

## CHAPTER 12

### YOUTH AND STUDENT ISSUES

12.1 Many young people face the risk of poverty: Mission Australia estimated that around 15 per cent of all young Australians in the 15 to 24 age group experience a mixture of intermittent and or/entrenched poverty on an annual basis.<sup>1</sup> There are numerous causes of youth poverty: leaving school early and experiencing poor work prospects; homelessness; and failing to make a successful transition from school to work.

12.2 The transition from study to employment has become increasingly complex and less predictable. In the past, young people who left school early could undertake apprenticeships and find full-time jobs while those who finished secondary education could also find full-time work, or go onto further training or tertiary studies. Today, those making the transition from school into the workforce face the same problems as older Australians such as greater numbers of part-time, temporary and casual jobs and declining numbers of jobs in certain sectors such as manufacturing. This increases the risk of poverty.

12.3 These changes have had a great impact on young people who fail to complete secondary schooling with clear evidence of higher rates of unemployment in this group. Those continuing with further education and training post-school also face numerous problems: living on income support; balancing study and part-time work; and finding adequate accommodation. This is often a very difficult task particularly if there is little or no family support.

#### **Rates of poverty**

12.4 Young people aged 15 to 24 years experience a high poverty rate in Australia. The poverty rate for all 15 to 24 year olds was 15.9 per cent in 2000. Single young people experience a poverty rate of 20.8 per cent compared to a rate of 18.3 per cent for all singles. The estimated number of young single men in poverty in 2000 was 164,000 and young single women 102,000.<sup>2</sup>

12.5 The high rate of poverty is in part due to young people generally having lower incomes as they are at the start of their careers or fill low paid jobs while they are studying. Young people also face high unemployment rates. However, it was noted that the apparently high youth poverty rate has to be treated with some caution as about half of all single 15 to 24 year olds in poverty are non-dependent children still

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1 *Submission 169*, Attachment, p.15 (Mission Australia).

2 Harding A, Lloyd R & Greenwell H, *Financial Disadvantage in Australia 1990 to 2000: The persistence of poverty in a decade of growth*, Smith Family, pp.7,16,17.

living at home with their parents. While it cannot be assumed that their parents are always willing or able to offer financial support, in many cases young people receive free or subsidized housing, meals and utility expenses thereby increasing their standard of living.<sup>3</sup>

12.6 The Department of Family and Community Services (FaCS) commented on the different patterns of family support for young people:

Consequently, not only are short-term measures of income a poor guide to living standards, but they also can provide a very misleading perspective on the real circumstances of the individual and their outcomes over their lifecycle.<sup>4</sup>

12.7 While it is true that for many young people measures of income are not a completely accurate guide to their long term outcomes, the structural changes in the labour market over the last two decades have made it difficult for many young people to make a smooth transition from school to work. Many who have left school early find themselves trapped in a cycle of unemployment, part-time work and labour market programs rather than constructive career development.<sup>5</sup>

### **The impact of poverty on young people**

12.8 The Committee received much evidence on the impact of poverty on young people. Of most concern was the impact on the education of young people and therefore their employment prospects. Witnesses painted a bleak picture of young people struggling to continue their education and training in households where there is very little money for even the basic necessities of life. As has already been noted in the Committee's chapter on education, low income families find it difficult to fund the educational needs such as uniforms, books, excursions and computer equipment.

12.9 For many young people leaving school early is an easy option. However, without an adequate education there are very few opportunities for a successful working career. The labour market in Australia has changed and unskilled young people face the prospect of few full-time jobs and many part-time or casual jobs. Young people can obtain income support but witnesses noted that parental means testing of Youth Allowance recipient families with young people up to the age of 25 can place undue stress on families on low incomes. (Income support is discussed in more detail later in this chapter.) The low level of income support and deterioration of the youth labour

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3 Harding, Lloyd & Greenwell, p.7.

4 *Submission* 165, p.18 (FaCS).

5 Smyth C, Zappala G & Considine G, 'School to adult life transitions through work and study: A select review of the literature', The Smith Family, Background Paper No. 4, 2002, p.1.

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market inhibits young people's move towards independence and places further strains on families who might already be suffering financial hardship.<sup>6</sup>

12.10 Many examples were provided of young people forced out of home due to family breakdown and to financial stress. Where young people are forced into inappropriate and transient accommodation or even homelessness, maintaining an educational program or a job is extremely difficult. SACOSS stated:

By the time you reach our service, school is one of the last things on your mind, and they have been out of that system for a long time. You cannot sustain education if you have nowhere to live and you cannot sustain education and keep up with your peers if you are moving. Again, it goes back to the transitional housing, the lack of response and the lack of ability for people and families who are very poor to be able to stay in one place.<sup>7</sup>

12.11 Finding affordable and secure accommodation is a major issue facing young people, particularly those in low paid work, insecure employment or who receive government benefits. The Smith Family noted that many younger single people are struggling in the private rental market. Low income young singles have the highest rate of housing stress of any type considered by The Smith Family study *Barriers to Participation*, with almost four in every five low income young singles reporting housing costs that exceed 30 per cent of their disposable income.<sup>8</sup>

12.12 The Hunter Council of Social Services commented:

...the youth Newstart Allowance and even those who get their independent rate, the living away from home rate, or the homeless rate, as people like to know it, accommodation is the same cost regardless of the income you get from Centrelink. For a young person who is homeless, to access accommodation is near impossible—a one-bedroom flat is around \$110 to \$150. An adult has got a higher chance of getting it purely because the income they receive from Newstart is a higher amount purely based on age.<sup>9</sup>

12.13 The Doctors Reform Society noted that young people are often pushed into boarding houses 'that could be totally inappropriate for a young person because they are unsafe or they are in share accommodation with older people where they can be exploited'.<sup>10</sup>

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6 *Submission 57*, p.18 (AFHO).

7 *Committee Hansard 29.5.03*, p.57 (SACOSS)

8 *Committee Hansard 27.5.03*, p.385 (The Smith Family).

9 *Committee Hansard 29.5.03*, p.565 (Hunter Council of Social Services).

10 *Committee Hansard 4.8.03*, p.1223 (DRS).

12.14 Homelessness may become the only option for young people who cannot find affordable accommodation, who face discrimination in the private rental market or who have no income because of breaching:

I don't have a house 'cause you stopped my payment and I could not pay rent.<sup>11</sup>

12.15 The extent of youth homelessness is found in SAAP data which indicated that assistance was provided for 32,800 young people in the year ending 2002. Mission Australia stated 'given the likelihood that large numbers of young people don't formally seek assistance through housing agencies, these figures can be considered as conservative estimates'.<sup>12</sup>

12.16 The Australian Federation of Homelessness Organisations (AFHO) recommended that a more equitable means of determining the level of public housing subsidies available to young people on very low incomes such as through the use of a sliding scale measure of housing affordability, associating rent levels to income levels.<sup>13</sup>

12.17 Poverty and unemployment also can impact on the personal development and health of young people. Work provides avenues for skill development, responsibility, avenues for decision making and social interaction. These are important in developing a sense of adulthood and independence. For some unemployed youth, lack of developmental opportunities and isolation may lead to mental health problems. One Australian study, which examined mental health of unemployed youth, found that the majority of unemployed youth with psychological problems were not suffering from these problems prior to unemployment. Another study found youth who become unemployed after leaving school suffered from greater unhappiness, boredom, anger with society, loneliness and helplessness than employed school leavers.<sup>14</sup>

12.18 There is evidence to suggest that unemployment, combined with other disadvantaging factors, may result in youth engaging in crime.<sup>15</sup> Research also indicates that the longer people stay in school, the less the likelihood of the criminal incidence of property crime.<sup>16</sup>

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11 *Submission 77*, p.11 (Melbourne Citymission).

