Higher Education at the Crossroads

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The Coalition Government is about to propose major changes to the rules governing the funding of Australia's higher education sector. There is a danger that the subsequent debate about the merits of these proposals will proceed within a knowledge vacuum about how the present system is operating, particularly with reference to student financial assistance. The following statistics show that the reforms the Coalition has introduced since 1996 have already made it harder for school leavers from all but the most financially disadvantaged backgrounds to gain access to financial assistance while studying. These reforms, along with higher HECS charges, already act as a serious disincentive to the bulk of young people contemplating enrolling in a university.

It is important that this situation is understood when the Government's current proposals are discussed because they are likely to serve as a further disincentive to prospective students who cannot rely on substantial parental support while studying. The new proposals should not be considered in isolation. From the point of view of educational opportunity, it is the cumulative impact of past and proposed policies which matters.

Prospective reforms of the higher education system

The Coalition Government's reforms to Australia's higher education system are likely to include:

- A proposal to deregulate the HECS fees domestic undergraduates must pay – allowing universities to set HECS charges according to what they think the market will bear.
- A proposal to allow universities more freedom to recruit full-fee paying domestic students. The implication is that policy on this issue would converge towards that applying already to overseas full-fee paying students. Currently there are no quantitative limits on enrolment levels for overseas students.
- It has been hinted that domestic students who do take up the widened access to full-fee courses will have access to government-funded loans.

These proposals clearly are consistent with Government's broader 'user pays' philosophy. As such, they will have the most impact on students from households of modest means. Only students from affluent backgrounds are likely to be unfazed by the prospect of taking on even higher debt than that incurred under the present HECS system, as well as the additional debt from taking up the loan option that may accompany a deregulation of the full-fee rules for domestic students.

When looked at in isolation, the Government's proposals may not seem too harsh. Perhaps a case could be argued that students fortunate enough to gain access to subsidised HECS places in high-demand university courses should make a greater contribution to the costs of their education. Likewise, it may seem unfair to give full-fee paying overseas students almost unlimited access to courses in Australia, yet not to provide the same option to domestic students willing to pay full fees.

Currently regulations prohibit the number of full-fee paying domestic students from exceeding the equivalent of one quarter of the subsidised HECS places available in a particular course. This rule is unfair because the distinction between overseas full-fee students and full-fee domestic students is fading. Full-fee paying overseas students who receive degrees accredited for entry to professions like nursing, engineering, accounting and computing can apply to change their immigration status from temporary resident (on a student visa) to that of permanent resident after completing their course in Australia. This means that wealthy overseas students have unlimited access to professional and managerial positions in Australia. By contrast, domestic students are restricted by the number of subsidised HECS places available and, if wealthy, by the 25 per cent limitation on local full-fee places. Nevertheless, this situation does not justify treating domestic students in the same way as overseas students. By contrast with overseas students, the families of domestic students have contributed through taxation to Australia's higher education system.

The Government's present proposals look less benign when considered in the context of the reforms visited on the higher education sector since the mid-1990s. These reforms include:

- The virtual capping of Commonwealth-subsidised HECS undergraduate places in Australian universities since the mid-1990s
- Increases in HECS fees and thus long-term student debt
- Tighter rules for access to student financial assistance.[1] The Coalition Government, since coming to office in 1996, has tightened access to Commonwealth-provided financial support for students' living costs by:
    a) increasing the age at which a student is eligible to receive the payment as an Independent (that is, they are means-tested according to their own income, and not that of their family-of-origin) from 22 to 25 (implemented January 1997); and
    b) by introducing an assets test on their family-of-origin. At the same time the Government has maintained a family income test that excludes all but very low income families from access to student financial support.

Commonwealth financial support for students via the Youth Allowance

Currently, the effect of the family income test for the Youth Allowance provided to higher education students cuts in when the family income reaches $27,400 where the student is the only child. A student living at home gets $102.10 per week if the family income is less than $27,400. The student's payment declines by 25 cents for every additional dollar of family income. For example, if the family income is $37,000, the Youth Allowance will be reduced to just $51 per week. This is way below the weekly costs of fees, books, computer equipment, travel, and living expenses.

