

# Submission to the Review of Australian Higher Education

Prepared by the National Welfare Rights Network

# 1. Introduction

## 1.1 Who we are

The National Welfare Rights Network (NWRN) is a network of community legal centres throughout Australia which specialise in Social Security law and its administration by Centrelink. NWRN member organisations provide case work assistance to clients and based on this, the Network develops policy and advocates for reform.

Some of the concerns raised in this submission were outlined by a Welfare Rights worker who attended the Consultations in Perth. Others were raised by the student representatives in those sessions. All of the concerns outlined here have affected some, often many, of our clients. We raise these issues because they have either detrimentally affected many of our clients or had such a severe impact on some of our clients that mention is warranted. Whether we specify a case study or not, each issue below is evidence of the impact of the inadequacy or inaccessibility of youth allowance.

## 1.2 Outline of the Submission

This submission specifically addresses Question 11 of the *Review of Australian Higher Education: Discussion Paper* regarding the inadequacy and inaccessibility of income support for students. The areas addressed in this submission are:

- The policy (or lack of policy) that has led to the many problems of the student income support system.
- How income support is inadequate for students and why it should be increased.
- The problems of access to income support and the effect on students who are unable to gain income support.
- The particular issue of students that are entitled to income support and also work.
- The experiences of some students that are faced with particular disadvantage and in what ways income support should be changed to protect these students.
- The notion of loan schemes as a solution to inadequate income support.
- The adverse outcomes that can result from negative interactions with Centrelink, who administer the income support system.

In all sections, case studies have been included where they are illustrative. We have also made several recommendations which are included in the relevant sections and listed at the end of the submission.

### 1.3 Introductory Comments

A significant number of students rely on income support while at University and many more have sought income support unsuccessfully. The system of student income support can be very confusing and the differences between student entitlements and those available to job-seekers and pensioners often seem nonsensical.

Income support is necessary for students to achieve their full potential. It should be available to support students who do not have the financial resources to support themselves whilst they study. Income support is necessary for students because:

- They are forgoing the chance at income in the short term by pursuing a course of study;
- Such a course of study will benefit the country (skilled workforce);
- The course of study will benefit the student's chances of employment (and reduce their likelihood of accessing income support in the future); and
- The student may otherwise be accessing income support as they do not have requisite skills to find suitable or long term or sufficient employment.

There is some expectation that students being supported by the Government should be doing it rough. This places students from low socio-economic backgrounds at even further disadvantage when trying to succeed in their studies when compared to students with ample parental support or other financial resources. Increased financial support from the Government would allow such students to focus on their studies instead of their finances.

The public perception is that students spend their Youth Allowance (or other payment) on alcohol, junk food, designer clothes and parties. In fact, many students on income support barely have enough money for basic rent, food and study related costs. These students are certainly not on a fair playing field for study when compared to students supported by their (willing) parents. They have little opportunity to fully participate in the academic side of university life, let alone enjoy the social aspects that provide a rounded university experience.

In public discourse about student income support, there is little discussion about the legitimate expenses that students face. These include:

- study fees (which can be deferred by HECS but upfront payment has the incentive of a 25% discount);
- amenities and services fees (if students choose to support and access their student organisation and certain other facilities on campus);
- textbooks;
- photocopying and printing;
- stationery;

- lab coats and other protective clothing;
- field trips;
- electronic devices such as graphics calculators;
- computer related expenses (home or laptop computers, computer programs to complete assigned work at home, internet connections);
- rent;
- utilities;
- contents insurance;
- food and living expenses;
- clothing;
- car related costs (including registration, servicing, insurance, driver's licence);
- public transport;
- family related expenses; and
- medical expenses and health insurance.

We recognise that the student experience is broad, and that students accessing student income support have a huge variety of personal circumstances that make each unique. We have not only attempted to include case studies from a range of students, but we have also raised some issues that are faced by particular groups more often or more acutely than others.

## **2. Policy**

### **2.1 Introduction**

Student income support does not seem to have any logical policy foundation upon which eligibility criteria, payment rates and administrative issues are determined. Students have not received a clear message about the expectations they should be fulfilling. They are not told which areas of their life, whether study or work, they should prioritise, and are then punished, whichever way they choose. The administrative procedures of Centrelink, intended to be efficient and cost-saving, are not designed to best assist students to understand their rights and responsibilities, nor to ensure they are receiving maximum benefits. The extent of confusion amongst students about Centrelink policies indicates that the confusion must be blamed on the administrative procedures themselves.

### **2.2 A Fair Go**

The introduction of the HECS system was intended to ensure that everyone in society could retain the right to access higher education, despite their socio-economic status. However, deferring the costs of university fees does not address the numerous other costs associated

with undertaking tertiary education. The amount that students are required to pay back in HECS debts is not equivalent to the amount it costs for them to attend. The Commonwealth Government recognise that there is benefit to the country in students attending University and funds Universities accordingly. There is also a benefit to the country in allowing students who are not able to fund their living expenses at university, to have some government contribution. Without supporting the living expenses of disadvantaged students, deferring their fees will provide little real opportunity to attend University.

### **2.3 Mixed Messages**

The student income support system sends mixed messages to students. By providing a greater rate of income support to job-seekers on Newstart Allowance than to students on Youth Allowance, it promotes seeking employment over the pursuit of further study particularly by students who have no other resources (such as parents) for support. By enforcing strict eligibility requirements for 'Independence', the system expects students to continue relying on their parents for income, yet parental income support for these ages is very low.<sup>1</sup> The rates of all student entitlements are inadequate for students to live on, yet the rate of income that can be earned before entitlements are reduced is a mere \$236.00 per fortnight. Finally, students do find it necessary to work to supplement their inadequate income support, but will have their payments cut-off if they cease to study a full-time load, because that is what they are receiving their income support to do.

### **2.4 Confusing System**

Students who may have met quite stringent entry requirements to enter University are still often confused when it comes to dealing with Centrelink and may incur overpayments. The experience of Welfare Rights workers has been that Centrelink Officers often make an assumption that these students are deliberately making false statements and attempting to defraud Centrelink and the Australian government. There is little consideration given that, if Australia's best and brightest are unable to successfully navigate the social security system, then perhaps the unnecessarily complex and unfair system is at fault.

### **2.5 'Youth' Payments**

In relation to the proposal to overhaul Youth Allowance it is worth remembering that Youth Allowance was created as a means to simplify payments for young people, regardless of whether they are students or looking for work. In this regard, it has failed – and miserably

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<sup>1</sup> Maria Luteria and Jenny Bourne (Department of Family and Community Services), 'Financial Independence and Youth Allowance: Young People's and Parents' Views,' *Family Futures: Issues in Research and Policy*, 7<sup>th</sup> AIFS Conference, Sydney, 24-26 July 2000 as cited in Jennifer Anne (Youth Action and Policy Association NSW) *Submission to the Senate Employment, Workplace Relations and Education References Committee Inquiry into student income support*, 2004, p7

so. Instead, the creation of one single payment for young people has led to confusion and debt as many young people regularly change circumstances and do not understand the technical difference between Youth Allowance “student” and Youth Allowance “other” (job search).