12 *Submission 169*, Attachment, p.12 (Mission Australia).

13 *Submission 57*, p.19 (AFHO).

14 Muir K, *Youth unemployment in Australia: a contextual, governmental and organisational perspective*, A Report by The Smith Family for the AMP Foundation, November 2003, pp.9-10.

15 Muir, p.10.

16 *Committee Hansard 27.5.03*, p.382 (Smith Family).

12.19 Other witnesses also emphasised the link between poverty and youth crime.

There is a strong link between poverty and crime. During our research into young women's legal needs we discovered that 100 per cent of young women charged with serious offences indicated that they had no income. Forty per cent of young women charged with lesser offences indicated that they had no income. Young people who are poor are very vulnerable to homelessness and criminal activity.<sup>17</sup>

12.20 Often young people start with petty crime then move onto more serious offences. The justice system may provide first time offenders with rehabilitation but when they are released into the community there is no support and no prospect of employment. St Vincent de Paul commented in these cases young people cannot cope with being out in the community again with no hope of getting any sort of job.<sup>18</sup>

12.21 Passages Resource Centre in Perth provided the Committee with this disturbing evidence about two brothers who sought their assistance:

They are both physically underdeveloped, due to inadequate food and poor nutrition in early childhood, and the eldest is experiencing ongoing dental problems as a result of this. They are both uneducated. School has been a terrible experience for both the boys as the family was unable to provide adequate clothing and resources such as textbooks, pens, paper, uniforms, those sorts of things, which has isolated them from their peers in the school environment. Both the boys left school before the age of 13 and both of them now struggle with their levels of numeracy and literacy.

Both the boys were living on the streets by their 13th birthday, with no social or material support. The eldest lived on the streets, sleeping in car parks and abandoned buildings for nearly a year, with no income whatsoever. At times he was forced to steal and was involved in sex work also. His involvement in the sex industry has adversely affected his capacity to form meaningful and trusting relationships. His involvement in crime is going to have a dramatic impact upon his future, due to his criminal record, and he has unpaid train fines totalling around \$15,000.

When the boys were finally granted Centrelink payments there were occasions where the parents actually misappropriated those funds. In spite of the years we have worked with them and the efforts to get them secure in long-term stable accommodation, we just have not been able to do so. This example is not something that is unusual within the centre. It is something that goes on all the time. It is just a single example of what we have to deal with every day.

*Committee Hansard* 28.7.03, p.997 (Passages Resource Centre).

17 *Committee Hansard* 28.7.03, p.1005 (SVDP, Perth); see also *Committee Hansard* 29.7.03, p.1093 (Anglicare NT); p.1105 (Centacare NT).

18 *Committee Hansard* 1.7.03, p.862 (St Vincent de Paul Lismore).

12.22 The costs of criminal activity are high not only in personal terms for the young person entering the justice system but also in economic terms:

We are determined to ensure that the young people we support keep out of the prison system. We know that prisons are popular; they are growing so rapidly, it is hard to keep up with it. But youth workers are a much more cost-effective way of supporting young people than prisons. It costs \$60,000 a year to keep a person in prison, so if you put those 50 young people in prison, it would cost \$3 million a year rather than the \$200,000 that we spend, and we think it is very cost-effective.<sup>19</sup>

12.23 There are also a number of long term consequences of youth poverty and unemployment. Once out of the workforce, reemployment may become harder due to low self-esteem and isolation. Some youth, disillusioned with the prospects of employment, may opt out of the labour market altogether. These youths need to re-establish connections with the labour market, but may not have the ability to do so. Many welfare organisations recognise the need to build self-esteem, to overcome the stigma associated with unemployment, poverty and homelessness and to address the many other problems faced by youth in poverty.

12.24 For youth who experience unemployment, there is evidence that they are more likely to experience low hourly wages, underemployment, repeated unemployment and increased periods of unemployment. They become part of the 'working poor' and may lose skills or fail to develop new skills. This captures young people, and ultimately their families, in a cycle of poverty.

12.25 The way out of poverty for young people is a successful transition from school to work. This requires the provision of adequate full-time employment, youth who have adequate skills and educational standards to find employment, and pathways so that the transition from school to work is successfully negotiated. For those who do not find employment there must be adequate income support to lift them out of poverty.

### **Youth labour force participation**

12.26 Chapter 7 provides a detailed examination of the relationship between education and poverty and improving access to education. The following discussion adds to that picture and provides details on youth labour force participation and in particular details of young people considered at risk of not making a successful transition from school to work.

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19 *Committee Hansard* 29.5.03, p.568 (Samaritans Foundation).

### ***15 to 19 year olds***

12.27 In July 2003, around 70 per cent of teenagers (15-19 year olds) were in full-time education. Of the other 30 per cent, almost a quarter were in part-time education, with the remainder not participating in education.

12.28 While many teenagers studying full-time are not in the labour force (56 per cent in July 2003), others engage in part-time employment.<sup>20</sup>

12.29 In July 2003, teenagers had an unemployment rate of 13 per cent and a participation rate of 57 per cent, compared with an unemployment rate of 6 per cent for adults. However, the Australian Bureau of Statistics stated that teenagers have more transitions between labour force states than adults, reflecting the seasonal nature of combining work and study.<sup>21</sup>

12.30 The proportion of young people aged 15 to 19 years not in full-time education or full-time employment varies across the States and Territories. Victoria has a lower proportion than the national average while, Queensland, South Australia, the Northern Territory and Western Australia have high rates.<sup>22</sup> The Queensland Government noted that there were approximately 10,000 young Queenslanders aged 15-17 who are not in school, vocational education or substantial employment and who are at considerable risk of poverty.<sup>23</sup>

12.31 The Dusseldorp Skills Forum stated that those teenagers who are in part-time work, looking for work or are defined by the ABS as being 'not in the labour force' are 'likely to be experiencing difficulty in making a successful transition from secondary education, and face a higher level of risk in the labour market over the long-term than their counterparts who are engaged in education or training'.<sup>24</sup>

12.32 The Dusseldorp Skills Forum provided an analysis of what happened to young people who left school in 2001 which indicates those at risk of having a less successful transition from school to work:

- Year 10 completers – 29 per cent went to another educational provider, in most cases TAFE by May 2002; 49 per cent were unemployed, in part-time work or defined as not being in the labour market;

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20 ABS, *Australian Labour Market Statistics*, October 2003, p.10.

21 ABS, pp.11, 15.

22 ABS, *Labour Force Australia*, November 2003, p.21.

23 *Submission 129*, p.10 (Queensland Government).

24 Dusseldorp Skills Forum, *How Young People are Faring, Key Indicators 2003*, August 2003, pp.7-8.

- Year 11 completers – 36 per cent continued in education, mostly TAFE; 36 per cent were unemployed, in part-time work or defined as not being in the labour market; and
- Year 12 completers – 68 per cent continued in education, mostly higher education; 19 per cent were unemployed, in part-time work or defined as not being in the labour market.<sup>25</sup>

12.33 Those groups most at risk of failing to complete secondary schooling were:

- males – in 2003, 26 per cent of males left school early compared to 16 per cent of females;
- students from low socioeconomic backgrounds;
- students whose parents worked in unskilled manual positions (26 per cent of early leavers compared to 15 per cent of early leavers whose parents were from professional or managerial occupations);
- Indigenous youth;
- English speaking youth - those students who do not speak English at home are more likely to complete both year 12 and participate in tertiary education; and
- regional students.<sup>26</sup>

12.34 For many 15 to 19 year olds, TAFE is an alternative for staying in secondary school. However, in 2002 only 50 per cent of the 15 to 19 age group in the TAFE system successfully completed their studies.

