

Submission

to

Senate Employment, Workplace Relations and Education
References Committee

Inquiry into student income support

Submission no: 24

Received: 8/06/2004

Submitter: Ms Megan Mitchell

Organisation: Australian Council of Social Service (ACOSS)

Address: Locked Bag 4777
STRAWBERRY HILLS NSW 2012

Phone: 02 9310 4844

Fax: 02 9310 4822

Email: Megan@acoss.org.au

Contents

Background.....	3
Summary of recommendations.....	5
Terms of reference.....	10
The living costs of students enrolled in full-time and part-time courses:.....	11
(a) Current measures for student income support, including Youth Allowance, Austudy and ABSTUDY.....	11
(a i) The adequacy of payments.....	12
(a ii) The age of independence	22
(a iii) The parental income test.....	23
(b) The effect of income support measures on students and their families	32
(b i) The increasing costs of higher education.....	32
(b ii) Students being forced to work longer hours to support themselves	33
(b iii) Closure of the Student Financial Supplement Scheme;.....	34
(c) The importance of adequate income support measures in achieving equitable access to education	34
(c i) Students from disadvantaged backgrounds.....	34
(c ii) Improving access to education.....	36
(d) Alternative student income support measures	38
References	39

Background

ACOSS welcomes this Inquiry into student income support and the opportunity to contribute to the committee's consideration of this important issue.

Long overdue reform of Australia's national income support arrangements has been under discussion for several years now. However there has been limited progress to date in many areas, particularly the structure and adequacy of income support payments. The focus on workforce age payment reform since the work of the Reference Group on Welfare Reform - including the 2001 budget package *Australians Working Together* and the more recent discussion paper and consultations on income support payment simplification - has meant that students, young people and older people have largely been left out of the debate. The changing needs of these groups have therefore received little focus in either the public arena or the more detailed policy discussion occurring between government and other stakeholders.

Footprints to the Future - the 2001 report of the Commonwealth government's Youth Pathways Action Plan Taskforce offered some indications of a strategic approach to reviewing the support needs of Australia's young people, including students. In particular, Recommendation 13 advocated a review of income support for young people to better account for the true costs associated with study and job search; integration of youth within the broader welfare reform agenda; and investigation of options to better align Youth Allowance and Family Tax Benefit income tests.¹

The lack of a comprehensive and focused response to that report has stifled youth and student policy development in the years since the report's release. ACOSS hopes this, along with other significant deliberations by the committee in 2004 on lifelong learning and Indigenous training and employment outcomes, will stimulate a renewed focus on the needs of students and young people.

ACOSS is also keen to highlight that the issue of income support for students goes beyond consideration of full-time students receiving Youth Allowance, Austudy Payment and ABSTUDY alone. Many students, particularly part-time students, receive other Commonwealth income support payments. For people receiving those other payments, study may be an option at some point to meet mutual obligation or participation requirements; or be an aspiration for personal or employment-related skills development. Consideration of the needs and concerns of this broader group should not be lost.

ACOSS' submission to the 2003 Senate Community Affairs References Committee Inquiry into Poverty and Financial Hardship contains a wealth of material canvassing the broader issue of adequacy in Australia's income support system. We encourage the committee to note the findings of that Inquiry and, where appropriate, ensure the relevant recommendations stemming from the Poverty Inquiry are considered by this Inquiry also.

¹ Eldridge 2001

Finally, ACOSS believes it is important for the Inquiry to consider the linkages across the different forms of welfare payments and assistance available to students - in particular the interaction between Youth Allowance and Family Assistance at the point where the student turns 16. For low income families with teenagers Youth Allowance replaces the assistance previously offered under Family Tax Benefit, from the child's 16th birthday. ACOSS research demonstrates that there are problems with the level and structure of payments at this transition point, causing additional financial stress for families with teenagers aged 16 and 17. These problems can actually lead to reductions in family income at the very time when the direct costs associated with supporting the children are at their greatest.

A key question at the heart of this Inquiry's deliberations should be how, as a nation, we can best support our young people to take up education and training, building both personal opportunities and the broader level of skills and knowledge within our community. ACOSS considers we need to do much more to smooth the way for students and young people generally - supporting them while they acquire the skills and knowledge the country needs to take us forward. The confluence of various user-pays and debt recovery initiatives affecting students over recent years only serves to discourage our youth from investing their time and energy - to the detriment of our future as a nation.

In terms of priorities for action, an adequate base payment rate for all income support payments, including those for students, is key to an effective social protection and support system. The present income payment structure remains inequitable and is characterised by a large and growing gap between Allowance and Pension rates. Particular priority should be given to bringing up the rates for single adult students and unemployed people over a period.

Other measures needed to improve adequacy include removing the anomaly whereby support is reduced for families with older resident children; and more appropriate recognition of the emerging independence of young adults.

This submission is structured to specifically address the Inquiry's terms of reference where these are relevant but, as indicated above, draws attention to additional issues that ACOSS believes are of importance to consideration of the income support needs of students. Also included are recommendations related to improving the income support and employment assistance systems which will more directly assist students.

Summary of recommendations

Recommendation 1

The base rates of payment for adult students and away from home rates of Youth Allowance, should be progressively raised to pension levels. The first steps towards this goal should be to adopt the McClure report recommendations to:

- (i) Bring Austudy rates into alignment with those under Newstart;
- (ii) Progressively close the gaps between the single rate of Newstart and away from home rates of Youth Allowance, starting with an increase of \$20 per week in the first year, and moving to \$40 per week in the second year.

Recommendation 2

Indexation arrangements for Youth Allowance, Austudy and ABSTUDY should be aligned with other payments (ie twice yearly in March and September), with an initial one-off increase to bring the CPI reference quarters into sync.

Recommendation 3

The Commonwealth Government should introduce a more comprehensive program of supplements to assist workforce age payment recipients with the costs of meeting economic participation requirements for job search, work experience and further education and training, comprising:

- (i) A Job Search and Work Experience Allowance of \$5 per week in the first year, moving to \$10 per week in the second year to assist with the costs of meeting job search requirements and participating in work experience programs.
- (ii) An enhanced Education and Training Allowance of \$10 per week in the first year, moving to \$20 per week in the second year to assist with the ancillary costs of participation in approved further education and training courses.

Recommendation 4

A cost of Disability Supplement should be developed as a fortnightly cash payment or equivalent tax credit, along the lines of:

- (i) A mobility component to assist with the costs of achieving an adequate level of mobility for people with disabilities, to broaden and replace the existing Mobility Allowance.
- (ii) A communication component to assist with the additional costs of communication for people with disabilities.

Rates of payment would vary according to the average costs faced by different groups of recipients, as distinct from a universal flat rate or a cost reimbursement model.

Recommendation 5

Equality of access to education, training and other participation incentives and supplementary payments should be provided to older Australians wishing to pursue skills development or other lifelong learning outcomes.

Recommendation 6

Comprehensive programs should be developed to assist lifelong skills development that are readily accessible both inside the workplace and in learning institutions.

Recommendation 7

Payments for unemployed adults, trainees and students should be combined into a single employment and skills payment whose rationale is to assist people to improve their current and future full-time employment prospects.

The activity requirements for this payment should be designed as follows:

- (i) Activity requirements appropriate for this payment include active job search for full-time employment, education, training and participation in programs such as work experience and voluntary work designed to improve employment prospects. Combinations of these and other activities should be facilitated.
- (ii) Employment barriers faced by people with temporary illnesses and moderate disabilities should be identified and acknowledged.
- (iii) To improve equity in educational opportunities and outcomes, people eligible for workforce age payments could have a lifetime entitlement to use this payment to support them during a number of full-time equivalent years of study. During these periods, the activity requirement would be satisfactory attendance at, and progress in, approved courses.
- (iv) The first step would be to amalgamate the existing Newstart Allowance and Austudy Payment into a single payment with more flexible activity requirements, especially for students and trainees. The proposed payment should, for example, be available to people who combine part-time study and part-time employment or job search.

Recommendation 8

The 'age of independence' for income support purposes should be revised to 18. As a first step it should at least be lowered from the current 25 to 21 years, and thereafter reduced each year to reach the age of 18. In the interim, the criteria for independence should be reviewed to better match young people's various pathways to independence.

Recommendation 9

Additional measures should be developed to prevent Youth Allowance and other debts arising, particularly for young people, and to ensure they have the information and support necessary to access the administrative review and appeals process where debts are notified.

Recommendation 10

The maximum rates of Family Tax Benefit and Youth Allowance should be based on research into the actual minimum costs of raising children of different ages in different family settings. The first steps towards removing the worst poverty gaps in the present system should be to:

- (i) Increase Youth Allowance by \$13 per week for 16-17 year olds living at home and \$7.50 per week for 18 year olds; and extend Rent Assistance to dependent young people.
- (ii) Introduce Sole Parent and Shared Care Supplements to acknowledge the extra cost of raising a child alone and in shared care arrangements. The Sole Parent Supplement should replace the existing Family Tax Benefit (Part B) for sole parent families. It should be paid at the higher 'child under five' rate.

Recommendation 11

Poverty traps should be eased by replacing the existing income tests for three family payments (Family Tax Benefit, Youth Allowance, and Child Care Benefit) with a single family income test in which each payment is withdrawn in turn at a uniform rate of 25 cents for every dollar of parental income, and 'overlapping' of income tests is avoided.

Recommendation 12

Failing adoption of an integrated approach to the means testing of family assistance including Youth Allowance, as a first step the income threshold for the Youth Allowance Parental Income Test should be raised to the same as the threshold for Family tax Benefit Part A and linked to this so they remain the same.

Recommendation 13

The Commonwealth Government should address the significant affordability problems low income earners face when accessing or living in, private rental housing by taking immediate steps to ameliorate the unaffordability of private rental accommodation and to fix anomalies in the program by:

- (i) raising the maximum Rent Assistance payable by at least \$10 per fortnight;
- (ii) extending Rent Assistance to single students 25+ on Austudy payment;

- (iii) extending Rent Assistance entitlement to parents of 16 and 17 year olds living in the parental home and regarded as dependent for the purpose of Youth Allowance;
- (iv) extending Rent Assistance entitlement to Youth Allowees aged 16 and 17 living away from home, regardless of their dependence status; and
- (v) reviewing the 'sharer's initiative'.

