

The Senate

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Senate Select Committee into the  
Abbott Government's Budget Cuts

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First interim report

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# Membership of the Committee

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Senator Scott Ludlam (12 December 2014)	AG, WA
Senator Anne Ruston (12 December 2014)	LP, SA

## Participating Members

Senator Bridget McKenzie (12 December 2014)	NAT, VIC
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# **List of Recommendations**

## **Recommendation 1**

**2.31 The committee recommends that the government maintains the age of eligibility for Newstart at 22 years of age.**

## **Recommendation 2**

**2.32 The committee recommends that the government abandons the 2014-15 Budget measure providing for a six-month waiting period for Newstart payments for new claimants.**

## **Recommendation 3**

**3.44 The committee recommends that the government reinstate funding for Youth Connections immediately.**

## **Recommendation 4**

**3.48 The committee recommends that the government reinstate Commonwealth funding for Reconnect Australia immediately.**

## **Recommendation 5**

**4.35 The committee recommends the government keep the promise made to the Australian public not to cut education funding.**

## **Recommendation 6**

**4.42 The committee recommends the government abandons plans to deregulate fees in the higher education sector.**

## **Recommendation 7**

**4.43 The committee recommends the government maintain HELP debt repayment arrangements and assistance for disadvantaged and low SES groups.**

## **Recommendation 8**

**4.46 The committee recommends the government restore funding cuts in the 2014-15 Budget to the VET sector.**

## **Recommendation 9**

**4.50 The committee recommends the government restore the funding cuts to school funding**





# Chapter 1

## Introduction

### Establishment of the Select Committee

1.1 On 25 June 2014, the Senate resolved to establish the Select Committee into the Abbott Government's Budget Cuts. The committee was established to inquire into the effect of cuts or changes in the Commonwealth budget and provide a final report to the Senate on or before 20 June 2016, with particular reference to:

- a) any reductions in access to services provided by the Commonwealth;
- b) the provision of other services, programs or benefits provided by the Government affected by the budget;
- c) Commonwealth – state relations and the impact of decreased Commonwealth investment on service delivery by the states;
- d) the fairness and efficiency of revenue raising;
- e) the structural budget balance over the forward estimates and the next 10 years;
- f) the reduced investment in scientific research and infrastructure and its impact on future productivity;
- g) public sector job cuts;
- h) the impact of the budget on retirement incomes and pensions;
- i) intergenerational mobility;
- j) the impact of the budget on young people and students;
- k) the impact of the budget on households; and
- l) other matters the committee considers relevant.<sup>1</sup>

### Background

1.2 The government delivered the 2014-15 Federal Budget (the budget) on 13 May 2014. Since that time the government has struggled to win support for many of its key budget measures from the Australian people and non-government parties due to their inherent unfairness.

1.3 Distributional analysis prepared by Treasury and released under Freedom of Information,<sup>2</sup> has clearly showed the fundamental unfairness of the budget with the proposed spending cuts affecting lower income households much more than wealthier

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1 *Journals of the Senate No. 36—25 June 2014*, pp 1000-1001.

2 Final distributional analysis for 2014-15 Budget, at [www.treasury.gov.au/Access-to-Information/DisclosureLog/2014/1510](http://www.treasury.gov.au/Access-to-Information/DisclosureLog/2014/1510) (accessed 17 November 2014).

ones.<sup>3</sup> The figure below, derived from the Treasury modelling shows that the budget will affect poorer households more than wealthier ones.

Figure 1: What families will lose per year in disposable income (earnings after tax and government payments) due to the budget

Lower income	\$844
Middle-income	\$492
Higher-income	\$517

1.4 Professor Emeritus Frank Stilwell referred to the Treasury modelling estimates figures above, indicating the widespread opposition to the budget is not surprising:

The predictable concerns of those most directly affected by the austerity measures that the Treasurer announced have been swelled by other expressions of broad social concern about unfairness. Even people who emerge relative[ly] unscathed from the tax and spending changes seem to sense that it runs counter to social concerns with equality and social cohesion. It is perceived as violating the cherished Australian ethos of 'the fair go'.<sup>4</sup>

1.5 The committee believes that this unfair budget, which penalises and targets those who are already marginalised, warrants further scrutiny to ensure those who are vulnerable are adequately protected.

### **Conduct of the inquiry**

1.6 Details of the inquiry were placed on the committee's website. The committee also directly contacted a number of relevant organisations and individuals to invite them to make submissions by 22 August 2014. Submissions received by the committee are listed at Appendix 1.

1.7 The committee held a public hearing in Canberra on 16 October 2014, focussed on the effect of budget cuts on young Australians. The committee held a second hearing in Melbourne on 13 November 2014, which concentrated on transport and infrastructure issues. A third hearing in Canberra on 25 November 2014 took evidence from Reclink Australia. On 12 December 2014 the committee held a further hearing in Canberra to take evidence about cuts in funding to the ABC and SBS.

1.8 A list of witnesses who gave evidence to the committee at these public hearings is provided at Appendix 2. The Hansard transcripts of evidence may be accessed through the committee's website: [www.aph.gov.au/senate\\_fpa](http://www.aph.gov.au/senate_fpa).

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3 Tom, Allard and Peter Martin, 'Budget cuts hit lowest-income earners hardest, says Treasury', *Sydney Morning Herald*, 3 August 2014, p. 4.

4 Professor Emeritus Frank Stilwell, *Submission 3*, pp 1-2.

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1.9 The committee intends to examine areas of concern in the government's budget cuts over the course of this inquiry. However, the committee decided that this first interim report will concentrate on the effect of the budget on young Australians, particularly as budget cuts have resulted in the defunding of organisations such as Youth Connections and RecLink Australia, with Youth Connections ceasing operations on 31 December 2014.

1.10 This report will discuss the following issues:

- changes to Newstart allowances, including the raising of the eligibility age from 22 to 24 and introducing a six-month waiting period for new claimants before they receive benefits;
- the cessation of funding for important programs such as Youth Connections and RecLink Australia; and
- the deregulation of Australia's higher education system and funding cuts for schools and the vocational education and training (VET) sector.

### **Acknowledgements**

1.11 The committee thanks all those who made submissions and appeared at hearings, particularly recognising the contribution made by organisations with constrained resources due to budget cuts.



# Chapter 2

## Government changes to Newstart

2.1 The committee is concerned that certain measures in the 2014-15 Budget (the budget) will affect young Australian jobseekers. These measures include changes to the Newstart Allowance, which supports jobseekers while they are looking for work:

- from 1 January 2015, increasing the age of eligibility for claiming the Newstart Allowance<sup>1</sup> from 22 to 24 years of age; and
- introducing a six-month waiting period before payment commences for new claimants of Newstart and the Youth Allowance,<sup>2</sup> unless exemption criteria are met.

2.2 The committee received evidence suggesting these measures will seriously affect young jobseekers by increasing disadvantage, particularly among already marginalised groups, which will put many at risk of poverty and homelessness.

### Changes to Newstart in the budget

2.3 According to the government, the rationale for lifting the Newstart eligibility age is to 'strengthen the incentive for young unemployed people to participate in education, training and employment'<sup>3</sup>, as jobseekers between the ages of 22 and 24 will be placed on Youth Allowance, which has a much lower payment rate than Newstart.<sup>4</sup>

2.4 The budget also contains provisions to introduce a six-month waiting period for Newstart payments for all new claimants under 30 years of age:

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1 Newstart Allowance is: Financial assistance while an individual seeks employment. Eligibility: aged 22 years or more but under Age Pension age; looking for paid work; prepared to meet the activity test while looking for work; and meet an income and assets test. Fortnightly payments currently range from \$515.60 for a single to \$720.30 for a single principle carer granted activity test exemption. See [www.humanservices.gov.au/customer/services/centrelink/newstart-allowance](http://www.humanservices.gov.au/customer/services/centrelink/newstart-allowance) (accessed 27 November 2014)

2 Youth Allowance is: Financial help for people aged 16 to 24 years who are studying full-time, undertaking a full-time Australian Apprenticeship, training, looking for work or sick. Eligibility: 16 to 21 years old and looking for full time work or undertaking approved activities; 18 to 24 years old and studying full time; 16 or 17 years old and have completed year 12 or equivalent, or undertaking full time secondary study and need to live away from home in order to study, or are considered independent for Youth Allowance; or 16 to 24 years old and undertaking a full-time Australian Apprenticeship. Fortnightly payments range from \$226.80 for a single under 18 living at home to \$720.30 for a single job seeker principle carer granted an activity test exemption. See [www.humanservices.gov.au/customer/services/centrelink/youth-allowance](http://www.humanservices.gov.au/customer/services/centrelink/youth-allowance) (accessed 27 November 2014)

3 *Budget 2014-15: Budget Paper No. 2: Expense Measures*, p. 203.

4 *Budget 2014-15: Budget Paper No. 2: Expense Measures*, p. 203.

From 1 January 2015, all new claimants of Newstart Allowance and Youth Allowance (Other) who are under 30 years of age must demonstrate appropriate job search and participation in employment services support for six months before receiving payments. Prior workforce participation may reduce the waiting period. After six months, claimants will be required to participate in 25 hours per week Work for the Dole to receive income support, and following this may continue to access employment services for a further six month period, including access to a wage subsidy in lieu of income support.<sup>5</sup>

2.5 Some exemptions will apply. New claimants will have one month discounted for every year of full time work, or pro-rata for part-time work, up to a maximum of five months.<sup>6</sup> There are also exemptions for individuals who only have a partial capacity for work, those who are the principal carer of a child or part-time apprentices. Exemptions will also apply to job seekers assessed as having relatively significant or severe barriers to employment by Disability Employment Services (DES) or Job Services Australia (JSA).<sup>7</sup>

2.6 The government claims lifting the eligibility age for Newstart will achieve savings of \$508.1 million over five years and that the six-month waiting period for Newstart will save a further \$1.2 billion over the forward estimates.<sup>8</sup>

### **Criticisms of the government's changes to Newstart**

2.7 Grave concerns about these measures were raised by a number of organisations, who told the committee these changes would increase unemployment and poverty among young people, that the policies are based on false assumptions about the job market and jobseekers, and that changes to Newstart would lead to increased costs for the Commonwealth over the long term.

#### ***Inadequacy of Newstart***

2.8 The Grattan Institute pointed out that there was already a consensus among welfare groups, economists and the business sector that Newstart payments are too low to provide an adequate minimum standard of living.<sup>9</sup>

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5 *Budget 2014-15: Budget Paper No. 2: Expense Measures*, p. 210.

6 *Budget Fact Sheet : Working Age Payments*, available from [www.dss.gov.au/about-the-department/publications-articles/corporate-publications/budget-and-additional-estimates-statements/2014-15-budget/budget-fact-sheet-working-age-payments](http://www.dss.gov.au/about-the-department/publications-articles/corporate-publications/budget-and-additional-estimates-statements/2014-15-budget/budget-fact-sheet-working-age-payments) (accessed 10 November 2014)

7 These assessments are categorised as Stream 3 (relatively significant barriers) or Stream 4 (severe barriers) by DES and JSA providers. See Department of Employment, 'Job Services Australia eligibility and how to register' at <https://employment.gov.au/job-services-australia-eligibility-and-how-register> (accessed 17 November 2014).

8 *Budget 2014-15: Budget Paper No. 2: Expense Measures*, p. 210.

9 *Submission 44*, p. 10.

