



## **NUS Submission to Pre-Budget 2019-2020**

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# NUS Pre-Budget Submission on Student Income Support and Education.

NUS welcomes the opportunity to present a brief submission for the 2019-2020 Budget.

In this submission, NUS has chosen to focus on two fundamental issues that students face - student income support and the cost of education. With the average single student living away from home is receiving a maximum of 57.2% of the Henderson poverty line and the impacts of the HELP debt on student and graduate lives.

## Student Income Support

Current levels of student income support range from 29.0% to 53.2% of the Henderson poverty line for those living at home and 52.6% to 66.0% for those living away from home. While student income support has seen an increase in poverty line percentages since 2014 (e.g. from 54.4% in 2014 to 57.2% in 2018), it has been slight. Before the Bradley Review into Higher Education in 2008, students were closer to the poverty line (61.8% in 2008; see Appendix A). Appendix A shows the differences in poverty levels for individuals in 2008 (pre-Bradley Review), and 2014 (figures from previous NUS student income support submission). Poverty levels have not recovered since the review and are shown to still be low (averaging 57.2% for a single student living away from home.<sup>1</sup> A report by Universities Australia (UA) in 2017 showed that 17% of all students and one in four indigenous students go without eating.<sup>2</sup> Yet, the report also found that students are working, 82% of domestic students are in paid employment with full-time students working a median of 12 hours a week. Students who are working and/or receiving student income support are still facing poverty, we as a nation need to address the low-income realities that Australian students face. From this NUS believes that to support students out of poverty, we need an increase in student income to provide a solid foundation for their studies.

## Universities Australia Survey findings

- Median annual income for full-time domestic undergraduate students is \$18,300, while their median spending is \$14,200.
- One-third of domestic undergraduate students have estimated expenses exceeding their estimated income. This figure is slightly higher for low socioeconomic status (37%) and regional (38%) students. Some 43% of Indigenous students have income that does not cover their expenses.
- Most domestic undergraduate students (58%) are worried about their financial situation. Low socioeconomic status students are more likely (63%) to be worried about their finances, as are regional students (64%).
- Nearly three-quarters (72%) of Indigenous students are worried about their finances.

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<sup>1</sup> 'Home' refers to not living with their parents or guardians.

<sup>2</sup> Universities Australia, 2018, *2017 University Australia Student Finances Survey*.

- Only 38% of domestic undergraduate students feel they are in control of their financial situation. This falls to 35% of low socio-economic status students and only 27% of Indigenous students.
- Some 15% of domestic undergraduate students regularly go without food or necessities because they cannot afford them. Again, the figures are slightly higher for low socioeconomic status (18%) and regional (19%) students.
- More than one in four Indigenous students regularly go without food or necessities.
- More than four in five domestic undergraduate students (82%) are in paid employment. Full-time undergraduate students who work do a median of 12 hours per week.
- Nearly a third (30%) of full-time domestic undergraduate students work more than 20 hours a week and more than 10% work more than 30 hours. The share of students working more than 20 hours has increased steadily since earlier surveys.
- More than one-quarter of full-time domestic undergraduates regularly miss classes because they have to work. Some 41% report that work has a negative impact on study.
- 36% of part-time domestic undergraduates regularly missed classes to work with 52% reporting that work has a negative impact on study.
- Only 35% of students who work believe that their work/study balance is satisfactory and 39% of domestic students report that their work has little value to them apart from the money.
- A third of domestic undergraduates receive student income support (Austudy, Abstudy or Youth Allowance).
- Some 42% of low socioeconomic status students and 45% of regional students receive student income support. Nearly half (49%) of Indigenous domestic undergraduates receive student income support.
- Most of the debt for domestic students is made up of tuition fees deferred through the HELP scheme. Full-time domestic undergraduate students' median estimate of their debt at graduation is \$38,200. For full-time domestic postgraduates, the median estimate is \$54,100.

Such statistics show students struggling with costs and income while trying to study, to the degree where more than one-quarter of students miss classes and 41% of students report work having a negative effect on their studies. There is a trend in these figures that show students working just to get by. Studying and education should not be a factor for poverty for students.

### **Henderson Poverty Line**

The Poverty line is a calculation completed by the University of Melbourne every quarter, the most recent is from June 2018 and used as an estimated comparison for student income support maximum rates. The comparison in Appendix A uses the rate for a single person. The maximum amount for an individual living away from their parents or guardians on Youth Allowance receives 57.2% of the poverty line. With the UA report showing one-third of

undergraduate domestic students exceeding their income in day to day living, there is a great concern for the level of poverty students experience. Australian National University researchers Ben Phillips, Matthew Gray, and Richard Webster argue that increasing Newstart is vital to reducing poverty.<sup>3</sup> A rise in support payments to 75% of the Henderson poverty level would provide an equitable step for supporting students. The rise would be in line with the pre-Bradley review student income support - Tertiary Education Assistance Scheme (TEAS) from the 1970s.