Recommendation 14

Students who received assistance under the Student Financial Supplement Scheme in 2003, who have continued study into 2004, should be provided with a one-off payment to compensate for the loss of anticipated financial resources that may have resulted from the pre-emptive closure of the scheme.

Recommendation 15

The following changes should be made to the income support arrangements for newly arrived residents and refugees:

- (i) Abolish the two year newly arrived resident's waiting period for Special Benefit and Youth Allowance recipients, and reduce the two year newly arrived resident's waiting period and qualifying residence period to six months for all other income support recipients.
- (ii) Exempt holders of 10 year 'resolution of status' visas from the two year newly arrived resident's waiting period and qualifying residence period.
- (iii) Provide for the back dating of payments to people on refugee/humanitarian visas to the date of their arrival in Australia or to the date of their release from an immigration reception and processing centre, whichever is the later.
- (iv) Extend access to the Crisis Payment (equal to one week's payment of the Allowance or Pension entitlement) to people on refugee/humanitarian visas to assist with their immediate settlement needs.
- (v) Set reasonable limits on waiting times for entry to Commonwealth-funded Language, Literacy and Numeracy training and prioritise access to favour new entrants to Australia.

Recommendation 16

ABSTUDY should receive additional funding to ensure that eligible people are provided with the full range of support to which they are entitled.

Recommendation 17

ABSTUDY should be the subject of a review involving participation by Indigenous communities and organisations. This review should be public and expand on the internal review that was undertaken by Centrelink and DEST.

Recommendation 18

ABSTUDY recipients should be able to qualify for access to the Crisis Payment under the conditions that apply to other income support recipients.

Recommendation 19

Better access should be provided to higher education bridging programs for Indigenous students including better linking between these programs and higher education institutions, better access to university resources from remote locations and use of Indigenous graduates for facilitation, mentoring and support.

Recommendation 20

Greater recognition and value should be accorded to Indigenous knowledge and skills, with accreditation and formal recognition of Indigenous higher education subjects in areas such as philosophy, languages, health, etc.

Recommendation 21

The MCEETYA principles in *'Resourcing the National Goals for Schooling: An Agreed Framework of Principles for Funding Schools'* should be adopted.

Recommendation 22

A National Youth Transition Service should be established that provides a comprehensive transition support system, including:

- learning pathway plans for each young person;
- individual support for those at risk of leaving school early;
- transition follow-up mechanisms.

Terms of reference

The living costs of students enrolled in full-time and part-time courses and, in particular:

- (a) current measures for student income support, including Youth Allowance, Austudy and ABSTUDY, with reference to:
 - (i) the adequacy of these payments,
 - (ii) the age of independence,
 - (iii) the parental income test threshold, and
 - (iv) the ineligibility of Austudy recipients for rent assistance;
- (b) the effect of these income support measures on students and their families, with reference to:
 - (i) the increasing costs of higher education,
 - (ii) students being forced to work longer hours to support themselves, and
 - (iii) the closure of the Student Financial Supplement Scheme;
- (c) the importance of adequate income support measures in achieving equitable access to education, with reference to:
 - (i) students from disadvantaged backgrounds, and
 - (ii) improving access to education; and
- (d) alternative student income support measures.

The living costs of students enrolled in full-time and part-time courses:

(a) Current measures for student income support, including Youth Allowance, Austudy and ABSTUDY.

Students are potentially eligible to receive a range of income support payments. Those specifically targeted to students include:

- Youth Allowance
- Austudy Payment
- ABSTUDY
- Assistance for Isolated Children Scheme
- Post-Graduate Awards Scheme
- Veteran's Children Education Scheme

In addition, recipients of most other income support payments can undertake study while continuing to receive payments. These include:

- Parenting Payment
- Disability Support Pension
- Widow Allowance
- Mature Age Allowance
- Partner Allowance
- Various pensions from the Department of Veterans' Affairs
- Age pension
- Newstart
- Special Benefit
- Carer Payment

A Pensioner Education Supplement (PES) or an ABSTUDY PES of up to \$62.40 per fortnight² is available to Parenting Payment (Single) recipients, and other pensioners under age pension age undertaking a prescribed minimum level of study. A Language, Literacy and Numeracy Supplement of \$20.80 per fortnight is available to some income support recipients undertaking DEST-funded English language or numeracy training.

While students receiving this second group of payments are more likely to be engaged in part-time study, most income support payments, including Newstart, can accommodate full-time students under some circumstances. Some of the payments (eg Parenting Payment, Carer Payment, Disability Support Pension) have policies in place which encourage participation in activities such as study; or (in the case of Parenting Payment for parents of older teenagers) activity requirements which may be met by such participation. Parenting Payment and Disability Support Pension have historically both had significant student populations.

A recent study of activity participation by workforce age income support customers found that 15.2% of Newstart, 15.7% of Parenting Payment (single) and 6.6% of

² Centrelink 2004

Disability Support Pension recipients were undertaking study or training at some level.³ The mean rate of participation in this activity was 33.1 hours in the survey fortnight, demonstrating significant levels of education and training being undertaken across a broad range of income support payments.

(a i) The adequacy of payments

ACOSS' recent submission to the Senate Inquiry into Poverty and Financial Hardship in Australia highlighted the fact that Australia's social security system, including assistance to students, is a major bulwark against poverty. It provides a regular source of income for those who have none of their own and offers some structured opportunities for people to improve their chances of gaining paid employment.

The adequacy of social security payments is the most important *direct* influence on poverty levels in Australia. Hence gaps and anomalies in the social security system continue to be a major contributor to poverty and hardship in Australia.

Substantial progress has been made in reducing income poverty in Australia through improvements to social security payments:

- The benchmarking of pensions to 25% of male total average weekly earnings (MTAWE) in the early 1970s which was renewed in the 1980s and legislated by the present Government, was the main factor leading to a substantial reduction in income poverty among retired people since the Henderson Poverty Inquiry drew attention to poverty among older people 30 years ago.
- The benchmarking of family payments for low-income families with children to a proportion of the pension rate by the previous Government in the late 1980s was estimated to reduce income poverty among children by about one third. Since then, the present Government has further boosted the real value of child payments for sole parents and other single income families. Child poverty would be much higher now in the absence of these initiatives.⁴

However, social security payments for many households are significantly lower than Australian income poverty benchmarks as the following comparison between Henderson Poverty Lines and social security payments shows. As can be seen in **Figure 1**, students' payments lie between 63% and 82% - well below the poverty line.

³ Saunders; Brown & Eardley 2003

⁴ Brownlee & King *The estimated impact of the family package on child poverty*, in Edgar et al 1989. Harding & Szukalska 2000.

Fig. 1. Comparison of Social Security Payments to the Henderson Poverty Line (including housing costs) — \$ per week, September 2002

Family/Income Unit	Total Payment \$ per week	Poverty line \$ per week	Rate as % of poverty line
<i>Head in Workforce</i>			
Single adult unemployed	\$230	\$294	78%
Single, independent 18-20 unemployed.	\$196	\$294	67%
Couple unemployed – 0 children	\$376	\$393	96%
Sole Parent unemployed – 1 child	\$365	\$378	97%
Sole Parent unemployed – 3 children	\$492	\$536	92%
Couple unemployed – 1 child	\$450	\$473	95%
Couple unemployed – 3 children	\$576	\$632	91%
<i>Head not in Workforce</i>			
Single adult student	\$151	\$238	63%
Single full-time student, independent 18-25	\$196	\$238	82%
Single Age/Disability Pensioner	\$256	\$238	108%
Age/Disability Pensioner couple – 0 children	\$395	\$338	117%
Sole Parent not in labour force – 1 child	\$365	\$322	113%
Sole Parent not in labour force – 3 children	\$492	\$481	102%

Source, Melbourne Institute, Poverty Lines and Centrelink information

Assumptions: All households have zero private income and assets. All single people live alone. All rent privately and receive maximum rate of Rent Assistance, except adult students who are ineligible. All children are aged 5-12 years, except in the case of independent young people. Pharmaceutical and telephone allowances, and GST compensation payments, are not included.

Inadequate payments to sustain people

The relative income levels of income support recipients, including students, has deteriorated over time. In 1998 over 60% of income support recipients were in poverty compared to 20% in 1972-3.⁵ A study funded by the Department of Social Security in 1998 found that, for many households, income support payments are insufficient to ensure:

“a standard of living which...would still allow social and economic participation consistent with community standards and enable the individual to fulfil community expectations in the workplace, at home and in the community.”⁶

The present payment structure is characterised by a large and growing gap between allowance and pension rates, with large numbers of people living on allowances for lengthy periods. In 2000-01 the average duration on income support ranged from 135 weeks for Newstart recipients to 277 weeks for mature age recipients⁷.

ACOSS has consistently called on the Government to close the worst poverty gaps in the social security system by raising social security allowance rates and by adequately compensating low-income people for the key specific costs they face. These costs include private rents, the costs of children, and the costs of disabilities. Students suffer from some of the worst anomalies in the system.

⁵ King, A, 1998 'Income poverty since the 1970s' in R. Fincher and J. Nieuwenhuysen (eds) 1998 *Australian Poverty: Then and Now*, Melbourne: Melbourne University Press.

⁶ Saunders, P et al 1998.

⁷ FaCS, 2002, *Annual Report*.

Example of inequity between payments

A single age or disability pensioner receives **\$464.20** per fortnight plus additional health and other concessions, no activity/compliance tests, and the payment is indexed twice yearly to the larger of the Consumer Price Index (CPI) or the increase in Male Total Average Weekly Earnings MTAWE. Rent assistance may also be available if in private rental accommodation.

A single adult unemployed person receives **\$389.20** Newstart per fortnight, indexed twice yearly to CPI, activity tests are compulsory, taper rates are harsher. Rent assistance may be available.

A student on Austudy (25 +) receives **\$318.50** per fortnight with no access to rent assistance and indexed only once a year to CPI. More generous income testing arrangements than apply to unemployed.^{8,9}

From this example it is easy to see the inbuilt disincentives to moving off a pension to Newstart, and from Newstart to education. Youth Allowees have an even greater financial struggle as can be seen in the box below.