Many young people who cease study altogether or reduce their load to part time study do not appreciate the need to notify Centrelink of this change. They understand they are still entitled to Youth Allowance as a job seeker or because they are a young person. Failing to notify Centrelink all too often leads to a large debt for a period in which, in all likelihood, the young person would have been otherwise eligible for Youth Allowance.

Abolishing Youth Allowance and creating two separate payments, Austudy and Newstart Allowance would make clear to young people the requirements of each payment, i.e. to support study or to support job search. This change would remove confusion and reduce the number of debts for young people. It would rebalance the risks inherent in a confusing system which achieves nothing by calling payments for both purposes ‘Youth Allowance’.

***Jack ceased studying full-time and became a part- time student** as he wanted to gain employment and save some money. Jack looked for jobs regularly and attended a number of interviews. He was unsuccessful in his job search and returned to full- time study the next semester. Centrelink raised a debt for the semester Jack was part-time, despite the fact that his part-time study and job search would have qualified him for Youth Allowance as a job seeker.*

***Mary ceased full-time study due to ill health.** She failed to notify Centrelink as she understood she was entitled to receive Youth Allowance as a young person. Centrelink detected one year later that Mary was no longer a student and raised a debt for the whole year. Additionally Centrelink referred the matter to the DPP for consideration of prosecution. Had Mary notified Centrelink she could have continued to receive Youth Allowance with a medical exemption or with reduced activity requirements given her ill health.*

## **2.6 Financial Hardship and National Policy**

The financial hardship faced by many students is neither well researched nor included in the national policy agenda. The submission from the Department of Family and Community Services to the Senate Employment, Workplace Relations and Education References Committee Inquiry into Student Income Support (the “Senate Inquiry”) said that income support for students:

*“...is intended to encourage young people themselves and their families to help young people stay in education and training and to enable people in older age*

*groups to return to study. Assistance is targeted primarily towards young people from low-income backgrounds undertaking post-compulsory schooling and tertiary study.”<sup>2</sup>*

Judith Bessant, concluded that student financial hardship is not on the policy agenda because of the following reasons:

- 1) Low social and political status of students gives them minimal political clout and time spent at University is brief;
- 2) Students in financial hardship do not have the victim status assigned to other youth issues;
- 3) Student poverty is not generally seen to constitute an immediate social threat; and
- 4) Students are often considered privileged, receiving a valuable university degree which will stand them in good stead for life-long earnings and employment security.<sup>3</sup>

## **2.7 Checks and Balances**

The lack of policy objectives on which the system is built also makes it extremely hard to monitor the effectiveness of the system to any particular standard. Whilst Centrelink have efficiency and service standards which they aim to meet, there are no performance indicators relating to the actual benefit student income support is supposed to provide nor to the ease with which students can navigate the system.

The House of Representatives released a report in 1991 recommending the government develop clear policy objectives for student financial assistance programs and performance indicators.<sup>4</sup> The performance standards set for Centrelink Officers can actually limit the services they provide. Centrelink officers are unable to exercise discretion when dealing with students facing exceptional circumstances.<sup>5</sup>

## **2.8 Proposed Policy**

Student income support should not be seen as a drain on the public purse, but instead, an investment in Australia’s future. In the same way that students have some of their University costs met by the Government, in the interests of the State, so too should the living costs of the vulnerable be covered. There are many benefits in having graduates from

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<sup>2</sup> The Senate Employment, Workplace Relations and Education References Committee *Student Income Support Inquiry Report*, 2005, p8

<sup>3</sup> 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 pp79-85 as cited in the *Senate Inquiry*, p17

<sup>4</sup> *Senate Inquiry* p4

<sup>5</sup> *Senate inquiry* p5

a broad spectrum of the community, and this includes those from disadvantaged and low socio-economic status backgrounds.

### **3. Adequacy of Rates**

#### **3.1 Introduction**

It is difficult to measure the adequacy of student social security payments. The measurement is complex and multi-faceted given the range of different student experiences. The rates can be compared directly to measures of poverty and it becomes a question of policy as to what degree of hardship students should be expected to endure. Housing and rental costs are a particular burden on students at the moment and the rates of payments have not been reconsidered despite the increase in costs. Comparing student payments to other rates of social security payments show discrepancies that are not easily explicable and indicate a need for policy objectives to underlie the rates of payment.

#### **3.2 Poverty**

The Henderson Poverty line is the commonly accepted signpost of financial hardship in Australia. Living below the poverty line indicates that the person's standard of living is well below that enjoyed by most Australians.<sup>6</sup> Many people experience financial hardship, and whilst the poverty line is a useful signpost, it is arbitrary in distinguishing between living standards of those who live a few dollars below and a few dollars above it.<sup>7</sup> However, it is fair to say that those living well below the signpost of poverty are clearly doing it tough.

The highest rates of all social security payments given to single students (even including Rent Assistance) are well below the Henderson Poverty line. At March this year, the Poverty Line for a single student (including housing) was 378.08 per week. At that time, a single student receiving Youth Allowance and Rent Assistance would have received a maximum of \$231.30 per week. This is almost 40% below the poverty line.

There is a commonly held perception that students should be living in cramped share houses and doing it tough while studying. This may stem from the concern that the Government should not give financial support to fund the luxury lifestyles of students at wealthy universities.<sup>8</sup> A recent survey conducted at the University of Western Australia (a Group of Eight University in a wealthy area) found that 33% of respondents said that they

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<sup>6</sup>Welfare Rights Centre (Sydney), *"A dog's breakfast"- income support for families and young people*, National Welfare Rights Network, 2005, p5

<sup>7</sup> *Dog's breakfast* p14

<sup>8</sup> See Julie Bishop's comments in 'Govt urged to act on uni student finances,' *ABC News*, 9 March 2007, available at [www.abc.net.au/news/stories/2007/03/09/1867197.htm](http://www.abc.net.au/news/stories/2007/03/09/1867197.htm)

were frequently unable to afford food due to their lack of income.<sup>9</sup> The misperception that all students live a life of such luxury can severely impact on the policies which affect those who do not.

Those students forced to live below the poverty line, burdened with the list of expenses outlined in the Introductory Comments, are unlikely to have the opportunity to spend significant resources (if any) on luxury items. Instead, students living in poverty are more likely to resort to services such as free soup kitchens<sup>10</sup>, will be less likely to eat nutritious food<sup>11</sup>, are more likely to suffer fatigue from combining study and work, and are more likely to drop out of university as it is too difficult to manage.

The base rate of student income support payments should be increased to a level which is at least comparable to the Henderson poverty line. There is no justification for a government expecting students to live in poverty. These students are already likely to come from disadvantaged backgrounds and providing inadequate income support compounds that experience.

### **3.3 Housing/ Rental Costs**

#### **3.3.1 Introduction**

Safe, affordable accommodation is a necessity that students are finding more and more difficult to access. The availability, expense and location of properties that students can access has been significantly affected by the housing crisis affecting the nation. Despite the significant increase in rent in areas around most Universities in Australia, the Government funding of Rent Assistance and other support has not reflected this change.

