



## **A submission to the Australian Treasury**

for the

### **Pre-Budget 2021-2022**

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January 2021

NUS welcomes the opportunity to present a brief submission for the 2021-2022 Budget.

In this submission, NUS has chosen to focus on two fundamental issues that students face. NUS recommends as we slowly try to recover from the impacts of COVID-19 that we support young people and students to start their careers without huge financial burdens and with the skills necessary to join and thrive within the Australian workforce.

NUS recommends the following:

1. To permanently increase student income support (including rent assistance) to \$750 a fortnight.
2. To continue to increase the student income support to 75% of the Henderson poverty line (including rent assistance) by 2025.
3. To incrementally lower the age of independence to 20 by 2024.
4. To continue to incrementally lower the age of independence to 18 by 2027.
5. To implement a federal international student crisis assistance program to support international students in emergency situations.
6. To extend the validity of graduate visas to allow COVID-19 impacted international students the ability to attain PR requirements.
7. To conduct an independent review on the Permanent Residency program to evaluate the accessibility, affordability, and achievability for previous international students.
8. To remove subsidies on fossil fuels to hold practices that contribute to climate change accountable.
9. To implement a 10% flat tax on gas companies for the next ten years.
10. To fund free education from the removal of Fossil Fuel Subsidies and 10% flat tax on gas companies.
11. To raise the HELP repayment back to \$55,874 and raise as cost of living rises.
12. To implement measures in increasing communication between the ATO and those with HELP debts, reimplementing discounts, and financial literacy programs.

## **Student Income Support**

Current levels of student income support with the Coronavirus Supplement range from 35.9% to 63.8% of the Henderson poverty line for those living at home and 52.6% to 66.0% for those living away from home. Since the supplement, student support has decreased in percentages. 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). Even with the Coronavirus Supplement poverty levels, only Abstudy for those over 22 and living away from home sits within an adequate range of the poverty line (80.3% with the coronavirus supplement). It is great to see the federal government supporting First Nations peoples, but it is a basic step towards providing the reparations needed. However, after April, we will see student support average around 51.3% of the Henderson poverty line. A report by Universities Australia (UA) in 2017 showed that 82% of domestic students are in paid employment with full-time students working a median of 12 hours a week. Therefore, for 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**

- 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.
- 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. 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).

- 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.

These 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 have to work just to get by. The right to an education should not be a contributing factor to poverty for young people.

## 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 with the coronavirus supplement living away from their parents or guardians on Student Support receives 67.0% of the poverty line. This is much higher than without the supplement at 53.6% of the poverty line. Australian National University researchers Ben Phillips, Matthew Gray, and Richard Webster argue that increasing Newstart is vital to reducing poverty.<sup>1</sup> The UA report shows that one-third of undergraduate domestic students exceed their income in day to day living. There is a great concern for the level of poverty students experience.

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 approximately 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.

There is an ongoing trend of student support payments decreasing each year in relation to the Henderson poverty line. This means that as the cost of living increases, government support for students continues to decrease (see Appendix A). The additional support provided during COVID-19 has gotten closer to the provisions needed for students to survive while studying. The Senate Select Committee in the First Interim Report advised for maintaining the support payments to stay around \$750 a fortnight.<sup>2</sup> This is also in line with the Grattan Institute's argument to continue and permanently support our financially vulnerable.<sup>3</sup> This amount is still lower than the advised 75% of the Henderson Poverty line, but even the increase to \$750 a fortnight would be a step in the right direction. The increase in 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

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<sup>1</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, available at <https://theconversation.com/cut-the-pension-boost-newstart-what-our-algorithm-says-is-the-best-way-to-get-value-for-our-welfare-dollars-108417>

<sup>2</sup> The Senate, 2020, Select Committee on COVID-19: First interim report, available at [https://parlinfo.aph.gov.au/parlinfo/download/committees/reportsen/024513/toc\\_pdf/Firstinterimreport.pdf;fileType=application%2Fpdf](https://parlinfo.aph.gov.au/parlinfo/download/committees/reportsen/024513/toc_pdf/Firstinterimreport.pdf;fileType=application%2Fpdf)

<sup>3</sup> Coates, B. 2020, Household Finance Program, Grattan Institute, Committee Hansard, 2 July 2020, p. 21.

classroom that will lead to the development of the more rounded graduates that employers are calling for. Making the increase permanent would provide an equitable step for supporting students.

