Executive summary

Previous research suggests that a young person's financial position can affect their engagement in learning, which in turn affects their current learning outcomes and future study decisions. The focus of this paper is a consideration of the role that financial stress plays in a student's tertiary study outcomes and their study decisions.

The impact of financial stress on tertiary learning outcomes is examined in the first instance via a quantitative analysis of data from the 1998, 2003 and 2006 cohorts of the Longitudinal Surveys of Australian Youth (LSAY). The purpose of the quantitative analysis is to identify, based on financial data already collected in LSAY, whether young people are experiencing financial stress. This includes information on how well participants are managing financially, their experiences of financial hardships, and their savings and credit card habits.

The second component of the study is an analysis of qualitative data collected via a small-scale study of 51 LSAY participants who agreed to take part in an in-depth interview or an online survey. Participation in the qualitative study was restricted to LSAY respondents from the 2006 cohort who claimed to be finding it 'fairly difficult' or 'very difficult' to manage financially. The purpose of the qualitative study is to investigate the effect that financial stress has on learning outcomes. This information is not available from LSAY.

The extent of financial stress amongst young Australians

The quantitative analysis suggests that a proportion of young Australians aged 20 to 25 years experience certain aspects of financial stress. When asked broadly how well they are managing financially, about 15% of LSAY respondents at age 20 years indicate they have difficulty managing financially. This proportion remains relatively steady as the cohort ages. About a quarter of LSAY respondents can be categorised as experiencing moderate to high financial stress at age 20 years. Here 'financial stress' is identified according to the number of instances of specific types of financial stress.[1] Again, this has remained relatively unchanged across the cohorts.

LSAY also asks young people a series of questions relating to shortage of money. These questions are based on the ABS indicators of financial stress from the Household Expenditure Survey and largely focus on items relating to cash flow problems and hardship. The LSAY data from these questions similarly suggest that a substantial proportion of young people are experiencing financial stress across a number of indicators. The most common financial stress indicator reported by respondents was the need to ask family or friends for money. The findings also suggest that amongst young people informal debt, such as debt incurred through loans from parents or relatives, appears to be more usual than formal debt. Around 10% of 20-year-olds in 2010 reported the use of a credit card (formal debt), while a third of the cohort asked family or friends for money.

1 This definition of financial stress was based on the Australian Bureau of Statistics (ABS) Household Expenditure Survey, whereby experiencing two to four instances is categorised as moderate financial stress, while experiencing five or more instances is high financial stress.

The impact of financial stress on study outcomes

The second aspect of the study — the qualitative component — aimed to identify how financial stress affects young people's study and learning outcomes in the context of current vocational education and training (VET; at certificate III or above) or university study. In particular, the qualitative data were used to explore whether individual circumstances influence this relationship; for example, whether the combination of work and study or living status (living independently compared with living with parents) contributes to financial stress.

There is a perception that working while studying can have a detrimental affect on tertiary study. Around half of the respondents in the qualitative study were working while studying, some of whom mentioned that working impacts negatively on their studies because there is less time to spend on learning.

Just under half of the 51 respondents lived with their parents. These students cited financial support as well as many other factors as reasons for continuing to live with their parents. The financial support included paying utility bills, rent, 'high ticket items' like car registrations, and assistance towards social activities. Those respondents who had left home did not directly mention the financial costs of not living at home. Some of those students who had moved out had done so to improve their chances of getting paid employment.

Over 40% of the students had considered changing their mode of study, and a few mentioned that this potential change was based on financial necessity. However, the majority of students who stated that they had considered changing their mode of study indicated that their decision was unrelated to their financial position. Their decision was more likely to have been due to diminished interest in the course, the pressures of work, and efforts towards achieving a more favourable life—study—work balance. Likewise, those students who had considered withdrawing from study altogether did not blame financial stress, citing a variety of other reasons.

Overall, the qualitative component of the study suggests that, while financial needs are a common concern for tertiary students, they do not appear to be the main driver affecting completion rates and/or study decisions. It was not the burden of financial hardship that was identified as being the primary motivator for students withdrawing from their studies, but a lack of interest in the course, or personal matters.