



Australian Government



Indigenous Higher Education Advisory Council

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**Submission to the
Review of
Australia's Tax System**

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Indigenous Higher Education Advisory Council (IHEAC)

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The issues detailed in this submission concern higher education student finances. The specific focus is on Indigenous student finances and the role of current arrangements in enabling or constraining improvements in Indigenous students' educational access, participation and outcome levels in higher education studies.

IHEAC submits to the Henry Review that in its examination of the taxation system a thorough investigation of Indigenous student income support must be part of its assessment.

IHEAC recommendations in this submission have been laid out to assist the Henry Review Team in such an assessment, and they are in line with the Review's objectives to have an impact in the "allocation of resources in the economy... to position Australia well to deal with the demographic, social, economic and environmental challenges of the 21st Century and to enhance Australia's economic and social outcomes"¹

INDIGENOUS STUDENT FINANCES: A CASE FOR CLOSING THE GAP

The Australian Government's Indigenous policy priority is focussed on closing the gap between Indigenous and non-Indigenous Australia on a range of social indicators.² Improving levels of education is understood to be critical to improving health and other social indicators.³ Improving Indigenous education access, participation and outcomes, including higher education, has been enshrined in Commonwealth policy since 1989.⁴ Despite some improvement over the years, there are still significant levels of disparity between Indigenous and non-Indigenous students. For example, here is a small list from the latest information⁵:

- DEST figures from 2005 indicate that there has been a widening gap between Indigenous and non-Indigenous participation rates since 2001 and that the Indigenous participation rate would have to double to reach parity with other students;
- DEST figures from 2005 indicate that Indigenous retention rates are increasing but are still 64.4% compared to 79.4% for non-Indigenous students;
- DEST figures from 2005 indicate that Indigenous student progress rates are 69.8% compared to non-Indigenous students of 88.5%.
- DEST figures from 2005 indicate that Indigenous completion rates have fallen since 2002 and that for 2004 (last figures available), the Indigenous proportion of all domestic award completions was 0.74%, significantly below the national parity rate of 2.86%.

Despite the continuing disparity in participation, retention, progress and completion rates, a parity-based policy applies in terms of income support for Indigenous higher education students. That is, Indigenous and non-Indigenous students have to meet the same conditions for eligibility for income support and have the same rates of income support.

Indigenous students have the possibility of qualifying for some minor additional allowances. Given that proportionally more Indigenous students come from low SES backgrounds, a larger proportion of the

Indigenous student body relies on this income support to study. For example, the Universities Australia 2006 survey reported that 67.2% of Indigenous students had some form of income support: Youth Allowance, Austudy, Abstudy, unemployment benefits, pension, family parenting allowance, scholarship or stipend, government or private cadetships, other government or university support. 19.5% of Indigenous income support was from scholarships and cadetships and this is the only area where Indigenous students are advantaged over non-Indigenous students. These figures would seem to indicate that 37.8% of Indigenous students surveyed had to rely on employment income or parents/partners and received no form of government income or scholarship support.

Universities Australia 2006 survey also reported that 25.8% of Indigenous students received Abstudy compared to 19.2% of non-Indigenous students on Youth Allowance.⁶ The higher proportion of Indigenous students indicates lower levels of Indigenous incomes, given that the assessment criteria for eligibility are the same, although it is not clear how many Indigenous students receive the full amount. Indigenous families on moderate incomes are most at risk of not receiving full Abstudy and yet these families may well have, through their own efforts, positioned their children as more likely to be successful in schooling and in higher education.

It has been well documented that the provision of government income support (and most scholarship support) for higher education students does not come anywhere near meeting the costs of living and study.⁷ The level of income support provided presupposes other forms of financial support or means. For example, an Indigenous student under 21 and living away from home to study, at the full Abstudy rate, (assuming they pass the eligibility tests) will receive \$9240 per annum. As an example of costs, the University of Melbourne estimates that living expenses for an individual student in a shared house within 6 kilometres of the university costs anywhere between \$16,500 and \$24,200. A residential college for 40 weeks costs between \$22,900 and \$31,300.⁸ This does not include costs associated with study which can add up to \$2000 approx. While Abstudy-eligible students can receive allowances to help with study costs, those who are ineligible don't.

This University of Melbourne survey also revealed that for both Indigenous and non-Indigenous groups, paid employment was the highest proportion of income for students. This means that along with many other Australian students, many Indigenous students must work to increase any income from other sources to cover their living and study expenses. Students can only earn \$6,136 per annum before their Abstudy allowance begins to be cut back. A student under 21 can thus bring in a combined total of \$15,376.40 gross. To earn more, Abstudy allowance is cut back at the rate of 50c for every dollar earned. Students who begin with less than the full amount because of parental incomes receive a double whammy when they attempt to work, as both amounts affect Abstudy entitlements.

Importantly, then, it has to be noted that the educational challenges Indigenous students' face in higher education as a result of educational disadvantage, recognised in policy as the ongoing legacy of a range of past Australian governments' policies, do not appear to register in student income support programs. To lift retention, progress and completion rates, Indigenous students need to spend more time at study to surmount the challenges arising from previous educational, language and skills shortfalls. For more able

Indigenous students to lift the quality of their degrees and progress to postgraduate degrees, they need to be focussed on study and learning.

