Professor Kwong Lee Dow
Independent Chair
Review of Student Income Support Reforms
C/- The Department of Education, Employment and Workplace Relation
by email: rsisr@deewr.gov.au

Dear Professor Lee Dow,

I am pleased to attach the University of Sydney's submission to the Review of the recent reforms to the student income support system. Thank you for granting the University an extension to allow us to provide our written input after the Sydney consultation session held on 2 May 2011.

Our submission offers strong support for the policy rationales that underpinned the post Bradley Review reforms of student income support. It provides historical context about the 2010 reforms to the workforce participation independence tests in particular, and argues that further reform is required if other key weaknesses in the system identified by the Bradley Review are to be addressed. In doing so, our submission provides data about accommodation pressures and costs in the Sydney metropolitan area, as well as evidence of the extent of financial pressures, including hidden academic costs, faced by many students.

Critically, our submission draws connections between your Review and the Review of Base Funding for higher education that is also in progress. We argue that if as a nation we are serious about enhancing low SES participation in higher education, then reform of the student income support system will need to be accompanied by meaningful reform of base funding. The challenges the University faces in providing affordable student accommodation are dealt with in some detail in our submission to the Base Funding Review and our submission to your Review provides links to that broader submission, which we urge you to consider by way of background context.

We note that your terms of reference require you to find savings from the program to offset any additional expenditure measures that you may recommend. Our submission argues strongly against any savings being found through the deferral of key reforms that have already been announced. These include the gradual reduction in the age of independence for Youth Allowance eligibility and the expansion of student income support to cover all students in postgraduate coursework programs from 2012 onwards. Students, families and institutions have all factored these changes into their planning. Any delays or reversal of these reforms would effectively be retrospective and would be likely to have negative consequences at various levels.

Yours sincerely,

(signature removed for electronic distribution)

Professor Derrick Armstrong
Deputy Vice-Chancellor, Education and Registrar
Review of Student Income Support Reforms

The University of Sydney, responses to the Review’s six key consultation questions

Question 1 What are the key issues from your perspective in relation to the reforms to student income support arrangements introduced in 2010?

1. The policy rationales for the reforms are strong

The policy rationales that have underpinned the recent reforms to Australia’s system of student income support are supported strongly by the University of Sydney. The objective of increasing the participation of young people from low socio-economic and Indigenous backgrounds in senior secondary, vocational and higher education is sound on equity grounds due to the persistent under-representation of students from these backgrounds at these levels of education. It is also sound on social, economic, and health grounds because of the widespread benefits, both public and private, that are known to flow in each of these domains from having a highly educated and skilled population.

In an ideal world the University might wish, among other things, for a system of student income support where each Australian above the legal age of independence has access to financial assistance at a level that is sufficient to enable his or her full participation in post school education, without the need for income supplementation from other sources. In reality, however, public funding available for this purpose is limited and difficult decisions need to be taken about how to target scarce resources in order to maximise outcomes. In this context, directing available resources to support those who are most in need is preferable to spreading resources thinly in order to assist people who are likely to remain in education or training regardless of the availability of publicly funded income support.

That said, we recognise that even though Australian students need not incur upfront tuition costs due to the HECS and FEE-HELP systems, supporting students financially through their time in higher education represents a significant burden for many families. This burden is particularly acute for middle income families with PAYE incomes that fall above the parental income test thresholds for the full Youth Allowance, and even more-so for those families, which face higher costs because of their geographic location. While within a fixed funding pool for student income support there are clearly limits in the capacity of the system to support these families, we suggest below that consideration should be given to exploring alternative tax, savings and loan arrangements in order ease the burden and enhance participation in post school education and training.

2. The reforms need to be viewed in their historical context

The current system of income support for university students remains based on reforms that were made by the previous Australian Government through the creation of the Common Youth Allowance in 1998. That package of reforms sought to simplify what was acknowledged at the time to be a very complicated system characterised by duplication and overlaps between schemes run by different agencies, and which sometimes sent perverse financial and other messages to young people. Significantly, the 1998 reforms, like those introduced in 2010, were based on the principle that it is appropriate that families of means should bear principal responsibility for supporting young people until they have achieved financial independence or have otherwise demonstrated their genuine independence.