2.9 This was supported by Dr John Falzon, Chief Executive Officer, St Vincent de Paul, who told the committee that current rates of Newstart are already 'unconscionably low'.<sup>10</sup>

2.10 The Grattan Institute explained that the low Newstart rate is a potential barrier to employment as 'low payments erode the capacity of individuals to present themselves well or to maintain their readiness for work'.<sup>11</sup> Youth Connections also emphasised that young people deprived of income support will find it difficult to cover the basic costs of applying for jobs.<sup>12</sup>

***Young people with no family support have not been adequately considered***

2.11 In addition to the low payment of Newstart acting as a barrier to young people finding employment, the Grattan Institute also noted the deleterious effects of young people being left without a source of income for long periods, especially those who have no support or family network to draw on:

Budget measures that in effect cut Newstart payments by up to 50 per cent over the course of the year will increase youth poverty and barriers to workforce entry. Young jobseekers are likely to find it very difficult to maintain a minimum standard of living without family support. However, young people from families that are less well-off are less likely to be supported by their parents with housing and finance. Further, the mechanism for reducing Newstart payments – cycling between periods of payment and non-payment – will reduce the likelihood of young people being able to secure permanent housing, compounding barriers to job search.<sup>13</sup>

2.12 Youth Connections indicated it did not believe the Federal Government had given consideration to how a young person without family assistance would support themselves during non-payment periods:

The assumption that young people will be supported by family until they transition into employment is a fallacy...For many young people, living in the family unit is not safe or possible. Issues such as family violence, systemic family dysfunction, re-partnering of parent or relocation of parent often leaves young people instable and negotiating the housing market independently.<sup>14</sup>

2.13 Mr Kunal Luthra, Vice President External, Australian Medical Students Association, cautioned the committee that changes to Newstart could leave many new graduates without any support whatsoever:

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10 *Committee Hansard*, 16 October 2014, p. 44.

11 *Submission 44*, p. 10.

12 *Submission 7*, pp 3-4.

13 *Submission 44*, p. 10.

14 *Submission 7*, p. 3.

Throughout the year we have spoken to many, many students on the ground and consistently what they have said is that they are really quite horrified at the prospect of graduating university and not being able to find work despite their best efforts and being left with no support. Often these students cannot rely on their families either because those families choose not to or do not have the capacity to support them. These students are very concerned that if the changes to Newstart manage to go through that will leave them in a really dire state.<sup>15</sup>

### ***There are not enough jobs for young jobseekers***

2.14 Witnesses told the committee that the government's adjustments to Newstart were founded on false assumptions. For example, Mr Dave Oliver, Secretary, Australian Council of Trade Unions, suggested the six-month waiting period for Newstart payments was based on a false understanding there are plenty of jobs for young Australians:

The budget included a so-called earn-or-learn policy which means job seekers aged 29 or younger will be denied income support for up to six months at a time. The assumption behind this seems to be that there are plenty of jobs for younger workers and all they need to do is be forced to take them. We know that is not true. There are currently almost 800,000 unemployed Australians. Youth unemployment is 13.2 per cent yet there are only 150,000 jobs vacancies—800,000 does not go into 150,000. The vast majority of unemployed people are out of work because employment is not available. The government's response will only force these people further into poverty.<sup>16</sup>

2.15 This position was supported by the Grattan Institute, which highlighted the difficult employment market for young people:

...incentive measures can only improve youth employment outcomes where there are jobs available. Youth unemployment rates are more sensitive to business cycle conditions than the adult unemployment rate. The principle cause of the decline in youth employment rates since 2008 has been the slowdown in hiring because of the economic downturn – a factor clearly outside of the control of young job seekers.<sup>17</sup>

### ***The government should be supporting jobseekers more***

2.16 Ms Jenny Lambert, Director, Employment, Education and Training, Australian Chamber of Commerce and Industry (ACCI), told the committee the

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15 *Committee Hansard*, 16 October 2014, p. 49.

16 *Committee Hansard*, 16 October 2014, p. 59. See ABS, 6202.0 – Labour Force, Australia, October 2013; ABS, 6105.0, Australian labour market statistics, July 2014; and ABS, 6354.0, Job Vacancies, August 2014 which show an unemployment rate at 6.2 per cent and youth unemployment at 13.1 per cent in Sept 2013. In Sept 2014 around 745, 500 Australians were looking for work in a period when only 137, 122 jobs were advertised.

17 *Submission 44*, p. 10.



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government was concentrating too heavily on punitive measures rather than assisting young people to find employment:

We say the focus should not be on the six months; the focus should be on the job. The focus of the whole system has to be on what employment strategy is in place and what is going to lead to a job, because it will only be a six months wait if there is no job. The assumption that the wait is going to be six months long is an assumption that we have not got the settings right to get that person into work.<sup>18</sup>

2.17 The ACTU agreed with this perspective. Mr Dave Oliver, ACTU, told the committee that, alongside cuts, the budget has:

...at a time when unemployment is at its highest levels in a decade, it has done nothing to promote jobs and training opportunities.<sup>19</sup>

***Newstart adjustments will be counterproductive over the long term***

2.18 The goal of the government's changes to the Newstart Allowance is saving money in the short term. However, the committee heard these changes will cost the government more over the longer term, as they will result in greater unemployment, disadvantage and disengagement among young people.

2.19 Dr Falzon, St Vincent de Paul, told the committee the budget measures relating to Newstart would increase levels of unemployment and disengagement:

...the reality is that, if we acquiesce to an Australia that is quite comfortable with lowering the level of social expenditure and increasing the burden on the poor, we will see greater social unrest and even higher levels of unemployment. This absurd notion that, by reducing the level of income support, you increase the incentive for people to get job flies in the face of all evidence....we will actually see increased levels of unemployment, of disengagement, of exclusion, of alienation and of disorientation.<sup>20</sup>

2.20 The Grattan Institute supported the view the Newstart adjustments outlined in the budget would entrench youth unemployment, which 'would result in negative consequences for the budget over the long term – reducing the tax base and increasing the costs of welfare and support payments'.<sup>21</sup>

***Newstart changes may increase risk-taking activities***

2.21 Representatives of Youth Connections Anglicare told the committee that tighter conditions for Newstart eligibility may mean young people will look for ways to make ends meet that are dangerous or illegal. Ms Shyanne Watson, Coordinator, Youth Connections Anglicare explained:

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18 *Committee Hansard*, 16 October 2014, p. 67.

19 *Committee Hansard*, 16 October 2014, p. 59.

20 *Committee Hansard*, 16 October 2014, p. 44.

21 *Submission 44*, p. 10.

If [young people without an income] cannot fund themselves to eat, have clothing or engage with the JSA or an employment provider and fit into employment, they are going to look for a different avenue. That different avenue will be crime....<sup>22</sup>

2.22 Ms Jennifer Kitchin, Director, Community Services ACT, Youth Connections Anglicare, highlighted a further risk for young people left without an income:

....The other thing, unpleasant as it is, is prostitution. We are really concerned about some of our young women, in particular. Some of those young women have been involved in that activity before, and we have worked with them to come out of that. It would be very easy for them to slip back into that.<sup>23</sup>

2.23 Dr Falzon, St Vincent de Paul, also expressed concern that young people denied Newstart payments may turn to already overburdened charities or risky behaviours so they could make ends meet:

You do not help young people into jobs by making them live on fresh air and sunshine for six months of every year, forcing them to rely on charity or to survive through crime. It is not charity that they should have to depend on; it is justice they should be able to count on.<sup>24</sup>

### **Committee View**

2.24 The committee considers the proposed changes to Newstart in the budget take a very short term approach aimed solely at saving money. In a rush for savings the government has not considered how these changes would affect the most vulnerable in the community.

2.25 The committee recognises that many young jobseekers who are made to wait six months to access Newstart will have very limited options or support available to them. Some will be able to rely on financial support or accommodation from their families. However, many will not be so fortunate. With no source of income for extended periods, those already disadvantaged will be at increased risk of poverty or homelessness.

2.26 Some will be able to access support from the charities and welfare sector. However, it is clear that this sector is already overstretched, and so many deserving people may be turned away. In a worst case scenario, the committee is concerned that, to make ends meet, some may turn to dangerous and/or illegal activities.

2.27 In addition, the committee believes these policy changes are based on false assumptions about young jobseekers, employment and the current health of the jobs market. The government seems to believe that young Australians do not wish to work - that all they need to gain employment is the threat of having a safety net denied to them. These measures show the government would prefer to punish young job seekers

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22 *Committee Hansard*, 16 October 2014, p. 14.

23 *Committee Hansard*, 16 October 2014, p. 14.

24 *Committee Hansard*, 16 October 2014, p. 43.

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for not being in work rather than put in place policies to help them to find employment.

2.28 The committee understands that the labour market is not strong, particularly for the young, so it is unrealistic to expect jobseekers to be able to find employment easily. Even the government's own analysis suggests the labour market is currently subject to 'weak employment growth, a falling participation rate and a rising unemployment rate'.<sup>25</sup>

2.29 Given the sole aim of the government appears to be finding savings, it is incongruous that the government fails to recognise that these changes will actually increase levels of disengagement and unemployment which will increase government expenditure on welfare, healthcare and social services over the long term.

2.30 It is profoundly disappointing the budget lacks sufficient provisions designed to genuinely support jobseekers to access training or find employment. The committee is dismayed by cuts to programs that successfully engage young Australians in educational and employment opportunities, notably the Youth Connections and RecLink Australia programs, and this will be discussed in the following chapter.

### **Recommendation 1**

**2.31 The committee recommends that the government maintains the age of eligibility for Newstart at 22 years of age.**

### **Recommendation 2**

**2.32 The committee recommends that the government abandons the 2014-15 Budget measure providing for a six-month waiting period for Newstart payments for new claimants.**

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25 2014-15 Budget, *Budget strategy and outlook: Budget paper no. 1: 2014-15*, pp 2–3.



## Chapter 3

### The Abbott Government's cuts to funding for Youth Connections and Reclink Australia

3.1 This chapter investigates the likely outcomes of the government's decision to cease funding to two organisations recognised for their success in assisting young disadvantaged Australians who have disengaged or are at risk of disengaging from education, training, employment and the community. These organisations are:

- Youth Connections, an organisation that plays an invaluable role in helping disengaged young people access education and employment opportunities; and
- Reclink Australia Limited (Reclink), a non-profit organisation promoting sport and art programs for people experiencing disadvantage.

#### Youth Connections

3.2 Youth Connections is a national network of community-based organisations assisting young people, who are at risk of 'falling through the cracks', to maintain or renew their engagement in education, training and employment. It has 65 providers nationally, and is currently delivered in 113 regions across Australia in every state and territory.<sup>1</sup>

3.3 Youth Connections summarised the scope and substance of its work:

The Youth Connections program generally assists young people aged 13-19 who are disengaged and inactive to reconnect to education, further training or in some instances, employment. Service delivery is characterised as youth focused, individualised intensive case management. Nationally, 30,000 young people are assisted annually in metropolitan, regional and remote Australia. Approximately 20% of the client case load identify as Indigenous.<sup>2</sup>

3.4 Specifically, Youth Connections provides tailored case management for young people who access their services, which takes into account their individual vulnerabilities and barriers to accessing education or employment opportunities. These barriers can include mental health problems, caring responsibilities, homelessness, drug and alcohol abuse, and the breakdown of family relationships.<sup>3</sup>

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1 *Submission 7*, p. 1.

2 *Submission 7*, p. 1.

3 Ms Shyanne Watson, Coordinator, Youth and Educational Support Services Canberra, Youth Connections Anglicare, *Committee Hansard*, 16 October 2014, p. 10, p.12.