#### **3.3.2 Public Housing**

Many students, particularly those already receiving Government income support, would be entitled to access public housing due to their small income and lack of other assets. Unfortunately, public housing waiting lists are so long (up to 5-7 years in Western Australia<sup>12</sup>) that most students will have completed their degrees by the time such accommodation becomes available.

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<sup>9</sup> UWA Student Guild, *Combining Work and Study 2007*, p7

<sup>10</sup> Farrah Tomazin and Bridie Smith, 'Learning the Hard Way,' *The Age*, 25 July 2008, available at <<http://www.theage.com.au/education/learning-the-hard-way-20080724-3kka.html>> accessed on 30 July 2008.

<sup>11</sup> *Senate Inquiry* p32

<sup>12</sup> Department of Housing and Works, *Waiting Times for Homeswest Housing*, available at <[http://www.dhw.wa.gov.au/Files/homes\\_wait\\_0805.pdf](http://www.dhw.wa.gov.au/Files/homes_wait_0805.pdf)> accessed on July 30, 2008.

### **3.3.3 Availability of Rental Properties**

There is a significant shortfall of rental properties available in areas surrounding Universities and students are forced to pay high rents for sub-standard properties.

### **3.3.4 Share Houses**

There is a public expectation that students will live happily in share houses during their student years. While this may be a suitable solution for groups of friends and where adequate accommodation is available, it can also be problematic for many. Students who do not have friends to share with (such as those who have moved from regional areas) need accommodation and end up in a share house with strangers. Accommodation made available for student share house living is often in poor condition and students live in cramped conditions to ensure the maximum number of housemates and therefore minimal rental costs.

There are also legal impacts of share house living that may not be fully understood. When students do not know their rights as tenants, they can lose extra money such as their bond or through increased rent. If only some householders are on the lease, they can be engaging in illegal subletting practices when further students move in and their lease may be terminated.<sup>13</sup>

### **3.3.5 Rent Assistance**

Rent Assistance is a vital support to students that live in rental accommodation. Unfortunately, it is only available to students paying significant amounts of rent. Students that, by necessity, are living in the cheapest accommodation they can find, may not be able to access any rental support. In fact, a student who pays \$95.00 per fortnight in rent will not receive any Rent Assistance, but a student who pays \$240.00 per fortnight in rent, will only have to pay \$132.80 (with the help of Rent Assistance). A student that cannot afford the extra \$40.00 per fortnight is forced to live in significantly cheaper (and usually significantly worse) accommodation than the other student.

The limit to receive the maximum payment for fortnightly rent, and the maximum payment itself, is particularly out of touch with the increased rental prices that students are being forced to pay. Interest rates, mortgage repayments and therefore rental prices are quickly increasing, and Rent Assistance has not followed the trend. It has been estimated that rental prices in Perth have increased 60% over the last three years.<sup>14</sup> The maximum rate of Rent

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<sup>13</sup> See, for example, the *Residential Tenancies Act 1987(WA)* s49

<sup>14</sup> Joseph Catanzaro, 'Perth rents tipped to leap 25pc as housing shortage bites,' *The West Australian*, 8 July 2008, p1 available at <[thewest.com.au/](http://thewest.com.au/)> accessed on July 30, 2008

Assistance for a single person without children has increased just over 9% in the same period.<sup>15</sup>

The maximum payment of rent assistance is extremely low in the current housing climate. Average rents in certain centres in Australia are increasing dramatically, particularly in areas where Universities are based. In Western Australia, for example, the average weekly rent payable for a unit is over \$300.00<sup>16</sup>, yet a single student living by themselves will receive, at most, \$53.60 in Rent Assistance. The average rent for houses is well over \$300<sup>17</sup> yet a single student in a share house will get a maximum \$35.74 in Rent Assistance, and that is only if they pay more than \$95.35 per week themselves.

The administration of Rent Assistance does not address the disparity of rental prices in different locations. Students need to live in areas with easy and quick access to the University (especially if they don't have a car). Rentals around Universities are particularly expensive, in part because of this demand. Students are also required to prove the amount of rent paid, and in share house circumstances this can be particularly difficult. Rent Assistance can only be paid with another payment and is subject to the income related tests of Youth Allowance, Austudy and Abstudy. Therefore, students may receive even less rental support than discussed above. If their Rent Assistance is cut-off or reduced, students are not informed specifically of this decision and are therefore less likely to appeal the decision as they are unaware that they are not receiving their correct rate of payment.

### **3.4 Other cost increases**

#### **3.4.1 Transport Costs**

The lack of available or suitably priced rental properties around Universities, has also forced many students to begin renting in areas a great distance from their campus. Students have the option of purchasing a car (a significant expense) and driving to University, or using public transport. Those who drive are faced with ever increasing petrol bills and parking fees at University. If they catch public transport, students have long trips, often transferring between several buses or trains. Such trips may happen several times per week when they have a few contact hours each day and can also require long trips home in the evening after late classes. Such trips home are often delayed further by reduced services operating in the evenings, and require students to wait or walk home from the bus stop in unlit and unsafe areas at night.

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<sup>15</sup> 'RA Rates- June 1990 to present date available,' *Guide to Social Security Law* at <[http://www.facsia.gov.au/guides\\_acts/ssg/ssguide-5/ssguide-5.2/ssguide-5.2.6/ssguide-5.2.6.10.html](http://www.facsia.gov.au/guides_acts/ssg/ssguide-5/ssguide-5.2/ssguide-5.2.6/ssguide-5.2.6.10.html)> accessed on 30 July, 2008.

<sup>16</sup> Catanzaro, 'Perth rents tipped to leap,'

<sup>17</sup> Ibid.

### **3.4.2 Living Costs**

Living costs are increasing faster than the rate of income support is increasing to cover them. Basics such as bread have increased in price in Western Australia by as much as 9% in the past year.<sup>18</sup> Students that rely on income support are struggling to cover the cost of even the most basic of necessities.

### **3.5 Debts**

Many students receiving income support have been overpaid at some point and incurred a debt to Centrelink. Recovery of this debt can place students, already in a precarious financial position, into an even worse situation. The rates paid to students as income support are already too low. When these get reduced, even by 14%, this can seriously impact on a student's financial situation and overall well being.

### **3.6 Disparity between rates**

As discussed in the Policy section of this paper, there does not seem to be a justification for the many anomalies within the provision of student entitlements, and when comparing such entitlements to other social security payments. Some of these anomalies are discussed below.

#### **3.6.1 Indexation**

Youth Allowance is only indexed once a year and based on the Consumer Price Index (CPI). In comparison, Age Pension rates are indexed twice yearly to the higher of either the CPI or the Male Total Average Weekly Earnings (MTAWE). The practical impact is that young people who are studying can have to absorb price increases for up to 18 months before their payments are adjusted for the higher costs of living. This places enormous strain on student budgets that are already very tight. There is no justification for this difference and it has a noticeable impact on the rate of payments made to students.