In the context of the current debate about the fairness or otherwise of the 2010 changes to the workforce participation criteria for accessing the independent rate of Youth Allowance, it is important to also note that prior to the 1998 reforms, the workforce requirements for independence were much more onerous than they are now, even following the 2010 reforms. Under the pre-1998 AUSTUDY the age of independence was 22, but documentary evidence of three years full-time employment was required before anyone below that age could access the independent rate of assistance based on workforce participation. The 1998 reforms increased the age of independence to 25, but simultaneously introduced the more lenient workforce participation criteria that remained in place until 1 July 2010. Moreover, at some point after 1998, changes were made to the Youth Allowance regulations to allow overseas employment and income earned from such employment to be counted towards the independence test. While we have no evidence to support the claim, anecdotally, the inclusion of such income at a time when the Australian dollar was very low against the...
British Pound and Euro in particular provided an additional opportunity for students from families of means to satisfy the workforce participation test quite easily through a period of overseas employment before commencing their studies.

3. **The Bradley Review made a strong case for reform**

The report of the Bradley Review provided strong evidence and sound analysis of how by 2008 the student income support system as a whole was failing to support many students from targeted equity groups, while increasing numbers of students from more fortunate background were accessing assistance. This was found to be occurring primarily as a result of the more lenient workforce participation independence criteria that were introduced as part of the 1998 reforms (Bradley, pp.47-55).

The suite of reforms announced in 2009 responded directly to key findings of the Bradley Review. They effectively sought to take the workforce independence test back half way to where it was prior to 1998, while at the same time expanding access to more students from lower income families, students over 22 (including those enrolled in postgraduate coursework programs from 2012) and increasing the value of the benefit through the refocusing of the previous Commonwealth scholarships scheme.

4. **The reforms failed to provide eligible students with sufficient support**

By addressing many of the Bradley Review’s findings about the inadequacies of the previous student income support arrangements, the 2010 reforms have certainly moved the system in the right direction. Unfortunately, however, they appear to have largely failed to address what were arguably some of the most important findings of the Review – those relating to the overall adequacy of the level of income support available to students, particularly those who need to move away from home in order to study. The Bradley Review found evidence, for example, of:

- the declining financial position of Australian students, adversely affecting their capacity to study effectively (Bradley 2008, p.49)
- more students working more hours while studying to support themselves (p.49)
- students on the maximum benefit finding it insufficient to meet basic living costs (p.50)
- the purchasing power of the average Youth Allowance payment dropping by 27 per cent between 2000 and 2006 (p.55)
- increasing rental costs exacerbating the purchasing power of income support for students who need to live away from home, with particularly harsh impacts in cities such as Sydney where rents have increased relatively rapidly (p.56).

Our experience and data support these findings about the significant financial challenges faced by all students, but by students from low socioeconomic backgrounds in particular. For example, the University of Sydney Accommodation Information Service manages a free database where providers can list accommodation for students in and round the Camperdown/Darlington campus of the University. Generally share accommodation is the cheapest form of accommodation for students who must move away from home to study. The average rent per week for share accommodation on our database is $181 in 2008, $191 in 2009, $197 in 2010, and $202 in the first quarter 2011. This represents an 11 per cent increase over three years. The other most affordable accommodation for students is a studio apartment. The average weekly rent listed on our database for this type of accommodation has risen from $274 in 2008 to $286 in 2010. The amount of rent assistance available through Centrelink (currently a maximum of $38.80 to $58.20 for students without dependent children depending on their rental circumstances) is clearly inadequate on its own to enable students on income support to live in close proximity to the University. The further they must live away from the University, the longer the travel time, the higher their travel costs and the less time they have to engage with their studies and peers, work or participate in co-curricular activities.

The Australian Government has set itself ambitious targets for the participation of students from low SES backgrounds in higher education. Achieving the 20 per cent by 2020 low SES enrolment target alone is not sufficient. The quality of that participation, in terms of the capacity of such students to involve themselves fully in university life and succeed in their studies, is equally critical. Without an adequate system of financial and pastoral support, much of the additional funding that the Government has committed to enhancing low SES participation could actually be wasted, through large numbers of students from the targeted groups
failing to complete their studies. Here we note the greatly varying retention and success rates between different higher education providers in Australia and students from different socio-economic backgrounds. Arguably, by investing more in student income support the Government would be protecting its own significant investment in low SES participation and the future skilling of the Australian workforce. It should, for example, be quite straightforward to quantify the value of the public funds saved, as well as the additional life time tax revenue earned, and HECS fee repaid, by each percentage point lift in the low SES higher education completion rate.

