Research

NUS Submission To Senate Community Affairs Legislation Committee Review

into

Social Services Legislation Amendment (Youth Employment and Other Measures) Bill 2015

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Introduction

The National Union of Students (NUS) is the peak student representative organisation in Australia.

NUS welcomes this opportunity to make a submission to the Senate Community Affairs Legislation Committee Inquiry into the *Social Services Legislation Amendment (Youth Employment and Other Measures) Bill 2015.*

The *Social Services Legislation Amendment (Youth Employment and Other Measures) Bill 2015* is a far-reaching bill that lifts the age requirements to qualify for Newstart and Sickness Allowances from 22 to 25 (Schedule 2) and abolishes the low income supplement associated with the carbon tax price from July 2017 (Schedule 4). However, this submission will deal with Schedules 1, 3 and 5 of the bill that directly impact on students and also new graduates making the transition from study to looking for full time paid employment.

Student Poverty

NUS wishes to frame the discussion of the legislation with a few of the most up to date facts on student poverty, which overlaps with many of students/new graduates affected by this bill.

The post Bradley Review income support reforms led to a student allowance system where eligibility criteria were changed to better reflect the needs of financially disadvantaged students than the previous arrangements. However, the base rates were not increased and issues of student poverty remain widespread. Campus student organisations continue to report that there are widespread problems of student homelessness (sleeping in cars, couch surfing) as well as free breakfasts and other vital measures, which are put on put on by student organisations continue to be widely used services.

The typical young single student living away from home in a share house and receiving the maximum Youth Allowance and rent assistance as their sole income is 50% below the Henderson Poverty line. The equivalent figure for a student living alone or with their partner is 45.8% of the poverty line.

Universities Australia conducts semi-regular national surveys of student finances. The data from the most recent 2013 report[1] found that:

More than two-thirds of students reported being worried about their financial situation. The level of concern about finances has risen substantially since 2006 – by about twelve percentage points across the board. The highest overall level of concern was expressed by full-time, low SES undergraduates, of whom 76.6 per cent indicated that they were worried about finances.

An average of about 17 per cent of students reported regularly going without food or other necessities because they were unable to afford them, and there was an increase from 14.7 per cent of full-time domestic undergraduates in 2006 to 18.2 per cent in 2012 who were regularly going without.

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[1] Universities Australia, "University student finances in 2012: A study of the financial circumstances of domestic and international students in Australia's universities", July 2013, Centre for the Study of Higher Education, University of Melbourne

Two-thirds of full-time domestic undergraduate students had incomes of less than $20,000 a year; including 21.0 per cent who had annual incomes of less than $10,000.

While the Universities Australia broke the domestic data down to look at low SES students rather than a "Youth Allowance recipient" category it is not unreasonable to extrapolate that most Youth Allowance recipients (and those transitioning to Youth Allowance – Other) would find it difficult to accumulate substantial savings to cover gaps in income support if they do not find substantial paid employment.

Ordinary Waiting Periods (Schedule 1)

Schedule 1 and Schedule 3 of the bill deal with the waiting periods that claimants face before they receive income support. The interaction of the bill with Youth Allowance arrangements is an area of considerable policy interest to NUS and our members.

Most Newstart and Sickness Allowance claimants already have an 'ordinary' waiting period of seven days before the allowance is payable. Schedule 1 re-introduces the provisions of last year's Schedule 3 of the *Social Services And Other legislation Amendment (2014 Budget Measures No.4) Bill 2014* with the exception of the Widow Allowance arrangements. This major effect of Schedule 1 of the current bill is to extend the one week waiting period to Parenting Payment and Youth Allowance claimants apart from persons in full time study or new apprentices.

The Schedule also clarifies that the waiting period is served after other waiting periods such as the proposed 4 week 'income support' waiting period (Schedule 3) have been completed.

The current provisions allow for exemptions from the ordinary waiting period for claimants who are in 'severe financial hardship' . This is defined in 19C of the current version of the *Social Security Act 1991* as having less in the liquid assets than the maximum fortnightly payment of the relevant social security payment.

The bill narrows this exemption by requiring that a person not only be in severe financial hardship but also that they are 'experiencing a personal financial crisis'. In order to meet the 'personal financial crisis' criteria a claimant must provide evidence that:

- the claimant has been subjected to domestic violence in the four week period the person makes a claim ; or

- the claimant is in financial hardship due to unavoidable or reasonable expenditure in the four week period before a person makes a claim

19C (4) of the *Social Security Act 1991* defines the allowable unavoidable and reasonable expenditures for the purpose of the liquid assets provisions. Schedule 1 amends the legislation to use these definitions for the 'personal financial crisis' criteria. The effect of this is to narrow the severe financial hardship criteria so that it must have either arisen from either a recent domestic violence act or expenses specified on the lists of unavoidable or reasonable expenditures.