Youth Allowees

An 18 – 24 year old on Youth Allowance receives \$318.50 per fortnight (if living away from home) while a person living at home receives **\$209.70** per fortnight (noting under 25s living with their parents are unable to get rent assistance). Youth Allowance is indexed to CPI only once a year on 1 January.

There is no real logic to these differentials, especially considering the basic costs of living (food and shelter) that each will encounter are likely to be the same. Further, the costs of disability or housing are not factored in, in any meaningful way. The costs associated with meeting activity and mutual obligation requirements or of undertaking education also remain largely unacknowledged.

The different indexation regimes for pensions, allowances and student payments also mean that the gap between the different types of payments will only continue to increase unless action is taken to redress the balance.

Poverty by type of social security payment received

The information below is drawn from two deprivation studies: the ABS Financial Stress study¹⁰, and the ACOSS Emergency Relief study¹¹. We estimate the **risk** and **composition** of poverty according to the type of social security payment received by those households that rely on social security payments for their income.

⁸Centrelink 2004.

⁹Social Security Act 1991: s1191-1195 – CPI indexation

¹⁰ABS 2002

¹¹ACOSS 1999, Paper 101

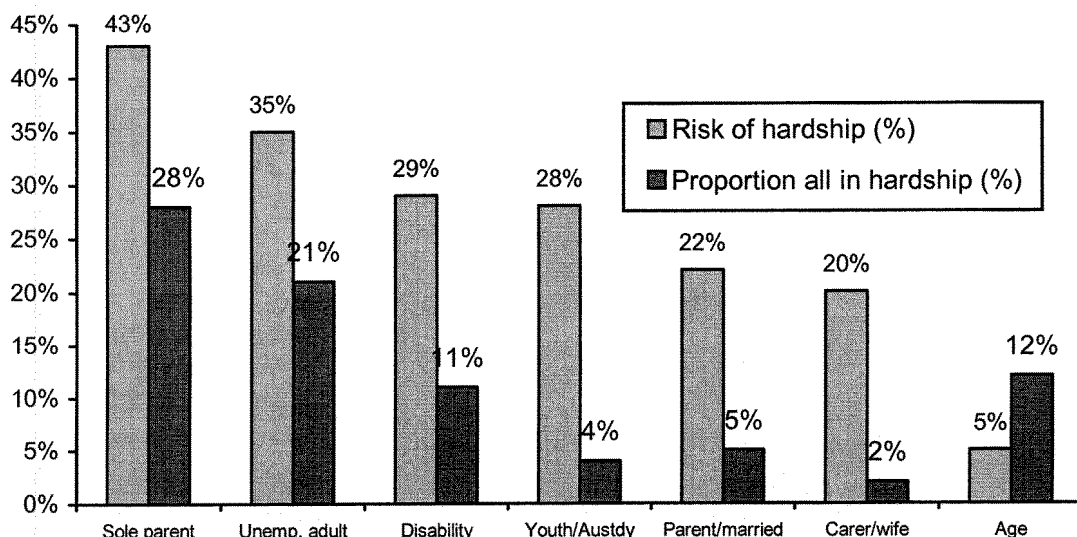
In the ABS Financial Stress study, 18% of households relying mainly on social security income, experienced hardship, compared with just 5-6% among households deriving most of their income from employment.

Figure 2 below is drawn from that survey. It indicates that sole parents and unemployed people face the highest **risk of hardship** among social security recipients, followed by people on disability pensions and Youth Allowance or Austudy. The other major groups facing an above-average risk of hardship (compared to other income support recipients) are the "parent/other" group (which refers mainly to the partners of unemployed people) and the carer/wife group (mainly carers of people with disabilities and wives of pensioners).

Age and Veteran's pensioners face a much lower risk of hardship (5% and 3% respectively), although this result is clouded by the fact that age pensioners tend to have relatively low expectations of their living standards so that hardship among this group is probably understated. It is also worth noting that non-pensioner retirees face a lower risk of hardship than pensioners (an average risk of 3%).

These results are broadly consistent with the general findings from income poverty studies that sole parents and unemployed people (especially long-term unemployed people¹²) face a relatively high risk of poverty, compared with (for example) retired people. However, these data enable us to distinguish more clearly differences in the risk of hardship among other groups of social security recipients. In this regard, disability pensioners and Youth Allowance/Austudy recipients stand out as large groups with a relatively high risk of hardship.

Fig. 2. Risk and composition of hardship by social security payment
ABS Financial stress survey (1999)

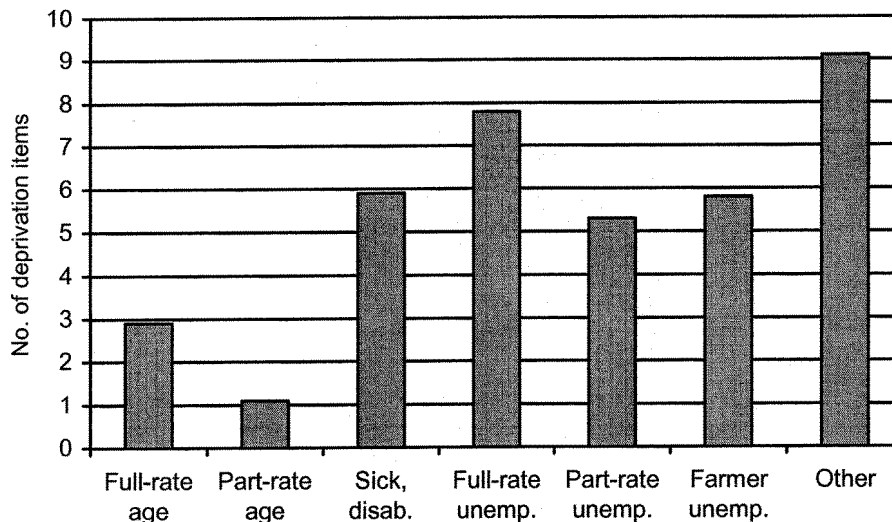


Source, Bray 2001. Risk refers to the % of each group facing hardship. Composition refers to the % of those in hardship and relying mainly on social security for income (a total of 351,000 households) who belong to each group

¹² See Gregory & Sheehan, 1998, *Poverty and the collapse of full employment*. in Fincher & Niewenhuysen 1998. They estimate that the risk of income poverty among unemployed income units rose from less than 20% where the head for unemployed for under 3 months, to almost 80% where the head was unemployed for a year or more. On a more general note, the ACOSS emergency relief study found that 50% of emergency relief applicants had received social security payments for more than 3 years. Most of these applicants were sole parents or unemployed people.

This picture is confirmed by Travers & Robertson's survey of deprivation among recipients of certain social security payments in Adelaide (see **Figure 3** below), which used a more comprehensive measure of deprivation. It should be noted, however, that this survey did not include sole parents.

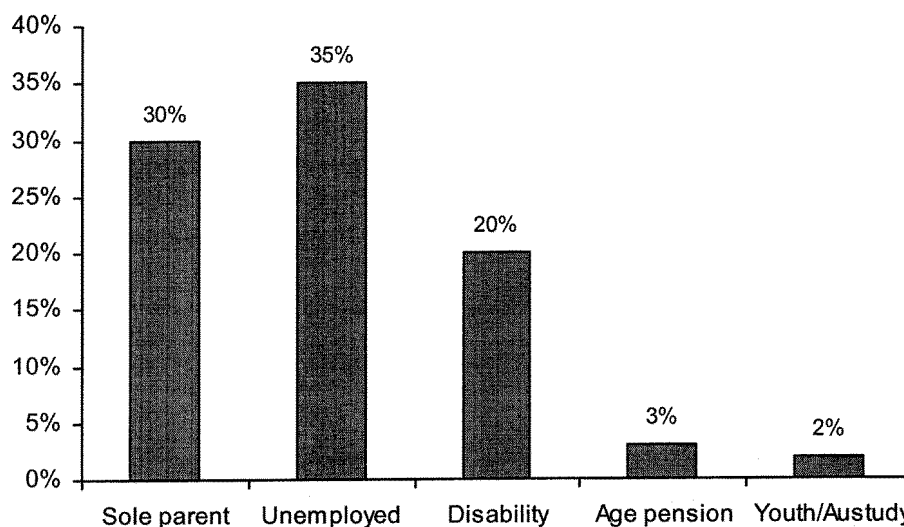
Fig. 3. Deprivation score by DSS payment category



Source, Travers & Robertson, 1996, *Relative deprivation among DSS clients*, National Institute of Labour studies Monograph No 2. "Other" includes young students receiving Austudy and Partner Allowees (mostly married to unemployed people).

The 1999 ACOSS emergency relief study (**Figure 4**) confirms the high proportion of people in hardship on unemployment and sole parent and disability payments, and the relatively low proportion on age pensions. It should be noted that there is a bias in this survey towards people who are more accustomed to seeking emergency relief (so, for example, young people are under-represented).

Fig. 4. Composition of emergency relief applicants by social security payment ACOSS survey (1999)



Source: ACOSS, 1999. Refers to people applying to emergency relief agencies for assistance. Composition refers to the % of all applicants, out of a total of 50,159 applicants. Numbers do not add to 100% because other income sources have been omitted (including full-time employment – 2%, part-time employment – 3%). "Disability" includes Sickness Allowance.

McClure Report

The 2001 report of the Reference Group on Welfare Reform (McClure Report) recommends combining adult student and unemployment payments into one structure, along the lines of Youth Allowance. As part of this streamlining, payments would start at a common base rate supplemented with needs-based additional assistance towards the costs of participation, disability, education, etc. The report noted the disparity in rates of payment between Austudy and Newstart¹³ and the lack of access to rent assistance by Austudy payment recipients¹⁴.

The McClure recommendations focus largely on structural issues and do not go to the issue of addressing the poverty faced by recipients of different payments. They avoid, for example, consideration of the option of aligning allowance rates with those of pensions. However the structural simplification suggested would make the system less complex for users. And the alignment, at the very least, of Austudy rates with Newstart would be a welcome and affordable interim step on the path towards a more strategic alignment of payment rates based on the actual income support needs of working age recipients.

