

## THE IMPACT OF PROPOSED CHANGES TO AUSTUDY ELIGIBILITY ON HIGHER EDUCATION STUDENTS

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*The Government's proposals for change to Austudy means testing could save it money but they are likely to affect some university students adversely. The impact of the change on higher education is not obvious from the material the Senates Estimates Committee is receiving to help its decision-making..*

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The Government's proposed budget changes to Austudy eligibility rules involve the application of a tighter means test on some recipients. The changes will affect those students receiving the benefit as 'Standard and away' beneficiaries, as well as those 'Independent' beneficiaries receiving Austudy because of their age. The government proposes increasing the age level at which a student can receive the benefit as an 'Independent' without any parental means test.

Since the budget announcements there has been remarkably little informed discussion on the impact of the proposed changes. This is surprising given that the combined effects of changed Higher Education Contribution Scheme (HECS) charges and Austudy eligibility rules have the potential to seriously affect future student enrolment patterns. For this reason we focus on the impact of the new eligibility rules on higher education students.

The Government has supplied some information in the post-budget context and to Senators during the September Senate Estimates hearings. But the data have been presented in aggregate form, thus not allowing for the simple separation of the impact on higher education recipients from other Austudy recipients. The information has also only dealt with the short term impact, that is taking account of the grandfathering provisions in the proposed new rules. In the case of the proposal to increase the age for receipt of the independent benefit from 22 to 25, those already enrolled and in receipt of the benefit will keep it. Only those who turn 22 in 1997 or start a tertiary course while aged 22 to 25 will be affected. However, in the longer term, all students aged under 25 will be affected. It is the numbers of these we are interested in.

As an example of the confusion surrounding the issue, consider the following answer from Senator Vanstone to a direct question from Senator Crowley during the Senate Estimates hearings. Senator Crowley asked 'How many students do you assess will no longer be eligible for Austudy because of moving the age of being adult or independent from 22 to 25?'<sup>1</sup> Senator Vanstone responded: 'There would have been this year just over 15,000'. She goes on to say some 9,000 of these will not be affected because of the grandfathering effects.

She then states that she has been given an amended figure for those affected:

I am told that totals 30,000, and I just cannot see how across the ages 22, 23, 24 and 25 we can this year have 15,000 people getting the independent rate by virtue of their age alone and all of a sudden find that in one of those age groups next year, in that group of age 22 only, you can have 30,000 - if we are grandfathering only 9,000 and in the whole lot this year there are 15,000 - because you will remember that the people who are 23 next year and have already got it are in the grandfathered lot so the 23s and 24s age group are out of the equation. There are some intricacies here, and if the committee would be happy to assist in getting to the bottom of them, I would be very happy.<sup>2</sup>

The subsequent Senate interrogation did not spread any further light on this confusion. A later DEETYA answer to the questions raised during the Estimates hearing states that about 13,700 students will not have their benefits increased (because in the past they would have moved to the higher independent rate when they turned 22) and another 12,000 are expected to become ineligible for Austudy because of the new age eligibility rules for Independents (not including those protected by the grandfather clause). Some others will have their benefit reduced. As with other answers this information did not differentiate between higher education and other students.

Other comments, this time attributable to the National Union of Students suggest that about 25,700 students who received Austudy at the independent rate will have their benefits cut because of the increases in the age of eligibility to 25.<sup>3</sup>

Part of the problem is that, if the Senators don't know what questions they should be asking, they are not likely to get the right answer from those officers with the responsibility for maintaining Austudy databases. On the basis of the information flow to date, the Senators don't know the impact of the changes, and nor do the universities. The millionaire Wright family, with children eligible for Austudy, may have received front page status, but little is known about the potential impact of the proposed changes on students from low socio-economic backgrounds, one of the government's targeted Equity Groups.

In what follows we try to do better, by starting from the data available on the numbers of higher education students likely, in the long run, to be affected by the proposals. The focus is on the main issue, that is, the impact of the proposal to increase to 25 the age at which Austudy can be received on an age basis.

