the Abbott Government the oft-delayed extension of eligibility of

masters by coursework students to income support to a more general basis has been formally abandoned.

While much of the focus of the post-Bradley Review debate on student income support has focused on eligibility questions the issues of student poverty, even for those receiving the full or partial allowance, remain.

Student Poverty: the most recent student finance survey data

Universities Australia's 2012 survey of student finances, based on 11,671 responses is widely regarded as the principle reference on student financial arrangements (NUS served on the project steering committee).

Selected findings include:

*46.3% of non-indigenous full time students receive at least some Youth Allowance or AUSTUDY payment

*In 2012, more than two-thirds of students reported being worried about their financial situation. The level of concern about finances has risen substantially since 2006 – by about twelve percentage points across the board. The highest overall level of concern was expressed by full-time, low SES undergraduates, of whom 76.6 per cent indicated that they were worried about finances.

*An average of about 17 per cent of students reported regularly going without food or other necessities because they were unable to afford them, and there was an increase from 14.7 per cent of full-time domestic undergraduates in 2006 to 18.2 per cent in 2012 who were regularly going without.

*Somewhat fewer domestic, full-time undergraduates were in employment in 2012 (80.6 per cent) than in 2006 (85.5 per cent), yet the average hours worked during semester by all full-time students who were in employment has increased; from 14.8 to 16.0 hours for undergraduates; from 17.0 to 20.1 hours for postgraduate coursework students, and from 8.0 to 10.5 hours for HDR candidates. Overall, around one quarter of employed, full-time undergraduates were working over 20 hours per week during semester.

*Increased hours of work are affecting students' educational experience, with 50.1 per cent of full-time undergraduates reporting that their work adversely affects their performance at university. This is a rise of 10 percentage points over 2006 levels. One in three domestic undergraduates, and one sixth international undergraduates, reported that they regularly miss classes because of employment obligations.

*Two-thirds of full-time domestic undergraduate students had incomes of less than \$20,000 a year; including 21.0 per cent who had annual incomes of less than \$10,000

*A higher percentage of employed low SES students (57.6 per cent) indicated that their work commitments adversely affected their performance at university, compared with other employed undergraduates (52.6 per cent).

*Almost half (47.0 per cent) of all Indigenous undergraduate students received ABSTUDY

benefits, and significant proportions of Indigenous undergraduates also received other government income support (19.2 per cent), and government or university funded scholarship support (29.1 per cent and 21.1 per cent).

Campus student organisations continue to report that are widespread problems of student homelessness (sleeping in cars, couch surfing) and free breakfasts put on by student organisations continue to be widely used services.

Each year NUS also releases a table of maximum student benefits versus the applicable Henderson Poverty Line. The Henderson Poverty Lines are calculated quarterly by Melbourne University's Melbourne Institute of Applied Economic and Social Research. The NUS calculations are outlined in Appendix One. The results in brackets are the figures at the time of the Bradley Review (2008) and show the continued erosion of the level of student allowances as the CPI does not keep up with poverty line indexation applicable to typical students. The CPI for example contains a substantial mortgage component. The current low interest regimes have kept CPI down whereas typical major costs faced by students (rent and food) are increasing more quickly. For example a single student in share housing receiving the full Youth Allowance and rent assistance is 49.8% below the poverty line (the same student would have been 46.6% below the poverty line in 2008).

Part-time and holiday work has been a part of undergraduate life for many decades. However, the long term historic decline in student income rates as a percentage of the Henderson Poverty line (from 75% under TEAS in the 1970s) has led to an excessive reliance on paid work at the expense of student development. Research has found that some part time work is beneficial to student development. However, students trying to juggle full time study with more than about 12 hours a week paid work, reported increased difficulties with maintaining study commitments and less opportunities to participate in enriching campus activities outside the class room.

NUS believes that increasing the base rates for Youth Allowance, Austudy and Abstudy will improve student access and retention rates for disadvantaged students. It will also allow students more time to participate in experiences outside the classroom that will led to the development of the more rounded graduates that employers are calling for.

Recommendation: That the maximum base rate for Youth Allowance, Austudy and ABSTUDY (including the rent assistance component) be increased to at least 75% of the Henderson Poverty line.

**Appendix One: NUS Research Calculations of Current (2015)
Maximum Benefits per Fortnight Accessed By Single University
Students As A**

Percentage of the Henderson Poverty Line

All Centrelink figures are those from the period of first quarter of 2015, the Henderson poverty line figures are for the June 2014 quarter (released in). Thus the calculations slightly understate the poverty rate by two quarter's indexation. Single person rate, head in workforce (i.e. includes allowance recipients as they are subject to work/study activity tests), start up scholarships not included as they are a one off payment per semester to cover costs of textbooks, computers and course materials rather than living costs. % in brackets are 2008 pre-Bradley review using same methodology

Payment Type	Base Rate per fortnight	Maximum rate of Rent Assistance	Maximum Total Payment per fortnight	Henderson Poverty line	Total Benefit as a % of poverty line
Youth Allowance, single at home	281.00	Not Eligible	281.00	1019.06	27.6% (31.3% in 2008)
Youth Allowance, single, away from home	426.80	127.60 (living alone or with partner)	554.40	1019.06	54.4% (61.8% in 2008)
	426.80	85.07 (in share housing)	511.87	1019.06	50.2% (57.1% in 2008)
Austudy, over 25, single or partnered with no children	426.80	127.60 (living alone or with partner)	554.40	1019.06	54.4% (61.8% in 2008)
	426.80	85.07 (in share housing)	511.87	1019.06	50.2% (57.1% in 2008)
Abstudy, single at home, 18-21	281.00	Not Eligible	281.00	1019.06	27.6%
Abstudy, Single, Away From Home, 18-21	426.80	127.60 (living alone or with partner)	554.40	1019.06	54.4%
	426.80	85.07 (in share housing)	511.87	1019.06	50.2%