Recommendation 1

The base rates of payment for adult students and away from home rates of Youth Allowance, should be progressively raised to pension levels. The first steps towards this goal should be the McClure report recommendations to:

- (i) Bring Austudy rates into alignment with those under Newstart**

- (ii) Progressively close the gaps between the single rate of Newstart and away from home rates of Youth Allowance, starting with an increase of \$20 per week in the first year, and moving to \$40 per week in the second year.**

Indexation

A further disparity between the conditions applying to students and other income support recipients is the different indexation arrangements. Newstart and other allowances and pensions are indexed twice yearly based on the six month increase in the CPI (or of MTAWWE, in the case of pensions, if this was higher). These increases occur in March (based on the December quarter CPI) and September (based on the June CPI).

Austudy payment and Youth Allowance, however, are indexed only once a year – on 1 January, based on the CPI increase for the 12 months to the previous June quarter. This leaves students unable to be compensated for rising living costs with the same responsiveness afforded other income support recipients. Specific cost of living increases affecting the CPI may take up to 18 months to flow through to an increase in Youth Allowance or Austudy.

¹³ McClure 2000 p 21

¹⁴ McClure 2000 p 20

The rationale for a 1 January indexation date is also less strong since the move from a calendar-year annual entitlement calculation under the previous AUSTUDY regime to a current entitlement calculation under Youth Allowance and Austudy Payment. There appears to be no reason why the indexation timing for student payments could not be aligned with that of other income support payments.

Recommendation 2

Indexation arrangements for Youth Allowance, Austudy and ABSTUDY should be aligned with other payments (ie twice yearly in March and September), with an initial one-off increase to bring the CPI reference quarters into sync.

Participation costs and life course needs

Social security benefits and allowances were designed to reflect the actual costs of basic living, or cover the extra costs associated with, say, raising a child. However, the lack of recognition of the costs of study, seeking and preparing for work, disability and inadequate adjustments to assist at various life stages leaves many Australians in poverty.

Many people on income support lack the financial resources to meet expected obligations placed on them by Government, or to match the extra costs involved when for example, buying books for study or jobseeking. This is of particular concern given the recent moves to expand activity requirements to new groups, including parents, mature age unemployed and people with disabilities, as these requirements to participate in education, training, volunteer placements or job search increase the cost to the individual or family.

Some extra cost pressures are already recognised in the social security system, but compensated at too low a level, or not to all who need assistance. For example, while small supplementary payments are available to contribute to the cost of participating in Work for the Dole or Language, Literacy and Numeracy training, no help is provided with the added costs of undertaking jobsearch or other study while receiving Newstart Allowance.

There is also a strong case to be made for better and more general assistance to meet the increasingly unaffordable costs of housing. Assistance is currently only provided to some low income private renters through Rent Assistance - and notably not to Austudy recipients. Other areas include the extra costs associated with living in remote areas; costs incurred by people living with a disability; and the costs of children and child care.

Recommendation 3

The Commonwealth Government should introduce a more comprehensive program of supplements to assist workforce age payment recipients with the costs of meeting economic participation requirements for job search, work experience and further education and training, comprising:

- (i) A Job Search and Work Experience Allowance of \$5 per week in the first year, moving to \$10 per week in the second year to assist with the**

costs of meeting job search requirements and participating in work experience programs.

- (ii) An enhanced Education and Training Allowance of \$10 per week in the first year, moving to \$20 per week in the second year to assist with the ancillary costs of participation in approved further education and training courses.

Recommendation 4

A cost of Disability Supplement should be developed as a fortnightly cash payment or equivalent tax credit, along the lines of:

- (i) A mobility component to assist with the costs of achieving an adequate level of mobility for people with disabilities, to broaden and replace the existing Mobility Allowance.
- (ii) A communication component to assist with the additional costs of communication for people with disabilities.

Rates of payment would vary according to the average costs faced by different groups of recipients, as distinct from a universal flat rate or a cost reimbursement model.

Lifelong learning

Further, the restricted number of participation incentive payments currently in the system, such as the Work for the Dole Supplement, Language, Literacy and Numeracy Supplement and the Pensioner Education Supplement, are not available to people beyond what is deemed “workforce age”. While, on one hand, older Australians are being encouraged to work longer into their retirement years, there remain few if any incentives for older people to maintain or develop enhanced work-related skills and knowledge through participation in training and education.

Such anomalies also impact on ‘dependent partners’ of income support recipients – for example a 55 year old wife pensioner married to a 64 year old Disability Support Pensioner can study and receive a Pensioner Education Supplement of up to \$62.40 a fortnight. If the husband transfers to Age Pension when he turns 65, the wife is no longer eligible for the supplement and would likely have to consider the financial viability of continued study.

Equality of access to participation incentives and supplementary payments would go some way to improving the lifelong learning outcomes for older Australians. Clearly not all older people will wish to pursue training and education into what are traditionally considered retirement years. ACOSS believes, though, that where the individual wishes to pursue such activities they should have the same opportunities and support as their younger countrymen.

Recommendation 5

Equality of access to education, training and other participation incentives and supplementary payments should be provided to older Australians wishing to pursue skills development or other lifelong learning outcomes.

The ageing of the population over the next 40 years has profound implications for the labour market and the position of low skilled and disadvantaged people within it. Public policy will need to place greater emphasis on increasing labour force participation in order to forestall a large decline in economic growth.¹⁵ *Employment rates* (the proportion of the population of workforce age that is employed) will assume the same importance in public debate that *unemployment rates* now have. This has already occurred in many European countries.

In Australia, mature age workers are already being targeted by the government to boost their future labour force participation. Along with encouragement, though, barriers to employment such as age discrimination and employer attitudes will need to be systematically removed through a combination of employer demand and Government action if real change is to be effected. Improving the skills and education levels of disadvantaged job-seekers and low skilled workers and developing a viable system of lifelong learning that works for both employees and employers will be important - to ensure older people are able both to maintain the skills necessary to undertake the work of the future and to remain competitive in the labour market.

Recommendation 6

Comprehensive programs should be developed to assist lifelong skills development that are readily accessible both inside the workplace and in learning institutions.

Simplification of payment structures to support lifelong learning

ACOSS recently provided input to consultations by the Commonwealth government on the further simplification of the social security system which, inter alia, discussed options for lifelong learning as they relate to the operation of the income support system. As part of that submission, ACOSS recommended that the education and unemployment income support streams for adults be combined into a single stream. This payment or payments would have activity requirements that are focussed on improving people's current or future job prospects. It would include the existing Newstart Allowance, Austudy and ABSTUDY payments.

Newstart Allowance already has, at least in theory, a flexible activity test that responds to individual circumstances. Not all recipients are currently required to search for employment. Many are involved in various forms of training. Others are excused from job search requirements on the grounds of illness or disability.

The problem with these activity requirements lies in their administration rather than their drafting. A narrow and mechanical approach is taken towards setting activity requirements for most Newstart Allowance recipients, based on the assumption that people will avoid seeking employment if not pressured to do so.

¹⁵ See for example Henry 2003.

The sharp distinction between payments for full-time students (Austudy) and unemployed people (Newstart) will become increasingly outmoded as jobless people with limited education and skills are encouraged to engage in lifelong learning. More jobless people will be encouraged to combine education and job search, or undertake periods of full-time further education.

This distinction has been removed from payments for young people. In 1997, Youth Allowance combined the former payments for unemployed young people and full-time students. However, the previous payments were not integrated. They were simply replicated as categories within the new payment, each with its own set of activity requirements.

A closer integration of unemployment and student payments is needed. This mainly requires changes to activity requirements for full-time students including:

- a relaxation of the rigid full-time academic participation requirements for Austudy, so that jobless people can undertake part-time study and job search, or sequences of job search and study;
- a greater emphasis on educational outcomes and less emphasis on the institutions through which these are pursued (for example, so that adults can undertake "second chance" education in high schools or TAFE equivalents);
- giving consideration to replacing the current limits on the number of years people can be paid while completing a particular course with a lifetime limit on the number of years in which people can be paid to undertake post-compulsory education.

Recommendation 7

Payments for unemployed adults, trainees and students should be combined into a single employment and skills payment whose rationale is to assist people to improve their current and future full-time employment prospects.

The activity requirements for this payment should be designed as follows:

- (i) Activity requirements appropriate for this payment include active job search for full-time employment, education, training and participation in programs such as work experience and voluntary work designed to improve employment prospects. Combinations of these and other activities should be facilitated.**
- (ii) Employment barriers faced by people with temporary illnesses and moderate disabilities should be identified and acknowledged.**
- (iii) To improve equity in educational opportunities and outcomes, people eligible for workforce age payments could have a lifetime entitlement to use this payment to support them during a number of full-time equivalent years of study. During these periods, the activity requirement would be satisfactory attendance at, and progress in, approved courses.**

- (iv) The first step would be to amalgamate the existing Newstart Allowance and Austudy Payment into a single payment with more flexible activity requirements, especially for students and trainees. The proposed payment should, for example, be available to people who combine part-time study and part-time employment or job search.

(a ii) The age of independence

In the 1995 ACOSS paper: *Youth Income Support*¹⁶ - a set of principles were laid out which ACOSS believed should underpin the establishing of dependency or otherwise of young people on their parents. These principles remain valid today and form the basis of ACOSS' policy on the age of independence:

- *Assumptions of dependency within the system should be based on community expectations.*
- *This suggests that young people should generally be regarded as independent from age 18 – the age of citizenship.*
- *However, in practice, independence is increasingly being deferred as young people spend longer in formal education and training.*
- *Independence is, in effect, phased in from age 16 (or earlier in some cases) to about age 21.*
- *18 years should be regarded as the nominal age of independence.*
- *People aged 18 years and over should normally be regarded as independent, unless circumstances apply which suggest that they are still partially or fully dependent on their parents.*
- *Stricter tests than those applying to 18 to 20 year olds should apply before people under 18 years of age are regarded as independent.*
- *The indicators of dependency should be as simple and non-intrusive as possible and should not encourage people to change their circumstances (eg leave home, leave school).*
- *They should be revised as social conditions and community expectations change.*

ACOSS believes the current use of age 25 as the age of independence for students living at home is unfair. It is out of step both with community expectations and with the criteria applied under other income support payments. Unemployed Australians, for example, are entitled to the full adult rate of Newstart at age 21.