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

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

**Recommendation: raise and maintain student income support to 75% of the Henderson poverty line (including rent assistance).**

## **Education Funding**

NUS supports free education for Australian domestic students. Removing this payment will remove barriers to education and set Australians on a strong foot for their life. AlphaBeta Future skills report indicates that the growth in technology by 2040 will require Australians to spend 33% more time in education.<sup>4</sup> Moreover, a report by the Foundation for Young Australians (FYA) estimates that 70% of students will need reskilling due to automation or redundancy in skills.<sup>5</sup> This means that Australians will see themselves needing to upskill more frequently than current or previous demand. It is due to these changes in the workforce and the level of debt that students encounter that providing free education would remove. New Zealand's fees free education model presents a slow rollout case for the benefits of fees free education.

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<sup>3</sup> Phillips, B., Gray, M., and Webster, R., 2018, *Cut the pension, boost Newstart. What our algorithm says is the best way to get value for our welfare dollars.*

<sup>4</sup> AlphaBeta, 2019, *Future Skills.*

<sup>5</sup> Foundation of Young Australians, 2019, *Future Skills Framework 2030.*

## New Zealand Fees Free Education Model

In 2018, New Zealand implemented free education for the first year of study. The model is planned to first cover the first year of study (capped at \$12,000 for the year) and be expanded to the second year in 2021 and third year in 2024.<sup>6</sup> The model has been implemented to increase accessibility and remove pre- and post-tertiary education barriers for university and vocational training courses.<sup>7</sup> Free education benefits students by not only allowing for more students to enter tertiary education but also set students up with \$5000 more in the first four years.<sup>8</sup> Estimates in repayments range from 8 to 10 years, setting graduates with debt while trying to find work, save for their future, and move out of poverty.<sup>9</sup> Free education would allow graduates to save money once they have found work (see Appendix B). Appendix B shows the range in savings for the first four years ranging from \$500 for early childhood educators to \$10,500 for Nurses. NUS believes that education should be free for Australians and funded through the Australian Greens proposition of ending Fossil Fuel Subsidies and making gas companies pay taxes.<sup>10</sup>

## Funding

As students grow more concerned about climate change, as seen from recent school strikes and the preliminary NUS student values survey, defunding subsidies and taxing fossil fuel and gas companies is a welcomed change. The survey showed Climate Change as the highest concern for respondents with 68.2% believing climate change is a big issue that the Australian Government needs to address. The funds used to subsidise the fossil fuel industry should be used to fund education. With 15.6% of our GDP or \$278 billion in tax credits for gas companies, there are places of concern that could fund education reform.<sup>11</sup> Moreover, implementing a 10% flat tax rate to gas companies for the next ten years so that Australia can actively tackle climate change as a major problem and use the funds to further educate and support Australian students.

**Recommendation: remove subsidies on fossil fuels to hold practices that contribute to climate change accountable.**

**Recommendation: implement a 10% flat tax on gas companies for the next ten years.**

**Recommendation: fund free education from the removal of Fossil Fuel Subsidies and 10% flat tax on gas companies.**

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<sup>6</sup> Tibshraeny, J., 2017, *Government's \$339m first-year fee-free tertiary education policy expected to attract 2000 additional students or trainees next year*; Office of the Minister of Education. (n.d.). *Making tertiary education more affordable: fees-free education in 2018*.

<sup>7</sup> Tertiary Education Commission, 2018, *What fees-free study means to students*.

<sup>8</sup> Faruqi, M., 2018, *Fee Free University and TAFE: Greens Launch Transformational 5 Point Plan for Higher Education*.

<sup>9</sup> Faruqi, M., 2018, *Fee Free University and TAFE: Greens Launch Transformational 5 Point Plan for Higher Education*; West, T., 2018, *Lowering the HELP repayment threshold is an easy target, but not the one we should aim for*.

<sup>10</sup> Faruqi, M., 2018, *Fee Free University and TAFE: Greens Launch Transformational 5 Point Plan for Higher Education*.

<sup>11</sup> Ibid.

## HECS threshold

The current system of education funding in Australia is the Higher Education Loan Program (HELP), where students are able to access HECS-HELP (undergraduate students) or FEE-HELP (postgraduate students). When the HECS system was originally introduced in the original *Higher Education Funding Act 1988* as an alternative to the free education model that was previously in place. A key principle that this funding model was established under was that the individual student would only have to pay back a portion of their university fees only if or when they reaped the personal benefit of their education. That is, when they had a personal taxable income above that of the Australian average.<sup>12</sup> In 1988, the average income was \$25,636 a year,<sup>13</sup> with the minimum repayment threshold was set at a 1% rate for income above \$22,000.<sup>14</sup> Today, the Australian average income is \$1,206.90 a week, \$62,758 a year.<sup>15</sup> The lowering of the HECS threshold from \$55,874 to \$44,999,<sup>16</sup> which is substantially lower than the average income from 1988. In 1988, the threshold was 85.8% of the average income, when today, the threshold is 71.7% of the average Australian wage. This only places the pressure on low-income workers, furthering financial disadvantage.

