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NATIONAL COUNCIL *good works*

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Submission to the Senate Community Affairs
Legislation Committee on the
***Social Services Legislation Amendment (Better
Targeting Student Payments) Bill 2017***

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Introduction

The St Vincent de Paul Society welcomes the opportunity to provide feedback on the *Social Services Legislation Amendment (Better Targeting Student Payments) Bill 2017*.

The St Vincent de Paul Society (the Society) is a respected lay Catholic charitable organisation operating in 149 countries around the world. Our work in Australia covers every state and territory, and is carried out by more than 64,000 members, volunteers and employees. Our programs assist millions of people each year, including people experiencing poverty and homelessness, people living with mental illness, migrants and refugees, and women and children fleeing family violence.

As an organisation committed to social justice and overcoming the causes of poverty and inequality, we recommend that the *Social Services Legislation Amendment (Better Targeting Student Payments) Bill 2017* be rejected. The position of the Society has consistently been that income support should be accessible on the basis of need and paid at a level that ensures human dignity and an adequate standard of living. We also strongly support universal access to quality education and training, including for people from low-income backgrounds and those reliant on income support.

The Bill undermines these two fundamental principles, cutting payments to those who need them most and reinforcing disparities in access to education. We opposed have previously iterations of the Schedules contained in this Bill, which were rejected by the Parliament. We note two measures regarding the Education Entry Payment and Pensioner Supplement Payment have been altered so proposed payments are now reduced rather than scrapped completely, and a third measure regarding the Relocation Scholarship Payment has been introduced. The Society maintains its opposition to all these measures on the basis they will impede the ability of students from disadvantaged backgrounds to undertake higher education or training.

This Bill comes at a time of heightened financial hardship in many areas. Around 2.99 million people in Australia are living below the poverty line, including 731,000 children.¹ Income support payments have fallen further behind average wages, the poverty and the ever-rising costs of living. The crisis in affordable housing and the growth of insecure, casual and part-time work has intensified the financial pressures for many individuals and families. Deep inequities continue to characterise our tertiary education sector, and access to tertiary studies and training opportunities are increasingly out-of-reach for those on low incomes. Many who do study at university are placed under enormous financial pressure, and this in turn comprises their health, well-being and educational outcomes. Further, those who do manage to complete their studies typically carry exceptional debts.

When considered alongside a raft of Government policies slashing the social safety net and increasing the costs of education, this Bill will only contribute to the widening inequalities and poverty. Of particular concern is the disproportionate impact that this Bill will have on young people, single parents, carers and people with disability. As a provider of Financial Wellbeing and Capability services, the Society observes directly the profound poverty experienced by many women, particularly single mothers, who comprise the majority of Emergency Relief clients.² A succession of funding cuts to income support and family assistance has disproportionately impacted single-parent households.³ At the same time, The Society and other community service sector providers are struggling to meet the needs of the most vulnerable, a situation that has been compounded by

funding cuts in excess of \$1.5 billion over the last four Federal Budgets. If enacted, this Bill would make it harder for people to survive on already low payment levels, as well as making it more difficult to access education.

Our concerns with the Bill are elaborated on in further detail below.

Response to specific measures

Schedule 1 – Relocation Scholarship Payment

The Relocation Scholarship is a supplementary payment for Youth Allowance and ABSTUDY recipients who are required to live away from home to undertake higher education studies. It was originally designed to reduce the financial barriers to education participation of students from disadvantaged socio-economic backgrounds, particularly those from regional and remote areas and Aboriginal and Torres Strait Islander students. The scholarship commenced in 2010, and is paid as an annual lump-sum.⁴

This schedule is designed to restrict access to the Relocation Scholarship by excluding students whose parental family home or usual place of residence is located outside of Australia. It also proposes that access to the Scholarship be limited to students relocating to study within Australia. Consequently, payments will no longer be offered to students studying a component of their Australian tertiary course overseas.