Further, the ongoing legacy of past government policies impacts wider than individual students – it places few resources in the hands of families and the wider Indigenous community to assist those in study. Indeed, the Universities Australia 2006 survey indicates that Indigenous higher education students were quite significantly more likely to have a disability, be a sole parent, have children, be over 30 and were less likely to rely on parent or partners for financial assistance, than other students. The expectation for students, from households already under well-documented housing, health, and income pressures, to work to support themselves while they study continues the historical injustice. More notably, it impacts on the quality of learning.

A major concern is one shared with other Australian students and documented in other reports.⁹ This is to do with the conditions attached to these low levels of government and sponsored income support provided to students. Three areas of conditions for eligibility are of particular concern:

- Firstly, the erosion of government income support through the categories of assessable income, beginning from a parental gross income base of \$31,400 per annum and a scholarship or personal income base of \$6130.
- Secondly, the conditions for independent status. It is easier for an Indigenous student to achieve independent status through prison time rather than time spent in work trying to accumulate money to study. An Indigenous student who takes time to work and achieve independent status risks forfeiting any serious savings through a waiting period before benefits will apply.
- Thirdly, there is an absurd differential between living at home and living away from home rates. The difference in rates equates to \$121 per fortnight before tax.

Together these conditions ensure Indigenous students both have to work to support themselves to study and at the same time live in poverty. Furthermore, students who work are penalised in the process, ensuring that they can not, through any means, get beyond a level of income that is reported to be insufficient to live on. To get to this insufficient level of income, Indigenous students must both compete for casual, insecure work and give up critical time that they need for study. They must compete for housing in a discriminatory and expensive housing market, especially in inner-metropolitan situations. Students are faced with a disincentive to study, given that, after all their effort, in poverty, with well reported social and health issues, and with reduced statistical chances of success, they must then repay a debt to the society historically responsible for their educational and social disadvantage.

Many students who win scholarships are similarly penalised for high achievement because the income becomes assessable. Private and government scholarships and cadetships make an important contribution to Indigenous students and more so than for other students. However, many scholarships are minor and/or count as assessable income and thus reduce government income support. Those scholarships under \$6000, that do not erode Abstudy, can substitute for supplementary income from paid employment, for those students who are competitive enough to win them. They are therefore useful additions but not sufficient for those students who receive no other income support. Those students still

need to find paid employment. Cadetships are a good alternative for Abstudy ineligible students because they are not means tested. These are however competitive and generally not given to first year students. During semester time, students receive no more than Abstudy rates and do depend greatly on the work experience wage component to cover debts incurred throughout the year. Cadetships do have the added incentive of HECs payment and sometimes provide text book allowances and sometimes fares home.

The complicated sliding scales and conditions for different allowances add to the time-burden on students who must report variations in income and live with uncertainty about future income support, delays in payments, and Centrelink recoveries of often accidental overpayments. The intersection with Centrelink is particularly fraught for students. University staff, in Indigenous centres, equity units and scholarships offices struggle to keep abreast of what the rules mean for different student circumstances, such are the variations in both rules and circumstances.

These challenges around income support continue for Indigenous students at postgraduate levels. The rates for postgraduate Abstudy allowances for Indigenous Masters and Doctorates are aligned to those for APAs (Australian Postgraduate Awards). However, APA conditions are different. APA Scholarships paid to full-time students for educational purposes are treated as exempt income under Section 51-10 of the Income Tax Assessment Act 1997. The living allowance for Abstudy students is taxable income. This also then means postgraduate Abstudy recipients face the same income assessment caps as undergraduates, when topping up their income through work or scholarships.

The effects of work and of student poverty are also well documented.¹⁰ This range of literature and anecdotal reporting through student contact with Indigenous centres in universities documents: adverse effects on study through inability to attend classes, not enough time on study and assignments, students in need of extra tutorial assistance but who cannot access it because they are extremely time poor, students who regularly go without food, students without satisfactory accommodation, students without money for transport, texts, computers and so forth. In universities, students in financial and/or domestic crisis are dealt with daily and crisis always impacts on study. Indeed financial and domestic crisis are closely related in these students' lives and a significant contributing factor in failure and withdrawal from study.

The debt burden of Indigenous higher education students through HECs, interest-free, and interest bearing loans is a futures burden with direct impact on the next Indigenous generation and consequently on the entire Indigenous community. The higher education debt accumulation of Indigenous students is not clearly or publicly reported. The cost of the debt as well as the opportunity cost to the broader Indigenous community that repayment of debt incurs needs to be assessed and considered. It seems a new injustice to transfer this debt burden to the Indigenous community, when educational disadvantage is a direct historical legacy of previous Australian policy. Universities Australia reported Indigenous students had slightly lower levels of HECs-debts compared to non-Indigenous students but higher levels of interest-bearing debts. This debt is likely to be particularly burdensome in terms of incomplete students, who may not have achieved improved income prospects as a result of their years at university. Removing current HECs liabilities on Indigenous students as well as removing HECs requirements for future students would help address ongoing historical injustices.