Since these family-based tests now apply to all students up to the age of 25, they preclude most students who are assessed on their family's income from access to Government financial assistance. There are, however, some alternative routes to such assistance. The most important is based on an amendment added in the Senate when the legislation changing the rules on access to Youth Allowance as an Independent was passed. This amendment allows students who can demonstrate some independence from their parents over the previous 18-24 months to apply for the Youth Allowance as Independents. This independence is measured by various indicators of earnings and/or workforce participation during this time, the main one being that the student has been out of school at least 18 months and earned at least $15,990 (currently) within an 18 month period before lodging a claim.

Implications of Youth Allowance reforms

A year 12 student contemplating higher education who does not come from an affluent family willing to finance his or her living expenses, or who does not come from a very poor family (and thus is eligible for the Youth Allowance), faces a future fraught with financial difficulties.

The great majority of prospective students who do well enough in year 12 to win a Commonwealth-subsided HECS undergraduate place are not eligible for the Youth Allowance. The only way they have any prospect of becoming eligible up to the age of 25 is via the new rules on independence. As indicated, the most realistic option is to earn the required income over the minimum 18 months specified.

There are no detailed studies of the ways prospective students are responding to this situation. However, it is likely that many who come from families who cannot afford to help with living expenses, or who are unwilling to do so, do not take up the opportunity of a university place. Others appear to be delaying entry to full-time courses until they earn the required income to be assessed as an Independent. This latter possibility is supported by the data shown in Table 1. The table indicates that the number of full-time students aged 19 and above is growing much more rapidly than is the number of full-time students aged less than 19.

Table 1 also confirms that very few students moving directly from school to university are eligible for the Youth Allowance. By 2001, only 21 per cent of students aged less than 19 who were studying full-time received Youth Allowance. Of these students, unpublished Centrelink data indicate that about a quarter did not receive the full rate because their family income was above the income threshold.

This is not the only way that parental wealth affects the chances of access to higher education. Given the competition for access to HECS-subsidised university places, enrolments in private Independent and Catholic schools are increasing. Students from Independent schools, in particular, score far higher ENTERs than their public school counterparts, in part because of the greater educational resources Independent schools offer their students.[2] The Coalition's school funding measures which favour private schools will further facilitate this process.

A statistical analysis of the Coalition Government reforms on access to the Youth Allowance

The government does not publish estimates of the proportion of higher education students who receive financial assistance. Thus little is known about the harshness of the existing eligibility rules or about how the reforms implemented by the Coalition in 1997 have impacted on affected student access to financial support. The estimates shown in Table 1 are based on unpublished Centrelink payment data and on university enrolment data available from the Department of Education Science and Training website.

Table 1: Full-time undergraduates and Youth Allowance recipient rates by age of student, estimates for September 1998 to 2001

	1998	1999	2000	2001	% change 1998-2001
Full-time enrolments*					
< 18 yrs	12,286	12,262	11,726	12,120	-1
18 yrs	44,497	45,011	44,244	45,237	2
< 19 yrs	56,783	57,273	55,970	57,357	1
19 yrs	62,609	63,318	63,627	65,136	4
20 yrs	56,939	58,056	57,947	60,749	7
21 yrs	42,526	44,138	44,242	47,074	11
22 yrs	26,132	27,598	27,398	29,943	15
23 yrs	15,759	16,442	16,101	17,630	12
24 yrs	10,319	10,759	10,185	11,044	7
< 25 yrs	271,067	277,583	275,471	288,934	7
Youth Allowance					
< 18 yrs	5,068		1,384	982	
18 yrs	13,576		13,301	11,289	
< 19 yrs	18,644	16,771	14,685	12,271	
19 yrs	18,500	20,715	19,758	19,932	
20 yrs	18,354	21,726	22,388	23,691	
21 yrs	14,131	17,175	19,279	20,682	
22 yrs	9,223	11,613	12,835	14,129	
23 yrs	6,512	7,819	8,202	8,789	
24 yrs	6,294	5,845	5,616	5,893	
< 25 yrs	91,658	101,664	102,763	105,387	
Per cent receiving Youth Allowance					
< 18 yrs	41		12	8	
18 yrs	31		30	25	
< 19 yrs	33	29	26	21	
19 yrs	30	33	31	31	
20 yrs	32	37	39	39	
21 yrs	33	39	44	44	
22 yrs	35	42	47	47	
23 yrs	41	48	51	50	
24 yrs	61	54	55	53	
< 25 yrs	34	37	37	36	

Source: Centrelink, unpublished, Department of Education, Science and Training, http://www.dest.gov.au/highered/statdata.htm
* The age data for full-time enrolments (as at 31 March) were projected forward to match the timing of the Youth Allowance data set (September).