The Society opposes this measure on two fundamental grounds. Firstly, we believe that education supplements and income support should be paid according to financial need, and should not be restricted on the basis of arbitrary or discriminatory criteria. Eligibility for the Scholarship is currently restricted to recipients of Youth Allowance or ABSTUDY undertaking higher education or higher education preparatory courses, which means the Scholarship is already highly targeted towards students from low socio-economic backgrounds.⁵

Further, it is unclear why a student's place of residence six months prior to commencing their studies should determine their eligibility, nor why overseas study undertaken as part of an Australian course should disqualify a student from the scholarship. These are not needs-based criteria, and the costs involved in relocation are likely to be the same, irrespective of whether a student has come to Australia from overseas or is moving from Australia to study overseas.

Maintaining needs-based criteria in the allocation of income support and, specifically, student support payments, is critical. High-quality and accessible tertiary education should not be out-of-reach for students from low-income or disadvantaged backgrounds. Nor should it impose a crippling long-term debt on graduates. Yet young people contemplating university studies face the prospect of high fees, massive debt and no job guarantee.⁶ There are stark disparities in access and retention rates for students from low-income backgrounds^{6,7} – disparities exacerbated by a raft of cost-cutting measures that have reduced access to needs-based scholarships and dramatically pushed up student fees.^{8,9} In addition to increased fees and more stringent HELP repayment arrangements, the 2017 Federal Budget delivered funding cuts to programs such as preparatory university courses (widely utilised by Indigenous and low-income students), which can now be offered on a fee-paying basis.¹⁰

Such changes have been delivered in a context where low-income students face escalating financial pressures, including exorbitant rental costs, record-low wage growth, protracted unemployment and underemployment post-graduation, and cuts to penalty rates. Increasingly, the financial support provided by the Commonwealth Government has been converted to loans – locking in staggering debts for our poorest students. At the same time, the rate of Youth Allowance has fallen ever further behind the poverty line.¹ This constellation of factors is placing young people under severe financial

strain, pushing tertiary studies beyond the reach of students who are from disadvantaged backgrounds and who lack the support buffer provided by wealthy parents.

Against this backdrop, reinstating the needs-based objective of education and income support payments is vital. We believe the amendments to the Relocation Scholarship are contrary to this objective, and therefore urge the Committee to recommend that it be opposed.

One further implication of the proposed amendments to the Relocation Scholarship is the potential impact on young people from refugee backgrounds. Under current arrangements, a young person who arrives on a permanent humanitarian visa is eligible for the Scholarship, provided they meet certain other eligibility criteria and do not have a parent living in Australia (or are not dependent on someone living in Australia). However, under the proposed amendments, a person would no longer be eligible for the Scholarship:

- “if, on the day the day the person started to undertake the course... the home of each parent of the person was outside Australia”; and/or
- if “on the day 6 months before the person started to undertake the course... the person’s usual place of residence was outside Australia”.

The amendment that refers to the location of the person’s parents is ambiguous and does not specify that it only applies to persons defined as dependents. That is, it appears that this new provision could apply to *all* applicants who meet the other eligibility requirements specified in section 592J of the *Social Security Act 1991* (Cth) (rather than just applying to applicants who qualify as dependents under section 592J(c)(ii) of the *SSAct*). If this interpretation is correct, it would mean that young people from refugee backgrounds would be ineligible if they do not have a parent residing in Australia – which would preclude young refugees who arrive in Australia as unaccompanied minors. Similarly, a young humanitarian entrant who arrives less than six months prior to commencing study would be ineligible for the payment, irrespective of whether they meet the other eligibility criteria.

Such issues underscore the inherent problems in a piecemeal approach that determines payment eligibility according to arbitrary factors such as parental residency, rather than financial need. The Government has failed to provide a convincing rationale or evidence base justifying the tightening of eligibility for the Scholarship. It appears the underlying rationale is cutting costs, however small the savings may be.¹ In defence of this Schedule, the Explanatory Memorandum states that the proposed changes will “simplify the payment of the relocation scholarship and better target the payment by narrowing the range of youth allowance students who are qualified for the scholarship”.¹¹ However, narrowing the eligibility for the sake of simplicity, irrespective of whether or not such a reduction helps or hinders in alleviating poverty, is not a sound or defensible approach to developing social policy.