### **Commonwealth funding for Youth Connections**

3.5 The cost to the Commonwealth of the national Youth Connections program is around \$80 million a year, which breaks down to \$2,000 to \$4,000 for every participant, depending on their location and individual needs.<sup>4</sup>

3.6 Government funding for Youth Connections will cease on 31 December 2014. Youth Connections submitted this will mean that from 1 January 2015, there will be no Federal Government assistance for disengaged young people looking to reconnect to education or training.<sup>5</sup>

### **The strengths of Youth Connections**

3.7 Every year, Youth Connections assists around 30,000 young Australians who are at risk of disengaging from education, training or employment. Ms Jennifer Kitchin, Director, Community Services ACT, Youth Connections Anglicare, told the committee the program was very successful:

The success outcomes for this program are significant. Six months after leaving this program, an average of 93 per cent of young people are still engaged in some kind of training, education or employment, and, after two years, [the figure is] 89 per cent.<sup>6</sup>

3.8 Other organisations also spoke very favourably about the importance of maintaining funding for Youth Connections. For example, Dr Cassandra Goldie, Chief Executive Officer, Australian Council of Social Service (ACOSS), told the committee:

If we as a country were ever to be true to the idea of developing policy based on evidence, the Youth Connections program—which supports vulnerable young people transitioning out of school into the workplace—has been a stunning success.<sup>7</sup>

3.9 This point was also emphasised by Dr John Falzon, Chief Executive Officer, St Vincent de Paul Society, who suggested Youth Connections is:

...a really fine exemplar of a very intelligent and innovative model. Some might describe it as labour intensive and resource intensive in one sense, but we are not really talking big bucks in the scheme of things. We are talking about a fairly modest investment with enormously satisfying returns...It is not rocket science to work out that if a program works like that it should not only be maintained but should be expanded.<sup>8</sup>

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4 Ms Jennifer Kitchin, Director, Community Services ACT, Youth Connections Anglicare, *Committee Hansard*, 16 October 2014, p. 10; Youth Connections is funded through the Commonwealth Department of Education, see Youth Connections, *Submission 7*, p. 1.

5 Youth Connections, *Submission 7*, p. 1.

6 *Committee Hansard*, 16 October 2014, p. 10

7 *Committee Hansard*, 16 October 2014, p. 2.

8 *Committee Hansard*, 16 October 2014, p. 44.

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## A unique service

3.10 Ms Kitchin, Youth Connections Anglicare, told the committee she was very concerned there was no service provider who could provide similar services to Youth Connections after its funding ceases on 31 December 2014:

There are 30,000 young people across the country who are affected by this closure... [who] are often very disadvantaged young people. Our long-term concerns around this program going is that we are not seeing any reciprocal state initiatives picking up on this group of young people, and the result will be that they will drift into unemployment and their future options will be severely limited.<sup>9</sup>

3.11 Most young Australians transition between school and employment around the age of 18, a process that is supported by the Job Service Australia (JSA) system. Indications from the government suggest the JSA system may be expected to take on part of the role currently undertaken by Youth Connections under its new model, which will be implemented on 1 July 2015.<sup>10</sup>

3.12 However, Ms Shyanne Watson, Youth Connections Anglicare, highlighted that JSA networks did not currently have the same skills as Youth Connections providers and its case managers already had far heavier caseloads than their Youth Connection counterparts:

Looking at job service providers and understanding their case load, they are not youth workers, they are case managers. The skill set is very, very different and their case load is anywhere up to 150 on average and then rising [rather than the 20-30 for Youth Connections case managers].<sup>11</sup>

3.13 Moreover, Ms Watson made it clear that JSA does not see young people who are not of a legal working age, and so cannot help young people aged 12 to 16 who have disengaged from education and are not yet old enough to enter employment:

We believe, generally, if Youth Connections is not there and another service does not have the capacity to pick those 12-, 13-, 14-, 15-, 16-year-olds up, that they will totally disengage.<sup>12</sup>

3.14 This was recognised by a Jobs Australia report of January 2014, which stated that Youth Connections should be maintained as it complemented the current JSA system:

While JSA providers have some flexibility to refer the most disengaged [early school leavers] to activities that focus on engagement, personal development and foundation skills, they will often make a referral to Youth

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9 *Committee Hansard*, 16 October 2014, p. 10

10 Senator the Hon Eric Abetz, Minister for Employment and the Hon Luke Hartsuyker MP, Assistant Minister for Employment, Joint press release 'New Employment Services model to drive stronger job outcomes' 28 July 2014.

11 *Committee Hansard*, 16 October 2014, p. 12.

12 *Committee Hansard*, 16 October 2014, p. 12.

Connections, which specialise in helping young people to re-engage in their communities and reconnect with education and training. JSA providers value Youth Connections as a service because it is able to offer something they can't: a relationship-based and youth culture-oriented approach to engaging, developing and supporting young people, encompassing a broad range of activities.<sup>13</sup>

3.15 In addition, Mr Angelo Gavrielatos, Federal President, Australian Education Union, was fearful that the Commonwealth could expect schools and teachers to pick up work currently undertaken by Youth Connections:

If governments have an expectation that schools and teachers will just keep on picking up and delivering services that have been cut by governments, then that is absurd. The question that governments need to be asked is: do you want teachers to teach or not? There is no doubt that, if attention was being directed to [cover the cessation of programs like Youth Connections], we would hear within a nanosecond some more teacher bashing about teachers not teaching kids.<sup>14</sup>

3.16 The Victorian Council of Social Services also questioned the ability of other services to undertake this targeted work:

Work for the dole has been a spectacularly unsuccessful program at getting people into work and keeping them there. In 2011 Work for dole had a 22 per cent success rate in keeping young people in work or study after 6 months. By contrast, the recently defunded Youth Connections program had a 94 per cent success rate keeping people engaged after 6 months.<sup>15</sup>

### **Remlink Australia**

3.17 Remlink Australia is a not-for-profit organisation which aims to enhance the lives of people experiencing disadvantage or facing significant barriers to participation, through providing new and unique sports and arts opportunities and specialist recreation programs. It assists some of the community's most vulnerable people:

Typically Remlink program participants report social isolation, drug addiction, mental health issues including schizophrenia and depression, lack of independence, problems with the law including incarceration and repeat offending, sexual abuse or rape, homelessness, unsatisfactory living arrangements (both quality of accommodation and social or familial interactions), and broken relationships as their areas of disadvantage.<sup>16</sup>

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13 Jobs Australia, *Jobs Australia Policy on Youth Transitions*, January 2014, p. 3.

14 *Committee Hansard*, 16 October 2014, p. 35.

15 Victorian Council of Social Services, 'Federal plans for unemployed unlikely to help', Media Release, 7 October 2014.

16 *Submission 50*, p. 3.



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3.18 Mr Rod Butterss, Director, Reclink Australia described his first day on the ground with Reclink when he saw the effect the organisation can have on disadvantaged individuals:

I had grown up in a middle-class environment and had never seen firsthand the effects of disadvantage, but I saw it [at the grand final series run by RecLink in Melbourne]. I also saw what Reclink did for these people. I saw people who were homeless, disadvantaged, underprivileged, alcoholics and prostitutes playing together in games of AFL in that particular instance. I saw people laughing, and I had it pointed out to me that some of these people were living rough and had not had communication with another person for, in some cases, weeks. You could see them laughing and you could see them just getting a flicker of self-esteem. That, for me, was enough to embed myself emotionally within the organisation, because it just does such amazingly good work.<sup>17</sup>

3.19 Mr Peter Cullen, Founder, Reclink Australia described the unique Reclink model:

The way this is done is through a simple but unique model. What I did and other[s] recognised was that, in doing street outreach in St Kilda and seeing people living destructive lives—you see ambulances being called people who overdose and suicide as common conversations in that community, particularly at that time—was that you could think how to respond to this and what these people actually do with the day that gives purpose and structure. We found that people need something they can immediately get involved in. The lack of purposeful involvement—or some involvement—means is actually an achievement in itself to get people involved, and that becomes the starting point for so much else. Beyond the counselling, support and funding that governments give, Reclink brings together all these groups who are funded and supports their work. Before this there was no vehicle in existence. This vehicle comes together through a membership model and through agency membership—there are 380 members presently, and I think we had up to 500 at one point.<sup>18</sup>

3.20 Mr Brian Millett, a participant in the program shared with the committee how the program helped him:

Basically, it is about getting your body moving. A lot of these guys, including me, did nothing for a long time. You just get into the habit of doing nothing, because you are fearful or think 'No-one will like me, anyway'—all that negative thinking that you get when you are inside four walls by yourself, in a boarding house or on the street. So it is about being with people. Just being there, straightaway there is probably a 20 per cent rise in your mental health. It is also about harm minimisation. While they are with Reclink, they are not knocking off [CDs]. That is the bottom line. I used that as a stepping stone, just to stay there so that I could just get myself well slowly. That is how I used it and a lot of people do use it.

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17 *Committee Hansard*, 25 November 2014, p. 2.

18 *Committee Hansard*, 25 November 2014, p. 2.

Wednesday is football and they cannot wait for Wednesday. They belong there; they have a connection there. That is what I needed. I needed that gap filler to get me there. I am now going okay. I am married with a couple of kids. It was a long time ago although, every time I tell that story, I cry. I do not want to, but it is part of my journey. That is the bottom line. It just gets people moving, it gets people going. Then there are offshoots.<sup>19</sup>

3.21 Mr Millett also shared a powerful story from an individual he met which shows how the program can assist people's mental health:

...I was talking to a guy from Western Storm, which is another club. He had a mental illness, mental health issues. Months previously his worker committed suicide through different circumstances. We were just talking about that, just as you do. He said to me, 'I feel like killing myself today.' I sort of looked at him, and he said, 'I knew I had cricket on, so I'm not going to do it today.' I was blown away by that. I could tell my story and, for me, I see it all the time. He had something to look forward to at 11 o'clock. But at eight o'clock in the morning he is probably sitting in a bedsit thinking about how he is going to do it. Then the bus comes, the fellow picks them up, they go to cricket and they feel great after the game.<sup>20</sup>

### **Commonwealth funding for Realink**

3.22 The Commonwealth provided Realink with a specific budget line for funding from 2008-09 to 2012-2013 of \$560,000 a year.<sup>21</sup> Mr John Ballis, Interim Chief Executive Officer, Realink, commented to the committee:

The Realink national program has been in place for the past five years, with an amount of \$560,000 per annum. It was funded as a specific line item in the federal budget. The funding had not been adjusted with CPI wage increases since it was initially provided and, over the five-year period, the capacity of the organisation and the capability of the organisation have been outstanding in terms of scaling up the benefits of the \$560,000.<sup>22</sup>

3.23 Realink's Commonwealth funding ceased on 31 June 2014 and it was not funded in the Abbott government's first budget. Realink has other sources of funding, which will mean some elements of its work will continue, including from state and territory governments, private organisations, and its own fundraising activities. However, Mr Ballis told the committee the loss of federal funding will mean a substantial reduction in their ability to work at the national level:

...because we are a national program, the national funding has been the glue which enables the organisation to scale-up our partnerships with state

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19 *Committee Hansard*, 25 November 2014, p. 6.

20 *Committee Hansard*, 25 November 2014, p. 6.

21 Parliamentary Library, *Budget Review 2008-09*, p. 125.

22 *Committee Hansard*, 25 November 2014, p. 1.

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governments, local government, community agencies, corporates and donors.<sup>23</sup>

### **Reclink's strengths**

3.24 Mr Cullen, Founder, Reclink, told the committee that the program is able to engage people who are difficult to engage through traditional welfare services, making the program:

...extremely important to disadvantaged people right across Australia because of its reach and also its potential reach if it is appropriately supported. As was said before, Reclink is the only organisation in Australia doing what we are doing, so it is quite unique in that structure. We use the word 'disadvantaged' in many communities across Australia, but we are looking at complex disadvantage. We are looking at people who do not frequent regular sporting clubs, so it is unique in the structure in which we are able to reach people. These people have never been reached in this way, because there has never been a structure to reach this group.<sup>24</sup>

3.25 Reclink has a very flexible delivery model, especially as it works with local partners to deliver programs specifically targeting the needs of local communities, which means it has had excellent results in diverse fields. Mr Ballis gave the following examples of successful Reclink programs:

- providing housing for disadvantaged people in the ACT, as well as security and safety programs alongside ACT Justice;
- developing and delivering employment-readiness programs in Queensland;
- partnering with Indigenous communities and organisations to create pathways for people transitioning out of corrective services in the Northern Territory;
- in delivering Certificate IV-level training to disadvantaged people in Victoria alongside training providers;
- introducing the iconic "Choir of Hard Knocks", made up of disadvantaged people from Melbourne, to the Australian psyche via an ABC television series.<sup>25</sup>

3.26 A recently released study by La Trobe University into Reclink's effectiveness over four years described the program as 'a catalyst for a better life for participants', and found it was successful in:

- breaking down the barriers to isolation;
- encouraging self-esteem and self-confidence – reduced stress and anxiety
- improved physical condition – weight loss and increased cardiovascular fitness;

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23 *Committee Hansard*, 25 November 2014, p. 5.