5. **Fundamental links between this Review and the Review of Base Funding**

In addition to the high costs of rent and other basic living costs faced by students, we are aware that concerns have been raised in some fields that incidental study costs borne by students effectively act as upfront barriers to participation by students from low socioeconomic backgrounds in particular. For example, in its submission the Base Funding Review the Australian Deans of the Built Environment and Design disciplines referred to a recent survey undertaken by an Australian university which found that the ‘out of pocket’ academic study related expenses (not living expenses) incurred by students in the relevant disciplines averaged between $10,000 and $20,000 per year. Such high incidental costs of participation are said to arise from the costs of text books, materials, equipment, production time and technologies required in these fields in order for students to present assignments of the required standard. This submission can be accessed through the University of Sydney submission the Base Funding Review, from page 56.1

While it is clearly not the role of the student income support system to meet these costs, which should ideally be met by base funding, we raise the example because we believe it indicates the scale and complexity of the challenge institutions face in achieving equity of participation across all fields. It also demonstrates the importance of ensuring that the review of student income support does not occur in isolation from the Review of Base Funding.

Currently, only about 5 per cent of our students live on campus or its surrounds in around 3,000 beds provided by the University, affiliated independent colleges and private providers. Furthermore, we estimate that at present three students miss out on accommodation in and around our main Camperdown campus for every student that finds a place. As we detailed in our recent submission to the Base Funding Review, while we are searching for innovative ways to make thousands of more affordable beds available, our capacity to do so is constrained, we believe, largely as a result of the broader regulatory and funding framework in which all Australian publicly funding universities operate.2

If, as a nation and sector, we are serious about increasing the participation in higher education of students from low socioeconomic backgrounds in higher education, and ensuring that their participation is as full and fair as possible, then a way needs to be found to improve the adequacy of income support assistance available to those who are eligible for assistance. Increasing the level of the payment alone, however, will not be sufficient. Reform of university base funding will also be critical in order to give institutions the financial capacity to do more to assist students from low socioeconomic backgrounds in the form of community engagement and outreach, scholarship support, the provision of affordable accommodation and other forms of assistance - both financial and pastoral.

6. **Some reform suggestions for consideration**

Our responses to consultation questions five and six below include a range of ideas for further reforms to the student income support system. We trust that these are helpful to the Review Team as it considers the issues and prepares its recommendations for the Government.

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Question 2  How have the changes to the student income support arrangements affected:

a. students generally, especially access to higher education  
b. rural and regional students, especially access to higher education  
c. students from low socio-economic backgrounds, especially access to higher education  

It is too early for us to assess meaningfully the impact that the new student income support arrangements may have had on access to the University by students from different backgrounds.

The shift to paying the new scholarships directly through Centrelink has been a positive development. The process is now much simpler with eligible students needing only to apply for a place at a university and Centrelink. If they are eligible for income support, they will then automatically receive the Start-Up and/or Relocation Scholarship through Centrelink. Previously, students were required to complete three applications in order to access one of the former Commonwealth Scholarships. This administrative improvement has removed one bureaucratic step in the process which may have acted as a deterrent to some students. We note, however, that while the process has been simplified for Youth Allowance applicants, Indigenous students are still required to submit three applications in order to access ABSTUDY and scholarship support.

Question 3  Which elements for the student income support reforms have:

a. most assisted students. How?  
b. Acted as a barrier. How?  

As for Consultation Question 2, it is too early for us to offer a data-informed assessment about which elements of the reforms have most assisted or acted as a barrier to students accessing the University. As noted in our response to Question 2, from an administrative perspective the changes to the processing of the scholarships has been beneficial, though similar changes are also required for ABSTUDY.

We would expect that the new Start-Up and Relocation Scholarships are likely to have been of assistance to some of our students, particularly at the beginning of the year. The increases in the parental and personal income test thresholds should also have assisted some students by broadening eligibility and increasing their capacity to earn additional income without affecting their income support payments. We have received anecdotal reports that some students have factored the progressive decrease in the age of independence, and the extension of Youth Allowance to all postgraduate coursework programs from 2012, into their study plans.

We would anticipate that the changes to the workforce participation independence test will have influenced the post school work/study choices of some students, but once again we feel it is too early for us to make reliable assessments about application and enrolment trends and the reasons for any recent changes. We think it is important to note that these changes coincided with a downturn in the labour market as a result of the Global Financial Crisis, which is likely to have increased demand for university places.