Failure to recognise the independence of young Australians – particularly those forced to remain living with parents due to the lack of affordable independent housing options, places low and middle income family units at overall greater risk of financial hardship. The absence of national housing policy to support the availability of an adequate supply of affordable housing has a dual flow-on effect for families - by keeping young adults in the parental home for longer while at the same time reducing the access to adequate income support through age of independence rules.

¹⁶ ACOSS 1995, Paper 72

Recommendation 8

The 'age of independence' for income support purposes should be revised to 18. As a first step it should at least be lowered from the current 25 to 21 years, and thereafter reduced each year to reach the age of 18. In the interim, the criteria for independence should be reviewed to better match young people's various pathways to independence.

(a iii) The parental income test

The impact of the Youth Allowance parental income test threshold and income taper is too harsh. Because, for non-independent students, it is not responsive to variation in living arrangements the current rules act as a disincentive for families whose children need or want to move away from home to study or work. It is also a significant contributor to the high effective marginal tax rates experienced by some families when parents seek to improve their family's financial position by re-entering the workforce or taking up extra paid work.

It is also the case that students themselves have little or no control over their parents' willingness or capacity to support their children. In situations where financial support from parents is either ungenerous or not forthcoming, continuation of study may be removed as a realistic option. The independence criteria also militate against students receiving adequate income support in their own right until either their prime post-secondary window of opportunity for full-time study has passed or until their work history is such that they are likely to have less need of assistance in the first place.

Continuing reliance on parental means as the determining factor for assistance also leaves many students open to the dangers of Centrelink "debts" arising. While a point-in time assessment of parental means is achievable, given enough information is forthcoming, the risk for many, if not most, children is that they do not have an intimate ongoing knowledge of their parents' financial position. However, the structure of Youth Allowance as a current entitlement requires timely notification of any changes of parental or student circumstances to avoid incorrect payment. Where those changes happen outside the student's control or knowledge, they are left vulnerable to being "overpaid" according to Centrelink. At some future point, when the error is discovered, a debt will be raised against them. Within such a confusing and complicated system it seems overly harsh and counter-productive to penalise students for the failure of their parents – whether inadvertent or deliberate. Especially so given these "debts" arise at a time when they should be focusing on study and work options to maximise their educational outcomes.

Recent changes to Centrelink's data management practices to go back several years linking up data they already hold to discover discrepancies (including the 2002-03 budget Parental Income Test Linking measure) have highlighted the vulnerability of students to changes in their parents' circumstances. Even though one part of Centrelink or the Job Network may have known about a change in family circumstances, the Youth Allowance administration may have taken no notice for several years. Now it appears large numbers of big debts are being notified to students – many also saddled with HECS, institutional fees, books and other study costs. The

capacity for such multiple cost pressures to stack one on top of the other provides serious cause for concern.

On the broader issue of debts, generally, the current complexity of the assessment of entitlement to Youth Allowance means that many Youth Allowees also incur “debts” as a result of misunderstanding or misinterpreting their obligations under the Social Security Act. More needs to be done by Centrelink and other relevant agencies to prevent debts arising in the first place.

Most debts for young students on Youth Allowance arise because they inadvertently go from full-time study to part-time study, and are not aware that they have to notify Centrelink. Centrelink do not provide publicly available data on this issue but the impact is evident from welfare advocacy caseloads. When such changes are discovered, harsh interpretation by Centrelink of discretionary elements of the non-student Youth Allowance activity test legislation can lead to debts being raised for the period since the change.

Many do not appeal when they receive debt notices to test the discretion available. The levels of appeals for young people are very low compared with other income support recipients. Not surprisingly, many young people find dealing with Centrelink problematic and find it difficult to exercise their appeal and other rights, because they are not fully informed and not assertive or confident enough to instigate the administrative review process.

Where debts do arise and recovery is sought, the low rate of even the maximum amount of Youth Allowance means that young students and their families are placed in even further hardship as a result. On top of the other cost pressures mentioned above, this can compound the financial disincentives to remain in study – even if only part-time.

Recommendation 9

Additional measures should be developed to prevent Youth Allowance and other debts arising, particularly for young people, and to ensure they have the information and support necessary to access the administrative review and appeals process where debts are notified.

Interaction with other assistance

Over recent months, ACOSS has undertaken an extensive examination of the interaction between the family support and income support systems to look holistically at the situation faced by Australian families raising children. In response to this analysis, ACOSS has developed proposals for the restructuring of family and income support payments to address the negative impacts of the current system for families, in terms of adequacy at key points in the children’s development and poverty traps created by high effective marginal tax rates in some family income ranges. A central focus of this work relates to how income tests are applied.

Whether or not a family has access to basic resources at critical points is pertinent to both the immediate welfare of young people within families and their future educational and work opportunities.

These poverty traps are worst where there is a stacking of multiple income tests such as those for Family Tax Benefit parts A and B and the Youth Allowance Parental Income Test. Even with the changes to Family Tax Benefit announced in the 2004-05 Budget, combined with the effects for income tax, effective marginal tax rates of close to 100% can be produced in some income ranges.

How multiple family assistance income tests interact to create poverty traps and discourage employment

(Figures used are those applicable post-1 July 2004)

A family with a main breadwinner earning \$32,000 has a 10 year old child in after school care and a 16 year old. If the main carer of the child takes on a part time job and earns \$10,000, their family payments are reduced by four separate income tests. The family stands to lose:

- 20 cents of the first dollar earned in Family Tax Benefit (Part A) payments;
- another 20 cents off their Family Tax Benefit (Part B) payments;
- another 25 cents off the older child's Youth Allowance;
- another 10 cents off their Child Care Benefit;
- another 17 cents in income tax.

Adding up all of these income tests, the main carer of the child could lose up to 92% of the next dollar earned! When child care gap fees are taken into account, they are left with even less.

An understanding of the impact of these interactions across different income support programs is crucial to ACOSS' view of the impact of family financial circumstances and qualification for Youth Allowance for dependent children. ACOSS considers that payments of Youth Allowance to dependent students under the age of 18 are an extension of the family support payment system and need to be considered in that light. As indicated above, ACOSS believes that students aged 18 or older should normally be considered independent for the purposes of assessing entitlement to income support.

For the information of the committee, **a copy of the *ACOSS Better Family Incomes plan* is attached to this submission.**

The two critical findings of ACOSS' research are that¹⁷:

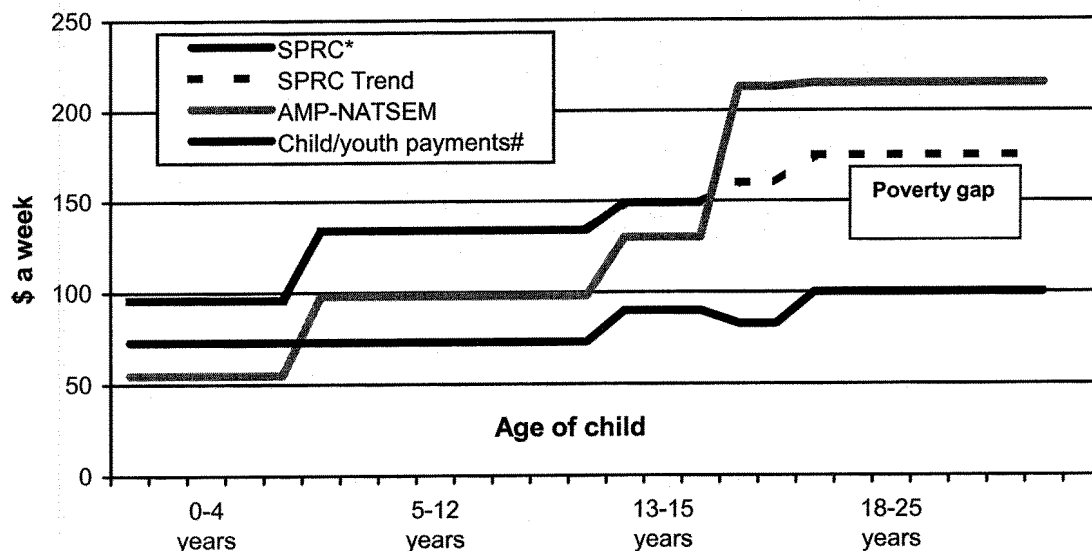
- The costs of children rise more rapidly as they grow older, and the compensating increases in child payments do not balance this rise;
- Once children reach their teenage years, the benefits available through the tax transfer system for families actually fall as different qualifications and

¹⁷ ACOSS 2003, INFO 344

levels of assistance between Family Tax Benefit and Youth Allowance produce different overall outcomes.

The graph at **Figure 5** below illustrates the first point. It compares the minimum costs of children in a low-income family with the child and youth payments¹⁸ received by a jobless family.

Fig. 5. The costs of a child in a low income family vs child & youth payments



Sources: Department of Social Security (1998) *Indicative Budget Standards for Australia*, updated to 2002 using the CPI. AMP/NATSEM (2002) *Income and wealth report*. AMP, Sydney. Notes: *the SPRC Budget Standards only extend to age 14. A trend line has been added to extend them hypothetically to older children.. # Family Tax Benefit (Part A), plus child share of Rent Assistance; and Youth Allowance.

For jobless families financial hardship is likely to be most severe in the teenage years, due to the large gap between child and youth payments and the high direct costs of raising older children. Although teenagers represent a small proportion of children living in poverty, the depth of their poverty is likely to be the greatest, once the direct costs of raising them are properly taken into account.

The system of support available to families is complex and there are a variety of types of assistance and funding and delivery agencies involved. The most important considerations in relation to families with students, however, is the three-sided interaction between Family Tax Benefit, Income support for parents and Youth Allowance for young students.

ACOSS better family incomes plan

Australia has a long and proud tradition of family allowances to help with the costs of children. However, these and other family assistance payments¹⁹, including Youth Allowance, and tax rebates for families are out of touch with the actual minimum costs of raising children. There are three main problems with the present system:

¹⁸ That is, Family Tax Benefit, Part A, Youth Allowance and the child's share of Rent Assistance.