**Recommendation:** permanently increase student income support (including rent assistance) to \$750 a fortnight.

**Recommendation:** continue to increase the student income support to 75% of the Henderson poverty line (including rent assistance) by 2025.

## **Age of Independence**

The government pushes a discourse of independence and supporting oneself, yet the current age of independence for Australia's young people is four years later than the legal adult age, at 22. Those under the age of 22 must be supported by their parents, even if they move away, or specifically apply for independence. This is a long and grueling process for many young people. Currently, the criteria to be eligible for declaring independence is extensive and complicated. It discourages Australia's young people to relocate to another area to go to university to study the area of their choice. Many parents struggle to support students that need to relocate for any reason unless their child can show they can work and earn enough money. Yet as the UA report shows, students in general struggle financially already. Further, for students that are fleeing unsafe home situations, the current Age of Independence leaves youth unable to prove financial independence locked out of the welfare system. The need for students to work and yet still live in poverty is where the federal government fails them. Instead, lowering the age of independence would support more of our young people.

Education is vital for our changing economic landscape. Many officials, such as Senator Michaelia Cash, have advised the Australian population to upskill so that they can be employable in a post-COVID-19 landscape in response to the work shortage.<sup>4</sup> Education is vital to fill the front line worker roles within Australian society. The Australian Government has predicted health and social assistance, Professional, Scientific and Technical Service, Education and Training, and construction sectors are going to be in high demand in the future. Three out of four of these industries were vital for Australian society to continue during lockdown and continue to be important to keep Australia running. Moreover, the same three out of four often require a higher education degree and there is little support for our young people to do so. As we have already discussed in this submission, students are already struggling financially and with their mental health. These sectors are also areas that create great benefit for our society. Therefore, removing financial barriers from encouraging our young people to take these paths is the next logical step.

**Recommendation:** incrementally lower the age of independence to 20 by 2024.

**Recommendation:** continue to incrementally lower the age of independence to 18 by 2027.

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<sup>4</sup> Cash, M., 2020, Fact tracking the upskilling of Australian workers on Covid-19 safety, available at <https://ministers.dese.gov.au/cash/fast-tracking-upskilling-australian-workers-covid-19-safety>

## **COVID-19 and International Students**

We all have faced hardships through 2020 due to COVID-19 and Australian citizens were offered some financial support. Yet support for some of our most vulnerable people - International students is notably lacking. In 2019, education was Australia's third highest export, bringing in \$32.3 billion dollars.<sup>5</sup> This dropped during COVID-19, partially due to the closure of the Australian border but also due to the lack of support given to International students. Given the high level of financial benefit that international students provide Australia, it is confusing as to why the federal government would not provide emergency relief so that students feel welcome and can afford to stay in the country.

NUS conducted a survey for international students in April 2020 - the prevailing concern found was the lack of support for international students and being forced to go back to their home countries. Many international students were working in industries that had to close quickly - such as hospitality and retail. Even with the cash reverse all international students require to obtain student visas, COVID can add extra financial pressure with day-to-day living. It is no surprise Australia has a lower number of international students coming to study here in 2021. The federal government has not supported them through this crisis. States such as Victoria, South Australia and Queensland set up funds to support International students during this time while the federal government told them to look after themselves. Now Australia is seeing issues in its tourism and farming industries because migrants are not able to come into the country. This is understandable given the circumstances of COVID-19. However, what is not understandable is the lack of concern and support given to International students that were already in Australia, and those who were forced to return overseas due to financial pressures.

**Recommendation:** implement a federal international student crisis assistance program to support international students in emergency situations.

## **Permanent Residency**

Even with the high amount of income that international students bring to Australia, it is very difficult for students to reach Permanent Residency. They study, work, and live purely on the basis of their own funds and potential support from their families. They do not benefit from any of the support networks that the government provides, even when it has been desperately needed during COVID-19. Applying for PR is extremely time consuming, costly, and inaccessible to many people who want to live in Australia. These barriers mean that many people, who were originally international students, wait many years to know if they are eligible for PR status. Costs associated with applying for PR as an international student, \$25,000 for the application alone, systemically locks the most vulnerable students out from gaining residency. These barriers need to be evaluated and investigated to ascertain how necessary they actually are. The points system asks an untenable amount from those applying for PR, to a point where many graduating students report feeling overwhelmed and unworthy of Australian residency.