Tracey West from Griffith University suggests the threshold be raised back to the \$55,874 and instead implement policies that are more gentle and on those with HELP debts, such as showing repayments on payslips, communicating to those with debts and providing financial literacy programs.<sup>17</sup> Considering the UA report showed only 38% of domestic students feel they are in control of their financial situation, financial literacy and support is more sorely needed than the lowering of the HELP threshold. NUS supports this suggestion as the lowering of the threshold only hinders low socioeconomic households, families and individuals in being able to live, save, or plan for their futures. The lower threshold also creates a barrier for young people to try and to enter the housing market. Mark Warburton from University of Melbourne asserts that the lowering of the threshold will not assist students in paying off their debts any quicker but instead will have long term effects on living standards.<sup>18</sup>

**Recommendation: raise the HELP repayment back to \$55,874 and raise as cost of living rises.**

**Recommendation: implement measures in increasing communication between the ATO and those with HELP debts, re-implementing discounts, and financial literacy programs.**

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<sup>12</sup> Jackson, K., 2003, *The Higher Education Contribution Scheme*.

<sup>13</sup> Queensland Government, 2018, *Average weekly earnings (a)(b), Queensland and Australia, 1981–82 to 2017–18*.

<sup>14</sup> Jackson, K., 2003, *The Higher Education Contribution Scheme*.

<sup>15</sup> Australian Bureau of Statistics, 2018, *6302.0 - Average Weekly Earnings, Australia, May 2018*.

<sup>16</sup> Parliament of Australia, 2018, *Higher Education Support Legislation Amendment (Student Loan Sustainability) Bill 2018*.

<sup>17</sup> West, T., 2018, *Lowering the HELP repayment threshold is an easy target, but not the one we should aim for*.

<sup>18</sup> Warburton, M., 2017, *Five things senators (and everyone else) should know about changes to HELP debts*.

## Appendix A: Student Income Support comparison with Henderson Poverty Level (June 2018)<sup>19</sup>

All figures are shown per fortnight.

Payment Type <sup>20</sup>	Base Rate <sup>21</sup>	Maximum rate of Rent Assistance	Maximum Total	Payment Henderson Poverty line <sup>22</sup>	Total Benefit as a % of the poverty line
Youth Allowance, over 18, single, living at home	\$299.80	n/a	\$299.80	\$1,033.98	29.0% (27.6 % in 2014; 31.3% in 2008)
Youth Allowance, single, living away from home	\$455.20	\$135.80	\$591.00	\$1,033.98	57.2% (54.4% in 2014; 61.8% in 2008)
		\$90.53 (house sharing)	\$545.73	\$1,033.98	52.8% (50.2% in 2014; 57.1% in 2008)
Austudy, over 25, single or partnered with no children, living away from home	\$455.20	\$135.80	\$591.00	\$1,033.98	57.2% (54.4% in 2014; 61.8% in 2008)
		\$90.53 (house sharing)	\$545.73	\$1,033.98	52.6% (50.2% in 2014; 57.1% in 2008)
Abstudy, single, aged between 18 and 21, living at home	\$299.80	n/a	\$299.80	\$1,033.98	29.0% (27.6% in 2014)
Abstudy, single, over 22, living at home	\$550.20	n/a	\$550.20	\$1,033.98	53.2%
Abstudy, Single, aged between 16 and 21, living away from home	\$455.20	\$135.80	\$591.00	\$1,033.98	57.2% (54.4% in 2014)
		\$90.53 (house sharing)	\$545.73	\$1,033.98	52.6% (50.2% in 2014)
Abstudy, single, over 22, living away from home	\$550.20	\$135.80	\$685.80	\$1,033.98	66.3%
		\$90.53 (house sharing)	\$640.73	\$1,033.98	62.0%

<sup>19</sup> Austudy and Abstudy do not have comparisons to 2008 as those programs did not exist.

<sup>20</sup> 'Home' refers to not living with their parents or guardians.

<sup>21</sup> Australian Government, 2019, Abstudy; Australian Government. (2019). Austudy; Australian Government, 2019, Youth allowance; Australian Government, 2019, Rent Assistance.

<sup>22</sup> Calculated from the weekly estimate of poverty under a single individual, who is head in workforce calculation, sourced from University of Melbourne, 2018, Poverty Lines: Australia: June Quarter 2018.

## Appendix B: Example of HELP debt repayments<sup>23</sup>

Graduate earning average graduate salary	Current years it takes to pay off their debt	Savings on cost of qualification (to nearest thousand)	Their savings in the first four years after graduation
Female teacher	13	\$20,000	\$6,000
Female teacher	11	\$20,000	\$6,500
Female nurse	10	\$20,000	\$7,000
Male nurse	7	\$20,000	\$10,500
Female social worker	10	\$20,000	\$6,900
Male social worker	12	\$20,000	\$5,000
Female early childhood education and care worker	18	\$8,000	\$1,500
Male early childhood education and care worker	20	\$8,000	\$500

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<sup>23</sup> Faruqi, M., 2018, Fee Free University and TAFE: Greens Launch Transformational 5 Point Plan for Higher Education.



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