The Committee conducting the Senate Inquiry into Student Income Support accepted the National Welfare Rights Network submission 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".<sup>19</sup>

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<sup>18</sup> 'Perth pays soaring price for inflation-hit staples,' *The West Australian*, 29 July 2008, available at <<http://www.thewest.com.au/default.aspx?MenuID=77&ContentID=87606>> accessed on 30 July 2008

<sup>19</sup> *Senate inquiry* p38 citing "Dog's breakfast," p7

### **3.6.2 Newstart Allowance**

Young people aged 21 or over receive more money on Newstart Allowance as a job seeker than they do on Youth Allowance as a full time student. There is no clear policy objective which can explain substantially greater living costs for one over the other.

If the rate of payment for Newstart Allowance is deliberately low to act as an incentive to find work, then setting the Youth Allowance rate even lower is a significant disincentive to complete tertiary study.

### **3.6.3 Bridging payments**

Youth Allowance, Austudy, Abstudy and Newstart Allowance are all considered bridging payments which are only needed on a short term basis. The Age Pension, by comparison, is expected to support Pensioners continuously.

Newstart Allowance may be suitable to be considered as a bridging payment (though even this is arguable), but student financial support should not be considered in the same way. The payments are long term by their nature as degrees go for several years. Further, students have elected to forego working during that period, in the hope of increasing their employment chances once they graduate (among other reasons). They do not need a low payment as an incentive to return to work, but instead an adequate payment that allows them to study hard and be successful in their chosen field.

### **3.6.4 Family Tax Benefit**

Students that are unable to demonstrate their independence from their parents receive a lesser rate of income support, implying that their parents either support them financially or that they live at home. However, the amount paid to students receiving Youth Allowance whilst living at home, is less than the amount parents were receiving in Family Tax Benefit payments to support that child at a younger age. Families that are struggling financially are likely to be less inclined to continue financial support of a young person once they reach 18 years old. The policy premise that this support will continue does not reflect the experience of many young people, and may be a significant inhibitor to young people from low socio economic status backgrounds from pursuing tertiary study.

### **3.6.5 Independent vs. At home rate of Youth Allowance**

Both the independent and at home rate of Youth Allowance are inadequate to provide for students at University today. However, assuming that students receiving the 'at home' rate

are getting the financial support from their parents, the extra amount provided to students at the 'independent' rate should presumably account for the loss of such support.

If a single student aged 18 and over lives at home, they receive a maximum of \$233.90 per fortnight (pft) in Youth Allowance and no Rent Assistance. If a single student aged 18 and over lives away from home and has qualified for the Independent rate of Youth Allowance, they receive a maximum of \$355.40 pft. The difference between allowances (before Rent Assistance) is \$121.50 pft.

The student living out of home may qualify for Rent Assistance up to a maximum of \$107.20 pft (if their rent is more than \$238.33 pft). If the student lives alone and pays \$239.00 per fortnight in rent (just enough to earn the maximum rate of Rent Assistance), the amount they owe after rent assistance will still be \$131.13 pft. Therefore, the difference between the 'at home' and 'independent' rates of youth allowance will not even cover the amount of rent to be paid, let alone any further expenses that would otherwise be expected to be paid by parents.

If the 'independent' student moved into a share house, the situation is similar. If their rent was \$191.00 pft (ie just above the requisite amount of \$190.69 rent to get the maximum payment of Rent Assistance), then the student would receive a maximum payment of \$71.47 pft of Rent Assistance. This would leave them with a \$118.53 shortfall to cover with their extra \$121.50. The remaining \$2.92 per fortnight would then be available to cover any other expenses that would not have been incurred if they lived at home.

Some students who receive the independent rate of Youth Allowance do so because they have faced harrowing personal circumstances or are otherwise seriously disadvantaged. These students are likely to require more financial resources than most to complete their University studies, and yet are being denied enough support to pay basic rent.

### **3.6.6 Changes in Student Life**

Many of the thresholds, payment amounts and income free areas have not changed much if at all over a period of substantially increasing costs in the life of a university student.

Whilst universities still utilise textbooks (which are usually very expensive) and other resources (which often require paid photocopying), they are also increasing their use of electronic resources and technology. There is an expectation that students can access and use these resources, and a divide is quickly developed between students that can fund their own resources (such as laptop and home computers, computer programs and home internet access) and those that have to use the resources provided at the university. The students that need to spend significant hours on campus to complete their required study

(due to lack of personal resources such as computers) are often the same students that have the most difficulty accessing the campus, for example due to significant distances to travel by public transport. Their financial disadvantage therefore poses a double burden on their chances of success in completing their course work.

## **4. Accessibility**

### **4.1 Introduction**

Many more students apply for student income support than are deemed eligible to receive it. The eligibility requirements for student income support are so strict that many families and students who are severely financially disadvantaged are not able to get support for their child to attend University.

### **4.2 Parental Income Test**

This test is based on the assumption, discussed below under 'Independence' that parents are willing and able to support their children through tertiary study until they turn 25 years old. It also reflects an out of date level of parental income that would adequately be able to support an adult studying at university as well as the rest of a family. The amount of combined parental income that can be earned before the student's entitlements are reduced is also set at an incredibly low level and has not been increased in line with changing thresholds for other payments such as Family Tax Benefit.

### **4.3 Independence**

#### **4.3.1 Age of Independence**

From July 1998, the Parental Income Test was extended to Youth Allowance received by 16 to 24 year olds. Under these arrangements, job seekers under 21 and full-time students under 24 who are eligible for Youth Allowance are subject to the Parental Income Test unless they are deemed "independent". This extension of the Parental Income Test reflects socio-economic trends as more young people are relying on their parents longer and leaving home later in life. However, it assumes that parents who earn over a certain amount *can* afford to support their adult children, *and that they are willing to do so*.

The Parental Income Test cut out point is "unrealistically low". It is currently \$10,500 lower than the threshold for Family Tax Benefit.

Youth Allowance for families with one dependent child under 18 living at home, is \$95.25 per week if the gross family income is less than \$30,750. The students' income payment declines by \$1 for every \$4 over the threshold, and cuts out completely when gross family income reaches around \$50,5620. For example, if the family income is \$37,000 then Youth

Allowance is reduced to just \$65 per week. A comparison of the Youth Allowance income test with that for Family Tax Benefit shows the impact these different income tests have on payments to families. With a gross annual family income of \$50,000 a family with a 15 year old receiving Family Tax Benefit will still receive \$114 per fortnight while a family with a 16 year old eligible for Youth Allowance would not receive any Youth Allowance.<sup>20</sup>

Low payment rates lead to a drop in household income at the same time as costs increase with older teenagers. This can make it difficult for young people to sustain full-time study. The *Family Responses to Youth Allowance Survey* commissioned by FaCSIA indicated that:

*“families earning less than \$40,000 a year, despite the assistance they are already receiving, often feel they need extra financial assistance to support their children, particularly if their children are full-time students.”*

FaCS also reported that:

*“In all the community consultations, service providers and community groups saw the Parental Income Test thresholds, ‘cut-outs’ and sibling concessions as ‘unrealistically low’.”<sup>21</sup>*

Middle-income families who were just over the means threshold found the Parental Income Testing to be a problem, according to the FaCS report. Often these “borderline” families cannot afford to support a young person in the city or can afford to support only one at the expense of the other siblings. The Parental Income Threshold was also seen to be particularly harsh on those families whose children have to relocate in order to attend university and college.