24 *Committee Hansard*, 25 November 2014, p. 2.

25 *Committee Hansard*, 16 October 2014, p. 6.

- acquiring skills, training and pursuing employment opportunities;
- providing a sense of community, greater connection;
- establishing and maintaining friendships; and
- alleviating boredom.<sup>26</sup>

### **A unique service**

3.27 Mr Ballis, Reclink, suggested that Reclink's expertise and long-held relationships meant other organisations would not be able to deliver the same services for disengaged Australians:

When we look at the depth of opportunities and the demonstrated benefits of the program, it is a very unique program particularly across Australia. There are currently no organisations that have the expertise or the demonstrated capability of using sport recreation to engage so many disadvantaged communities across Australia. Our hope and aspiration as an organisation is that the government will see its way clear to reinstate funding and hopefully provide sustainable funding for the program now and into the future.<sup>27</sup>

### **Increased costs for the Commonwealth from cuts to Youth Connections and Reclink Australia**

3.28 The committee heard evidence that cutting funding to Youth Connections and Reclink Australia will lead to increased costs for government in the future.

3.29 Dr John Falzon, St Vincent de Paul, highlighted these increased costs to the Commonwealth:

Every dollar you pull out of a program such as Reclink or Youth Connections—a program that is looking at very professionally and humanely supporting rather than humiliating people—we are going to see increased costs down the line in the criminal justice system, in the social support system, in the health system and so forth.<sup>28</sup>

3.30 Ms Rebekha Sharkie, National Executive Officer, Youth Connections, told a Senate inquiry earlier this year that Youth Connections reduces Commonwealth expenditure on welfare payments:

...if you look at the individual costs to provide [Youth Connections] service, it is between \$2,000 and \$4,000—that is what the department tells us it costs annually to assist a young person. We see that as cost effective

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26 Centre for Sport and Social Impact, La Trobe University, *Impact of Reclink Australia Programs on Participants, National Report* (February 2014). This was provided to the committee as part of Reclink's submission, see *Submission 50*, Attachment 2.

27 *Committee Hansard*, 16 October 2014, p. 2.

28 *Committee Hansard*, 16 October 2014, p. 48.

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compared with around \$20,000 if you are on a Centrelink [Newstart] benefit....<sup>29</sup>

3.31 Ms Kitchin also noted that Youth Connections saved government expenditure on income support for young people:

At the very, very minimum, even just going onto a Centrelink [Youth Allowance] income —\$5,500 a year—would be more than what you would be paying to keep someone in the Youth Connections program. That does not in any way bring in the cost of the mental health services, couch surfing with friends, homelessness services et cetera.... the long-term cost is quite significant.<sup>30</sup>

3.32 Ms Watson highlighted the risks that disengaged youth may face, including increased drug and alcohol abuse, crime or prostitution, and suggested a rise in these social problems may increase Commonwealth expenditure:

Once they have totally disengaged, we know that the modelling shows that those young people generally become engaged in other activities. Those other activities can be risk-taking behaviours where they do not have the skills and they do not necessarily have the cognitive ability to recognise that this is not the right path to be walking down. Unfortunately, we believe that the engagement in care and protection type services in the ACT and community justice services will be much higher.<sup>31</sup>

3.33 Reclink's submission stated its national program was excellent value for money for the government as it could reduce participants' reliance on welfare in the long-term by:

...effectively engag[ing] thousands of disadvantaged people in sport and recreation participation as a pathway to skills development, training and employment opportunities.

3.34 Mr Cullen stressed that Reclink assisted people to take control of their own lives in a way that other welfare models did not:

We believe we found a particular need, something that was actually missing in welfare and not utilised. I think governments, I would assume across the world, almost have to provide a crisis responses. There is a lot in welfare that stops people from drowning but not a lot that helps people to swim. It is movement, activity, involvement and connection. If you can get people

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29 Senate Select Committee into the Abbott Government's Commission of Audit, *Committee Hansard*, 13 March 2014, p. 54. Note: the yearly payment for Newstart for a single with no dependents is around \$13,405, although this does not include rent assistance, about \$3,320 a year at its maximum rate. See Newstart and Rent Assistance rates at [www.humanservices.gov.au/customer/services/centrelink/](http://www.humanservices.gov.au/customer/services/centrelink/) (accessed 17 November 2014).

30 *Committee Hansard*, 16 October 2014, p. 12. Note: the yearly payments for Youth Allowance single, with no children, and living at a parental home are about \$5,896. See Youth Allowance rates at [www.humanservices.gov.au/customer/services/centrelink/](http://www.humanservices.gov.au/customer/services/centrelink/) (accessed 17 November 2014).

31 *Committee Hansard*, 16 October 2014, p. 12.

passionately involved in one thing and they can create belonging in their life, that gives them inner power to be a catalyst to move forward around other opportunities. As simple as it is, it is still a unique program. As a matter of fact, nobody else has picked this area up.<sup>32</sup>

### **Committee View**

3.35 The committee is dismayed the government has decided to cease funding for Youth Connections and Reclink Australia as part of its unfair and economically unsound budget. These decisions will jeopardise the ability of many young Australians to stay engaged in education or find training or work opportunities. It is also likely to lead to many disadvantaged people disengaging from their local community and, over the long term, increase welfare dependency and expenditure for the Commonwealth in other areas such as health and justice.

3.36 The committee notes with concern the results of Mission Australia's Annual Youth Survey which clearly shows that young people, particularly the most disadvantaged, need support with the transition from school to work, school to training or training to work. In this context, the need for a program like Youth Connections was specifically highlighted:

The Youth Connections program, which provides support to around 30,000 disadvantaged young people each year to re-engage with education or employment, has been an important program of support for young people at a difficult time of transition. A program of equivalent scale and purpose is needed to address the persistent high unemployment amongst youth.<sup>33</sup>

3.37 The evidence received by the committee shows that Youth Connections is a very successful program that plays an invaluable role in assisting young people who have disengaged from their education and training.

3.38 The defunding of Youth Connections is profoundly unfair. It will hurt the most vulnerable in our society and increases the risk of them falling into poverty or homelessness.

3.39 The committee strongly agrees with the evidence given by Ms Cassandra Goldie, ACOSS, who stated that:

It is extraordinary to us that any government would simply cease a program which has so obviously provided long-term benefits for young people who are disadvantaged in any labour market environment and at risk of long term unemployment.<sup>34</sup>

3.40 The committee recognises the valuable role played by JSA network services. However, it is clear JSA providers will not be able to provide the services that Youth Connections currently offer. Currently JSA and Youth Connections work in a complementary manner. If the JSA network is expected to pick up the work of Youth

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32 *Committee Hansard*, 25 November 2014, p. 5.

33 Mission Australia, *Youth Survey 2014*, released 1 December 2014, p. 5.

34 *Committee Hansard*, 16 October 2014, p. 2.

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Connections, it is still not clear how it will be restructured and resourced to do this effectively by the government under its new model from 1 July 2015.

3.41 The committee notes that the government has announced the Industry Skills Fund will provide specific funding for pilot programs targeted to youth in regional areas who are disengaged from education, training or employment. While extra assistance for regional youth is welcome, these programs will provide only 10,500 places which is insufficient to address the scale of youth unemployment across the country.<sup>35</sup> In contrast, Youth Connections, is already supporting 30,000 disadvantaged young people each year, it is an established, successful program, reaching more age groups, with trained people and established pathways.

3.42 The committee is particularly concerned about young Australians who are not legally old enough to work, but who have disengaged from their education. Without Youth Connections, these young people, many of whom are in vulnerable situations, will be at serious risk of falling through the cracks and not being able to access any government assistance whatsoever.

3.43 The committee also notes the decision to axe funding for Youth Connections does not make economic sense. The modest Commonwealth expenditure on Youth Connections, under \$80 million a year nationally, saves a far greater sum for government in direct Centrelink income support payments alone.

### **Recommendation 3**

#### **3.44 The committee recommends that the government reinstate funding for Youth Connections immediately.**

3.45 The committee recognises the valuable role played by Reclink Australia in assisting disadvantaged Australians find their way to better health, economic independence and take on productive and leading roles in their local communities.

3.46 It is clear to the committee Reclink Australia is a program that delivers results across the country on an incredibly tight budget. In doing this, it not only assists and inspires many individuals, but also reduces pressure on Commonwealth expenditure in many areas, including the health, mental health, welfare and justice systems.

3.47 It is also apparent no other organisation has the national reach Reclink Australia has developed, as well as the flexible model that allows it to connect with so many diverse communities.

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35 Two pilot schemes will be established: Youth Employment Pathways will assist disengaged youth back into school, vocational education or the workforce. Starting 1 March 2015 it will assist people aged 15 to 18 and 3,000 places will be available. Training for Employment Scholarships will assist employers in regional areas access job specific training for new starters. Starting 1 March 2015, small to medium businesses who hire an employed person aged 18 to 24 will be eligible to receive funding to pay for up to 26 weeks of training. 7,500 scholarships will be available. See [www.vetreform.industry.gov.au/files/ISF%20Youth%20Streams.pdf](http://www.vetreform.industry.gov.au/files/ISF%20Youth%20Streams.pdf) (accessed 1 December 2014).

**Recommendation 4**

**3.48 The committee recommends that the government reinstate Commonwealth funding for ReLink Australia immediately.**



# Chapter 4

## The Abbott Government's cuts to education

4.1 This chapter will examine the Abbott Government's funding cuts to Australia's education system. It will first consider the government's proposed 2014-15 Budget (the budget) measures that would radically reshape the higher education sector into a US-style 'user pays' system. It will then look at the effects of cuts to the funding of schools and the vocational education and training (VET) sectors.

### Higher Education

4.2 The committee heard evidence that changes made to Australia's tertiary education by the budget would have serious negative effects on the quality and accessibility of the higher education system.

4.3 The committee is particularly concerned about the following measures which will be discussed in turn:

- the cuts to direct government grants to universities through the Commonwealth Grant Scheme (CGS);
- the deregulation of university fees, which will drive up prices for students so universities can meet the shortfall of funding from lower CGS amounts;
- reduction of Commonwealth assistance for disadvantaged students; and
- proposed increases to the indexation of Higher Education Loan Program (HELP) loans, which will make fee repayments unaffordable for many, particularly given the larger fees universities are likely to charge following deregulation.

### *Cuts to the Commonwealth Grant Scheme*

4.4 The budget contains measures that substantially reduce the funding for Australian universities, including a 20 per cent cut in the CGS.