12.35 For those who completed a full course in 2001, at May 2002 nearly a third were in part-time work, 15 per cent were unemployed and 12 per cent were not in the labour force (a total of 58 per cent). For those who only completed part of a course, a total of 70 per cent were in part-time work, unemployed or not in the labour force.<sup>27</sup>

12.36 For those teenagers in employment, they were employed predominantly in the retail sector (52 per cent), with the hospitality and manufacturing sectors employing 9 per cent and 7 per cent respectively.<sup>28</sup>

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25 Dusseldorp Skills Forum, p.11.

26 Muir, pp.6-7.

27 Dusseldorp Skills Forum, p.14.

28 *Submission* 169, Attachment p.7 (Mission Australia).



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### ***20 to 24 year olds***

12.37 Three-quarters of young adults in May 2003, had left full-time education. Compared with teenagers not in full-time education, young adults not in full-time education were more likely to be in part-time work, unemployed and not in the labour force.

12.38 The Dusseldorp Skills Forum stated that the high proportion of non-student young adults in part-time work, especially young women, reflected a fall in the availability of full-time jobs held by this age group. Full-time jobs held by non-students aged 20 to 24 years fell by 15.2 per cent between 1995 and 2003. The number of young people in part-time jobs in Australia is high compared to other OECD countries – Australia ranks third behind France and Sweden.<sup>29</sup>

12.39 As with teenagers, retail was also the largest employer of 20-24 year olds (22 per cent) followed by property and business services (13 per cent) and manufacturing (8 per cent).

### ***Unemployment rates***

12.40 Unemployment rates for young people declined between 1992 to 2002, with the rate for 15-19 year olds changing by 32 per cent and for 20-24 year olds by 39 per cent. However, groups facing higher unemployment rates can be identified with young people who leave school early being especially vulnerable to unemployment. Young Indigenous people also face very high rates of unemployment.

12.41 The duration of unemployment for young people is declining, in part due to the increase in part-time work. However, large numbers of young Australians remain unemployed for long periods. The average duration of unemployment for 15 to 19 year olds while looking for work in 2002 was 20.4 weeks (down from 30.9 weeks in 1992). 20 to 24 year olds were out of work for an average of 35.5 weeks in 2002 (down from 45 weeks in 1992).<sup>30</sup>

12.42 FaCS also commented that youth and young people have benefited from improving economic outcomes and that the teenage full-time unemployment rate has fallen. However, it stated that as most young people are not in the full-time labour market, this type of measure can be misleading and the experience of youth is better gauged by the teenage full-time unemployment to population ratio. This has more than halved from 10.1 per cent in July 1992 to 4.3 per cent in July 2002.<sup>31</sup>

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29 Dusseldorp Skills Forum, p.19.

30 *Submission* 169, Attachment, pp.8-9 (Mission Australia).

31 *Submission* 165, p.19 (FaCS).

12.43 The Business Council of Australia found that seven years after leaving school, approximately 7 per cent of those who completed year 12 were unemployed. But for early school leavers, unemployment is a likely prospect: after seven years, 21 per cent of young men who left school in year 9 were unemployed; and 59 per cent of young women who left in year 9 were also unemployed.<sup>32</sup>

12.44 Mission Australia drew attention to the dangers of continuing high levels of youth unemployment:

Our view is that the higher the youth unemployment and youth poverty, the more likely we are to have intergenerational poverty 20 and 30 years down the track. One of the reasons we have it at the moment is that we have not brought back our youth unemployment rates as quickly as some other economies over the last 15 or 20 years.<sup>33</sup>

### ***Access to full-time employment***

12.45 The general decline in the number of full-time jobs for the 15 to 24 year age group has made the transition from school to work more difficult. Over the period May 1995 to May 2003, the number of full-time jobs available to those aged 25 years and over increased by 12.1 per cent. During the same period, the number for teenagers declined by 6.9 per cent and for young adults by 15.2 per cent.<sup>34</sup>

12.46 The measure of the proportion of non-students in part-time work compared to other OECD countries shows that Australia, based on data for 2001, ranks second behind New Zealand out of 19 countries in the proportion of 20 to 24 year old males who are not in education and who are in part-time work.<sup>35</sup>

12.47 Some of the increase in part-time work in the 15 to 24 age group can be accounted for by increases in youth attending education institutions and working part-time. However, there is a large proportion of young people who are not combining part-time work with study. They would rather be working full-time. Mission Australia, for example, noted that young people are 'cobbling together several jobs to enable them to earn a liveable income'.<sup>36</sup> In addition, of the 24 per cent of males and 22 per cent of females in 2001 who were not studying, less than half had full-time

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32 *Submission 169*, Attachment 1, pp.8-9 (Mission Australia).

33 *Committee Hansard 26.5.03*, p.336 (Mission Australia).

34 Dusseldorp Skills Forum, p.20.

35 Dusseldorp Skills Forum, p.21.

36 *Submission 169*, p.11 (Mission Australia).

employment; 'thus for these youth part-time work was not accompanied by part-time education'.<sup>37</sup>

12.48 Anglicare NT also argued that wage rates and casual employment reduce the motivation for young people to take up work as 'young people see little value to themselves very often in terms of their lifestyle and have very limited understanding perhaps of the longer term benefits of going onto a youth wage or taking up casual employment and resist perhaps the challenge that that offers'. Employees may also be less willing to persevere with young people as they are an easily replaceable employee group. Anglicare NT stated that there needs to be better incentives to employ young people and ensure that they are not just replaced when they are moved over into something other than the youth wage.<sup>38</sup>

### ***Improving the transition from school to work***

12.49 For the past two decades, governments, both Commonwealth and State and Territory, have focussed on improving the transition from school to employment or further education and training. In 1991, the Finn Report recommended targets for increasing school and post-school participation rates by 2001, to place Australia among the best qualified of OECD countries:

- 95 per cent of 19 year olds participating or having completed year 12 or the equivalent level in vocational education and training; and
- 60 per cent of 22 year olds participating in or having completed education and training programs leading to the level of a trade certificate or higher to diploma or degree levels.<sup>39</sup>

The Dusseldorp Skills Forum noted that these targets have not been reached.<sup>40</sup>

12.50 In its report on skills, the Senate Employment, Workplace Relations and Education References Committee noted that there had been many initiatives to improve youth transition. Some of the initiatives included the MCEETYA declaration *Stepping Forward – Improving Pathways for All Young People*; VET in schools program; and, the availability in most jurisdictions of some transition programs and a focus on broadening the purpose of post-compulsory years of education and training for those in the 15 to 19 year old age group.<sup>41</sup>

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37 Muir, p.4.

38 *Committee Hansard* 29.7.03, p.1093 (Anglicare NT).

39 SSCEWRE, *Bridging the skills divide*, November 2003, p.153.

40 Dusseldorp Skills Forum, p.24.

41 SSCEWRE, November 2003, pp.155-56.

12.51 At the present time, the Commonwealth has in place a number of programs to enhance youth labour force participation. These include:

- Job Network, Job Placement, Employment and Training (JPET) program;
- work experience and development programs including Work for the Dole and Green Corps;
- assistance that empowers young people to make appropriate career choices, including funding to the Enterprise and Career Education Foundation (ECEP);
- the Career and Transition (CAT) Pilots; and
- support for specific groups, such as the Jobs, Education and Training (JET) program which includes assistance with child care.<sup>42</sup>

12.52 The Ministerial Council on Education, Employment, Training and Youth Affairs has established a taskforce on transition from school to work. The Taskforce provides advice on:

- implementation of VET in schools;
- arrangements in place for students undertaking part-time New Apprenticeships in order to raise the profile of this pathway in post-secondary education and training;
- impact of an increasing range of education and training pathways in senior secondary schooling on participation measures;
- initiatives to address student transition from school to post school options;
- vocational learning and enterprise education initiatives;
- quality career services;
- student support services based on local school community partnerships, especially for young people who have left school early; and
- development of attitudes, skills and disposition for life-long learning post-year 12.