A deeper restructure of Indigenous student finances should be more accountable to the educational challenges that Indigenous students face and the range of well-reported barriers that impinge on their success. This would provide a better rationale for calculating realistic living and study support that allows Indigenous students to focus on learning and study. A strategic output by the Federal government at this time would enable universities to focus on the quality of learning experiences and academic support. This clarity between the role of universities in providing educational support and government agencies providing income support would produce efficiencies that would go a long way to closing the educational gap.

Recommendations

IHEAC recommends:

- That all Indigenous students be classified as independent and eligible for ABSTUDY upon entry to university.
- That government income support is raised to reflect the true costs of study, especially for students who must live away from home. That the rate for all Indigenous students enrolled in university full-time is at the very least the current postgraduate rate based on APA and that it is classified as non-taxable in the same way as APA's are.
- That Indigenous students be supported financially to be discouraged from work while studying, or to limit work to minimum, so that the focus of their effort is on progress, retention and completion of courses.
- That a strong case be made to remove HECs liabilities and requirements on Indigenous students.
- That merit scholarships for high Indigenous achievers are classified as non-assessable income for Centrelink benefits so they operate as rewards for achievement and incentives for maintaining excellent progress through studies by eliminating the need to work.
- That the living allowances for Abstudy Master and Doctorate students are classified as non-assessable income for Centrelink benefits as well as for taxations purposes.
- That following universal access to higher rates of Abstudy, cadetships and private and university scholarships consider shifting their emphasis to payment of supplementary fees and study expenses (e.g., text books, laptops, software, etc.), the opportunity of fewer weeks of holiday work experience, and other forms of top-up funding for students. And that these are also non-assessable forms of income.
- That discipline-based scholarships continue to operate to encourage the development of Indigenous professionals in needed fields and be classed as non-assessable income.
- That every effort be made to reform the taxation system in ways to provide incentives for individuals, families, communities and industries to invest in education and assist the next generations to participate and contribute to the development and productivity of this nation.

¹ <http://taxreview.treasury.gov.au/content/Content.aspx?doc=html/reference.htm>

² See Prime Minister's Apology to Australia's Indigenous Peoples, House of Representatives, Parliament House, Canberra at http://www.pm.gov.au/media/Speech/2008/speech_0073.cfm

³ See Joint Press Release from The Hon Julia Gillard MP, Minister for Education, Minister for Employment and Workplace Relations, Minister for Social Inclusion & Deputy Prime Minister and The Hon Jenny Macklin MP, Minister for Families, Housing, Community Services and Indigenous Affairs, Closing the Gap between Indigenous and Non-Indigenous Australians at <http://mediacentre.dewr.gov.au/mediacentre/gillard/releases/closingthegapbetweenindigenousandnonindigenousaustralians.htm>

⁴ Department of Employment Education and Training 1989 *National Aboriginal and Torres Strait Islander education policy: Joint policy statement*. Canberra, AGPS.

⁵ All figures in this list are from DEST 2007 *National report to parliament on Indigenous education and training 2005*. Canberra.

⁶ Universities Australia 2007 *Australian university student finances 2006: Final report of a national survey of students in public universities*. Prepared by R. James, E. Bexley, M. Devlin & S. Marginson, Centre for the Study of Higher Education, The University of Melbourne. Retrieved 20 April, 2008 from <http://www.universitiesaustralia.edu.au/documents/publications/policy/survey/AUSF-Final-Report-2006.pdf>

⁷ See http://www.services.unimelb.edu.au/finaid/planning/cost_of_living/summary.html, 'Australian Senate 2004 A hand up not a hand out: renewing the fight against poverty: Report on poverty and financial hardship. Retrieved 20 April, 2008 from http://www.aph.gov.au/Senate/committee/clac_ctte/completed_inquiries/2002-04/poverty/report/c12.htm, Grant, S., Maccorone, G., Sagorski, T. & Siiankoski, K. 2004. Student poverty: The lived experiences of undergraduate students attending the University of Queensland. Retrieved 20 April 2008 from http://www.uq.edu.au/equity/docs/poverty_student.pdf

⁸ See http://www.services.unimelb.edu.au/finaid/planning/cost_of_living/summary.html

⁹ Ibid

¹⁰ See all references in footnote 6 & 7 as well as, for example, Bourke, C., Burden, J. & Moore, S. (1996). *Factors affecting the performance of Aboriginal and Torres Strait Islander students at Australian universities*. Canberra: Department of Education Training and Youth Affairs., To stay or not to stay: Malcolm, I.G. & Rochecouste, J. (2002)., Barriers to Indigenous student success in higher education. Paper presented at *HERDSA Annual Conference 7-10 July*, Perth Western Australia. Retrieved 8 February 2006, from <http://www.ecu.edu.au/conferences/herdsa/main/papers/nonref/pdf/IanMalcolm.pdf> , Walker, R. (2000) *Indigenous performance in Western Australian universities: Reframing retention and success*. Canberra: Department of Education Training and Youth Affairs.