4.5 The National Tertiary Education Union (NTEU) suggested that the proposed 20 per cent cut to the CGS will translate to a loss between \$41 million and \$209 million for individual tertiary institutions from 2016 to 2020, which equates to an average 5 per cent cut in total revenue for Australian universities, with many regional and outer metropolitan universities facing cuts of more than eight per cent.<sup>1</sup>

4.6 Mr Paul Kniest, Policy and Research Coordinator, NTEU, emphasised these cuts will affect every Australian tertiary student, particularly those attending regional universities:

Clearly, it is going to be a massive cut. Once the full effects of those cuts flow through, once all the students enrolled are affected by the cuts—there

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1 National Tertiary Education Union research, cited in Senate Education and Employment Legislation Committee, *Report on the Higher Education and Research Reform Amendment Bill 2014 [Provisions]* (October 2014), p. 76.

is going to be a phasing-in period—I think it is going to be over \$2 billion in total. The point about the cuts is that it varies quite considerably between different universities. Universities that are far more reliant on Commonwealth grants, which tend to be the regionals and outer metropolitans, are going to be hit far harder than [those from metropolitan areas].<sup>2</sup>

4.7 Ms Jessica Dean, President, Australian Medical Students Association (AMSA), told the committee that lower funding for certain programs would lead to skills gaps in professions like medicine:

...the 20 per cent cut in base funding is devastating to the medical students of Australia. Medical deans in the base funding review showed that medical education was already underfunded by more than \$20,000 per student per year. The amount that the government contributes to medical education is lower than other OECD countries. Simply, if we want to produce quality doctors in Australia then we need adequate funding.<sup>3</sup>

### ***Deregulation of university fees***

4.8 Currently, the government sets a cap on how much universities are able to charge for tuition fees. The government has proposed deregulating the higher education sector by lifting this cap and allowing universities and other education providers to set their own fees.

4.9 Some universities have already indicated that this will result in a substantial increase of fees,<sup>4</sup> especially to cover the shortfall in CGS funding outlined above. As Mr Kniest, NTEU, outlined to the committee:

The government's 20 per cent cut to funding per student means that, on average, universities will have to increase fees by about 30 per cent just to maintain their existing level of funding. In some cases, fee increases are likely to be well in excess of that 30 per cent. We have absolutely no doubt that the cost of some degrees at some universities will exceed \$100,000 if the fees are deregulated.<sup>5</sup>

4.10 This view was supported by Ms Deanna Taylor, National President, National Union of Students (NUS), who said:

I have heard it said, both by the minister himself and by representatives of private providers, that fees could come down. I see no evidence to suggest that any public or private provider is going to reduce their fees on the basis that in 2004, when fees were partially deregulated, basically every single

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2 *Committee Hansard*, 16 October 2014, p. 21.

3 *Committee Hansard*, 16 October 2014, p. 50.

4 The University of Western Australia confirmed it will charge \$48,000 for a three year undergraduate degree which is up to triple the current fee. See Senator the Hon Kim Carr, 'Major university confirms \$100,000 degrees on the way', Media release, 23 September 2014.

5 *Committee Hansard*, 16 October 2014, p. 18.

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provider and every single university raised their fees to the maximum cap, and that is where they all currently sit.<sup>6</sup>

4.11 Mr Angelo Gavrielatos, Federal President, Australian Education Union (AEU), stated that higher university fees would lead to lower participation rates for disadvantaged and debt-averse groups:

When you cut university budgets by 20 per cent and you uncap fees for one reason and one reason only, and that is to make up for cuts of 20 per cent to the budget, there is plenty of modelling and there are plenty of statements made by vice-chancellors across the country which indicate that fees will go up and in some cases dramatically. Once you increase fees dramatically, it has impacts on access. There are community groups that are debt averse and they will therefore not enrol in universities.<sup>7</sup>

4.12 Mr Kniest, NTEU, highlighted that higher fees would mean less enrolments from certain groups, including women, people from low-socioeconomic (SES) backgrounds, and Aboriginal and Torres Strait Islander Australians:

So the analysis shows that the government's decision to deregulate university fees and the associated debt will impact heavily on all students but, as other modelling has indicated, will impact more severely on women and low-income earners....The other group of people who are going to be severely affected by this are people from low-SES backgrounds, including Aborigines and Torres Strait Islanders.<sup>8</sup>

4.13 Mr Stephen Higgs, Headmaster, Ballarat Grammar, noted that fee increases would deter students from regional areas studying at major universities, which tended to be located in large cities:

Given the accommodation costs involved for country families and their lower financial capacity, the deregulation of fees will shut many students from regional areas out of our major universities.<sup>9</sup>

### ***Reducing assistance to disadvantaged students***

4.14 Mr Kniest, NTEU, told the committee that the government's cuts to programs assisting disadvantaged individuals to undertake tertiary study was inherently unfair and would lead to poorer outcomes:

The budget proposes over \$800 million in cuts to equity funding, including a \$509 million cut to Student Start-Up Scholarships and a \$209 million cut to Relocation Scholarships. Those scholarships will be replaced by a new Commonwealth scholarship scheme. In addition to the fact that the new scholarships will be funded directly from increased student fees—students will be paying for the new scholarships through higher fees—we have done some analysis and we have information that shows that the design of that

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6 *Committee Hansard*, 16 October 2014, p. 51.

7 *Committee Hansard*, 16 October 2014, p. 33.

8 *Committee Hansard*, 16 October 2014, p. 18.

9 *Committee Hansard*, 16 October 2014, p. 38.

system means that universities with the highest number of disadvantaged students will actually be worse off.<sup>10</sup>

4.15 Mr Kunal Luthra, Vice President External, AMSA, stated that, should assistance to disadvantaged individuals were not available, then many would not go to university, as they would be reluctant to take on large debts for their studies. He particularly drew attention to individuals from families where studying at university was not the norm:

We think that, with the higher education reforms, if there is a \$250,000 debt facing you and no-one in your family has ever been to university before, that will be a deterrent.<sup>11</sup>

4.16 Mr Kniest, NTEU, highlighted particular concerns with cuts to programs for Indigenous students:

The other issue that we want to make a point of is that the budget includes over \$500 million of cuts to Aboriginal and Torres Strait Islander funding which covers equity measures such as education, health and legal services. One of the issues that impacts directly on universities, and Aboriginal and Torres Strait Islanders studying at universities, is that the government appears to have decided that it is going to change the way that it administers the Indigenous Tutorial Assistance Scheme for Tertiary Tuition. This is funding that universities get to provide assistance to Aboriginal and Torres Strait Islander students who are struggling to get through.<sup>12</sup>

4.17 The government has proposed a new Commonwealth scholarship program to support the intake of disadvantaged students to universities. However, Mr Higgs, Ballarat Grammar, told the committee not enough was known about these new scholarships, and so his students were uncertain about their future prospects for support:

There is so little known about these Commonwealth scholarships that it is hard to place any confidence in the extent to which they will support our students.<sup>13</sup>

### ***Lowering repayment thresholds and increasing HELP debt indexation***

4.18 The committee heard how the larger fees universities will charge following deregulation will be compounded by changes to the HELP debt repayment arrangements, which will make it more difficult for graduates to pay off loans accrued over the course of their higher education.

4.19 HELP loans are indexed to the Consumer Price Index (CPI), which is currently 2.3 per cent. This means that HELP loans only increase in line with inflation – and not in real terms, no matter how long a graduate takes to pay it off.<sup>14</sup>

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10 *Committee Hansard*, 16 October 2014, p. 17.

11 *Committee Hansard*, 16 October 2014, p. 52.

12 *Committee Hansard*, 16 October 2014, p. 18.

13 *Committee Hansard*, 16 October 2014, p. 40.

4.20 The budget proposed to index HELP loans with the government bond rate, currently 3.55 per cent. Moreover, the budget further proposed that from 2016–7, graduates will start to repay HELP loans when their annual earnings exceed \$50 638 – rather than the current threshold of \$53 345.<sup>15</sup>

4.21 Ms Jenny Lambert, Director, Employment, Education and Training, Australian Chamber of Commerce and Industry (ACCI), informed the committee the government should reconsider lifting the interest rate on HELP loans, as higher rates would particularly hurt graduates with lower salaries:

The really important thing is it can only be up to a certain amount of their salary that they have to pay off the debt, so therefore those that are on low salaries for a long period of time will only have to pay a certain amount, according to their income...That is why the interest rate, for those low-income earners, is so critical, because, if they are taking a long time to pay off the debt, then clearly the interest rate is an issue for them.<sup>16</sup>

4.22 Some witnesses noted the increased cost of repaying HELP loans would particularly affect women, as they are more likely to work in occupations with low incomes, such as nursing and teaching, and often take breaks in their career to raise children.<sup>17</sup> Mr Gavrielatos, AEU, spoke of the effects this would have on many female teachers:

The increased debt rate and the increased interest charged could serve as both a disincentive to going into teaching and it could also discourage people from staying in teaching, given that a teacher's earning capacity is not that of other professions and given that conservative state governments across the country are basically shutting down industrial tribunals and putting a cap on any salary movements for teachers.

On top of that is the added negative impact for gendered professions like teaching where women will be impacted because of breaks in service, and therefore there will be compounding effects of interest rates and, more importantly, an even longer period to repay this debt.<sup>18</sup>

## Vocational Education and Training

4.23 The Parliamentary Library noted that despite the announcement of two new initiatives (discussed below):

...the cost of these measures (\$915.0 million) is more than offset by the cessation of a wide range of programs, resulting in total spending under the

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14 *Budget 2014-15: Budget Paper No. 2: Expense Measures*, p. 77.

15 *Budget 2014-15: Budget Paper No. 2: Expense Measures*, p. 77.

16 *Committee Hansard*, 16 October 2014, p. 67.

17 Ms Deanna Taylor, National President, National Union of Students, *Committee Hansard*, 16 October 2014, p. 49; Ms Jenny Lambert, ACCI, *Committee Hansard*, 16 October 2014, p. 66; Mr Paul Kniest, NTEU, *Committee Hansard*, 16 October 2014, p. 17.

18 *Committee Hansard*, 16 October 2014, p. 33.

Building Skills and Capability Programme being reduced by more than 20 per cent, from \$2.8 billion in 2013–14 to \$2.3 billion for 2014–15.<sup>19</sup>

4.24 The government claims it has replaced many cuts to VET programs by bolstering the Trade Support Loans initiative.<sup>20</sup> However, Mr Lance McCallum, National Policy Officer, Electrical Trades Union of Australia, told the committee Trade Support Loans would not help many apprentices, but would actually place a financial burden upon them at the beginning of their careers:

The government, through its new budget initiative of the Trade Support Loans program, has replaced [the Tools for your Trade] grant with a \$20,000 HECS-style loan for apprentices. We are utterly and fundamentally opposed to the principle of replacing a grant with a loan. We believe it is fundamentally unfair and inequitable policy to place a significant \$20,000 government debt burden on apprentices whose pay is, or could be, well below the minimum wage; it is unreasonable to expect that struggling apprentices could repay a \$20,000 loan and still meet living expenses.<sup>21</sup>

4.25 Other witnesses commented that the government's cuts to VET programs are inconsistent with making benefits such as Newstart contingent upon undertaking 'earning or learning'.<sup>22</sup> Mr Dave Oliver, Secretary, Australian Council of Trade Unions (ACTU), explained to the committee that:

At the same time as the government announces an earn-or-learn policy, the budget cuts are to the very programs that support the capacity of people to do just that.<sup>23</sup>

4.26 Mr Gavrielatos, AEU, also highlighted that this inconsistency was noted in a paper from the Parliamentary Library:

The cutback in training provision and, in particular, the cessation of programs supporting disadvantaged job seekers to enhance their employment prospects, appears to be at odds with other budget initiatives for young people to 'earn or learn'.<sup>24</sup>

4.27 Some witnesses were concerned that further deregulation of the VET sector could encourage unscrupulous providers to exploit the government's requirements for

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19 Carol Ey, 'Support for skills training' in *Budget Review 2014–15* (May 2014), available at [www.aph.gov.au/About\\_Parliament/Parliamentary\\_Departments/Parliamentary\\_Library/pubs/rp/BudgetReview201415](http://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/rp/BudgetReview201415) (accessed 20 November 2014).

20 Trade Support Loans are paid in instalments totalling up to \$20,000 over four years. See [www.australianapprenticeships.gov.au/trade-support-loans](http://www.australianapprenticeships.gov.au/trade-support-loans) (accessed 1 December 2014)

21 *Committee Hansard*, 16 October 2014, p. 60.