The meaning of "unavoidable" expenditure is taken to be:

(a) the reasonable costs of living that the person is taken, under subsection (6) or

(7), to have incurred in respect of:
(i) if the person is serving a liquid assets test waiting period that part of the period that the person has served; or
(ii) if the person is subject to a seasonal work preclusion period that part of the period that has expired; or
(iii) if an income maintenance period applies to the person that part of the period that has already applied to the person;;
(b) the costs of repairs to, or replacement of, essential white goods situated in the family home;
(c) school expenses;
(d) funeral expenses;
(e) essential expenses arising on the birth of the person's child or the adoption of a child by the person;
(f) expenditure to buy replacement essential household goods because of loss of those goods through theft or natural disaster when the cost of replacement is not the subject of an insurance policy;
(g) the cost of essential repairs to the person's car or home;
(h) premiums in respect of vehicle or home insurance;
(i) expenses in respect of vehicle registration;
(j) essential medical expenses;
(k) any other costs that the Secretary determines are unavoidable or reasonable expenditure in the circumstances in relation to a person. *(Social Security Act 1991 19C (5))*

The meaning of 'reasonable expenditure" is taken to be:

The reasonable costs of living of a person include, but are not limited to, the following costs:
(a) food costs;;
(b) rent or mortgage payments;;
(c) regular medical expenses;;
(d) rates, water and sewerage payments;;
(e) gas, electricity and telephone bills;;
(f) the cost of petrol for the person's vehicle
(g) public transport costs;;
(h) any other cost that the Secretary determines is a reasonable cost of living in relation to a person (*Social Security Act 1991* 19C (5))

One example of an item not listed in the current 19C (4-5) but applicable because of the proposed extension of the criteria to Youth Allowance are up front study-related expenses incurred by part-time students (textbooks, computers, course equipment, reading packs and uniforms, up front course fees, accommodation costs while on placement, etc.). Part-time students are also not eligible for the start–up scholarships available to full time students on Centrelink benefits.

If passed the Schedule 1 provisions will come into force on July 1 2015.

Income Support Waiting Period (Schedule 3)

Schedule 3 creates a new four-week waiting period for job ready young people (under 25) who are new claimants for Youth Allowance (other).

The schedule specifically includes young people making the transition from full time study to the workforce. The provisions of the proposed 549CAA(2) allow people on income support payments on the day before they qualify for Youth Allowance (other) to be exempt from the income support waiting period other than those were previously on

Youth Allowance or Special Benefits. Clause 549CAA (5) also modifies rules transitioning from the study related Youth Allowance to Youth Allowance (other) to makes these claimants subject to the waiting period.

Schedule 3 (549CAB) lists the categories for claimants that will be exempt from the income support waiting period: parents of Family Tax Benefit B child (up to age of six if the current budget reforms pass the Senate) or a principal carer of a child, disability or temporary incapacity, pre-natal or post-natal, domestic violence or other special family circumstances, disabled child or other family circumstances, training camp requirements, or special circumstances. Unlike the Ordinary Waiting Period there is no exemption in Schedule 3 for severe financial hardship.

Subsection 549CB(2) amends the legislation to clarify that the ordinary waiting period will come into effect after the income support waiting period is completed (ie they are not concurrent). In most circumstances the new claimant will be subject to a five week waiting period (ie the income support waiting period followed by the ordinary waiting period),

The Minister's second reading speech on 28 May 2015 did not advance any arguments beyond budget savings about why young people making the transition from study to work should be treated this way. The explanatory memorandum contains statements of compatibility with human rights (in this case the "Right to an adequate standard of living"):

"The limitations imposed on the social security system by this measure, in focusing on young persons, acknowledges that young persons often have access to family support to enjoy an adequate standard of living. To assist claimants experiencing hardship, the measure includes $8.1 million in additional funding for Emergency Relief providers." (EM, pp12).

In short Schedule 3 is premised on the assumption that in all but the most extreme cases that qualify for emergency relief funding that parents will come the financial rescue. This financial dependency on parental support applies to claimants until they are 25.

This is at odds with the post Bradley Review student income reforms that lowered the age of independence for students on Youth Allowance to be automatically assessed on their own financial circumstances rather than their parents from 25 to 22.

This legislation does not change student age of independence but NUS is concerned that as the pieces of the post McClure Report welfare architecture are coming together that will lead to an the end result such that there will be a return to the age of independence being set at 25.

If passed the Schedule 3 amendments will come into effect on July 1 2016.