¹ If enacted, the Government has estimated that Schedule 1 would yield a saving of \$1.9 million over five years.

Schedule 2 – Education Entry Payments

Schedule 2 of the Bill will see the Education Entry Payment reduced according to a student's study load. This payment assists with education expenses for long-term income support recipients who are finishing school, undertaking tertiary education, or completing an apprenticeship or traineeship. There are currently around 90,000 recipients of the Education Entry Payment, including people receiving Newstart, Parenting Payment Single, Disability Support Pension, Carer Payments, and Widow Pension.

The Society has opposed the Government's previous attempts to abolish the Education Entry Payment. In the current Bill, the Government are proposing that the annual payment of \$208 be replaced by a four-tier system, which will align payment rates with study load. Under this revised system, students who are eligible for the payment will only receive the full \$208 if they have a study load of at least 76 per cent of the normal amount of full-time study. An estimated 56,000 students will not meet this criterion and will therefore have their payments cut according to the following amounts:

- **\$156** per annum (new rate) for study loads of **51% to 75%**;
- **\$104** per annum (new rate) for study loads of **26% to 50%**;
- **\$52** per annum (new rate) for study loads of **25%**;
- **nil** for study loads under **25%** (as at present).

While the Government may have abandoned their push to abolish the Education Entry Payment, this latest attempt to reduce the Payment remains deeply unfair, inequitable and without any convincing policy or evidentiary justification. The cohorts affected by the proposed cuts are extremely disadvantaged, relying on income support payments that are well below the poverty line.¹ Under existing arrangements, payment recipients already face substantial financial barriers to education and training. If enacted, this Bill will only increase these barriers, pushing recipients into deeper poverty and placing education and training opportunities further out of reach.

The proposed reductions to the Education Entry Payment coincide with a host of other measures reducing support payments and increasing fees for students and trainees. This includes the introduction of a four-tier payment system for the Pensioner Education Supplement (see Schedule 3), which would significantly reduce students' ability to study. The combined effects of these measures will make it more difficult for low-income students to meet the substantial upfront costs of study, such as tuition fees, textbooks, stationery, internet connections, among other study items.

The cuts to the Payment would appear to be at odds with the Government's stated aim of getting income support recipients into further education and training in order to facilitate their entry into the labour market. Further education and skill development can improve employment prospects, thereby enabling people to rely less on income support in the future. Thus, reducing the Education Entry Payment is not only callous and unfair, but is counterproductive and in conflict with the Government's stated commitment to increasing the workforce participation of sole parents, people with a disability and other income support recipients.

The Government has failed to provide an evidence base or a sound justification for the reduction of these payments. No formal evaluation or impact assessment has been provided to ascertain the

likely impacts on income support recipients and their ability to afford education or training. According to the Minister for Social Services, the reduction in payments is “fair and equitable” as “[s]tudents undertaking part-time study loads do not generally incur the same study costs as those undertaking studying full-time”.¹² However, many of the additional upfront costs associated with study (such as internet connections, computer equipment, etc.) are fixed and therefore remain the same, irrespective of a student’s study load.

An additional defence that the Government has provided is that they already provide support to students through HECS-HELP, FEE HELP and VET FEE HELP.⁴ However, these study loans do not cover the upfront and ongoing costs of attending education, and the substantial debt burden that they impose serves as a deterrence for many of those on the lowest incomes. Paradoxically, one of the arguments made by the Government to support its previous attempts to abolish this Payment was that removing the payment would “help to simplify the income support system by reducing the number of payment supplements”.¹³ However, by introducing a multi-tiered payment structure, the changes proposed in this Bill will increase the complexity and administrative burden.

Schedule 3 – Pensioner Education Supplement

The Pensioner Education Supplement is designed to assist income support recipients with the ongoing costs of study, and to thereby to gain skills and qualifications that improve their chances of finding sustainable employment. It assists a range of income support recipients with study costs, including Disability Support Pensioners, Age Pensioners, Parenting Payment Single recipients, carers and widows. The Supplement currently provides \$62 per fortnight, or \$31 for those studying part-time (i.e. with a study load less than 50 per cent of the usual full-time study load).