22 ACTU, *Submission 18*, pp 26-27; Ms Sobski, WAVE, *Committee Hansard*, 16 October 2014, p. 27; Mr Gavrielatos, AEU, *Committee Hansard*, 16 October 2014, p. 31.

23 *Committee Hansard*, 16 October 2014, p. 59.

24 *Committee Hansard*, 16 October 2014, p. 31. The Parliamentary Library paper referred to is Ms Carol Ey, 'Support for Skills training' in *Budget review 2014-15* (May 2014).

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Newstart recipients to 'earn or learn'. For instance, Mr Kniest, NTEU, told the committee:

...I want to make particular mention of the proposed changes to the Newstart arrangements, where people under 30 will have to wait six months before receiving Newstart. Evidence from the US and the UK indicates that, under those sorts of circumstances, where private for-profit providers have access to public subsidies, they may actually target unemployed youth in that six-month gap, because, if students want to get access to income support through youth allowance or Austudy, they would need to be enrolled in an educational institution. We know that in the UK they are called 'cashpoint colleges', and the massive expansion of student debt and very low completion rates for the most disadvantaged students in the US have been a function of these private for-profit colleges trying to enrol students so that students can get access to Pell Grants, as they are called in the US.<sup>25</sup>

4.28 Mr Oliver, ACTU, also expressed concern that government policies on Newstart eligibility may lead to a:

...proliferation of what can only be described as mickey mouse providers setting themselves up, enlisting people and using taxpayers' money to run their mickey mouse courses where there is nothing at the end of them. So putting in a requirement that people have to go off and learn could see a further explosion in this area, where you will be sending people down a dead end street at much expense to the taxpayer.<sup>26</sup>

## School Funding

4.29 The budget identified \$80.0 billion in savings in school education and hospital expenditure by 2024-25 and it appears that about a third of these savings will be the result of the proposed changes to the indexation arrangements for school funding with about \$6.0 billion less in Australian Government funding for schools in 2024-25.<sup>27</sup>

4.30 Mr Gavrielatos, AEU, told the committee that the budget will cut \$30 billion from schools funding over the next ten years.<sup>28</sup> The cuts will come from both direct expenditure on funding to schools, as well as by reducing the indexation on future payments to schools under the Gonski model.<sup>29</sup>

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25 *Committee Hansard*, 16 October 2014, p. 18.

26 *Committee Hansard*, 16 October 2014, p. 61-62.

27 Australian Government, *Budget 2014-15: overview*, p. 7.

28 *Committee Hansard*, 16 October 2014, p. 31.

29 *Budget 2014-15: Budget Paper No. 2: Expense Measures*, p. 91; 'Christopher Pyne says budget concerns 'entirely a matter for the States'', 7.30 transcript 15 May 2014, available at [www.abc.net.au/7.30/content/2014/s4004718.htm](http://www.abc.net.au/7.30/content/2014/s4004718.htm) (accessed 18 November 2014).

4.31 Dr John Falzon, Chief Executive Officer, St Vincent de Paul Society, told the committee he was dismayed by the severity and unfairness of the Abbott Government's cuts to school funding:

We are dealing with a complete abandonment of the principles that underpin the Gonski reforms, which are all about providing a needs based formula for funding so that disadvantaged Australians do not miss out on high-quality education. But also there is the promise of sustained funding into the future. These are areas of enormous concern for us. The St Vincent de Paul Society believes deeply in education as a means of addressing inequality. It would indeed be a great tragedy if inequality were to be ramped up as a result of those kinds of funding cuts.<sup>30</sup>

4.32 Mr Gavrielatos, AEU, told the committee these cuts would jeopardise the education of many students who come from disadvantaged backgrounds:

...by refusing to commit to the two-thirds of the funding that is in the last two years of [the Gonski] reforms, this government is turning its back on its most disadvantaged students and needier students. As a result of that, up to 20 per cent of schools will not reach the minimum resource standard considered necessary to give every child that opportunity to succeed.<sup>31</sup>

4.33 Mr Gavrielatos made it clear the cuts would widen achievement gaps suffered by disadvantaged, Indigenous and rural groups:

...when I talk about a minimum resource standard I am not talking about swimming pools and tennis courts; I am talking about a minimum resource standard considered necessary for schools to implement the programs that will give kids from disadvantaged backgrounds the opportunities to reach their full potential and in doing so close some of the achievement gaps. The achievement gaps of two or three years between advantaged and disadvantaged students is certainly not a source of pride, or two or three years between Indigenous and non-Indigenous students. And the same can be said for students in urban settings compared with rural settings.<sup>32</sup>

### **Committee view**

4.34 The committee believes the budget cuts to schools, VET and higher education sectors to be a clear breach of the Abbott Government's pre-election commitment that they would make 'no cuts to education'.<sup>33</sup>

### **Recommendation 5**

**4.35 The committee recommends the government keep the promise made to the Australian public not to cut education funding.**

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30 *Committee Hansard*, 16 October 2014, p. 46.

31 *Committee Hansard*, 16 October 2014, p. 32.

32 *Committee Hansard*, 16 October 2014, p. 32.

33 ABC online, 'Tony Abbott promises no cuts to education, health and other areas on the eve of the 2013 federal election' available at [www.abc.net.au/news/2014-05-07/abbott-promises-no-cuts-to-education-health/5436224](http://www.abc.net.au/news/2014-05-07/abbott-promises-no-cuts-to-education-health/5436224) (accessed 19 November 2014).



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### *Higher education*

4.36 The committee is concerned that the government's proposed measures in the area of higher education will lead to a less fair and less accessible higher education system: the 20 per cent average cut in the CGS; the deregulation of university fees; lowering the repayment thresholds and increasing interest rates for HELP loans. These measures must be rejected as they are an affront to the Australian belief of a fair go.

4.37 The deregulation of Australia's universities heralds a US-style user pays model, where \$100,000 degrees will become reality and further education will only be undertaken by the wealthy or by those willing, or able to, take on crippling levels of debt.

4.38 Deregulating fees will drive up the costs of a degree, which would be compounded by the raising of interest rates on government HELP loans for students. These factors would raise the cost of undertaking study to a level that will deter many Australians, particularly those from low-SES or disadvantaged backgrounds, from undertaking further education.

4.39 The government has proposed a new Commonwealth Scholarship Scheme to support the intake of disadvantaged students to universities and improve the equity of the measures. However, the committee was told that not enough was known about these scholarships. In the committee's view these scholarships would seem to confirm the unfairness of the package.<sup>34</sup>

4.40 The committee notes that on 1 December 2014 the government agreed to retain the consumer price index as the interest rate on the Higher Education Contribution Scheme (HECS).<sup>35</sup> The government also agreed to introduce a five-year interest rate pause on education loans for new parents. Further, the government also indicated that other proposals are under consideration, including:

- a targeted university transition fund;
- fee price monitoring by the Australian Consumer and Competition Commission;
- targeting scholarships towards rural and regional students; and

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34 For further detail on the relevant legislation please see the Labor senators' dissenting report for the Higher Education and Research Reform Amendment Bill 2014, Senate Education and Employment Legislation Committee, tabled 28 October 2014, pp 67- 101. See also the Australian Greens dissenting report, pp 103-109.

35 HECS was the higher education loans program until 2005, when it was replaced by the HELP program – though many people still use the older terminology to refer to the current scheme. See Dr Coral Dow and Carol Ey, 'Higher Education Loan Program (HELP): a quick guide' at [www.aph.gov.au/About\\_Parliament/Parliamentary\\_Departments/Parliamentary\\_Library/pubs/rp/rp1415/Quick\\_Guides/HELP](http://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/rp/rp1415/Quick_Guides/HELP) (accessed 4 December 2014).

- an information campaign for students and potential students on how the system works and the value they get from going to university.<sup>36</sup>

4.41 While these changes would be a start, the committee believes they do not go far enough and this was recognised by the Senate when the legislation was voted down on 2 December 2014. The committee notes the government's changes do not indicate recognition of the fundamental unfairness of these measures but an acknowledgement of the political reality of getting enough votes to pass the legislation.

### **Recommendation 6**

**4.42 The committee recommends the government abandons plans to deregulate fees in the higher education sector.**

### **Recommendation 7**

**4.43 The committee recommends the government maintain HELP debt repayment arrangements and assistance for disadvantaged and low SES groups.**

#### ***VET***

4.44 The government's budget cuts will jeopardise the future of many young Australians who want to undertake vocational education or training. The committee believes that replacing a grant with a loan under the Trade Support Loans will place a financial burden on them at the start of their career.

4.45 The committee would also like to record its concern that unscrupulous providers may exploit the 'earn of learn' requirements for Newstart recipients.

### **Recommendation 8**

**4.46 The committee recommends the government restore funding cuts in the 2014-15 Budget to the VET sector.**

#### ***Schools***

4.47 It is clear to the committee that the proposed changes to school funding will jeopardise the future of all young Australians. The Gonski review stressed the need for an equitable school funding system: one that ensures differences in educational outcomes are not the result of differences in wealth, income, power or possessions.

4.48 The Labor government was able to use consensus among stakeholders to implement a national needs based funding model based on the findings of the Gonski review. Despite promises of a 'unity ticket' on education policy, the Abbott government is unravelling Gonski funding arrangements. Although funding for the first four years will remain as set out under the *Australian Education Act 2013*, after 2017 funding will be indexed to just the CPI. By the government's own projections this will result in a \$30 billion cut to the education sector over the medium term. Such

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36 The Hon Christopher Pyne, Minister for Education, 'Government accepts crossbench amendments to higher education reforms', Media release, 1 December 2014; see also the *Mid-Year Financial and Economic Outlook* (MYEFO) (December 2014).

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significant cuts jeopardise the widespread improvements in student outcomes that were to be achieved from a strategically funded needs based model.

4.49 The committee believes the government should be ensuring disadvantaged Australians do not miss out on high-quality education and that funding is sustained into the future.<sup>37</sup>

## **Recommendation 9**

### **4.50 The committee recommends the government restore the funding cuts to school funding**

#### **Conclusion**

4.51 There are many measures contained in this government's harsh and cruel budget which will be reviewed during the life of this committee. This first interim report has focused on the effects of the budget on young people: those needing support to stay in school, undertake training or find employment. It also examined the effect of the cuts to education and training organisations and specifically investigated the likely outcomes from budget cuts to just two organisations assisting the disadvantaged and young people who have disengaged or are at risk of disengagement from education, training, employment and the community.

4.52 The committee is particularly concerned that these budget measures target the most vulnerable in the community and the assistance they need. Young people who are disadvantaged and lack the support of their family will be at risk of poverty and homelessness. The measures proposed show a profound lack of understanding of the circumstances faced by the most vulnerable in the community, as well as a lack of empathy and willingness to support them.

4.53 The community recognised and rejected the inherent unfairness in the government's budget when it was released. Despite recent indications that the government may be willing to back down on some aspects of the most unpopular budget measures, such as the GP co-payment or some of the higher education measures, the committee is mindful that this is not a change of heart but merely recognition of a political reality that they will not get these harsh measures through the Senate.

4.54 Furthermore, for all the rhetoric about fixing the budget and Australia being open for business, the OECD has recently cautioned the Australian economy is at risk due to the budget cuts being made too fast and too deep, given economic uncertainties.<sup>38</sup>

4.55 The committee emphasises that even when looked at in purely economic terms, these measures make no economic sense. The inquiry has revealed these

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37 For further information please see the report of the Senate Select Committee into School Funding, tabled 9 July 2014.

38 OECD, *Australia - Economic forecast summary (November 2014)* at [www.oecd.org/eco/outlook/australia-economic-forecast-summary.htm](http://www.oecd.org/eco/outlook/australia-economic-forecast-summary.htm) (accessed 26 November 2014).

measures will cost the government more over the longer term as vulnerable people lose support and further disengage from education, training and employment, turning to risky and criminal behaviour to make ends meet.