Table 1 details the number of higher education recipients of Austudy who are receiving the award as 'Independents' on the basis of age and on other grounds, as of October 1996. All 50,305 in the age group 22 to 24 (the age eligible group) will be affected, as will a substantial proportion of the 16,269 of those aged 25+, since many will have started their course prior to age 25 and thus under the proposed new rules will no longer automatically receive Austudy (as 'Independents'). Only those who start a new course at age 25 or more will immediately receive the benefit. Assuming about half the latter group will be affected, this means that about 60,000 higher education students will have to face the means test on

their family's income and assets if they are to retain the award or some fraction of it.

**Table 1: Austudy beneficiaries in higher education - by socio-economic status (SES) category and rate, 1996**

Rate		SES category				Total
		Low	Medium	High	Unknown	
'Standard and away' <sup>a</sup> No.		19,293	35,142	16,551	1,111	72,097
%		26.8	48.7	23.0	1.5	100.0
'Independent' <sup>b</sup>						
- Age-based	22-24yrs	7,492	20,809	21,233	771	50,305
	25yrs +	2,011	6,885	7,131	242	16,269
	Subtotal: No.	9,503	27,694	28,364	1,013	66,574
	%	14.3	41.6	42.6	1.5	100.0
-Non-age based No.		5,628	15,272	10,688	514	32,102
%		17.5	47.6	33.3	1.6	100.0

Source: DEETYA, unpublished, <sup>a</sup> Figures at Nov. 1996, <sup>b</sup> Figures at Oct. 1996

If there are no major changes in the age distribution of students, we can say that over the long term some 60,000 out of the current 190,000 higher education Austudy recipients will potentially be affected by the new age ruling. This is a far higher number than indicated in the Minister's statement above. There remains, of course, the question of how many of these students will retain their eligibility once their parents are subject to the means test. We can offer no precise answer. However, the socio-economic status (SES) estimates provided in Table 1 give an indication of the outcome. The SES indicator is based on the Australian Bureau of Statistics' occupational analyses of postcodes drawn from Census data. Since only 7,492 (or 14.9 per cent) of the Age Basis 'Independent' students aged 22-24 come from low SES postcodes, it is likely that most of the others will be affected by the means test - either via a reduced award or via total ineligibility. A large number (21,233, or 42 per cent) live in high SES postcodes. The current means test as it applies to PAYE taxpayers cuts in at a parental level of \$22,600 (with upward adjustments for additional children). The Austudy payment is reduced by \$1 for each \$4 earned above the adjusted threshold.

The introduction of the proposed tighter Actual Means Test (the first phase of which was introduced this year) will add to the likelihood that most of these 60,000 will receive lower Austudy benefits or will become ineligible. DEETYA's post-budget assessment of the combined impact of the current and proposed tighter Actual Means Test indicated that it would render a remarkably high 17 per cent of all students currently receiving Austudy ineligible and just over half would have their benefits reduced.

The impact on these age-based 'Independent' students is therefore likely to be severe, and in combination with the proposed higher HECS charges could be decisive in reducing enrolments. It is likely that some of these students have delayed their entry into higher education precisely in order to gain assistance from the age-based independent Austudy benefit. This hypothesis is supported by other information in Table 1, for 'Standard and away' recipients. It is clear from the SES distribution of those students aged below 22 who were receiving the standard rate as of November 1996 that the existing means test knocks out a substantial proportion of students coming from middle and high SES areas. Just 23 per cent of this latter group came from high SES postcodes compared with 42 per cent of those receiving the age eligible independent benefit listed in Table 1. Some of those ineligible yet unable or unwilling to depend on their parents may have delayed entry in order to gain Austudy. If the proposals are adopted, this option will no longer exist.

We are all in favour of preventing Senator Vanstone's Wright families from being eligible for Austudy, but we need to be aware of the effects of the proposals on other students. Given the austerity of the means test (especially for PAYE taxpayers), most of the large number of 22+ year old students who previously would have been eligible for Austudy on the basis of age will be ineligible or receive a reduced award. As young adults, how many will even feel inclined to seek parental assistance to replace the Austudy income? Such students will be hit two ways: by the higher HECS payments already legislated and the Austudy proposals.

It is to be hoped that Senators will be mindful of these effects when they vote on the Government's measures.

## References

1 Estimates 23 Sept, Employment, Education and Training, p. 253

2 *ibid*, Estimates, p. 254

3 Campus Review, 6-12 November 1996

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