12.53 The Senate Committee acknowledged the efforts of the Commonwealth and other jurisdictions to improve youth transitions. But the Committee indicated that there was a need to go further and adopt a more systematic and integrated approach if

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42 *Submission 165*, p.19 (FaCS).

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further progress is to be made in increasing the number of young people completing 12 years of school or equivalent vocational education and training within the next five years.<sup>43</sup>

12.54 One pathway is New Apprenticeships. It provides a pathway into the full-time workforce for many young people, enabling them to combine work with formal training. New Apprenticeships are complemented by youth wage policies that allow employers to offer wages consistent with young people's lower skills and experience. Youth wages help to ensure the existence of entry-level jobs for young people. FaCS noted that over time, with increasing workplace experience, most young people will move on to more complex jobs with commensurate increases in remuneration. These wages, and the apparent welfare outcomes for youth, need to be judged on a longer term basis.<sup>44</sup>

12.55 The Committee's report also provides a detailed examination of New Apprenticeship. The Committee concluded that the system needs adjustment to 'better fit the new context provided by a highly competitive market place, the more diverse but less certain career choices available for young people, and the need to retain existing workers'.<sup>45</sup>

12.56 The Committee reported that there were concerns that the growth in New Apprenticeships was in industries such as retail at the expense of traditional trades. The Committee found that there was limited or negative training growth in the mechanical and engineering sectors. The Committee also commented on the treatment of trainees against traditional apprentices and noted that trainees have less protection under the law in the workplace. Existing workers may also be vulnerable, given they may be forced to take on a traineeship to keep employment so that the employer can pay them a reduced training wage and receive incentives.<sup>46</sup>

#### **Recommendation 47**

**12.57 That the Commonwealth provide funding for the expansion of access to the New Apprenticeships scheme, particularly in rural and regional areas.**

#### **Recommendation 48**

**12.58 That the Commonwealth work with industry and unions to maximise the take up of apprenticeships in areas where there are recognised skills shortages and to ensure that training is relevant to enterprises and apprentices themselves.**

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43 SSCEWRE, p.158.

44 *Submission* 165, p.19 (FaCS).

45 SSCEWRE, p.59.

46 SSCEWRE, pp.66-80.

## **Recommendation 49**

**12.59 That the Commonwealth undertake a review of New Apprenticeships to evaluate the effectiveness of policies; recruitment and selection; progression through the scheme; and employment outcomes after training.**

12.60 Many welfare and community organisations provide assistance to young people. One such program is Mission Australia's Creative Youth Initiatives based in Surry Hills, Sydney. Mission Australia indicated that the program had been a success in engaging truly disadvantaged young people: 'we had a young woman recently and, on her first day, the contract we made with her was that she would be alive the next day. Nothing more. She was so suicidal that it was nothing more than just coming into the service the next day alive. We have watched her progress through her work in the art program to a stage where she is smiling and she is part of that community.'<sup>47</sup>

### **Income support**

12.61 Youth Allowance is available to full-time students under 25 and unemployed people aged 16-20 years. It is income tested on both individual and parental income. Newstart Allowance is available to unemployed persons aged over 21 actively looking for work. Both have activity tests.

12.62 FaCS stated that 'Youth Allowance, which was introduced in July 1998, was never intended to be the sole measure of income support for young people, as no single source is expected to shoulder the whole responsibility for supporting young people'. Rather, income support schemes have been designed to encourage young people themselves and their families to help young people stay in education and training. Assistance is targeted towards young people in the post-compulsory school years from low-income backgrounds.

12.63 The Department also commented that Youth Allowance has flexible activity testing and incentives for young people to take up full-time education and training, such as a higher fortnightly income free area, access to the Student Income Bank and access to further assistance through a loan under the Student Financial Supplement Loan Scheme. Rent Assistance has also been extended to students who need to live away from home in order to undertake study. This particularly benefited students from rural and regional areas.<sup>48</sup>

12.64 Witnesses pointed to research which suggests that single unemployed people under the age of 21 live 32 per cent below the poverty line and single adult unemployed people over 21 live 21 per cent below the poverty line.<sup>49</sup> It was argued

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47 *Committee Hansard* 26.5.03, p.334 (Mission Australia).

48 *Submission* 165, pp.18,36 (FaCS).

49 *Committee Hansard* 2.5.03, p.249 (UTas).

that while the level of benefits payable to these groups is relatively low, the extent of disadvantage faced may be mitigated for some by the extent to which they can draw on family support for assistance. However, witnesses noted that many young people receive only limited assistance even when living at home because of the family's low income or family dysfunction.

12.65 It was also suggested that poverty among young people who are not living with their parents has increased in recent years.<sup>50</sup> The Brotherhood of St Laurence stated that 'the payments for young people, particularly those under 21, are so low that it is almost impossible for them to live and they rely on agencies like ours, emergency relief and a whole bunch of things just to get by'.<sup>51</sup> Melbourne Citymission stated that although the rate of payment has recently had a minimal increase, in line with CPI 'the payment remains inadequate to cover basic costs of housing and food, and falls well short of funding additional costs associated with study and transport. Failure to fund costs that are essential for engagement in education and training effectively excludes young people from social participation now and in the future.'<sup>52</sup>

12.66 Witnesses argued that allowances, including Newstart and Youth Allowances, should be increased up to the level of the pension.<sup>53</sup> ACOSS noted that raising allowance rates to pension levels 'would help some of the most financially disadvantaged groups of recipients – unemployed people, adult students, and independent young people – and reduce some of the worst income poverty'.<sup>54</sup>

12.67 Other witnesses called for a change to the definition of independence for young people for Youth Allowance. There are number of criteria for being considered independent including that you are 16 years and over and have been out of school for 18 months and have earned \$15,990 in an 18 month period before lodging a claim; or you are aged 15 to 24 and it is unreasonable for you to live at home. Witnesses indicated that the latter criteria poses some difficulties for young people:

With the youth allowance independent rate, you have to prove that you cannot live at home. In a socially dysfunctional family, it is very difficult to get a child to say, 'I just can't live at home,' when mum is saying, 'Yes, they can.' So it is considered that they are living at home but really they are

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50 ACOSS, 'Fairness and Flexibility: reform of workforce age social security payments in Australia', Paper 129, September 2003, p.45. See also *Submissions* 187, p.27 (SA Government); 69, p.11 (Victorian Government).

51 *Committee Hansard* 30.4.03, p.63 (BSL).

52 *Submission* 77, p.8 (Melbourne Citymission).

53 *Submissions* 98, p.17 (BSL); 163, p.133 (ACOSS); 46, p.21 (SACOSS).

54 ACOSS, p.51.

out the door. So, irrespective of the benefit they are receiving, what are they actually doing or how are they surviving? They are on the streets.<sup>55</sup>

12.68 If the person applying for youth allowance is not considered to be independent, a parental income test applies. The parental income test applies if parent's taxable income for 2003-03 is \$28,150 (as at 1 January 2004).

12.69 The AFHO recommended that the Commonwealth recognise the independent adult status of young people 18 years and over by assessing their entitlement to income support without reference whatsoever to their parents' income.<sup>56</sup>

### ***Impact of activity testing and breaching on youth***

12.70 The impact of activity testing and breaching of young people was also raised in evidence. The reason for breaches range from failure to report brief periods of work to missed appointments.