**Recommendation:** extend the validity of graduate visas to allow COVID-19 impacted international students the ability to attain PR requirements

**Recommendation:** conduct an independent review on the Permanent Residency program to evaluate the accessibility, affordability, and achievability for previous international students.

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<sup>5</sup> Australia Expo 2020, 2020, Education is Australia's third biggest export category, available at <https://www.australiaexpo2020.com/news/education-australias-third-biggest-export-category>

## **Education Funding**

NUS supports free education for Australian domestic students. Removing this payment will remove systemic barriers to education and set Australians on a solid path for life. AlphaBeta Future skills report indicates that the growth in technology by 2040 will require Australians to spend 33% more time in education.<sup>6</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>7</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.

## **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>8</sup> The model has been implemented to increase accessibility and remove pre- and post-tertiary education barriers for university and vocational training courses.<sup>9</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>10</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>11</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>12</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>13</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.

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<sup>6</sup> AlphaBeta, 2019, Future Skills, available at <https://www.alphabeta.com/wp-content/uploads/2019/01/google-skills-report.pdf>

<sup>7</sup> Foundation of Young Australians, 2019, Future Skills Framework 2030, available at <https://www.fya.org.au/futureskills/>

<sup>8</sup> Tibshraeny, J., 2017, Government's \$339m first-year fee-free tertiary education policy expected to attract 2000 additional students or trainees next year, available at available at <https://www.interest.co.nz/news/91232/governments-339m-first-year-fee-free-tertiary-education-policy-expected%C2%A0-attract-2000>; Office of the Minister of Education. (n.d.). Making tertiary education more affordable: fees-free education in 2018, available at <http://education.govt.nz/assets/Documents/Ministry/Information-releases/Making-tertiary-education-more-affordable-fees-free-education-in-2018--.pdf>

<sup>9</sup> Tertiary Education Commission, 2018, What fees-free study means to students, available at <https://www.tec.govt.nz/fees-free-information-for-teos/what-fees-free-means-to-students/>

<sup>10</sup> Faruqi, M., 2018, Fee Free University and TAFE: Greens Launch Transformational 5 Point Plan for Higher Education, available at <https://mehreen-faruqi.greensmps.org.au/articles/fee-free-university-and-tafe-greens-launch-transformational-5-point-plan-higher-education-n>

<sup>11</sup> Ibid.

<sup>12</sup> Ibid.

<sup>13</sup> Ibid.

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.

## 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 is 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>14</sup> In 1988, the average income was \$25,636 a year,<sup>15</sup> with the minimum repayment threshold was set at a 1% rate for income above \$22,000.<sup>16</sup> Today, the Australian average income is \$1,206.90 a week, \$62,758 a year.<sup>17</sup> The lowering of the HECS threshold from \$55,874 to \$44,999,<sup>18</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 \$55,874 and instead implement policies that are more gentle on those with HELP debts, such as showing repayments on payslips, communicating to those with debts and providing financial literacy programs.<sup>19</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>20</sup>

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

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<sup>14</sup> Jackson, K., 2003, The Higher Education Contribution Scheme, available at [https://www.aph.gov.au/About\\_Parliament/Parliamentary\\_Departments/Parliamentary\\_Library/Publications\\_Archive/archive/hecs](https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/Publications_Archive/archive/hecs)

<sup>15</sup> Queensland Government, 2018, Average weekly earnings (a)(b), Queensland and Australia, 1981–82 to 2017–18.

<sup>16</sup> Jackson, K., 2003, The Higher Education Contribution Scheme, available at

<http://www.qgso.qld.gov.au/products/tables/average-weekly-earnings-qld-aus/index.php>

<sup>17</sup> Australian Bureau of Statistics, 2018, 6302.0 - Average Weekly Earnings, Australia, May 2018, available at <http://www.abs.gov.au/AUSSTATS/abs@.nsf/allprimarymainfeatures/7F76D15354BB25D5CA2575BC001D5866?opendocument>

<sup>18</sup> Parliament of Australia, 2018, Higher Education Support Legislation Amendment (Student Loan Sustainability) Bill 2018.