In addition, the recent report from the Australian Universities Vice Chancellors Committee recommends that the age of independence for Youth Allowance needs to be brought back to 18 as it is having a substantial impact on low income families and the educational attainments of their children.

Setting the age of independence at 25 years old reflects the Government preference (at that time) that parents continue to support their adult children while they complete tertiary study. This justifies lower income support payments to such students, as they will have fewer costs. However it does not reflect the reality of many family situations nor the degree of competence afforded to people from the age of eighteen in other legal areas.

NWRN supports reducing the age of independence for Youth Allowance to 18 and extend the unrealistically low Parental Income Test “free area”, taper rate and cut out points. The Parental Income Test cuts in at very modest family income levels and effectively denies the children of many low income families the opportunity of pursuing an education.

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<sup>20</sup> The young person is assumed to be single and dependent. The Parental Income Test is applied to the “at home” Youth Allowance payment, as set out in Centrelink, *A Guide to Australian Government Payments*, January 2005. Department of Family and Community Services (FaCS), *Youth Allowance Evaluation Final Report*, December 2001.

### **4.3.2 Family resources and support**

The expectation that families will continue to support their children through University is unrealistic. Research conducted by the Department of Family and Community Services in 2000 found that 50% of the students surveyed were not receiving any money from their parents.<sup>22</sup> The low threshold used for the Parental Income Test means that families who would not consider themselves capable of supporting the child once they turn eighteen, may be expected to.

A young person in this situation may be expected to defer their studies until they earn a sufficient amount to classify as 'independent' for Youth Allowance, or simply to work and support themselves because the family are not willing or able.

Parental income is not taken into account when determining eligibility for Newstart Allowance. This means that job seekers are considered independent from the age of 21 and are supported by the Government instead of their parents. Yet students, who are actively engaging in study are still required to rely on their parents. This is inequitable, but may also lead to parental pressure on young people to desist study and begin seeking employment.

Forcing students to remain at home due to their parents' income can severely impact on a student's autonomy. They may be forced to choose a university and course that is offered near their parental home, rather than having the opportunity to live out of home and study at a more distant institution. Parents can have significantly more impact on the choice of the student's university and course, as students will not have the means to support themselves without their parents. Finally, young people may not have the chance to study, when parents are unwilling to support a child that pursues higher education and instead expects them to enter the workforce.

#### **4.3.2.1 Policy Issues**

The accessibility of social security benefits is out of step with other age-based legal recognition. At the age of eighteen, Australians are allowed to vote (and nominate) in all levels of Government elections, sign legally binding contracts without their parents' permission, can serve on a jury and can be convicted of an offence in an adult court. Child Support does not automatically continue after a child turns eighteen, and a court order is needed to continue this support for a child in tertiary education. Social Security payments are paid directly to the applicant from the age of eighteen, whilst payments to those under eighteen are made to the parent (unless certain exemption criteria are met). Young people at 18 years of age have the competence and capacity to make many legal and political decisions, yet are expected to rely on their parents to support their continuing education.

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<sup>22</sup> Luteria and Bourne 'Financial Independence and Youth Allowance,'p7

### **4.3.3 Working just to be allowed to study**

Students can receive the independent rate of Youth Allowance if they can demonstrate financial independence. This requires them to have worked for a significant period and to have earned a significant amount before they can receive entitlements at the 'independent' rate.

#### **4.3.3.1 Time off**

Most students would need to take time off study to meet the requirements to prove financial independence. They may need to do this because their parents are unable or unwilling to support them through tertiary study, or because they would like to live out of home whilst pursuing tertiary education. The requirement that these students delay tertiary education until they have earned enough money to qualify for an adequate level of income support can unfairly burden students from disadvantaged families.

The premise of this policy is that such students have shown 'financial independence' from their parents. However, for students to have delayed their tertiary education up to 18 months just to be recognised as financially independent, indicates that these students were expected or desperate to be financially independent in the first place and that they needed a higher level of income from the time they commenced work. Delaying their study for 18 months just to prove this is incredibly unjust.

#### **4.3.3.2 Policy**

Again, the policy behind this is incongruous. There is no reason to assume that a young person who works for 18 months will not be receiving financial support from their parents any more than there is reason to assume that an 18 year old student will have parents willing to continue supporting them (especially if the parents received social security benefits to support the child until they turned 18).

### **4.3.4 Unreasonable to live at home**

The reality is that many students either choose or are expected to move out of home for a variety of reasons that do not fit within the strict criteria to qualify for independence because it is 'unreasonable to live at home'. Many of the criteria a student must meet to be independent under this division suggest a background of such disadvantage that such students should be provided extra support to succeed at University, rather than just the Independent Rate.

#### **4.3.5 Youth Allowance Couple**

Young people in ‘marriage-like relationships’ (for a period of time and as defined in the Act) are granted the independent rate of Youth Allowance and parental income is no longer considered. However, young people in such couples will receive a reduced amount because they live with their partner. This can be particularly difficult for students who live independently in a share house with their partner (ie they pay their own way) and especially those who are found to be in a marriage-like relationship with someone they live with who they do not consider their partner. In the alternative, some students are getting married or claiming to be in a marriage-like-relationship simply to gain an adequate amount of Youth Allowance. Both situations are indicative of an ill-considered system that does not reflect or support the realities of student life.

#### **4.4 Working cut-off points**

Another reason that social security entitlements, particularly full entitlements, are so difficult to obtain, is because the income free area (the amount students can earn before their entitlements are reduced) is set very low. Given the discussion above about the adequacy of student payments when compared with the cost of living, and further the difficulty in accessing any payment let alone the full amount of payment, it seems ridiculous to reduce payments that students do receive when they earn a small supplementary income. This is discussed further below in Section 5 ‘Working’.

#### **4.5 Educational Textbook Subsidy Scheme (ETSS)**

The Educational Textbook Subsidy Scheme (ETSS) was only provided for a limited number of years to ensure smooth passage of the legislation that introduced the Goods and Services Tax (GST). The subsidies have not been provided since 2004 but would provide at least some relief to students facing financial hardship. According to the Democrats’ Supplementary Report to the Senate Inquiry:

*“...approximately 70% of the scheme’s allocation related to higher education (Universities and TAFEs). Importantly, the ETSS maintained access to textbooks for students, and therefore, access to education and knowledge”<sup>23</sup>*

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<sup>23</sup> ‘Democrats Supplementary Report’ in *Senate Inquiry*, p 70

## 5 Working

### 5.1 Introduction

The inadequacy of student entitlements and the many restrictions which reduce the amount students can access means that most students are forced to undertake some kind of paid employment. The policy behind such an expectation is not clear as such employment either puts more strain on students than everyday paid employees or limits their capacity to study. Further detriment occurs when students earn over a certain (very low) threshold of money, as their entitlements are reduced. Further, the income bank that should assist students with employment, does not operate to assist many students at all, and particularly those forced to work during Semester due to the inadequacy of their ongoing social security payments.