¹⁹ This refers to all payments and tax offsets targeted towards families with children and dependent young people.

- Family and youth payments do not meet even the bare minimum costs of children. This is a major cause of child poverty, in low income jobless and working families. The biggest problem here is the high cost of teenagers.
- They also fail to meet the basic needs of working families with very young children who are juggling child care and jobs. This is a major cause of financial stress among low and middle income working families. The biggest problem here is the high cost of caring for very young children, both at home and in formal child care services.
- The income tests applied to some family assistance payments penalise employment. In extreme cases, parents may lose 100% of their next dollar earned.

The ACOSS Better Family Incomes plan deals with these problems. In brief, the key proposals relating to teenagers and poverty traps are described below.

Inadequate help with the general costs of raising children in low and middle income families, especially teenagers

Family and youth allowances have a vital role in preventing child poverty.²⁰ To achieve this, they must cover all of the minimum basic costs of raising children in families that rely substantially on social security. Otherwise children in jobless and low paid working families must go without. Australia's family and youth payments fail to achieve this. This is one of the reasons that in 2000, an estimated 740,000 children lived in families who were income poor.²¹

The largest gaps between family and youth payments and the minimum costs of raising children are for the most expensive children - teenagers. According to research into family budgets, in 2003:

- A preschool age child cost at least \$98 per week (excluding day care) compared with a family allowance payment of just \$76 per week;
- A 5-12 year old child cost at least \$137 per week compared with a family allowance payment of just \$76 per week;
- A teenager aged 16-17 cost between \$160 and \$220 per week, compared with a Youth Allowance of just \$85 per week.²²

Further, the extra costs of raising a child alone, or sharing the care in two households, is not fully recognised in the family assistance system. As a result of this and other anomalies in the social security system, the overall level of social security payments for many low income sole parent families actually *falls* by \$60 to \$70 a week when their youngest child reaches 16 years.

²⁰ By *family allowances*, we mean principally Family Tax Benefit Part A.

²¹ Harding, Lloyd and Greenwell 2001. The poverty line used, for a family of four, was about \$450 per week.

²² ACOSS calculations, updating the Social Policy Research Centre's *Indicative Budget Standards, 1998*; and the AMP NATSEM *Income and wealth report, 2002*.

Recommendation 10

The maximum rates of Family Tax Benefit and Youth Allowance should be based on research into the actual minimum costs of raising children of different ages in different family settings. The first steps towards removing the worst poverty gaps in the present system should be to:

- (i) Increase Youth Allowance by \$13 per week for 16-17 year olds living at home and \$7.50 per week for 18 year olds; and extend Rent Assistance to dependent young people.
- (ii) Introduce Sole Parent and Shared Care Supplements to acknowledge the extra cost of raising a child alone and in shared care arrangements. The Sole Parent Supplement should replace the existing Family Tax Benefit (Part B) for sole parent families. It should be paid at the higher 'child under five' rate.

Poverty traps

Poverty traps are caused by badly designed income tests for some family assistance payments, including Youth Allowance. They especially discourage part time employment by mothers in low and middle income families. Due to the effect of family assistance income tests, income tax, and other income tests such as those affecting public and community housing tenants, 20% of workers in married couple families and 50% of those in sole parent families keep less than 40 cents of their next dollar earned.²³

The worst poverty traps are sprung when two or more income tests (for example Family Tax Benefit and Youth Allowance) are **applied to the same income**. In these cases, some parents currently lose *all* of their next dollar of earnings. Even after the changes to income test tapers announced in the 2004-05 Budget come into effect, the loss could still be more than 90% of the next dollar.

To address this, ACOSS believes a new income testing regime should be developed that allows families to continue to be rewarded for extra work and receive financial benefit across the entire income test withdrawal range. This could be achieved by integrating the income tests of all family support payments, including Youth Allowance, into a single income test with sequential impact across the affected payments.

Recommendation 11

Poverty traps should be eased by replacing the existing income tests for three family payments (Family Tax Benefit, Youth Allowance, and Child Care Benefit) with a single family income test in which each payment is withdrawn in turn at a uniform rate of 25 cents for every dollar of parental income, and 'overlapping' of income tests is avoided.

²³ Beer 2002.

Recommendation 12

Failing adoption of an integrated approach to the means testing of family assistance including Youth Allowance, as a first step the income threshold for the Youth Allowance Parental Income Test should be raised to the same as the threshold for Family tax Benefit Part A and linked to this so they remain the same.

(a iv) Ineligibility of Austudy recipients for rent assistance

ACOSS continues to advocate for a commitment from the Commonwealth Government to develop a National Housing Strategy that includes ways to increase the supply of affordable housing options for people on low incomes, recognising that the whole housing system needs to be understood and addressed in policy terms. This includes the critical link between housing policies and planning and development, as well as consideration of issues for home ownership, public and private rental markets. The main ways the government currently supports the housing options for low income people is through Rent Assistance and subsidies to public or social housing.

A government subsidy stream to support the viability of, and investment in, social and rental affordable housing should be an essential part of this strategy. One option is the redirection of current private rental investment into low cost rental housing through changes to existing tax expenditures on such investment. Investment in low cost rental housing in areas of greatest need could be strengthened by increasing public housing investment and by replacing the current depreciation allowance for rental housing with a tax credit targeted towards new investment in low cost rental housing. In its 2004-05 federal budget priorities statement, ACOSS suggested this tax credit should equal 4% of construction costs for low-rental housing stock - a cost of approximately \$100 million annually.

However, we also recommend a review of the current Rent Assistance program as, although the supplement assists with affordability for many income support recipients living in private rental accommodation, it fails to deliver affordability for over one third of them. Rent Assistance is limited in its capacity to provide housing affordability due to rising rents coupled with the inadequate supply of low cost private rental. Almost 85,000 Rent Assistance recipients spend more than 50% of their income on rent²⁴ - this is well above international benchmarks of affordability, generally considered to be below at least 30% of income.

As part of the changes needed to address the housing affordability crisis, ACOSS believes a significant increase is needed to the maximum rate of Rent Assistance. At current levels, even the maximum Rent Assistance of \$47.70 a week for a single person is insufficient to ensure affordability of even low-cost housing. This is particularly so in higher-cost metropolitan areas.

In Australia median rents have risen at a rate greater than the Consumer Price Index. The table at **Figure 6** examines affordability for a typical student household against median rents. Two different affordability measures are used. All figures are per

²⁴ FaCS 2002: Table 39 'Ratio of housing costs to income, before and after Rent Assistance'. www.facs.gov.au/annreport_2001-02/volume2/part1/outcome2/2.1.html, quoted in *Rent Assistance: does it deliver affordability?* ACOSS Info 348, 2003

fortnight and based on Centrelink payment rates at December 2002. Regional and rural examples are drawn from different cost areas. The amounts are based on median rent data from State Bond Boards (the table uses the areas used by those authorities rather than ABS areas) and Centrelink payment rates, including Rent Assistance. Because of lack of median rent data in some States and Territories²⁵, they are restricted to examples from NSW, Victoria, WA and Queensland.

The table shows that for many students, *even after taking on part time work*, housing costs are still unaffordable. For share housing tenants living in areas near educational institutions, nearly all were paying over 50% of their total incomes (which includes part-time earnings) in rent. For example, a student on Youth Allowance attending Monash University and living in a share house in Caulfield in Melbourne would be spending 43% of their total income on rent. In a share household scenario, some savings are made due to economies of scale, but because Rent Assistance is paid at a 'sharer's rate', the renters lose any significant allowances accrued from economies of scale that might be achieved through sharing.

Fig 6. A shared household of one unemployed person and one Youth Allowance recipient and one Austudy recipient renting a three bedroom house²⁶

Rent per fortnight	Total household income	Disposable household income (after housing costs)	Total Rent: Total Income	Net Rent: Net Income	Location
\$800	\$1517	\$717	53%	49%	Randwick NSW
\$680	\$1517	\$837	45%	40%	Brisbane City - Inner QLD
\$660	\$1517	\$857	44%	39%	Carlton North VIC
\$640	\$1517	\$877	42%	37%	Caulfield VIC
\$630	\$1517	\$887	42%	36%	Marrickville NSW
\$596	\$1517	\$921	39%	34%	Northcote VIC
\$550	\$1517	\$967	36%	31%	Parramatta NSW
\$440	\$1517	\$1077	29%	23%	Fremantle WA
\$418	\$1517	\$1099	27%	21%	Murdoch WA
\$330	\$1517	\$1,187	22%	15%	Toowoomba QLD
\$310	\$1517	\$1207	20%	13%	Como WA

Notes: Rent data NSW: *Rent and Sales Report no. 61, September Quarter 2002*. Rent data VIC: *Rental Report, March Quarter 2002*. Rent data QLD: *Rental Report September Quarter 2002*. Rent Data WA: Selected suburbs median rents with reference to REI WA website. To find out the individual rents (assuming rent is evenly divided into thirds), divide by 3. All NSW rents except rural rents are first quartile rents. Centrelink Data: Income support payments as of September-December quarter 2002. Assumes the 2 students each earn \$200 extra a fortnight from part-time work. Assumes maximum Rent Assistance is paid. Austudy recipients do not receive Rent Assistance.

ACOSS considers that the 'sharer's initiative', introduced in the 1996-97 budget has significantly reduced the affordability of housing for single Australians in shared rental accommodation. This initiative reduces the maximum Rent Assistance available by a third for people sharing rental housing. While originally cast as an attempt to improve equity in the assessment of Rent Assistance, this measure was clearly primarily intended to deliver savings to government. Those savings, though, came at the expense of the living standards of the one group (sharing singles) claimed to be able to derive some economies of scale in housing to improve affordability. The

²⁵For example, Tasmania and the NT have no requirement that bonds be lodged, hence no reliable data is available. While these States/Territories may have lower housing costs, they are not the most populous.

²⁶ ACOSS 2003, Info 348, p24.

extent to which such economies are realised, in practice, is questionable. Even where they exist, however, ACOSS believes that people should have the choice and opportunity to take advantage of this to deliver an overall improvement in quality of life.