<sup>19</sup> West, T., 2018, Lowering the HELP repayment threshold is an easy target, but not the one we should aim for, available at <https://theconversation.com/lowering-the-help-repayment-threshold-is-an-easy-target-but-not-the-one-we-should-aim-for-94910>

<sup>20</sup> Warburton, M., 2017, Five things senators (and everyone else) should know about changes to HELP debts, available at <https://theconversation.com/five-things-senators-and-everyone-else-should-know-about-changes-to-help-debts-84843>

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

## Appendix A: Student Income Support comparison with Henderson Poverty Level (June 2020)<sup>21</sup>

All figures are shown per fortnight.

Payment Type <sup>22</sup>	Base Rate <sup>23</sup>	Maximum rate of Rent Assistance	Maximum Total (Without and with Coronavirus Supplement)		Payment Henderson Poverty line <sup>24</sup>	Total Benefit as a % of the poverty line					
						2021		2020	2014	2008	
			Without	With		Without	With				
Youth Allowance, over 18, single, living at home	\$253.20	n/a	\$253.20	\$403.20	\$1,122.44	22.6%	35.9%	28.7%	27.6%	31.3%	
Student Support, <sup>25</sup> single or partnered, living away from home	\$462.50	\$139.60	\$602.10	\$752.10	\$1,122.44	53.6%	67.0%	56.7%	4.4%	61.8%	
		\$93.07 (house sharing)	\$555.57	\$705.57		49.5%	62.9%	52.3%	50.2%	57.1%	
Abstudy, single, dependant, aged between 18 and 21, living at home	\$304.60	n/a	\$304.60	\$454.60	\$1,122.44	27.1%	40.5%	23.9%	27.6%		
Abstudy, single, over 22, living at home	\$565.70	n/a	\$565.70	\$715.70	\$1,122.44	50.4%	63.8%	52.8%			
Abstudy, Single, aged between 16 and 21, living away from home	\$606.50	\$139.60	\$746.10	\$896.10	\$1,122.44	66.5%	79.9%	56.7%	54.4%		
		\$93.07 (house sharing)	\$699.57	\$849.57	\$1,122.44	62.3%	76.6%	52.3%	50.2%		
Abstudy, single, over 22, living away from home	\$612.00	\$139.60	\$751.60	\$901.60	\$1,122.44	67.0%	80.3%	65.8%	66.3%		
		\$93.07 (house sharing)	\$705.07	\$855.07		62.8%	76.2%	61.4%	62.0%		

<sup>21</sup> Austudy and Abstudy do not have comparisons to 2008 as those programs did not exist.

<sup>22</sup> 'Home' refers to not living with their parents or guardians.

<sup>23</sup> Australian Government, 2020, Abstudy; Australian Government, available at <https://www.servicesaustralia.gov.au/individuals/services/centrelink/abstudy-living-allowance/how-much-you-can-get/maximum-rates-dependent-students-and-australian-apprentices>; Australian Government, 2020, Youth allowance, available at <https://www.servicesaustralia.gov.au/individuals/services/centrelink/abstudy-living-allowance/how-much-you-can-get/maximum-rates-dependent-students-and-australian-apprentices>; Australian Government 2020, Austudy, available at <https://www.servicesaustralia.gov.au/individuals/services/centrelink/abstudy-living-allowance/how-much-you-can-get/maximum-rates-dependent-students-and-australian-apprentices>; Australian Government, 2020, Rent Assistance. available at <https://www.servicesaustralia.gov.au/individuals/services/centrelink/rent-assistance>.

<sup>24</sup> Calculated from the weekly estimate of poverty under a single individual, who is head in workforce calculation, sourced from University of Melbourne, 2020, Poverty Lines: Australia: June Quarter 2020, available at [https://melbourneinstitute.unimelb.edu.au/\\_data/assets/pdf\\_file/0011/3526877/Poverty-Lines-Australia-June-2020.pdf](https://melbourneinstitute.unimelb.edu.au/_data/assets/pdf_file/0011/3526877/Poverty-Lines-Australia-June-2020.pdf).

<sup>25</sup> Student Support includes Austudy and Youth Allowance as they are the same rates.

## Appendix B: Example of HELP debt repayments<sup>26</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

<sup>26</sup> Faruqi, M., 2018, Fee Free University and TAFE: Greens Launch Transformational 5 Point Plan for Higher Education, available <https://mehreen-faruqi.greensmps.org.au/articles/fee-free-university-and-tafe-greens-launch-transformational-5-point-plan-higher-education>