Full time study and significant work hours (or work at all) are incompatible. The Federal Government must choose a policy stance. It can encourage a mix of study and work by continuing financial support when students reduce their study load, encouraging more flexible attitudes of Universities to the combination of study and work and increasing the income free area for entitlements. Alternatively the Government can provide adequate financial support to students, negating the need for supplementary work. The current system punishes students either way.

### 5.2 Full time study plus work

Students studying full time are given a workload (including contact hours and personal study) that should equate roughly to a working week. The expectation that students also complete paid work on top of this study load, either increases their 'working week' well in excess of the standard expectations of paid employees (38 hours per week) or expects that they spend less time studying so that they can support themselves by working.

Some work in the field of study could undoubtedly provide a degree of experience for a student. However, the majority of jobs that students undertake will be low-paid, menial or cash-in-hand.<sup>24</sup> Students are unable to combine their need for income with adequate work experience, because many Universities are inflexible in providing courses to students that work.<sup>25</sup>

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<sup>24</sup> *Senate inquiry p57*

<sup>25</sup> *Senate inquiry p57*

### 5.3 Income Free Area and Income Bank

The Income Free Area and Income Bank are designed to prevent students that can support themselves from accessing government financial support. However, the thresholds are set so low as to force students to live in poverty. Either they earn less than the thresholds to receive their income support, or they earn more than the threshold and have their financial support reduced or cut off.

The Income Free Area (the amount a student can earn before their entitlements are reduced) is \$236.00 pft for a single, childless student receiving the highest rate of Youth Allowance.

The maximum that the student would receive before their entitlements are reduced is:

Source of income	\$ per week
Youth Allowance	\$177.70
Rent Assistance	\$53.60
Employment income	\$118
<b>Total Income</b>	<b>\$349.30</b>

After this level of work income, the student will only benefit from 50c/40c in every dollar earned (as their entitlement will be reduced). The poverty line for such a student in March 2008 was set at \$378.08 per week.

The purpose of the Student Income Bank is to allow students to save up unused portions of their 'income free area' (the amount of income earned that does not reduce their entitlement), allowing them to earn extra income during certain periods when they will be working more (such as University holidays). Most students, particularly those receiving student entitlements, work during Semester to supplement their benefits. Many already struggle to balance between the amount they receive in entitlements and the income they earn from working (as more of the latter means less of the former). The Student Income Bank would be a useful tool if the Income Free Area was increased to reflect the reality of student living and work.

The maximum amount that can be accrued in the Student Income Bank is \$6,000. This amount has not been adjusted since 1998. This amount also does not reflect the realities of student life, work and expenditure.

### 5.4 Under-Reporting

Students who are caught in precarious financial circumstances may find it difficult to survive on the small amount they can receive from income support and paid work before

entitlements are reduced. Many students are unable to successfully balance the extra hours of work required to sufficiently improve their finances beyond this point as well as a full time study load. Some students may adopt a short term perspective and under-report their earnings in the interest of day-to-day survival. While the amounts may be insignificant and the reasons may be justified (to them), these students are placing their futures in serious jeopardy. If income support payments and income free areas were increased to a liveable level above the poverty line, students may be much less inclined to make such desperate decisions.

### **5.5 Part time study**

Students who are forced to drop to part time study to effectively balance their study and work commitments, lose their entitlements because they are not studying full time (or at least 75% of a full time study load). This is particularly unjust for those students that need work income to survive but also wish to attend and succeed in their tertiary studies. With so many students attempting (and failing) to balance work and study, income support for part time study may be an option to explore. Delays in course completion may not be desirable at a time when the entry of skilled young people into the workforce is necessary. This is another reason to reconsider the rate of income support paid to such students in the first place.

### **5.6 Negotiating with Universities and Employers**

For most students, it is difficult to find paid work that is flexible enough to fit around their study, can be altered during exam periods and with hours that can be increased or decreased to best balance with the student income free area.

If the Federal Government has a policy of income support that expects some degree of personal paid work, then it must also require Universities to respect this change. At present both Universities and employers are inflexible as to the needs of the other, forcing students into constant negotiations of their time to serve both masters. This can mean skipping important classes to attend work, and potentially being fired for missing work to attend an exam.

## **6 Types of students**

### **6.1 Introduction**

Whilst all students face unique financial hurdles when attending University, some groups face certain common disadvantages.

## 6.2 Rural, Regional and Remote Students

Many students from rural, regional or remote areas are forced to relocate for study. Significant relocation costs, including the set up of a new residence, are not sufficiently provided for in student entitlements. Nor is visiting home a realistic opportunity for students who would have to self-fund any return trips. Students who have relocated from rural, regional or remote areas without their families are also forced to negotiate the social security and higher education systems without the same level of family support that other students may be able to rely upon.

## 6.3 Indigenous

The requirements for independence are particularly arduous on Indigenous students. The assumption that families are both willing and able to provide financial assistance, when in Indigenous families, financial independence is usually assumed at a much younger age.<sup>26</sup>

ABSTUDY provided some extra financial benefits to Indigenous students before it was substantially changed in 2000. These benefits included allowances for essential course costs, and for travel costs where students had to move location to attend university. The reduction in these special services further lowered the level of income received by the majority of Indigenous students.<sup>27</sup>

The alignment of ABSTUDY with the provisions provided under the Austudy and Youth Allowance schemes provided a disservice to Indigenous students who have a genuine need for specialty services. Indigenous students, particularly those that have moved a long distance to attend university, may have cultural reasons such as family obligations or connection to land that require regular home visits. The lack of support for such travel is difficult for rural, regional and remote students generally, but may be particularly arduous for Indigenous students. A lack of financial support for Indigenous students in tertiary education may reduce the number that choose to pursue University studies.<sup>28</sup>

## 6.4 Low Socio Economic Status

Students from low socio economic status backgrounds are particularly disadvantaged by the inadequacy and inaccessibility of social security payments for students. The parental income threshold is so low, that despite their parents having very little to survive upon, they may still be expected to support their studying child. This can severely curtail the opportunities

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<sup>26</sup> Mr Joel Wright, National Tertiary Education Union, *Committee Hansard*, 26 April 2005 p60 as reported in *Senate Inquiry*, p33

<sup>27</sup> National Tertiary Education Union, 'Submission to the Senate Inquiry' p3 as cited in the *Senate Inquiry* p13

<sup>28</sup> The reduction in indigenous students was discussed in *Senate Inquiry* pp26-27

of a low socio economic status student, as they may be unable to afford to move out of home or far from home and this can impact on their choice of institution and course of study (as they need to choose a university that is accessible from the parental home).

When parents are unable or unwilling to provide any extra support for their study, such students have little means to purchase text books and other educational necessities even when their living costs are covered and study fees deferred.