4.56 The committee will continue to examine other measures of concern in the budget to draw attention to its inherent unfairness and its likely effects on the most vulnerable in the community.

**Senator Richard Di Natale**

**Chair**

## Government Senators' dissenting report

1.1 The Government was elected with a clear mandate to repair the budget and place public expenditures on a sustainable footing. The Government remains committed to the crucial task of repairing the unsustainable public spending trajectory inherited from the Labor Government.

1.2 Labor and the Greens want to talk about the effect of the 2014-15 Budget on young people. This dissenting report accordingly has a parallel focus on how the 2014-15 Budget assists younger Australians, by helping them get a start in the workforce and by addressing the debt burden which Labor and the Greens bequeathed to them.

1.3 What they don't wish to talk about is the fact that if public expenditure is not brought under control, future generations will be asked to pay for our current health, education and welfare systems. The Coalition Government believes it is not fair to ask future generations to pay for our debt. Labor and the Greens don't want to recognise the seriousness of the fiscal gap between Commonwealth Government revenues and expenditures, because the structural deficit was chiefly caused by them during their calamitous six year partnership in office from 2007 to 2013.

1.4 Government Senators consider it is time for opposition and crossbench Senators to engage in sensible consultation with the Government to ensure public spending is sustainable and well-targeted into the future.

### Unsustainable funding needs to be addressed

1.5 The legacy of the former Labor Government was six successive deficits, which totalled \$240 billion. Including 2013-14, Labor left the Government with deficits across the forward estimates of \$123 billion to 30 June 2017.<sup>1</sup>

1.6 Mr Henry Ergas the noted economist, recently warned that the 'budget crisis is real, it's serious, and we ignore it at our children's peril', suggesting that:

As well as shifting on to tomorrow's taxpayers the burden of paying for today's benefits, greater debt will limit the borrowing capacity of future Governments, reducing their scope to use fiscal policy to cushion the impact of adverse shocks.

As a result, when an adverse shock comes the cuts will have to be deeper and the hardship more widespread and prolonged. And such shocks are not merely possible; they are probable.<sup>2</sup>

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1 2013-14 Final Budget Outcome, 25 September 2014 available at [www.joehockey.com/media/media-releases/details.aspx?r=422](http://www.joehockey.com/media/media-releases/details.aspx?r=422) (accessed 17 November 2014).

2 Henry Ergas, 'The budget crisis is real, it's serious, and we ignore it at our children's peril', *The Australian* (12 July 2014) at [www.theaustralian.com.au/opinion/columnists/the-budget-crisis-is-real-its-serious-and-we-ignore-it-at-our-childrens-peril/story-fn7078da-1226986129892](http://www.theaustralian.com.au/opinion/columnists/the-budget-crisis-is-real-its-serious-and-we-ignore-it-at-our-childrens-peril/story-fn7078da-1226986129892) (accessed 1 December 2014).

1.7 The unsustainable budget position has been recognised by many key international financial organisations. For instance, the International Monetary Fund warned Australia in February 2014 that Australia was heading toward recording the fastest spending growth in the 17 advanced economies, as well as the third largest increase in net debt as a share of the economy.<sup>3</sup>

1.8 The OECD recently noted that Australia's public debt burden as a share of GDP had risen from 20 per cent to 30 per cent over recent years, commenting that 'Turning this trend around is important for ensuring a substantial fiscal buffer given uncertainties in economic rebalancing and other risks.'<sup>4</sup> A rise of that extent in a relatively short time should be a major cause for concern to all political leaders. It is a sign of a structural flaw in Australia's budget – one that will widen and gather pace unless there is urgent corrective action.

1.9 The greatest risk for young Australians would be if we did not embark on fiscal repair and were left without a fiscal buffer to protect against future economic shocks, as the OECD has called for. Without fiscal headroom, the Commonwealth will not have the capacity to respond to emerging policy pressures and, in the event of any future recession, will be less able to effectively countermand any decline in private economic activity with temporary public economic activity.

1.10 Australia's own independent Parliamentary Budget Office (an institution established by Labor and the Greens under the former Government) supports the OECD analysis, recently warning that the Government must boost productivity and keep its spending in check in the interests of the budget's long-term health:

Continuing efforts to enhance productivity and maintain fiscal discipline will be necessary to ensure the structural soundness of the budget over the medium term and to build a buffer to provide the fiscal space to accommodate unexpected economic shocks and other risks to the budget.<sup>5</sup>

### **The Government's budget is responsible and timely**

1.11 The Government is committed to growing the economy and improving the prosperity of Australians. The 2014-15 Budget marked a responsible and timely change in direction from the Labor-Green approach, to reform unsustainable spending patterns and protect the nation's economy and living standards into the future. The Government will not shirk the tough decisions, particularly some reductions in public spending that will make Government more efficient, effective, and affordable.

1.12 A structural budget problem requires both heavy lifting to control spending, as well as pro-growth policies that will encourage private economic activity to support sustainable revenue growth. The Labor-Green preference for ever higher taxes is one

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3 IM, *IMF Country Report, Australia* (February 2014) at [www.imf.org/external/pubs/ft/scr/2014/cr1451.pdf](http://www.imf.org/external/pubs/ft/scr/2014/cr1451.pdf) (accessed 1 December 2014).

4 OECD, *Economic Outlook (November 2014)*, p. 81 at [www.oecd.org/eco/economicoutlook.htm](http://www.oecd.org/eco/economicoutlook.htm) (accessed 9 December 2014).

5 PBO, *The sensitivity of budget projections to changes in economic parameters: Estimates from 2014–15 to 2024–25* (November 2014), p. ix.

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that would repress growth and, perversely, stymie the long-run prospects of growing the Government's revenue base.

1.13 The Government's approach to getting our finances in order has been applauded by Mr Angel Gurría, Secretary General of the Organisation for Economic Cooperation and Development (OECD). He noted that the Australian Government's budget was a 'sustainable, durable solution' to the problem posed by the current deficit. He spoke particularly favourably about the choice to favour cuts over tax increases:

You [Australia] went for 80 per cent cuts, one-fifth tax increase. We're always saying you should at least keep it balanced, this is a more sustainable, more durable type of solution. Once you cut the expenses it stays low, with taxes there are certain temptations....It also tells the economic agents that in the medium and long term this situation moving into a balanced budget, or somewhat surplus budget, will allow Australia in the presence of growth to reduce its debt-to-GDP ratio.<sup>6</sup>

1.14 In addition, as Dr Martin Parkinson, former Secretary to the Treasury, commented on the need for reform:

It is one thing to argue that reform proposals should be designed with fairness in mind... It is quite another to invoke vague notions of fairness to oppose all reform...Using this kind of concept to defend what is clearly an unsustainable status quo means consigning Australia to a deteriorating future.<sup>7</sup>

### **Making welfare sustainable**

1.15 The Government is committed to making welfare targeted and sustainable, while ensuring Australia continues to support and protect the most vulnerable Australians.

1.16 Australia currently devotes 35 per cent of public expenditure to welfare alone - more than we spend on defence, education or health. Social security and welfare payments have been growing over the last decade to around \$145 billion in 2014-15, so that now around one in five Australians receive income support payments.<sup>8</sup>

1.17 The modest welfare measures proposed in the budget focus on supporting those most in need. The budget balances these changes with creating economic growth and jobs so people don't need to rely on welfare (see below).

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6 Emily Stewart, 'OECD boss praises Australian budget for gradual return to surplus', ABC Online (11 June 2014) at [www.abc.net.au/news/2014-06-10/oecd-boss-praises-australian-budget-for-gradual-return-to-surpl/5512418](http://www.abc.net.au/news/2014-06-10/oecd-boss-praises-australian-budget-for-gradual-return-to-surpl/5512418)

7 Dr Martin Parkinson, 'Challenges and opportunities for Australia over the next decade', Speech to the Association of Mining and Exploration Companies Convention (2 July 2014) at [www.treasury.gov.au/PublicationsAndMedia/Speeches/2014/Challenges-and-opportunities-for-Australia-over-the-next-decade](http://www.treasury.gov.au/PublicationsAndMedia/Speeches/2014/Challenges-and-opportunities-for-Australia-over-the-next-decade) (accessed 1 July 2014).

8 *Commonwealth Budget 2014-15: Budget Overview*, p. 8.

## Assisting Australians who want to work

1.18 The Government is committed to helping Australians find jobs, whether they are unemployed or looking to enter the workforce. The majority report neglected to discuss the Government's programs to help Australians into employment, such as the *Trade Support Loans*, the Industry Support Fund, and a reinvigorated Work for the Dole program.

1.19 The Government is delivering on its commitment to introduce *Trade Support Loans* for apprentices, which will offer loans of up to \$20,000 over the life of an apprenticeship. This will encourage more young people to take up a trade and complete their qualification, and will ease the financial burden of undertaking an apprenticeship.<sup>9</sup>

1.20 For the VET Sector, the Government has made provisions for a \$476 million Industry Skills Fund – Growth Stream Fund which will provide up to 200,000 training places and support services over four years. The Industry Skills Fund will assist industry to invest in training and support services.<sup>10</sup>

1.21 The Industry Skills Program also provides for the new Youth Employment Pathways program, which will be delivered with community organisations, to support disengaged youths to get back into school, transition into the workforce or engage in a VET program.<sup>11</sup>

1.22 The Government has also committed to reinvigorating the Work for the Dole program that helps jobseekers remain active and engaged in the employment market while looking for work. The budget provided \$14.9 million to Work for the Dole, including funding for Work for the Dole Coordinators. The reinvigorated Work for the Dole program will move to a national scheme from 1 July 2015.<sup>12</sup>

## Reforms to higher education

1.23 As part of the budget, the Government announced a fair, balanced and necessary set of reforms to Australia's higher education system. These reforms are designed to give opportunity to more students to study and to ensure Australia's tertiary system delivers an excellent education to local students, while remaining competitive globally.

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9 Australian Apprenticeships, 'Trade Support Loans' at [www.australianapprenticeships.gov.au/trade-support-loans](http://www.australianapprenticeships.gov.au/trade-support-loans) (accessed 3 December 2014).

10 See <http://www.business.gov.au/grants-and-assistance/Industry-Skills-Fund/Pages/ISF-Factsheet.aspx> (accessed 29 January 2015). See also the Hon Ian Macfarlane MP, Minister for Industry and Science, 'Skilling Australia to grow industry', Media Release, 13 May 2014.

11 Department of Industry, 'Industry Skills Fund – youth streams' at [www.vetreform.industry.gov.au/files/ISF%20Youth%20Streams.pdf](http://www.vetreform.industry.gov.au/files/ISF%20Youth%20Streams.pdf) (accessed 3 December 2014).

12 The Hon Luke Hartsuyker MP, Assistant Minister for Employment, 'Work for the Dole Coordinators' Media Release, 19 August 2014 at <https://ministers.employment.gov.au/hartsuyker/work-dole-coordinators> (accessed 9 December 2014).



1.24 The majority report stated the Government's reforms will reduce opportunity for some students from some backgrounds. This is not true, and is part of a shameful scare campaign by the opposition that has no basis in reality.

1.25 Contrary to Labor's assertions, the Government has worked hard to ensure disadvantaged students, including those from rural and regional areas, will benefit from the biggest Commonwealth scholarship scheme in Australia's history.<sup>13</sup>

1.26 For those students who enjoy higher incomes thanks to their education, it is only fair that the HECS system provides a means for them to co-contribute to the costs of their education based on their level of education.

1.27 When in office, Labor was content to cut university funding, but never had a plan that would help grow the sector to enhance its standing as a world class system.