However, there are two groups in particular who do not currently have access to Rent Assistance and are missing out: Austudy Payment recipients and dependent Youth Allowees aged 16-24. In both cases, the lack of access to Rent Assistance is unsupportable on equity grounds. More pointedly, though, it is a significant potential contributor to family poverty for students and the families of students. Austudy recipients experience not only lower maximum rates of payment compared with Newstart and pensions but with none of the additional help offered by Rent Assistance.

One likely impact of this in practice is to present a significant barrier for people currently receiving Newstart Allowance in considering the uptake of education that could improve their longer-term employment prospects. For recipients of other payments without an activity test – eg Parenting Payment or Disability Support Pension – there is no need to consider a move to Austudy. Students on these payments have both higher maximum rates of payment and access to Rent Assistance. For most unemployed people receiving Newstart, however, Austudy is the only payment they would normally be able to consider moving on to if they were thinking of taking up full-time study.

Where qualification for a non-activity-tested payment such as Parenting Payment is lost, though (eg when the youngest child turns 16) the potential financial impact for a student is enormous. From a maximum of \$644.54 per fortnight²⁷ on Parenting Payment (Single) the options for a full time student sole parent are to move to Austudy Payment of up to \$318.50²⁸ a fortnight or the activity-tested and employment-focused Newstart of up to \$484.60 a fortnight²⁹. Facing such a choice, the option of continuing in full-time education on Austudy Payment to complete a qualification is unrealistic for many.

ACOSS believes that recipients of Austudy payment should immediately be provided with access to Rent Assistance, consistent with the entitlements accorded other income support recipients.

Families receiving income support or Family Tax Benefit part A who qualify for Rent Assistance and have dependent children under the age of 16 are paid a higher rate of rent assistance than those without dependent children. Dependent Youth Allowees aged 16 -17 do not have access to Rent Assistance in their own right regardless of whether they live independently or with their parents. Nor do they qualify their parents for the increased rate of Rent Assistance.

²⁷ includes Parenting Payment of \$464.20 + Pharmaceutical Allowance of \$5.80 + Rent Assistance of \$112.14 + Pensioner Education Supplement of \$62.40

²⁸ Basic rate, not eligible for Rent Assistance or Pensioner Education Supplement; Pharmaceutical Allowance only if over 60 yrs old and on payment for 9 months.

²⁹ Maximum basic rate of \$389.20 plus \$95.40 Rent Assistance – not eligible for Pensioner Education Supplement, Pharmaceutical Allowance only during periods of incapacity or if over 60 and on payment for 9 months.

This is one of the significant contributors to an anomaly whereby overall family income through the income support system can fall for some families when their child turns 16 – at the very time when the cost of raising that child is peaking. For families with dependent Youth Allowees aged 16-17, living at home, ACOSS believes the children should be treated as dependents for the purposes of calculating the parent's entitlement to Rent Assistance. For 16 and 17 year olds living away from home, ACOSS believes they should have access to Rent Assistance through their own Youth Allowance at rates equivalent to other income support recipients.

Recommendation 13

The Commonwealth Government should address the significant affordability problems low income earners face when accessing or living in, private rental housing by taking immediate steps to ameliorate the unaffordability of private rental accommodation and to fix anomalies in the program by:

- (i) raising the maximum Rent Assistance payable by at least \$10 per fortnight;
- (ii) extending Rent Assistance to single students 25+ on Austudy payment;
- (iii) extending Rent Assistance entitlement to parents of 16 and 17 year olds living in the parental home and regarded as dependent for the purpose of Youth Allowance;
- (iv) extending Rent Assistance entitlement to Youth Allowees aged 16 and 17 living away from home, regardless of their dependence status; and
- (v) reviewing the 'sharer's initiative'.

(b) The effect of income support measures on students and their families

(b i) The increasing costs of higher education

In its submission to this committee's 2003 inquiry into higher education funding and regulatory legislation, ACOSS highlighted the negative impact the HECS system appears to be having on the higher education participation rates of some groups. In particular, it noted research demonstrating that the 1996 changes increasing HECS rates; introducing a three band structure; and lowering repayment thresholds were impacting particularly on:

'older students who had never previously undertaken tertiary study, external students and part-time students. There was also a reduction in the number of students from low socioeconomic backgrounds undertaking the most expensive (HECS Band 3) courses.'³⁰

Debt aversion appears to be a significant factor in low income families decisions over whether their children will undertake higher education, especially where neither

³⁰ ACOSS higher education funding inquiry submission 2003.

parent has a tertiary education. A report by Anglicare Tasmania noted that both the **cost of courses** and the **cost of living while studying** are seen as significant potential barriers to their participation in higher education.³¹

The 2003 ACOSS submission also highlights some of the potential impacts of partial university fee deregulation which are now coming to fruition as a number of universities have recently approved very significant increases in the course costs faced by students. It also raises doubts about the likelihood of students from low socio-economic backgrounds benefiting from the arrangements in place to administer full-fee places, given the deterrent effect of the high potential debt levels involved.

(b ii) Students being forced to work longer hours to support themselves

ACOSS' 2003 higher education funding submission to the committee also notes:

'Another important dimension to undertaking a university education is the ability to be able to support oneself, or have financial support, while studying. With forty-one per cent of high school students from low-income families believing their families could not afford the costs of supporting them at university³², policies relating to income support and scholarships are significant.'³³

Earlier in this submission, the inadequacy of the levels of student income support payments compared with poverty standards is demonstrated.

The financial pressure that students are experiencing is also indicated by the number of hours they are working. Since 1984 there has been an almost three-fold increase in the amount of part-time work university students are undertaking. In 2000, full-time students worked an average of 14.4 hours a week during semester³⁴ - suggesting they are facing significant financial pressure that requires undertaking levels of work that may well detrimentally affect their studies.

ACOSS welcomes the recent changes to the income test treatment of some post-secondary scholarships, including additional changes announced in the 2004 budget. These changes exempt fee-free or fee-pay scholarships from assessment as income under the income test for income support payments including Youth Allowance and Austudy. However, overall, there are insufficient scholarships available in Australia to ensure all low income Australian families are able to finance the further education of their children – even where they may have the intellectual capacity, desire and school marks to do so. Unlike the education funding system that prevails in the United States, Australia does not have a tradition of private sector and institutional philanthropy on a scale necessary to support equitable access for low income people to a user-pays system of tertiary education. If Australia's education funding policies continue the push towards a more user-pays system, the need to better support low income families

³¹ Anglicare Tasmania 2002, pp 51-52.

³² Anglicare Tasmania 2002.

³³ ACOSS higher education funding inquiry submission 2003.

³⁴ Long and Hayden 2001.

to access and benefit from the tertiary education system will require careful consideration.

(b iii) Closure of the Student Financial Supplement Scheme;

ACOSS has welcomed the closure of the Student Financial Supplement Scheme (SFSS). However, we have serious concerns about the pre-emptive way in which the scheme was closed - without warning to affected students and without Parliamentary approval.

The reason ACOSS supports the closure is that it effectively provided a debt-based transfer of income support responsibility from the Commonwealth onto the individual students concerned. In the same way that HECS partly offloads the current cost of education from the broader community onto the future earnings of students, the SFSS represented a move away from education as an investment in the future of Australia towards becoming a cost on our future.

Occurring as it did without Parliamentary approval, though, the closure of the SFSS has meant some students will have been left in a precarious financial position without warning or time to prepare alternative arrangements. ACOSS believes that students who were in receipt of assistance under the SFSS in 2003 and who have continued their study into 2004 should be offered one-off compensation for the loss of the financial support they had budgeted on receiving. This would go some way towards relieving the pressures encountered through the unanticipated reduction in assistance.

Recommendation 14

Students who received assistance under the Student Financial Supplement Scheme in 2003, who have continued study into 2004, should be provided with a one-off payment to compensate for the loss of anticipated financial resources that may have resulted from the pre-emptive closure of the scheme.

(c) The importance of adequate income support measures in achieving equitable access to education

(c i) Students from disadvantaged backgrounds

Newly arrived migrants

In the current social security system a number of vulnerable groups continue to be affected by policies that impose further deprivation – either before payment commences or while struggling to survive on income support.

Since March 1997, newly arrived migrants have been subject to a two year waiting period for most social security payments. This is causing extreme hardship for many migrants attempting to settle here and find work – particularly for those whose funds run out before work is found. Except in extreme and rare circumstances, Special Benefit (a payment designed to respond to people ineligible for any other payment) is included in the range of payments subject to the two year waiting period. This

excludes many migrants from receiving it, and increases their risk of poverty, destitution, and exploitation in the labour market.

Recent immigrants, particularly holders of Temporary Protection Visas (TPVs), continue to be treated unfairly, in some cases being left with no access to basic income support, and in others without access to services that would improve their settlement prospects. Ensuring adequate access to the education and training supports needed to integrate effectively into the Australian community would significantly improve the prospects for early and sustained employment outcomes for new migrants.

The recent introduction of the Language, Literacy and Numeracy Program, which more tightly integrates the previous migrant English language and numeracy programs has been a welcome step. However, anecdotal evidence of significant waiting times for entry in some locations demonstrates the latent demand for such services. Adequate funding needs to be provided to ensure the availability of these services on the ground. Where waiting times are significant, priority of access should be given to new entrants to Australia in preference to longer-term residents, to ensure the services are targeted effectively to new entrants and refugees.