I did not get up and have a shower and eat and go to an appointment. Oh yeah – I don't have a bed or a shower or money for the tram.<sup>57</sup>

12.71 Fairfield Migrant Resource Centre stated that almost half of the Centrelink breaches were being imposed on people under 25 and commented that 'the amount available on Youth Allowance is seen as not worth disputing, and the complaints process is too difficult to access, and so many young people in Fairfield just give up on income support, and rely on family and friends to survive'.<sup>58</sup>

12.72 Breaching leads to compounding negative outcomes ranging from the loss of other concessions, for example, in NSW travel concession eligibility is lost once a breach is imposed, to increasing risk of further breaching and penalties:

Each time a young person loses income their ability to meet basic living expenses and look for work decreases, which means that they are vulnerable to further breaches and penalties.<sup>59</sup>

12.73 Young people who are breached may also seek advance payments from Centrelink leading to large outstanding debts. Witnesses stated that this is a well-

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55 *Committee Hansard* 1.5.03, p.165 (Laverton Community Centre and Neighbourhood House); see also *Committee Hansard* 4.8.03, p.1223 (DRS).

56 *Submission* 57, p.19 (AFHO).

57 *Submission* 77, p.9 (Melbourne Citymission).

58 *Submission* 62, p.4 (Fairfield Migrant Resource Centre).

59 Welfare Rights Centre, quoted in *Submission* 77, p.9 (Melbourne Citymission).



documented trap of the Youth Allowance system.<sup>60</sup> This means that benefits are reduced over a long period to recoup a crisis payment, thereby pushing many young people into despair and depression as they face increasing debt, increasingly unstable housing situations and even homelessness:

I have talked to young people who were at the edge of committing suicide. I have talked to young people who have actually acquired disabilities as a result of breaching because they were put out on the streets. If you have eight weeks with no income, what are you going to do? Where are you going to live? What do you do if you have no income and you still have to live? Some way you get the stuff and some way you get through, and that is what is happening every day, every week, every fortnight, day in, day out, for people who live on income support...<sup>61</sup>

12.74 Melbourne Citymission commented that the social security system identifies young people at risk of poverty 'but frequently pushes those most at risk into cycles of debt and housing instability through inappropriate use of assessment processes and mutual obligation principles' and expressed concern that it was proposed to expand mutual obligation requirements under the *Australians Working Together* package.<sup>62</sup>

### ***Youth and Centrelink***

12.75 Witnesses also drew attention to other problems that young people have when dealing with Centrelink. For example, Melbourne Citymission stated that it experienced problems with Centrelink's use of the Job Seeker Classification Instrument (JSCI) for people who are homeless or at risk of homelessness. Problems arise because of under reporting of personal difficulties by young people who feel they need to 'do well' in the interview. Further problems with the JSCI reflect the insufficient weight that this tool gives to homelessness and associated barriers to employment. Melbourne Citymission suggested that allowing input from specialist agencies and community organisations would improve assessments leading to more appropriate targeting of young people.<sup>63</sup>

12.76 Anglicare NT indicated that it had experienced difficulties with Centrelink activity agreements that young people entered into:

The usefulness and viability of activity agreements to seek work is in question. Young people tend to agree, particularly in the face of officialdom, to poorly understood plans that have limited meaning in their gaining useful

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60 *Submission 62*, p.4 (Fairfield Migrant Resource Centre); *Committee Hansard 29.7.03*, p.1093 (Anglicare NT).

61 *Committee Hansard 29.5.03*, p.22 (Australian National Organisation of the Unemployed).

62 *Submission 77*, pp.8,9 (Melbourne Citymission).

63 *Submission 77*, p.9 (Melbourne Citymission).

employment. More collaboration is needed in that process so that more realistic plans can be developed that are meaningful to the young person for their participation.<sup>64</sup>

12.77 Some progress has been made with specifically targeting young people. Anglicare NT reported that it was undertaking a small pilot program in collaboration with its youth program and Centrelink to address problems with activity agreements.<sup>65</sup> Melbourne Citymission noted efforts by Centrelink to trial new forms of service provision through the Centrelink Community Support Unit (CSU). The Melbourne Inner City Centrelink CSU works across a number of inner city suburbs with young people who are disadvantaged, homeless or at risk of homelessness. Centrelink workers recognise a number of areas of concern specific to this group and have adopted a flexible approach to providing a specialist, co-ordinated service that is responsive to the needs of young people accessing a range of co-located youth services at Melbourne Citymission's Frontyard site.<sup>66</sup>

12.78 Melbourne Citymission concluded 'the current approach to income support for young people has proven itself to be spectacularly unsuccessful and needs serious reconsideration in light of what we know about the inadequacy of labour market pathways for young people'.<sup>67</sup> Issues with Centrelink are also discussed in Chapter 17.

### ***UK Gateway to the New Deal program***

12.79 In the United Kingdom, the New Deal program was developed to help the long-term unemployed back to work. The New Deal for 18 to 24 year olds was introduced in 1998. The New Deal gives four options for young people aged 18 to 24 who have been unemployed for six months or more and who are claiming Jobseekers allowance. All participants begin with an intensive period of counselling, advice and guidance – the 'Gateway' to the New Deal. This includes intensive help from the Employment Service, including help with finding employment. Each young person will have both an individual Employment Service adviser and opportunities to take advantage of independent careers advice.

12.80 During the Gateway, the Employment Service aims to help young people find jobs and move off welfare into work. Those young people who remain unemployed have the option to pursue a place in one of four New Deal options including a job with an employer or a placement with the Government's Environment Taskforce.<sup>68</sup>

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64 *Committee Hansard* 29.7.03, p.1093 (Anglicare NT).

65 *Committee Hansard* 29.7.03, p.1093 (Anglicare NT).

66 *Submission* 77, p.10 (Melbourne Citymission).

67 *Submission* 77, p.11 (Melbourne Citymission).

68 [www.youthinformation.com](http://www.youthinformation.com)

12.81 The Committee considers that intensive measures for unemployed young people are required to move then successfully into full-time employment. There is a need for a single, coordinated service to assist the young unemployed.

### **Recommendation 50**

**12.82 That the Commonwealth initiate an employment assistance program, based on the United Kingdom Gateway program, to provide youth with intensive assistance and an agency providing comprehensive support for youth pathways.**

### **Conclusion**

12.83 As has been shown, education plays a fundamental role in determining whether a young person is at risk of unemployment and poverty. Those who fail to finish year 12 are at the highest risk of poverty, they have lower participation rates, and higher unemployment rates. The OECD Economic Survey of Australia in 2003 made the following comment:

International comparisons of school-to-work transition outcomes for young people also suggest that, while the employment rates for young adults are above the OECD average, and a relatively high proportion of young adults obtain tertiary qualifications, teenage unemployment and early school leaving rates in Australia exceed the area-wide average. Moreover, the employment disadvantage of poorly qualified school leavers, compared to their educated counterparts, is somewhat above the OECD average. Increasing skill demands in Australia and other OECD countries have made qualifications at the upper secondary level of education (or an apprenticeship qualification) a necessary condition for the employability of young people.<sup>69</sup>

12.84 There has been progress in improving the qualifications and employment prospects of school leavers. However, there is considerable scope for further improvement. To do so is of fundamental importance not only to individuals within society but to society as a whole. There is also a large economic gain to be reaped with the estimates that the economy stands to gain a long-term increase in GDP of 0.28 per cent or an additional \$1.8 billion through a 10 per cent lift in the completion rate of Australian youth.<sup>70</sup> Recommendations in Chapter 7 address early school leavers.

12.85 The Committee considers that further emphasis needs to be placed on literacy and numeracy skill and improving school completion rates. This will provide a protection against poverty and unemployment. In addition, there is a need to ensure

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69 OECD, *Economic Survey Australia 2003*, Paris 2003, p.91 quoted in Dusseldorp Skills Forum, p.26.

70 Applied Economics, *Realising Australia's Commitment to Young People, DSF, 2002* quoted in Dusseldorp Skills Forum, p.26.

that full-time entry-level work opportunities and appropriate combinations of training and work are available for Australian youth.