Question 4  Are there gaps in provision of student income support, especially to students of low socioeconomic backgrounds and/or from rural and regional areas under the current arrangements?

To the extent to which students from rural and regional areas are more likely to need to move away from their families to further their education, it follows that compared to students from other areas, as a group they are more likely to incur higher costs in order to access postsecondary education.

In designing a policy response to address the legitimate concerns that have been aired by students and families from regional areas, however, it is important that the Review acknowledge that it is not only students from these geographic areas who may face higher living costs as a result of their study choices. Any students that must move away from their families in order to pursue their chosen studies are likely to face higher living costs. It may be entirely appropriate for a student from Newcastle or Wollongong, or Penrith or the Blue Mountains, for example, to seek to study on campus at a metropolitan university and to move away
from home in order to participate fully in university life. We therefore strongly support a policy response which removes the regional eligibility distinctions and which applies the same eligibility criteria to all students, ensuring that income support is targeted to support those students from families who do not have the financial resources to support their children to move away from home to study.

A threshold question should perhaps be whether a student under the age of 22 intends to move away from home to pursue their chosen course of study. If so, then options such as higher parental income test thresholds for the families of all such students, higher personal income tests, higher rates of payment and/or rent assistance, higher scholarship payments, no interest or interest reduced loan options, can be explored as ways of assisting such students and their families to meet their recognised higher costs of study. The current one and half hour travel time ‘need to live away from home’ effectively discriminates against students with aspirations beyond those available in their local areas. Moreover, it does not sit will with the Government’s commitment to partially deregulate the higher education sector through the shift to demand-driven financing for Commonwealth Supported Place in most fields from 2012 onwards.

As highlighted in point 5 of our response to Consultation Question 1, given the particularly high rental and other basic costs of living in a major city such as Sydney, we believe strongly that consideration should be given to raising the overall level of financial assistance (Youth Allowance, AUSTUDY, ABSTUDY, Scholarships, Rent Assistance) available to students who are eligible for assistance and who must move away from the home to study. The University’s Financial Assistance Service deals regularly with students who are struggling to meet housing costs such as the bond or rent arrears, if they have fallen out of work. Over the three years 2008 to 2010, the Service saw some 4,834 students, with 2,935 (60%) of these receiving advice and or financial assistance with costs associated with housing. In this period the University provided $5,967,160 in assistance to students, with $3,526,892 being to assist students with accommodation related costs.

We provide equity scholarships, bursary and loan assistance to support students that are assessed as requiring assistance. We consider this as essential assistance in order to help our students meet their academic goals. It is of particular concern to us, however, that according to our data, approximately 60 per cent of bursary and interest free loan funds provided to students in need are currently being spent on essential accommodation costs. This again points to shortcoming in the current income support system. Moreover, as noted in our response to Question 1 above, financial constraints that result largely from shortfalls in base funding for core activities, limit our capacity to provide additional targeted assistance to students, or prospective students, who face financial difficulties.

Despite the introduction Start-up and Relocation scholarships, our assessment is that students continue to face higher than normal financial pressures at the beginning of the academic year, or the start of second semester, as they sort out their living arrangements and purchase text books and other resources necessary for their studies. Further measures to increase the frontloading of payments to the beginning of year, or semesters would be likely to assist students. The University of Sydney believes that consideration should be given to making a larger one off payment at the beginning of a student’s degree to assist to cover set-up costs and to then have the scholarships paid into the students benefit on a fortnightly basis, rather than waiting for second semester. This approach will mean that students are less reliant on spending a higher number of hours in paid employment while they make the transition to University in first semester.

**Question 5** What changes to the current arrangements would be needed to meet the objectives of the student income support reforms?

Expanding on the comments above we provide the following recommendations for consideration by the Review:

1. Reaffirm the findings of the Bradley Review about the significant financial challenges faced by Australian students, particularly those from low socio-economic backgrounds, and those who need to move away from home in order to study.

2. Recognise the inadequacy of the current levels of income support and rent assistance combined to
meet basic living and incidental study costs of many students, particularly in major metropolitan areas where rents and other living costs are higher.

3. Acknowledge that achieving the Government’s ambitious target for the participation in higher education of people from low socio-economic backgrounds is unlikely to be achieved through changes to the eligibility criteria for the income support system alone.

4. Emphasise that low SES participation alone is not enough. The quality of that participation in terms of the capacity of students to perform and participate fully in the educational experience is also vital. Student income support needs to be sufficient to enable students from low SES backgrounds to participate fully in University life with as little financial stress as possible.