Recommendation 15

The following changes should be made to the income support arrangements for newly arrived residents and refugees:

- (i) **Abolish the two year newly arrived resident's waiting period for Special Benefit and Youth Allowance recipients, and reduce the two year newly arrived resident's waiting period and qualifying residence period to six months for all other income support recipients.**
- (ii) **Exempt holders of 10 year 'resolution of status' visas from the two year newly arrived resident's waiting period and qualifying residence period.**
- (iii) **Provide for the back dating of payments to people on refugee/humanitarian visas to the date of their arrival in Australia or to the date of their release from an immigration reception and processing centre, whichever is the later.**
- (iv) **Extend access to the Crisis Payment (equal to one week's payment of the Allowance or Pension entitlement) to people on refugee/humanitarian visas to assist with their immediate settlement needs.**
- (v) **Set reasonable limits on waiting times for entry to Commonwealth-funded Language, Literacy and Numeracy training and prioritise access to favour new entrants to Australia.**

Participation rates of Indigenous Australians

From the 2000 to the 2002 school years the number of school student ABSTUDY recipients fell from 31,734 to 28,414³⁵ - a decline of over 10 per cent. Participation patterns in post-secondary education is more complex. VET enrolments have been sustained or improved, but university enrolments are in decline. A limit to ABSTUDY

³⁵ DETYA Annual Report 2000-01 (Appendix 9) and DEST Annual Report 2002-03 (p26).

access for bridging courses, resulting from policy changes in 1999, is seemingly a relevant factor. Given that Indigenous Australians are significantly younger on average than non-Indigenous Australians – and with the importance of education as a long term poverty prevention strategy – this is a very worrying trend.

Recommendation 16

ABSTUDY should receive additional funding to ensure that eligible people are provided with the full range of support to which they are entitled.

Recommendation 17

ABSTUDY should be the subject of a review involving participation by Indigenous communities and organisations. This review should be public and expand on the internal review that was undertaken by Centrelink and DEST.

Aboriginal students in crisis

A further anomaly in the conditions under which ABSTUDY is made is that recipients can not qualify to receive the Crisis Payment. This leaves these students open to facing unplanned extreme circumstances such as destruction of their home, flight from domestic violence, etc., without access to the emergency financial aid available to other income support recipients. This exclusion from assistance is not supportable on equity grounds and should be remedied.

Recommendation 18

ABSTUDY recipients should be able to qualify for access to the Crisis Payment under the conditions that apply to other income support recipients.

(c ii) Improving access to education

Indigenous access and retention

In addition to reviewing the income support needs of ABSTUDY recipients and potential recipients, ACOSS believes more could be done to improve access, take-up and completion of higher education by Aboriginal and Torres Strait Islander students. We suggest a range of measures will be required to address the need for improved support of Indigenous students. Apart from improving the entry rates to further education, mentoring and other support systems are needed to ensure the sustainability of placements to deliver good education outcomes.

There should be increased access to higher education bridging programs in Indigenous communities. This could be done through employing local tutors to work with online course delivery. Graduates of higher education bridging programs should be actively linked with campus based Indigenous assistance at the university of their choice. Universities should be required extend campus access to include remote locations equipped with computers, Internet and other communication technologies and resources provided to staff these with Indigenous graduates.

It is also ACOSS' view that universities and other educational institutions should explore accrediting Indigenous knowledge of philosophy, language, health, nutrition, land management, government and society, history, art, etc. Using this knowledge, institutions should develop expanded Indigenous courses on Aboriginal and Torres Strait Islander culture and Indigenous-centred learning. For example students could study a nutrition or cooking degree majoring in 'bush tucker' or Indigenous foods; or a languages degree majoring in Indigenous languages; or a humanities degree featuring Aboriginal and Torres Strait Islander philosophy and epistemology.

Such an approach would enable Aboriginal and Torres Strait Islander knowledge bases to be recognised and valued and to encourage a wider participation base for Indigenous Australians in their higher education system.

Recommendation 19

Better access should be provided to higher education bridging programs for Indigenous students including better linking between these programs and higher education institutions, better access to university resources from remote locations and use of Indigenous graduates for facilitation, mentoring and support.

Recommendation 20

Greater recognition and value should be accorded to Indigenous knowledge and skills, with accreditation and formal recognition of Indigenous higher education subjects in areas such as philosophy, languages, health, etc.

School funding

The financial resources available to schools and communities to invest in and maintain appropriate facilities and staffing significantly affect access to high quality education. It is the responsibility of all tiers of education funding to ensure the availability of adequate resources. To ensure continued progress in this area, the provision of funding under the States Grants (Primary and Secondary Education) Act should be made consistent with the MCEETYA principles in 'Resourcing the National Goals for Schooling: An Agreed Framework of Principles for Funding Schools'. This would include:

- ensuring resourcing for all students is adequate for meeting the National Goals of Schooling;
- recognising as a national priority that the total level of funding for government schooling should ensure access to high quality schooling;
- non government school funding determined on the level of need based on the total resources available to each individual school.

Recommendation 21

The MCEETYA principles in 'Resourcing the National Goals for Schooling: An Agreed Framework of Principles for Funding Schools' should be adopted.

(d) Alternative student income support measures

National Youth Transition Service

The *Footprints to the Future* report from the Prime Minister's Youth Pathways Action Plan Taskforce³⁶ found that young people face a bewildering array of unlinked services that are difficult to negotiate, particularly when going from school to work, or when facing special problems such as homelessness. Young people who are in neither education nor employment are especially at risk of falling through the cracks and facing long-term unemployment and a future of ongoing employment disadvantage.

ACOSS believes a National Youth Transition Service should be established to provide comprehensive transition support, including learning pathway plans for each young person, individual support for those at risk of leaving school early and transition follow-up mechanisms.

Such a system should have several parts to its implementation:

- provision for "transition brokerage" for all Government and most non-government schools that might take various forms including: case management and personal support; mentoring; peer supported programs;
- additional funding to further extend the Jobs Pathway Program;
- structured access to a period of employment at a level appropriate to the person's education, including the experience of employment and wages, on-the-job work skills training and linkages to wider employment networks and job opportunities.

Based on commitments already agreed in the *Stepping Forward*³⁷ statement of MCEETYA Ministers in July 2002, the cost of such a service would be met jointly by the Commonwealth and the states on a 60:40 ratio.

Recommendation 22

A National Youth Transition Service should be established that provides a comprehensive transition support system, including:

- learning pathway plans for each young person;
- individual support for those at risk of leaving school early;
- transition follow-up mechanisms.

³⁶ Eldridge 2001

³⁷ MCEETYA 2002

References

- AMP/NATSEM 2002, *Income and wealth report*, AMP, Sydney.
- Anglicare Tasmania 2002, *The Costs of Education: Two classes in one room*, Anglicare, Hobart.
- Australian Bureau of Statistics 2002, *Australian economic indicators*, cat. no.1350.0, ABS, Canberra.
- Australian Council of Social Service 2003, *Rent Assistance: does it deliver affordability?*, ACOSS INFO 348, ACOSS, Strawberry Hills.
- Australian Council of Social Service 2003, *Poverty, policy and the cost of raising teenagers*, ACOSS INFO 344, ACOSS, Strawberry Hills.
- Australian Council of Social Service 2003, *Fairness and flexibility - Reform of workforce age social security payments*, ACOSS Paper 129, ACOSS, Strawberry Hills.
- Australian Council of Social Service 2003, *Submission to the Senate Employment, Workplace Relations and Education References Committee into higher education funding and regulatory legislation*, ACOSS, Strawberry Hills.
- Australian Council of Social Service 2003, *The bare necessities - poverty in Australia*, ACOSS Paper 127, ACOSS, Strawberry Hills.
- Australian Council of Social Service 1999, *People in financial crisis III: national emergency relief data collection project third annual report*, ACOSS Paper 101, ACOSS, Strawberry Hills.
- Australian Council of Social Service 1995, *Youth income support*, ACOSS Paper 72, ACOSS, Strawberry Hills.
- Beer, G 2002, *Work incentives under a New Tax System*. Paper for 2002 Conference of Economists, Adelaide, October 2002
- Bray, JR 2001, *Hardship in Australia: an analysis of financial stress indicators in the 1998-99 Australian Bureau of Statistics Household Expenditure Survey*, Occasional Paper No.4, Department of Family and Community Services, Canberra.
- Centrelink 2004, *A guide to Australian Government payments, 20 March – 30 June 2004*, Centrelink, Canberra.
- Department of Education, Science and Training 2002, *Annual report 2001-02*, DEST, Canberra.
- Department of Education, Training and Youth Affairs 2001, *Annual report 2000-01*, DETYA, Canberra.
- Department of Family and Community Services 2002, *Annual report 2001-02: volume 2*, FaCS, Canberra.
- Edgar, D, Keane, D and McDonald, P (eds.) 1989, *Child poverty*, Allen & Unwin, Sydney/ Australian Institute of Family Studies, Melbourne.
- Eldridge, D (chair) 2001, *Footprints To The Future: report from the Prime Minister's Youth Pathways Action Plan Taskforce*, Department of Education, Training and Youth Affairs, Canberra.

- Fincher, R and Nieuwenhuysen, J (eds.) 1998, *Australian poverty then and now*, Melbourne University Press, Melbourne.
- Harding, A, Lloyd, R and Greenwell, H 2001, *Financial disadvantage in Australia: the persistence of poverty in a decade of growth*, National Centre for Social and Economic Modelling, University of Canberra / The Smith Family, Camperdown.
- Harding & Szukalska 2000, *The changing face of child poverty in Australia*. Paper for AIFS conference, July 2000.
- Henry K 2003, *Economic prospects and policy challenges*. Address to Australian
- Long, M and Hayden, M 2001, *Paying their way: A survey of Australian undergraduate university student finances*, Australian Vice-Chancellors' Committee, Canberra.
- McClure, P (chair) 2000, *Participation support for a more equitable society: final report of the Reference Group on Welfare Reform*, Department of Family and Community Services, Canberra.
- Melbourne Institute of Applied Economic and Social Research 2002, *Poverty lines: Australia*, MIAESR, University of Melbourne.
- Ministerial Council on Education, Employment, Training and Youth Affairs 2002, *STEPPING FORWARD - improving pathways for all young people*, MCEETYA, Canberra
- Saunders P, Brown J & Eardley T 2003, *Patterns of economic and social participation among FaCS customers*, Policy Research Paper No. 19, FaCS, Canberra.
- Saunders, P et al 1998, *Development of indicative budget standards for Australia*, Policy Research Paper No.74, prepared for the Department of Social Security by the Budget Standards Unit, Social Policy Research Centre, University of New South Wales.
- Travers, P and Robertson, F 1996, *Relative deprivation among DSS clients: results of a pilot survey*, National Institute of Labour Studies Monograph Series No.2, Flinders University, Adelaide.