## 6.5 Homeless

Homeless students face particular hardship in continuing their studies. The Melbourne University Vice Chancellor recently noted that over 400 of their students are homeless<sup>29</sup> and that the emergency accommodation provided by the University is constantly full.<sup>30</sup>

# 7 Loan Schemes

## 7.1 Introduction

In the lead up to the 2007 Federal Election a candidate for the Australian Labor Party (the “ALP”), Stephen Smith, promised the reintroduction of the Student Supplement Loan Scheme (the “Scheme”) if the ALP was elected to form Government.<sup>31</sup> No announcements have been made since the Election, but this issue must be addressed in these submissions as such a scheme may be part of the recommendations or results of the Review.

## 7.2 History of the Scheme

Introduction of the Scheme was a recommendation of Bruce Chapman’s report into Austudy commissioned by the Federal Government and released in 1992.<sup>32</sup> It began under (what is now known as) the Student Assistance Act 1973 (Cth) but all student entitlement programs other than Abstudy were later moved into the Social Security Act 1991(Cth). A 14 day ‘cooling off’ period was only introduced into the scheme in 1998 but this could still be waived by the student if they needed to access the supplement with urgency (and subsequently could not renege). Prior to this, students were immediately bound by the agreement once they received their first supplement, even if they had changed their mind and paid it back.<sup>33</sup>

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<sup>29</sup> Farrah Tomazin, ‘Homeless crisis at top university,’ *The Age*, July 2 2008.

<sup>30</sup> Tomazin and Smith, ‘Learning the Hard Way’

<sup>31</sup> Stephen Smith, ‘Survey Confirms University Students are Doing it Tough,’ *ALP Media Statement*, 7 August 2007 available at ‘<http://www.alp.org.au/media/0807/msedut071.php>’ accessed on 8 July 2008.

<sup>32</sup> Bruce Chapman, ‘AUSTUDY: towards a more flexible approach: an options paper.’ 1992

<sup>33</sup> See *Re Carrington and Secretary, Department of Employment, Education, Training and Youth Affairs* (AAT 11258, 24 September 1996)

On 24 April 2003 the Minister for Department of Children and Youth Affairs announced that the Government was administratively closing the scheme from January 2004. The reasons the Minister provided for the closure included:

- The scheme was administratively cumbersome and poorly targeted
- The entitlement trade-in operates effectively as a hidden interest charge
- The scheme creates high levels of student debt
- Up to 50% of the loans are unlikely to be repaid
- In 1993 commercial loans had high interest rates and were rarely available to students but in 2003 loans were available at competitive rates
- Youth Allowance provided flexible benefits reducing the take-up of the loans.<sup>34</sup>

### **7.3 How the Scheme Operated**

The Scheme allowed tertiary students receiving student income support (Youth Allowance, Abstudy, Austudy) to 'trade-in' some of their entitlements in return for a loan of double the amount they traded in. Therefore, if they traded in \$1,000 of their entitlement, they would receive a \$2,000 loan but only have \$1,000 more, in hand, than if they had not obtained the loan. All students who were assessed to be eligible for an entitlement were informed, on the same document, of their eligibility for a supplement loan. The students would take their assessment notice to the Commonwealth Bank, who was required to provide the loan, charging no interest to the student except CPI indexation. Repayments to the bank (within 5 years of obtaining the loan) earned a 15% discount but any remaining amount after 5 years was transferred to the Commonwealth to be collected by the Australian Tax Office (the "ATO") in a way similar to a HECS loan.

### **7.4 Problems with the Scheme**

The 'cooling off' period for the loan was only introduced in 1998 and even then could be waived by students if they wanted their first loan payment sooner. There was no opportunity to cancel the loan after the first payment was received, so even students who immediately returned the money they were first paid were considered to have paid back part of the loan (and to still owe the same amount again as part of their entitlement was now a loan).<sup>35</sup>

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<sup>34</sup> Larry Anthony in Family and Community Services (Closure of Student Financial Supplement Scheme) Bill 2003 Second Reading Speech as provided in the *Bills Digest No. 27* available at: <<http://www.aph.gov.au/library/pubs/bd/2003-04/04bd027.htm>> (accessed on 8 July 2008)

<sup>35</sup> See Re Carrington. The Member in this case recommended the introduction of the cooling off period.

Many students were also of questionable suitability for a significant loan. It does not seem that students were assessed for their English literacy or financial literacy about loans (particularly affecting some of the Indigenous students receiving Abstudy) nor does it appear that their understanding of the contract terms was assessed. Students were provided with a 'Guide' booklet to the Scheme that a Member in the Administrative Appeals Tribunal conceded would not "place a student ... in the position to make the best informed decision"<sup>36</sup> about whether to obtain the loan. It is not clear that the Commonwealth assessed the financial suitability of the student for a loan at the time and in the future. The legislation specifically kept the contract on foot despite the student being an undischarged bankrupt and the debt was not provable in any subsequent bankruptcy, so the Commonwealth's right to bring an action against the student for the debt was retained.

Some students were forced, by dire financial circumstances, to obtain supplement loans in each or many of the years they studied. This had added tens of thousands of dollars to their already substantial HECS debt. Such large debts are affecting their ability to get housing and other loans, and will take a long time to repay.

Many students felt forced to obtain a supplement loan to support themselves through university, and didn't comprehend the significant impact the loan would have on their future. Many did not fully understand the terms of the contract and found the information provided in the booklet and from telephone information lines confusing.<sup>37</sup> These students are now facing significant debts of their loans, sometimes obtained each year in which they studied.

The loans were primarily accessed by students facing extra disadvantage. "In 2002, 39, 892 students accepted the Student Financial Supplement Scheme loans. Of these students, 15.6 % were Indigenous, 1.6% were listed as remote, 15.2 % were listed as single parenting payment recipients, 12.2 % were not born in Australia, and 54.7% - a clear majority of those who accepted the loans, were women."<sup>38</sup> Clearly there was, and likely remains, a need to better support these disadvantaged groups rather than by burdening them with a substantial debt.

## **7.5 Concerns about any reintroduction of the Scheme**

The concerns raised above will apply to any reintroduction of the Scheme. If students are deemed to be entitled to income support, they should not be required to transfer some of that entitlement into a loan. If the amount provided in income support was adequate, many

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<sup>36</sup> *Re Carrington* at [38]

<sup>37</sup> *Re Carrington* [13] and [14]; *Vaughan Stewart Gurney and Secretary, Department of Employment, Education, Training and Youth Affairs* [1998] AATA 589 (7 August 1998) at [10]

<sup>38</sup> 'Democrats Supplementary Report' in *Senate Inquiry*, p 70

students would not reach the desperate point of transferring their entitlement into a loan to supplement their meagre income support amount. The number of students obtaining such a loan (more than 60, 000 students a year at the half way point of the Scheme)<sup>39</sup> indicates the desperation of students to access some extra funding despite the ramifications.