### **Recommendation 51**

**12.86 That the Commonwealth and State Governments implement strategies to improve access to employment opportunities for young unemployed people, in particular those young people living in rural and remote areas.**

12.87 Many community organisations provide assistance to young people at risk of leaving school early, young people who do not have the skills to enter the job market and young people who are at risk of homeless or are homeless. Evidence received during the inquiry point to the considerable success that these programs have in assisting young people to gain employment and escape poverty.

### **Recommendation 52**

**12.88 That the Commonwealth provide additional funding to community organisations to enable them to provide education, training and housing assistance packages to young homeless people.**

12.89 The Committee heard evidence that current forms of income support are inappropriate for many young people and lead to further hardship and disadvantage. The Committee considers that income support at the present time does not adequately take into the account the special needs of young people and the particular difficulties they face in the labour market.

### **Recommendation 53**

**12.90 That the Commonwealth progressively lower the age of independence test for Youth Allowance from 25 to 21 years.**

### **Recommendation 54**

**12.91 That the Commonwealth review its income support programs for young people to fully recognise changes in the Australian labour market.**

12.92 The Committee heard evidence that Centrelink is seeking to improve its services to young people. The Committee considers that it is imperative the young people are able to access Centrelink services that are appropriate to their needs and that Centrelink should continue to explore new ways to engage young people, particularly those who are homeless.

### **Recommendation 55**

**12.93 That Centrelink expand forms of service delivery which are responsive to the needs of young people, particularly young homeless people.**

## Students and poverty

12.94 While it is acknowledged that education is an important pathway out of poverty, many young people cannot access education or cannot complete their education because of the lack of financial resources. Those continuing with tertiary education often do so in the face of poverty which is exacerbated by low levels of income support, high costs of living including accommodation and high costs of equipment and books.

12.95 Students have a significantly lower income when compared to the general Australian population. In 2000, the mean annual income for students was \$12,513. This amount is the total sum of all sources of income, including paid employment, student income support payments, other Centrelink support payments (for example Family Allowance) and other forms of regular and irregular payments (for example allowance from parents). This was approximately a third of the average Australian income of \$33,800 in 2000.<sup>71</sup>

12.96 The MUSU commented that total annual income for students is even lower when considered in terms of a median rather than a mean income. Most students earned approximately \$8,190 per annum in 2000. A study by the Australian Vice Chancellors Committee found that on average student budgets are deficient by around 21 per cent, with an average of 42 per cent for full-time students.

### *Income support for students*

12.97 It was argued that the large levels of poverty amongst the student body are due in part to the inadequate levels of income support payments. University students studying full-time are eligible for one of three income support payments: Youth Allowance (for those in full-time study under the age of 25 years), Austudy (full-time students over 25 years) or ABSTUDY. These payments were designed to facilitate access to the education system for students who are unable to provide their own financial support. However, it was argued that payments are currently at such low levels and have such stringent restrictions on eligibility that they effectively keep people in poverty while they are studying.<sup>72</sup>

Education is also expensive. Austudy is based on assets – if parents are asset rich/income poor there are limited higher education opportunities. Kids need to go to Burnie for higher education – the cost for accommodation and travel is a real strain.

Just Tasmania research participant, Smithton, 1999

You should get more money if you're on Austudy because you've got higher expenses. It's especially hard on people who are on low incomes before they

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71 *Submission* 152, p.26 (MUSU).

72 *Submission* 130, p.3 (NUS).

start study – they're particularly disadvantaged because they haven't got any savings to back themselves up.

Just Tasmania research participant, Huon Valley, 1999<sup>73</sup>

12.98 ACOSS research indicated that in July 2002 those receiving Youth Allowance and Austudy payments are well below the poverty line, with a single adult student receiving Austudy being 39 per cent below the poverty line and those on Youth Allowance 20 per cent below.<sup>74</sup>

12.99 Student bodies noted that the payment for Austudy was \$82 per week less than the payment received by unemployed people due to a lower benefit payment and that Austudy recipients cannot receive Rent Assistance. Rent Assistance is available to those receiving Youth Allowance but only if they are considered 'independent'.<sup>75</sup>

12.100 A further anomaly exists between Youth Allowance and Newstart Allowance for those over the age of 21, as the Newstart Allowance is paid at a higher rate. It was argued that this gap is a potential disincentive to study.<sup>76</sup> ACOSS argued that as a first step Austudy rates should be aligned with those of Newstart Allowance and the single adult rate of Newstart Allowance and the away from home rates of Youth Allowance should be increased.<sup>77</sup>

12.101 ABSTUDY is available to Indigenous students. The National Union of Students (NUS) stated that 'policy changes introduced by the Coalition Government have worked against the provision of adequate income support for students and have impacted severely on Indigenous students'. The changes have resulted in fewer students receiving ABSTUDY and many receiving reduced payments. NUS commented that as a consequence, Indigenous enrolments fell from 8367 in 1999 to 7342 in 2002, a fall of 18 per cent and a reversal of a decade of steadily increasing enrolments.<sup>78</sup>

12.102 It was also argued that two of the eligibility criteria contribute to student poverty: the age of independence; and the parental means test. Many witnesses commented that in most areas of life a person is thought to be an adult at 18 years.

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73 *Submission 32*, p.7 (Tasmanian Catholic Justice and Peace Commission).

74 ACOSS media release, *Over 400,000 unemployed & students move further below the poverty-line*, 23.7.02.

75 *Submission 147*, p.2 (SRC – South Cross University).

76 *Submission 103*, p.9 (USASA).

77 ACOSS, p.52.

78 *Submission 130*, p.4 (NUS); see also *Submission 64*, p.9 (UTSSA).

However, for income support, young people are considered to be dependent on their parents until the age of 25 unless they can prove that they are independent.

12.103 There are strict definitions of independence under the Youth Allowance regulations. Students who do not meet the criteria for independence, are deemed to be dependent on their immediate family, irrespective of whether they receive financial support or not. It was argued that many students cease receiving financial assistance from parents well before they turn 25, even if they live in the family home.<sup>79</sup> MUSU stated:

...even if students are staying at home, it is not necessarily the case that their parents will support them. Some of the students who are working the most—who are struggling the most—are actually students from middle-class backgrounds who are living at home but whose parents are not supporting them...Therefore, the age of 25, being deemed the age of independence, is unrealistic insofar as students are supporting themselves from a much earlier age. To assume that, at the age of 25, they have been supported by their parents for the previous six or seven years is somewhat farcical. It is simply not the case.<sup>80</sup>

12.104 If a student is deemed to be dependent, the parental or family income is means tested in assessing the student's entitlement to assistance. The parental means test was seen to be poorly targeted. Payments are reduced after the parental income threshold of \$28,150 per annum. This was considered to be too low and excluded many students from income support yet the parents or partners of these students did not earn enough to support them.

12.105 The USASA also noted that the parental income test has not kept pace with changes in average weekly earning. When the Tertiary Education Assistance Scheme (TEAS) was introduced in the mid 1970s, around 70 per cent of full-time students were in receipt of some government assistance. By 1982, this had declined to 40 per cent. The level of parent income allowed before allowances were reduced had declined from 100 per cent of AWE in 1974 to 63 per cent in 2003.<sup>81</sup> One student commented on the impact of the stringent parental income test:

I am not eligible for Austudy because the government says my dad earns too much. I live with him and his second family and three half sisters who are much younger than me. I can't afford to live on my own and feel a real burden on my father. I don't like asking him for money because he always seems to be worried about making ends meet.<sup>82</sup>

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79 See for example, *Submission 103*, p.12 (USASA).

80 *Committee Hansard 1.5.03*, p.118 (MUSU).

81 *Submission 103*, pp.14-15 (USASA).