Schedule 3 of the Bill will see the Supplement paid according to four tiers and, as a result, most recipients will have their payments reduced. Under the proposal, someone currently receiving the full rate of the Supplement could have their payment cut by \$31.20. In addition to reducing the fortnightly payment rates, the Government’s proposal will cease the payment of the Supplement during semester breaks and holiday periods. As a result of these changes, 32,300 people will receive a lower payment rate because they study part-time, while 39,700 will lose payments for part of the year because of the non-payment period during semester breaks and holiday periods.

The Society believes the Government’s proposal is inequitable and lacks any compelling rationale. It is, in essence, a cost-cutting measure that will adversely affect people on income support who are undertaking study.

Many people, especially sole parents, rely on the Supplement to make the costs of study feasible and, based on an analysis of current recipients, it is women and people with disabilities who will be hit hardest by this measure. This is a point the Society made when it opposed previous attempts to abolish the Pensioner Education Supplement.¹⁴ Among those currently receiving the Supplement, 43 per cent are Parenting Payment Single recipients; 41 per cent receive the Disability Support Pension; and 9 per cent receive carer payments.¹⁵ Data from Senate Estimates reveals that 80 per cent of those receiving the Supplement are women.¹⁵ Seven per cent of those studying with the Supplement are also Indigenous.¹⁵

The implications of this Bill for single unemployed parents – and, by extension, for their children – is of particular concern. Poverty rates among unemployed single parents are ten times higher than for lone parents in paid work.¹⁶ Compared to employed single parent families, unemployed single parent families are much more likely to be headed by a parent under the age of 30 who has no post-school qualifications and/or has Year 10 or below as their highest level of school education.⁹ Sole parents face substantial financial barriers to accessing further education and training and, on this basis, the Government extended the Supplement to single parents on Newstart in 2014. This followed on from a Senate Inquiry into the adequacy of the Newstart Allowance, which documented the profound hardship and poverty experienced by single parents on income support and their children.

As noted, people with disability will also be disproportionately affected by the reduction in this Supplement, with forty-one per cent of people receiving the Supplement in receipt of the Disability Support Pension. People with disability continue to face high levels of exclusion and structural disadvantage, and are less likely to participate in the labour force, and more likely to be unemployed. If employed, on average, those living with disability earn less than those without a disability.

For these reasons, we maintain that any reduction in this Supplement is deeply inequitable and unfair, undermining the recipients' and their families' ability to feed and shelter themselves, let alone continue to engage in education. As we noted in our response to Schedule 2, the introduction of a four-tier payment scale aligned to study load does not reflect the actual costs incurred for those studying part-time, who typically face a range of fixed costs – such as public transport, study items and internet connections – irrespective of their study load. Similarly, many students study during semester breaks and holiday periods and continue to incur the costs of transport, phone and internet connections during this time.

The Society believes this Supplement– with its aim of improving access to education, and therefore job prospects – must be extended to *all* people on low incomes: not only pensioners, but also all Newstart recipients. We see no justification for withholding this assistance from people who have been excluded by an unequally resourced education funding model that already favours people on higher incomes.¹⁷

Finally, we reiterate our objections to the Government's claim that the reduction in the Supplement for some part-time students is "reasonable in that access to other payments and support mechanisms to allow individuals to undertake study remains".⁷ The Minister has previously suggested that the Government already provide sufficient assistance via HECS-HELP, FEE HELP and VET FEE HELP.¹⁸ However, we again note that these programs only provide assistance (in the form of a loan) for the costs of tuition fees or/and student contribution fees – they do not provide assistance with the upfront and ongoing costs of participating in education, such as textbooks, stationary, course and materials fees, transport and the costs of computers and printing.

The Society believes the Pension Education Supplement is essential and must not be reduced in order to assist people to participate in education and improve their employment prospects.

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