Indexation Freeze on Personal Income Test and other means test thresholds (Schedule 5)

Schedule 5 imposes a three year indexation freeze on:

- Income free thresholds for working age allowances (other than student payments) and parenting payment (single) from 1st July 2015;

- Personal Income free thresholds (income bank) and other means test thresholds used for student payments from 1st January 2016.

These thresholds are currently indexed at the CPI. The legislation specifies that there will be no catch-up on the indexation that would have otherwise occurred during the three year pause.

The indexation pause applies to the following student allowance criteria:

- the Youth Allowance and Austudy ordinary income free area ($437/fortnight);
- the Youth Allowance and Austudy range reduction boundary (reductions to allowances based on partner's income);
- the Student Income Bank balance limit; ($10,600 a year) and
- the Youth Allowance (non-independent) assets value limit (ie family assets apart from primary residence over $661,250).

The Student Income Bank balance limit and the ordinary income free area impact upon the widest numbers of students as they determine the amount of paid income a student can earn before their Youth Allowance or Austudy is reduced.

The Student Income Bank, where unused portions of the income free area can be accrued over the year rather than the fortnight, was a step forward in that it reflected the realities of variable casual and seasonal work in the life of the typical student. When the Income Bank was introduced in 1993 the annual limit was set at $6,000 ($236 a fortnight) but the threshold was not indexed. The 2008 Bradley Review estimated: "that this implies that it has effectively decreased by around 80 per cent in this time."[2]

In the 2009-10 Federal Budget the government announced that the threshold would be increased to $10,300 ($400 a fortnight) from 2011 and that the threshold would be indexed. The increase in the threshold was delayed until mid 2012. The subsequent indexation has only marginally increased the threshold to $10,600 ($427a fortnight).

The indexation pause is a return to the 1993 – 2012 situation where the threshold was not indexed and eroded the value that students can earn through paid work to escape the poverty trap.

The Practical Impact on Students and New Graduates

The most concerning aspect of the legislation is the impact of Schedule 1 and 3 that create a five week gap in income support for students at the completion of their degree. The gap is long enough to create considerable financial stress in terms of paying for essentials rents, bills, food, etc and also undermines their job search activity (getting job appropriate clothes and uniforms, printing and mailing job resumes, transport, etc).

As outlined above the typical student relying on mainly Youth Allowance (possibly with some casual or seasonal paid work) has little scope to accumulate savings to cover a gap in income support.

The proposed solution for most are their parents. This measure applies to 24 year olds who may have been living away from home for five or six years, perhaps in a different city from their parents. Unless they qualified through independent criteria the total

[2] Final Report of the Review of Higher Education, DEEWR, 2008, pg 61

taxable family income must be below $50, 151 to have qualified for the full Youth Allowance. NUS believes that it is unreasonable for the Commonwealth to expect that low SES parents should cover the income support gap for their adult and long-independent children.

The explanatory memorandum also mentions $8 million in emergency relief funding. Emergency relief payments are confined to purchase vouchers and part-payment of outstanding accounts such as rent. It seems very poor policy to deliberately create circumstances where many more people will be in need of the already highly stretched and limited emergency relief support. We believe it would be useful for the Inquiry to establish and publish how the $8 million figure was arrived at (ie how many people does the department believe will need emergency relief support as a result of the passage of this bill).

The second major impact of this bill for students/new graduates is the indexation freeze on the personal income free thresholds/income bank. The principle way that students from financially disadvantaged families have had to escape the student poverty trap is to take on substantial amounts of paid work. The lack of indexation of the threshold/income bank over 1993-2012 substantially eroded the scope for students to pursue this path as their Youth Allowance was reduced for earnings above the threshold.

The 2012 adjustment partially restored the amount that students could earn without penalty. A three year indexation freeze builds in a three year erosion of the real value of the threshold/income bank. We are also concerned about the longer term implications for the indexation. The 2009-10 Federal Budget announced that eligibility for Youth Allowance/Austudy would be extended generally to coursework by masters students by 2012. The measure was delayed and then eventually scrapped in last year's MYEFO. We are concerned that the same thing will happen down the track to the indexation of the threshold/income bank and recreate the pre-2012 student poverty trap.

Recommendations

NUS opposes the imposition of all income support waiting periods on financially disadvantaged people. We recommend that Schedule 1 and 3 be withdrawn.

If the Senate wishes to proceed with the Schedules 1 and 3 then the following changes would alleviate some of the most regressive aspects of the bill:

Schedule 1 could be amended to change 19.4 C of the *Social Security Act 1991* so that study expenses associated with part-time study could be taken into account when determining unavoidable or reasonable expenses.

Schedule 3 could be amended to apply the severe financial hardship criteria to exempt claimants who meet the criteria from the income support waiting period.

NUS opposes the 3 year indexation freeze on the personal income threshold/income bank. Schedule 5 should be withdrawn.