5. Recommend that the Government commit to a goal of increasing the maximum dependent rate and independent rate of Youth Allowance, AUSTUDY and ABSTUDY to lift their purchasing power to a level that requires students to obtain only a small amount of supplementary income to meet basic living costs.

6. Set an objective to at least double, within a reasonable timeframe, the maximum level of rent assistance payable to students who are required to move away from home to study. Here we note that at present the maximum weekly rate of rent assistance covers a little more than a quarter of the average cost of the cheapest accommodation available in and around the Camperdown campus of the University of Sydney.

7. Consider differential parental income eligibility levels and more generous payment rates for any students who need to live away from home in order to pursue their chosen course of study.

8. Simplify the scholarship application process for ABSTUDY to ensure that it operates in the same way that it does for Youth Allowance recipients under the 2010 reforms.

9. Consider giving students the option to front load more of their scholarships payments to first semester and then receive their remaining entitlement through higher fortnightly payments, rather than through block payments in second semester.

10. Acknowledge that universities also have a key role to play in addressing equity of access, through the provision of additional financial assistance, affordable housing and other support, but that they are currently constrained in their capacity to offer additional assistance due largely to problems with the base funding framework under which they operate. Urge the base funding review to recommend meaningful reforms which give providers greater capacity to do more in the area of social inclusion.

11. Urge the Australian Government to work with State Government and higher education providers to examine all options to enable higher education providers and other organisations to develop low cost accommodation options for students, particularly in metropolitan areas.

12. Urge the passage by the Senate of the student service and amenities fees legislation. This impasse is currently costing the University of Sydney around $10 million per annum in funding that could be used for quality enhancement, or student equity initiatives, for example.

13. Examine options for providing tax and other incentives to encourage middle-income families to save in advance in order to support their children to pursue post school education and training.

14. As a last resort, examine and recommend options for providing low, or no interest, loan options for students and their families who miss out on Youth Allowance, or don’t receive a high enough payment, but who nevertheless require access to additional funds in order finance participation in higher education. This should include consideration of income contingent loans as raised by the Bradley Review as one possible way forward.
Question 6  The review will consider options for new Youth Allowance eligibility arrangements, as well as appropriate savings that can be made to pay for extensions to eligibility.

a. Should student payments be highly targeted to students from low socioeconomic backgrounds, or spread more broadly to assist a wider cohort?

b. Should more support be directed to rural and regional students than students in similar circumstances from metropolitan areas?

   a. For the reasons stated in our response to Question 1 above, if no significant additional funds are to be made available in the short term to increase the overall pool of funding available to support the student income support system, then available funds should be targeted to support students from low socio-economic backgrounds rather than spread more thinly. Recognising that the student income support system remains based on the principle that families should bear responsibility for supporting their young people until they have achieved financial independence, or have otherwise demonstrated their genuine independence, other measures (such as those indicated in Consultation Question 5) should be considered in order to assist students from middle-income families who are under 22 from 2012 and fail to meet the more stringent workforce participation income test.

   b. As noted in our response to Consultation Question 4, while students from rural and regional areas are more likely to need to move away from home in order to undertake higher education, in reality any student who lives more than a reasonable commuting time from his or her chosen place of study, may also incur similarly higher living costs. The adoption of higher parental income test thresholds for any students who need to move away from home to pursue their chosen studies would address this issue to some degree. The current system already provides higher levels of support for students that need to move away from home to study in the form of a higher rate of payment, relocation scholarships and rent assistance. Further enhancements could be considered to provide such students with additional assistance.

Savings

We do not think it is reasonable that the costs of improving the student income support system should only be found from within the program itself. If increasing access to higher education is a priority for the Australian Government as part of its Education Revolution, then ensuring the adequacy of the student income support system should be treated as such, with savings found elsewhere as necessary. While savings could be found within the program by adjusting or delaying some of the proposed measures, the Government needs to be made aware that students, families and to some degree institutions have factored the current policy settings into their planning. Any changes at this point, for example, to the scheduled decreases in the age of independence, or the expansion of eligibility to postgraduate coursework students, would effectively be retrospective and be likely to have significant adverse consequences at various levels.

In addition, as emphasised in other parts of our submission, and detailed in our submission to the Base Funding Review, addressing shortcomings in the underlying funding framework would provide universities in particular with the capacity to do far more than they can currently, to enhance the participation and living conditions of students from low SES backgrounds.