## **7.6 Living Expenses Loan Scheme**

A proposal initially raised by Bruce Chapman, and taken up by the Australian Vice Chancellors' Committee in their oral submissions to the Senate Inquiry into Student Income Support, was to introduce an income contingent loan of up to \$8,000 per annum to assist students with the cost of living expenses. Whilst most students on income support payments would desperately seek to have such a supplement each year, the prospect of adding more than \$20,000 to an already substantial HECS debt, is unconscionable. At this stage of their lives, and with the desire to complete their university degrees, students may not fully comprehend the time taken to pay back such loans (on top of their HECS debt), how much they will earn as a graduate, and the effect of such a substantial debt on other aspects of their lives (such as applying for bank loans). Introducing such loans (as discussed below) should not be necessary if income support is raised to an adequate, liveable level. Further, given the recognition that there are start-up costs in each Semester (from textbook costs to bond for rentals), a supplement payment should be considered.

## **7.7 Alternative Proposals**

The preferred alternative would be to increase student income support to an adequate, liveable amount that would allow students to thrive at University without constant concern for their financial situation.

If a loan Scheme was introduced, it should not be at the expense of any increase in entitlements. It should also not include any 'trade-in' component which acts effectively as an interest payment. If the Commonwealth Government wishes to help students supplement their entitlements with interest free and income contingent loans then they should be truly interest free (but for indexation to CPI) and not require any entitlement trade-in.

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<sup>39</sup> 'Background' in the *Bills Digest No. 27* available at: <<http://www.aph.gov.au/library/pubs/bd/2003-04/04bd027.htm>> (accessed on 8 July 2008) citing Senate Community Affairs Committee, *Answers to Estimates Questions on Notice: Family and Community Services Portfolio, 2003-04 Budget Estimates*, 4-5 June 2003, Question No. 49.

## **8. Adverse Outcomes**

### **8.1 Introduction**

Students may rely on income support to survive, but many have had particularly bad experiences in dealing with Centrelink or suffered adverse outcomes. The rate of young people who appeal adverse Centrelink decisions is very low. Those young people who do challenge a Centrelink decision often have to take it through multiple appeal levels, because the internal reviews only tend to overturn blatantly incorrect decisions. When Centrelink has received incorrect personal or income information, our experience is that students are treated as though they are deliberately trying to defraud the system, rather than as confused by its complexity. All of these issues can compound the adverse situation in which the student is already placed.

### **8.2 Appeal Rates**

Very few young people challenge adverse decisions of Centrelink. A large number of students who apply for payment are rejected from ever receiving student income support and this can severely impact on their decision to begin or continue tertiary study. Yet few seek review of the decision. Similarly, students who are given breaches, penalties or have debts raised against them are very unlikely to appeal. This is despite the serious impact upon their lives if their income support is cut-off or if they are forced to repay a substantial debt.

If more of these decisions underwent review, at least some are likely to be reconsidered and overturned, to the benefit of the individual student. Further, if more students challenge adverse decisions (which are contentious), the more likely that decision makers will apply their greatest attention and consideration to the details of the case.

### **8.3 Participation Failures**

#### **8.3.1 Dropping Out**

Given the discussion above about the inadequate rate of student income support and the costs of living, it is clear that many students are being forced to drop out of University because they are unable to meet University costs and living expenses. If these students do not immediately inform Centrelink of their change in circumstances they may receive an overpayment and therefore have a debt raised against them.

Often students who drop out are facing traumatic situations which would make them eligible for exemptions from participation, but are also likely to distract them from their

responsibilities to keep Centrelink informed. In a 2001 report into Youth Allowance and poverty, it was found that half of all homeless young people have a Centrelink debt and that these debts were often because of a failure to continue education and study.<sup>40</sup> This is despite the fact that their homelessness would probably have been reason for an exemption from their responsibilities.

### **8.3.2 Reducing Study Load**

Students who are struggling with balancing their income support, wages and study may also attempt to renegotiate their study arrangements. Unfortunately, some students reduce to part time loads without realising the effect this can have on their income support eligibility. They will then be burdened with a debt to repay, as income support is generally only for full time study.

### **8.4 Assumptions of Fraud**

In social security policy, a lot of emphasis is placed on catching ‘cheats’ and people defrauding the system. This focus impacts negatively on income support recipients who have accidentally provided incorrect information to Centrelink, or who have provided insufficient or otherwise inappropriate information to Centrelink due to the complexity of the system. Students who deal with Centrelink are often presumed to be lying unless they have evidence to support their claim, and sometimes will still have difficulty.

*A student receiving income support who deferred her study due to a significant personal crisis had a debt raised against her for participation failure. Her Original Decision Maker (ODM) appeal was rejected, despite her ability to provide the exact date on which she informed her Personal Support Officer that she was deferring. At the next stage of appeal she was successful because there was a file note made on the date she indicated. The ODM had not even bothered to check her record for that date. (Welfare Rights & Advocacy Service, Perth).*

### **8.5 Prosecutions**

Students who have a debt raised against them may also be liable for prosecution for defrauding Centrelink. Such prosecutions can occur several years after the debt was raised or even repaid, and can be for as little as \$2,000. A conviction for Centrelink fraud would severely impact upon the career of a University graduate, especially in areas of Law and Commerce but also upon several other aspects of their future.

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<sup>40</sup> Welfare Rights Centre (Sydney), *Kicking them while they're down... Youth Allowance and youth poverty*, National Welfare Rights Network, June 2002.

## 9. Conclusion

This submission, which is supported by the National Welfare Rights Network, has not sought to make a “shopping list” of recommendations, but the logical conclusion to be made is the need for a comprehensive review of income support arrangements for students. Australia can only have a successful “education revolution” if students are provided with realistic levels of income support to successfully undertake study and further education.

In this submission we have identified the range of anomalies and inconsistencies which make up the patchwork of income support for students. These include payment indexation anomalies, the lack of indexation of the income free areas, the unrealistically low levels of the Parental Income Test and out of date assumptions around age of independence, all of which need addressing.

We strongly advocate for the elimination of ‘Youth Allowance’ and replacing it with two separate payments (Newstart Allowance and Austudy) to clearly indicate what a person is receiving income support for – namely job search or study support. These payments should be available to a person aged 16 to 64 depending on the persons’ status as a job seeker or full-time student.

One fundamental requirement is a “root and branch” overhaul of income support payments for students. This involves not only re-structuring of payments for students, but ensuring that income support payments enable study and education at every continuum of the life cycle. This means, for instance, ensuring that supplements like the Pensioner Education Supplement, are available to Centrelink allowance-type payments, and also to Age Pensioner recipients. It also means allowing flexibility to people with working age participation requirements so they can combine work, study and further education.

The current operation of the student income support regime is often more of a hindrance than a help to students suffering severe financial hardship. The eligibility criteria are too strict and rejections from payment are too common. The rates of payment have not been created to accurately reflect increasing living costs in Australia, and especially not the added financial burdens placed on students. Loan schemes and paid work thresholds have been introduced to counteract the effect of the inadequate rates of basic student entitlements, and both systems suffer their own flaws. The biggest issue faced in the provision of student income support is the lack of policy direction. Until the purpose of student income support is properly considered and determined, issues of rates and administration have no standard against which they can be resolved.