Overall, 36 per cent of higher education students aged less than 25 were receiving income assistance in 2001, up from 34 per cent in 1998. A few thousand additional students took out loans based on their Youth Allowance entitlement. Since we do not hold details on these students, they are not included in Table 1. However, according to Government sources, their numbers have been decreasing since 1998 and thus would have only a minor affect on the recipient rates shown in the table.

The small overall increase in recipient rates since 1998 masks movements up and down according to age. This outcome is a product of reduced access for young students and improved access for older students. In the case of young students (aged less than 19), Table 1 shows that the recipient rate has declined significantly from 33 per cent in 1998 to 21 per cent in 2001. On the other hand, recipient rates have generally increased for older students. Why?

For the younger students, the likely explanation is that the general improvement in the Australian economy in the past four years has meant that an even smaller minority of families in 2001 fell under the threshold of family-income eligibility criteria than was the case in 1998. In the case of the older students, the situation is more complex. The new rules on Independence (which increased the age at which a student was automatically considered as an Independent from 22 to 25) meant that, after 1998, students who turned 22 would no longer have been able to avoid the means test on their parent's incomes and assets. In these circumstances, we would expect to see a decline in recipient rates for 22-24 year old full-time students. This has not been the case because of another impact of the rules implemented in 1997. This is the access to the Youth Allowance via the measures purporting to show that a student has demonstrated some independence from their parents. Though no details of the numbers are available, it seems that many students are delaying entry to university or entering as part-time students in order to earn the income necessary to become eligible for the Youth Allowance. Only then do they enrol as full-time students.

Implications of Coalition Government reforms

It is very doubtful whether the outcomes just described were contemplated by legislators. They seem to run counter to any sensible social policy. At a time when the Government is trying to maximise the skill level of the Australian workforce, current policy discourages young people from entering university or studying full-time. As indicated, only a tiny minority of full-time students aged less than 19 (21 per cent) were receiving the Youth Allowance as of September 2001. Access to higher education for such young people depends heavily on parents' resources – thus severely penalising those from less affluent households.

As noted, there is an alternative way of accessing financial assistance if the prospective student is prepared to work for at least 18 months to gain the required earnings to be assessed as an Independent. But why should such students' careers be disadvantaged relative to those whose parents can provide them with financial assistance? How many never take up a university course because of this delay? These are serious issues. Any delay in young people entering their chosen career has a potential long-term impact on their material well-being and is likely to contribute to the current tendency to delay partnering and parenthood.

Most of the young people (aged less than 25) who are enrolled as full-time students do not receive the Youth Allowance. As of September 2001, they made up 64 per cent of the full-time student body aged less than 25. They would be relying partly on parental assistance and partly on part-time work. As student organisations complain, and as surveys of higher education students consistently report, financial problems make university life very difficult.[3] Even those students who are receiving the Youth Allowance receive a pittance. Apart from the few students from wealthy and supportive households, these circumstances are not conducive to learning and excellence for any group of students.

Conclusion

The impending debate on higher education reform should take these issues into account. The current system of university finance is already biased against the interests of young people from moderate-income backgrounds. If the Government's mooted proposals are implemented as stated above, the prospects of young people from households of modest means gaining access to higher education will further deteriorate. Attention ought to be focussed on how to make student financial assistance more accessible for such students.

References

[1] For detail on these changes, see Bob Birrell and Ian R. Dobson, 'Equity implications of the new Youth Allowance for higher education students', *People and Place*, vol. 6, no. 2, 1998, pp. 61-70 (http://www.arts.monash.edu.au/sociology/cpur/)

[2] Bob Birrell, Virginia Rapson, Ian. R. Dobson, Daniel Edwards and T. Fred Smith, *From Place to Place; School. location and access to university education in Victoria*, Centre for Population and Urban Research, Monash University, 2002

[3] Michael Long and Martin Hayden, *Paying Their Way; A Survey of Australian Undergraduate University Student Finances, 2000*, AVCC, 2001