1.28 The Coalition's reforms have garnered support across the higher education sector. Universities Australia said that they offered an 'opportunity for making real, lasting changes that are needed in positioning our universities for the challenges of the future'.<sup>14</sup>

1.29 Mr Mike Gallagher, one of the most experienced education administrators and policy experts in Australia, noted:

The 2014 higher education budget reforms are necessary. They are logical, coherent, sustainable, equitable and inevitable. My guess is that the detractors of microeconomic reform in Australia's higher education industry will find themselves on the wrong side of history in resisting efficiency, improvement and innovation, as they will be in opposing the redistributive measures of the package and, curiously, supporting socially regressive subsidies from general taxpayers to more advantaged segments of the community.<sup>15</sup>

1.30 There has been further notable support for the Government's reform proposals from one of Labor's most experienced figures, former Labor Education Minister and Treasurer, John Dawkins, who has publicly urged Labor to "engage with the Government"<sup>16</sup> and support this sensible reform, instead of "sitting on its hands".<sup>17</sup>

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13 The Hon Christopher Pyne MP, Minister for Education, UWA shows reforms a boost for regional students', Media Release 2 December 2014 at <https://ministers.education.gov.au/pyne/uwa-shows-reforms-boost-regional-students> (accessed 9 December 2014).

14 Universities Australia, 'Senate: approve higher education package with amendments' Media Release (28 August 2014) at [www.universitiesaustralia.edu.au/news/media-releases/Senate--approve-higher-education-package-with-amendments#.VH59g00cRaQ](http://www.universitiesaustralia.edu.au/news/media-releases/Senate--approve-higher-education-package-with-amendments#.VH59g00cRaQ) (accessed 3 December 2014).

15 Mr Mike Gallagher, 'Address to the EduTECH Higher Education Leaders Congress, Brisbane, 4 June 2014' at [https://go8.edu.au/sites/default/files/docs/article/edutech\\_presentation\\_-\\_4\\_june\\_2014-pdf\\_version.pdf](https://go8.edu.au/sites/default/files/docs/article/edutech_presentation_-_4_june_2014-pdf_version.pdf) (accessed 3 December 2014).

16 Kylar Loussikian & Rosie Lewis, 'Dawkins backs uni reforms', *The Australian*, 28 January 2015 (p. 1)

17 'Dawkins blasts reform impasse', *The Australian* (editorial), 29 January 2015 (p. 10)

1.31 The tired rhetoric from Labor and the Greens about ‘free education’ overlooks a simple fact. University education is not ‘free’. It is funded by taxpayers – including taxpayers who themselves have never had the opportunity to attend university.

1.32 As has been recently noted by Ms. Vicki Thomson, Chief Executive of the Group of Eight (representing the nation’s leading research-intensive universities):

“To hear some in political circles extol the virtues of “free” education is to listen to those who have the luxury of never having to deliver any policy or answer for any policy deficiencies. It is populist politics at its worst. Glib uninformed comments have no part in the urgent higher education funding negotiations of 2015.”<sup>18</sup>

1.33 Government Senators note the willingness of the Government to listen to the feedback it has received on budget measures. This has led to further consultation and proposed amendments to the higher education measures, including pausing indexation for new parents and maintaining repayment rates at the CPI rather than the 10-year bond rate. The Government has also announced a \$100 million structural fund for universities, and fee price monitoring by the Australian Competition and Consumer Commission.<sup>19</sup>

1.34 Yet despite the views of those who actually have experience in designing and implementing university funding systems, Labor and Greens Senators have instead chosen to pursue an irresponsible political campaign, based on misinformation.

## **Conclusion**

1.35 Australia has a serious economic challenge that the Government is committed to addressing. If the record deficit, created by the Labor Government is not addressed, we risk the wellbeing of future generations. A failure to deal with this challenge now will ultimately weigh most heavily on younger generations, as they will be the ones left with a crushing debt burden.

1.36 The Government is prepared to take the tough decisions which are necessary to rein in Commonwealth spending without compromising protection for the most vulnerable Australians. This budget sets out an economic agenda that will make our nation strong, prosperous and secure in the future.

1.37 The Government has shown it is willing to listen and engage in consultation to improve the measures put forward in the budget and ultimately put the budget on a sustainable footing.

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18 Vicki Thomson, ‘Free education never existed’, *The Australian*, 29 January 2015 (p. 10)

19 The Hon Christopher Pyne MP, Minister for Education, ‘Government will move amendments to the Higher Education Bill’, Media Release 2 December 2014 at <https://ministers.education.gov.au/pyne/Government-will-move-amendments-higher-education-bill> (accessed 9 December 2014).

Senator Matthew Canavan

Senator James McGrath

Senator Dean Smith



# **APPENDIX 1**

## **Submissions and additional information received by the committee**

### **Submissions**

- 1 Queensland Association of Independent Legal Services
- 2 Mr Chris Hamill
- 3 Mr Frank Stilwell
- 4 Association for Good Government
- 5 Aboriginal Legal Service (NSW/ACT) Limited
- 6 Reconciliation Australia
- 7 Youth Connections National Network
- 8 Australian Medical Students' Association
- 9 Isolated Children's Parents' Association of Australia Inc.
- 10 Australasian Railway Association
- 11 National Aboriginal and Torres Strait Islander Legal Services
- 12 St Vincent de Paul Society
- 13 United Services Union
- 14 Victorian Principals Association
- 15 Federation of Ethnic Communities' Councils of Australia
- 16 National Family Violence Prevention Legal Services
- 17 Australian Parents Council
- 18 Australian Council of Trade Unions
- 19 South West Group
- 20 Australian Manufacturing Workers' Union
- 21 National Association of Community Legal Centres
- 22 Australian National Audit Office
- 23 Equity Practitioners in Higher Education Australasia
- 24 Refugee Council of Australia
- 25 The Australian Psychological Society Limited
- 26 Australian Council of Social Service

- 27 Mr Rodger Gibson
- 28 The Australia Institute
- 29 People for Public Transport
- 30 ABC
- 31 Australian Medical Association
- 32 Queensland Nurses' Union
- 33 Australian Council of State School Organisations
- 34 Community and Public Sector Union
- 35 Australian Nursing and Midwifery Federation
- 36 ACT Government
- 37 Universities Australia
- 38 Australian Education Union
- 39 Australian Nursing and Midwifery Federation
- 40 COTA
- 41 United Voice
- 42 Associate Professor Philip Laird
- 43 Aboriginal Peak Organisations Northern Territory
- 44 Grattan Institute
- 45 South Australian Government
- 46 National Union of Students
- 47 Australian Automobile Association
- 48 Mr Andrew Herington
- 49 Public Transport Users Association
- 50 Reclink Australia
- 51 Free TV Australia
- 52 Save Our SBS Inc
- 53 Mr Quentin Dempster
- 54 National Sea Highway

## **Answers to Questions on Notice**

- 1       Answers to questions taken on notice from Canberra Public hearing, 16 October 2014, provided by the Australian Council of Social Service, received 14 November 2014
- 2       Answers to questions taken on notice from Canberra Public hearing, 16 October 2014, provided by the Australian Education Union, received 14 November 2014
- 3       Answers to questions taken on notice from Canberra Public hearing, 16 October 2014, provided by the Australian Council of Trade Union, received 14 November 2014
- 4       Answers to questions taken on notice from Canberra Public hearing, 16 October 2014, provided by Anglicare NSW South, NSW West and ACT, received 14 November 2014
- 5       Answer to question taken on notice from Canberra Public hearing, 25 November 2014, provided by Reclink Australia, received 9 December 2014





# **APPENDIX 2**

## **Public Hearings**

*Thursday, 16 October 2014*  
*Senate Committee room 2S3*  
*Parliament House, Canberra*

### **Witnesses**

#### **Australian Council of Social Service**

Dr Cassandra Goldie, Chief Executive Officer  
Ms Jacqueline Phillips, Director of Policy

#### **Anglicare ACT Youth Connections**

Ms Jennier Kitchin, Director, Community Services ACT  
Ms Shyanne Watson, Coordinator, Youth and Educational Support Services  
Canberra

#### **National Tertiary Education Union (NTEU)**

Mr Paul Kniest, Policy and Research Coordinator

#### **Women in Adult Vocational Education (WAVE)**

Ms Linda Simon, National Convenor  
Ms Jozefa Sobski, Member

#### **Australian Education Union**

Mr Angelo Gavrielatos, Federal President  
Ms Jennifer Devereaux, Federal Research Officer

#### **Ballarat Grammar**

Mr Stephen Higgs, Headmaster

#### **St Vincent de Paul Society**

Dr John Falzon, Chief Executive Officer

#### **Australian Medical Students' Association**

Ms Jessica Dean, President  
Mr Kunal Luthra, Vice President External

#### **National Union of Students**

Ms Deanna Taylor

#### **Australian Council of Trade Unions**

Mr Dave Oliver, Secretary

Mr Matt Cowgill, Economic Policy Officer  
Ms Pat Forward, ACTU National VET Committee  
Mr Tim Shipstone, Industrial Officer  
Mr Ian Curry, National Coordinator, Skills, Training & Apprenticeships,  
Mr Arthur Rorris, NSW South Coast Labour Council  
Mr Lance McCallum, National Policy Officer, Electrical Trades Union of  
Australia

**Australian Chamber of Commerce and Industry**

Ms Jenny Lambert, Director, Employment, Education and Training  
Mr John Osborn, Director, Economics and Industry Policy

*Thursday, 13 November 2014*  
*Legislative Council Committee Room*  
*Parliament House, Melbourne*

**Witnesses**

**Victorian Local Governance Association**

Councillor Sebastian Klein, President of the Victorian Local Governance Association  
Mr Andrew Hollows, Chief Executive Officer

**Professor Jago Dodson, Professor of Urban Policy, RMIT University**

**Mr William McDougall, Private capacity**

**Eastern Transport Coalition**

Councillor Peter Lockwood, Chair  
Mr Matthew Hanrahan, Manager of Sustainable Infrastructure, Knox City  
Council

**Public Transport Users Association**

Ms Cait Jones, Campaign Director

**Planning Institute Australia**

Mr Brendan Nelson, President Elect, President Elect

**Mr Andrew Herington, Private capacity**

**Professor Peter Newman, Private capacity**

**McKell Institute**

Mr Sam Crosby, Executive Director

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*Tuesday, 25 November 2014*  
*Senate Committee room 2S3*  
*Parliament House, Canberra*

**Witnesses**

**Reclick Australia**

Mr Rod Butterss, Director  
Mr John Ballis, Interim Chief Executive Officer  
Mr Peter Cullen, Founder  
Mr Brian Millett, Participant

*Friday, 12 December 2014*  
*Senate Committee room 2S3*  
*Parliament House, Canberra*

**Witnesses**

**Australian Broadcasting Corporation**

Mr Mark Scott, Managing Director  
Mr Michael Millett, Director, Corporate Affairs  
Mr David Anderson, Director, Corporate Strategy and Planning

**SBS**

Mr Michael Ebeid, Managing Director  
Mr James Taylor, Chief Financial Officer

**Community and Public Sector Union**

Mr Michael Tull, National President  
Ms Sarah Hunt, Lead Organiser for Public Broadcasting (ABC)

**Media, Entertainment and Arts Alliance**

Mr Christopher Warren, Federal Secretary  
Mr Paul Murphy, Director, Media

**Mr Quentin Dempster, Journalist, author and broadcaster**

**Dr Andrew Ford, Radio National broadcaster, writer and composer**

**Department of Communications**

Ms Nerida O'Loughlin, Deputy Secretary  
Dr Simon Pelling, First Assistant Secretary, Consumer and Content Division  
Ms Ann Campton, Assistant Secretary, Media

**Creative Industries Faculty, Queensland University of Technology (via teleconference)**

Professor Brian McNair, Professor of Journalism  
Dr Adam Swift, Senior Research Associate

Dr Ben Goldsmith, Senior Research Fellow

**ABC Friends (via teleconference)**

Ms Glenys Stradijot, National Spokesperson

**Save Our SBS (via teleconference)**

Mr Steve Aujard, President