82 *Submission 130*, p.7 (NUS).

12.106 The NUS concluded 'students financial dependence on their parents, forced on them through the ridiculous age of independence and harsh parental means testing arrangements of the income support system, places the burden of paying for education on those families which are least able to afford it'.<sup>83</sup>

12.107 Many students seek to be classified as independent by earning the required amount of income for the independence test. This can place a huge burden on students:

On a personal level, for me to access youth allowance, because my father was just over the \$27,400...I had to work every Thursday and Friday night, all day Saturday and all day Sunday, plus I had another job which would interfere during the week. I failed subjects that year. I earned the money. I was able to access the independent rate for youth allowance, but I failed.<sup>84</sup>

### **Recommendation 56**

**12.108 That the parental income test for Youth Allowance be increased and maintained as a percentage of Average Weekly Earnings.**

#### ***Work commitments***

12.109 The majority of students undertake part-time work to supplement their income. A study by the Department of Education, Science and Training indicated that on average, full-time students are working 15 hours a week. 40 per cent work more than 16 hours per week, while 18 per cent work in excess of 21 hours per week. Two-thirds of the students surveyed said they had to work just to meet their basic needs. The number of first year students reporting that employment was their main source of income increased over the decade: 26 per cent in 1994 and 37 per cent 1999.<sup>85</sup>

12.110 While there may be some benefits in undertaking work while studying, such as gaining practical experience in the field and the opportunity to establish networks, excessive hours of work leave students with little time to study or participate in social activities. For example, it was estimated that one in ten students who work part-time frequently miss classes because of their job, and that work adversely affects the study a great deal for two in every ten students in paid employment.<sup>86</sup> For students enrolled in courses with high contact hours, it is especially difficult to combine employment

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83 *Submission 130*, p.7 (NUS).

84 *Committee Hansard 1.5.03*, p.126 (NUS).

85 *Submission 130*, pp.7-8 (NUS).

86 *Submission 152*, p.24 (MUSU).



and study. Medical and veterinary science students have up to 40 and 50 hours per week in contact hours alone.<sup>87</sup>

The only problem I find is a diminishing study ethic due to work related tiredness. You feel like you have no other choice but to work so you can pay for the things you need. It really does have an impact on your study/university commitments.<sup>88</sup>

12.111 Students are also limited in the amount that they may earn before penalties are imposed. For every dollar earned between \$118 and \$156, student payments are decreased by 50 cents and then by 70 cents in every dollar earned over \$158 per week. The MUSU stated that 'this system of institutionalized penalty is set at an even higher rate than the current taxation rate for the wealthiest elite in Australian society!'.<sup>89</sup> UTS Student Association argued that this forces a number of students into black market areas of work where they receive reduced wages for non-declared income so as not to affect their benefit.<sup>90</sup>

12.112 Finding a suitable job may also cause problems for students. Students tend to occupy casual, low-paid positions. Over 60 per cent of students earn less than \$15 per hour, 10 per cent earn \$5 or less per hour and only 8 per cent earn more than \$26 per hour.<sup>91</sup>

12.113 While casual employment allows students flexibility to fulfil their coursework and study requirements, casual labour is often unstable and unreliable. There is no permanent and ongoing employment contract and casuals are not entitled to employment benefits such as sick leave and holiday leave. Students undertaking casual work often find it difficult to plan study activities and are uncertain about their level of finances from week to week. There is also pressure to work more hours to compensate for the lack of employment benefits and lack of employment security.

12.114 The NUS commented:

The fact that students have to work such long hours to survive while trying to further their education has implications for the whole sector, and the value that students can gain from their education. The Australian Vice Chancellor's Committee expressed this view in their submission to the Senate Committee into Higher Education:

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87 *Committee Hansard* 1.5.03, p.117 (MUSU).

88 *Submission* 127, p.3 (SAUT)

89 *Submission* 152, p.24 (MUSU).

90 *Submission* 64, p.3 (UTSSA)

91 *Submission* 152, p.26 (MUSU).

there is growing concern that students' work obligations in part time, and sometimes full time, employment prevents them from gaining optimum value from their studies. The effort of holding down a number of jobs hinders students from attending all their classes or having sufficient time for out of class study.<sup>92</sup>

#### 12.115 The Students Union of the University of South Australia concluded:

There can be no doubt that the quality of students' educational experience is diminished by long hours of employment, student stress and tiredness. It also raises questions about the long term social impact on graduates who have not been able to adequately engage with their studies due to the pressures of low finances and long hours of employment.<sup>93</sup>

#### ***Cost of living***

12.116 The rising cost of living has also had a significant impact on student incomes. While there have been increases in costs of food, utilities and travel, it is accommodation and the cost of books and equipment which has had the most severe impact.

12.117 Rents in inner city areas have increased substantially. This has created great difficulties in accessing accommodation near to educational institutions for many students. While moving to an outer suburb may appear to be an option, the increased costs of travel and the impacts on time for work and study make it untenable. In Sydney for example, students typically spend two-thirds of their income on rent.<sup>94</sup> In Melbourne, a two-bedroom apartment that could be rented for \$154 a week in 1981, cost \$250 in 1999. At the University of Canberra, some 200 students were unable to find on-campus accommodation or rental accommodation in the community in 2003.

12.118 The already severe accommodation problems faced by students are even more difficult for Austudy recipients as they do not receive Rent Assistance. Maximum Rent Assistance of \$42 per week is only available to independent students on Youth Allowance or unemployed young people on Newstart. Shelter NSW provided the following case study as an example:

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92 *Submission* 130, p.8 (NUS).

93 *Submission* 103, p.6 (USASA).

94 *Submission* 147, p.3 (SRC – South Cross University).

### **Rent Assistance and the impact on students receiving Austudy – Wendy's story**

#### Case Study 2: Austudy is not enough

Wendy is 30. She has worked in retail and hospitality for many years. Her parents are elderly pensioners.

In 2002, Wendy enrolled in a full time graphic design course at Enmore TAFE. She applied for Austudy and scaled down her hours to 6 hours retail work on a Saturday, which paid \$100 a week. This meant her weekly income was about \$248 a week.

Wendy was renting a room in a share house within walking distance of the TAFE. Her rent was \$130 a week.

After paying her rent, utilities, plus buying materials for the course, Wendy estimates that some weeks she may only have \$20 left for food.

Wendy was doing two hours of homework a night, and working Saturdays. After 6 weeks she found it too stressful to juggle the demands of the course, and pay for rent, food, and also keep working on the weekends. She dropped out.

Wendy went off Austudy and returned to working in retail at a different art supplies shop and is now employed as a casual.

Wendy had this to say: "Austudy should definitely have Rent Assistance - if the dole has it, then Austudy should have it too. As a person trying to better myself - because I don't want to work as a casual in retail for the rest of my life where I live from week to week and the only way of doing that is educating myself and getting the qualifications – I find it hard to because Austudy is less than the dole. You also have more expenses when you are studying. The dole is more than Austudy!"

*Submission 102, p.16 (Shelter NSW).*

### **Recommendation 57**

#### **12.119 That Rent Assistance be extended to those receiving Austudy payments.**

12.120 Students under 25 years of age who are not counted as independent and are unable to get Youth Allowance because of their parents income, may have no other choice than to stay at home. If their home is a great distance from their tertiary institution there is the added burden of travel time and costs. Students in this situation also reported concerns about family and household conflicts.<sup>95</sup>

12.121 The cost of books and equipment also account for a significant proportion of student budgets. Course readers are priced up to \$30 each and textbooks average around \$80 each. The Vice Chancellors study found that students pay around 10 per cent of their annual income on course related costs, or an average of \$1231 a year,

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95 *Submission 130, p.9 (NUS).*

with textbooks making up about a quarter of these costs.<sup>96</sup> NUS commented that 'this is a particularly large burden and something that is not taken into account with government payments to students'.<sup>97</sup>

### ***Student debt***

12.122 Of particular concern was the long term impact of debt on students. A survey by the Australian Vice Chancellors Committee found that one in every ten students obtains a loan to be able to continue studying with the average amount borrowed being \$4000. This is a substantial amount in the context of student incomes.<sup>98</sup> Students relying on income support are about three times as likely to take out a loan to continue their studies. The NUS noted that students from equity groups are also more likely to take out a loan, including students with a disability, people who move to study, those from low socioeconomic backgrounds and women with children or Indigenous women. The Union concluded that 'thus the most marginalized students are more likely to start their working lives with sizeable debts from their study'.<sup>99</sup>

12.123 The NUS was particularly concerned about the use of the Supplement Loan. Students can access extra financial support from the government by trading up to half of their income support as a loan. In effect, students can borrow up to \$140 a week to gain an extra \$70 in income support payments. The Union stated that 'supplement loans prey on the fact that government income support is so far below the poverty line, ensuring that students who are reliant on income support graduate with an even greater level of indebtedness'. The NUS recommended that Supplement Loans be abolished and student income support increased.

12.124 Indebtedness is also increased through HECS fees. Students can accumulate a HECS debt of between \$3680 and \$6136 for every year that they study and most graduate with a debt of between \$11,000 and \$30,000.

Anyone who gets a clear run through life and comes out can earn at least 40 grand and at that rate your average degree will take 12 years to pay off anyway. Women who have children, someone who can only study part time, someone who has a disability or someone who has had a car accident and does not get going for a few years will never get a chance to pay it off.<sup>100</sup>

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96 *Submission 152*, p.18 (MUSU).

97 *Committee Hansard 1.5.03*, p.115 (NUS).

98 *Submission 103*, p.4 (USASA).

99 *Submission 130*, p.11 (NUS).

100 *Committee Hansard 28.7.03*, p.1077 (Ms J Carter).

12.125 The Council of Australian Postgraduate Associations has argued that HECS can have long-term negative economic impacts both on individuals and on society. The Association reported that the level of graduate debt, and experience of the higher levels of debt in New Zealand, has influenced the following trends.

- students and recent graduates will be more likely to live with their parents longer, and will find it more difficult to save deposits and make mortgage payments, affecting levels of home ownership;
- evidence from New Zealand shows that indebted students find it more difficult to obtain bank loans for housing and other needs;
- professionals such as doctors, lawyers, dentists and vets are compelled to increase their fees to pay for HECS repayments; and
- graduates delay having children, contributing to the fact that in 2001 Australia's fertility reached a record low.<sup>101</sup>

12.126 The NUS noted that women find it particularly hard to pay back their HECS debt throughout their working lives. NUS commented that with HECS increasing, 'it is quite likely that almost two in every five women will never repay their HECS debt after graduation, and this is particularly concerning'.<sup>102</sup>

12.127 It was argued that in order to minimise poverty and inequality it is imperative that student debt not be worsened by further increases and deregulation of the HECS fee.<sup>103</sup> NUS concluded:

These two combined effects are going to lock students into a life of poverty while they are at university and seriously affect the life choices of students once they graduate. Things like buying a home, starting a family and building their savings are already being affected, with students having to carry HECS debts of \$20,000, \$30,000 and even higher. If HECS fees are going to increase again, the life choices of more and more students are going to be affected. Our economy, our society and our culture are all going to be dramatically affected by having so much of our young Australians' money locked away in a debt to society.<sup>104</sup>

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101 *Submission 147*, p.3 (SRC – Southern Cross University).

102 *Committee Hansard 1.5.03*, p.115 (NUS).

103 *Submission 147*, p.4 (SRC – South Cross University).

104 *Committee Hansard 1.5.03*, p.115 (NUS).

A young woman I spoke to just two days ago needs to do extra work to increase her career opportunities. She is paying \$140 a fortnight to just do those extra modules, yet we understand that the federal government, at the higher education end, will give discretion to universities to charge another 25 per cent on the basis of HECS when we already have something that is unaffordable and working-class people are dropping out. We are then relying on those who can afford to pay and giving them a lower entry level point if they have the dollars to get in to university.

*Committee Hansard 30.4.03, p.101 (ACTU).*

12.128 The Womens Action Alliance stated 'there needs to be an allowance in the payment threshold for HECS to take into account the number of dependants upon that income. We do it with other forms of income support, to a large extent. It is totally unreasonable that these families should be forced into repaying HECS at this level'.<sup>105</sup>

### ***Impact of poverty on students***

12.129 Witnesses to the inquiry refuted the notion that student poverty is somehow a 'rite of passage'. It was argued that many students are in dire financial circumstances, while for others the idea of struggling through years of higher education below the poverty line is a deterrent to further education. Student poverty is a serious social issue that needs to be recognised and addressed.

12.130 Economic hardship has a major impact on the day-to-day lives of students and is seen in:

- poor academic performance as financial concerns and the need for work distract students from their studies;
- regular absence from lectures and tutorials due to the pressure of work or the unaffordability of childcare;
- withdrawal from study;
- inability to purchase essentials such as textbooks and equipment;
- inability to afford adequate or suitable accommodation;
- students not eating adequately or going without food,
- being unable to afford heating;
- selling essential items to pay bills;

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105 *Committee Hansard 27.5.03, p.423 (Womans Action Alliance).*

- experiencing severe stress and poor psychological health; and
- inability to afford medical and dental care.<sup>106</sup>

12.131 The Committee also heard evidence that in extreme cases, students in dire poverty have resorted to scrounging for food from waste bins, sleeping in cars because of lack of accommodation and being involved in illegal activities.<sup>107</sup> Withdrawal from study is the most significant longer term impact as not completing study will limit future employment options, and possibly extend poverty as a student into adult life.

12.132 The Salvation Army considered that 'the reticence of government in providing adequate funding for students is perplexing given that tertiary education is actively encouraged and promoted by government'.<sup>108</sup>:

The other key issue is the low amount of student subsidies—and students become dead averse to the prospect of living in absolute poverty while at university—combined with the fact of coming out of university with a substantially large student debt. Many students, especially those from rural and regional areas, those from Indigenous areas and those simply from a working-class background are turning away from university, and that is a particularly frightening fact. In this report, NUS focuses very clearly on a number of student groups that are most heavily affected, including women, queer students and students from Indigenous backgrounds. These three groups are groups that suffer substantially. Women are a very good example because we all know, I am sure, that women find it particularly hard to pay back their HECS debt throughout their working lives. With HECS increasing, it is quite likely that almost two in every five women will never repay their HECS debt after graduation, and this is particularly concerning.

*Committee Hansard* 1.5.03, pp.114-15 (NUS).

### ***Conclusion***

12.133 It has been argued that students experience low incomes for only a small part of their lives. However, the Committee is concerned that there is evidence that poverty and debt is impacting on student's ability to continue with their studies and is acting as a deterrent to some disadvantaged groups to enter tertiary institutions.

12.134 The Committee considers that, as tertiary education is one of the most important protections from poverty for the individual and will establish a workforce that is able to meet the challenges of the future, it is undesirable for any young person to be excluded from a tertiary education because of the impact of student poverty.

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106 *Submissions* 103, p.3 (USASA); 152, p.11 (MUSU).

107 *Submission* 103, p.7 (USASA).

108 *Submission* 135, p.9 (Salvation Army Australia Eastern Territory).

12.135 The Committee considers that there should be greater targeting of assistance programs to ensure that disadvantaged groups have equity in access to tertiary education. Further, the Committee considers that HECS should not act as a financial barrier to those from disadvantaged backgrounds seeking a tertiary qualification.