



**Senate Employment, Workplace Relations and
Education References Committee**

Student Income Support Inquiry

**Submission from
Shelter NSW**

June 2004

About Shelter NSW

Shelter NSW is a community-based, State-wide, peak housing body, which aims to advance the housing interests of low-income and disadvantaged people in NSW. It is also part of a national network of Shelter organisations in each State and Territory, and is a constituent member of National Shelter.

Shelter NSW was established in 1975, and was involved in advocacy and campaigning in support of public housing and in the development of community-based alternatives like housing co-operatives (not lending agencies, but groups of people interested in co-operative housing living and management).

Shelter's vision is to work for a just and equitable housing system, where housing for all is a right, not a privilege.

Shelter's role is to:

- Promote a coordinated response within the community sector to housing issues affecting housing low-income and disadvantaged people;
- Work with and influence government and relevant community sector organisations so that they develop housing policies and programs which meet the needs of low-income and disadvantaged people;
- Increase public awareness of housing issues and support for adequate and sustainable responses;
- Research and develop responses to housing issues;
- Provide quality information, assistance and support to the community sector, members and other stakeholders.

Shelter has 119 organisational members and 46 individual members. Organisational membership includes specific-interest peak groups (e.g., tenants, youth, community housing, etc.), a wide range of housing providers, public and private tenant groups, local government councils, regional housing bodies, community services agencies, etc.

Recommendations from Shelter NSW

1. Extend the payment of Rent Assistance to Austudy recipients immediately.
2. Relax the various tests that determine independent status.
3. A National Housing Strategy that includes the housing needs of students.

Shelter NSW also broadly supports the recommendations contained in the ACOSS submission to this Inquiry.

Shelter NSW's submission

Shelter NSW welcomes the Senate Inquiry into student income support.

Shelter NSW has most experience in housing and welfare matters; therefore we limit our comments to these terms of reference:

- (a) current measures for student income support, including Youth Allowance, Austudy and Abstudy, with reference to:
 - (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.

1.1 Student Income Support and Housing Costs

For a student to be able to undertake study, affordable, stable accommodation within a reasonable distance from their TAFE or University is required. Increasingly, this sort of accommodation is not available, especially to students without well-off parents.

The current income support system available to students fails to assist students adequately. Youth Allowance and Austudy payments are too low. There are too few scholarships available for students from lower socio-economic backgrounds.

Housing costs are central - finding affordable accommodation can make or break the continuance of a student's enrolment. However, housing assistance for students (in the forms of direct housing provision and Rent Assistance) is inadequate, and for some (Austudy recipients), simply unavailable.

Housing costs are rising and are outside the control of government. Students can opt to live in university accommodation on campus; however, much of this is more expensive than that available on the private rental market, which in itself is expensive.

Tertiary students are reliant on their families for substantial support while they are studying for two main reasons:

- 1) inadequate student allowances mean they cannot afford to support themselves independently;
- 2) the criteria to meet the independent classification and hence receive a higher rate of allowance are difficult to meet and are designed to encourage students to stay at home and be financially reliant on their parents.

This is all well and good for those who have families able and willing to support them well into adulthood but makes it extremely difficult for students whose parents are not in a financial position to assist and for students in regions where living away from home is necessary because of limited opportunities in their home towns. Such students have few options available to them, even if they are eligible for Austudy or Youth Allowance. Each year many students drop out of tertiary study because of insurmountable financial problems. Many others simply never enrol.

Whilst employment can assist students to supplement their income, too many hours at work can also disrupt their studies. On the other hand, students with lower housing costs, studying in rural or regional areas may not be able to find work at all due to the lack of jobs¹.

In addition students working face a couple of classic poverty traps:

¹ See Submission 009 from Peter Muirhead to this Inquiry,
http://www.aph.gov.au/senate/committee/eet_ctte/studentincome04/submissions/sublist.htm.

- Their payments are reduced as soon as they earn over a \$236 a fortnight. Many need to earn over this in order to pay rents.
- Eligible students who share houses and flats in an attempt to reduce costs are paid rent assistance at a lower rate (the 'sharer's rate') and as such lose any benefits of the economies of scale created by sharing.

Housing affordability is a major community issue, especially in the inner city areas where many university campuses and TAFEs are located. It is not acceptable for students to be paying over 50% of their incomes on rent². This is defined as severe housing stress by housing researchers. It leaves students with little money to live, let alone study.

1.2 Austudy and the lack of Rent Assistance

Term of reference

(a) current measures for student income support, including Youth Allowance, Austudy and Abstudy, with reference to:

(iv) the ineligibility of Austudy recipients for rent assistance;

Austudy recipients are the worst off of all income support recipients, subsisting on incomes 37% below the poverty line³. Because in many cities rental prices have risen exponentially, subsisting on Austudy alone is impossible. The way Austudy is paid is perhaps the most glaring and illogical feature of the social security payments system. Austudy payments are too low, and recipients are denied Rent Assistance payments. It makes little sense that people on Newstart are better off than people on Austudy. This anomaly has been remarked upon many times throughout the course of several inquiries.

Newstart and Austudy (per fortnight payments, single rates)

Newstart
\$385.00 per fortnight + \$94.40 (max.) Rent Assistance
= \$479.40

Austudy
= \$318.50

Difference
= \$160.90

An unemployed person on Newstart is \$160 per fortnight better off than a person who is studying. An unemployed person therefore receives a message that they are better off remaining unemployed than studying, since they would lose a substantial

² See Submission 006 from Chris Jenkins and submission 0013 from to this Inquiry, http://www.aph.gov.au/senate/committee/eet_ctte/studentincome04/submissions/sublist.htm.

³ See ACOSS's Info Sheet 304 'Below poverty line social security payments', 18 July 2001. www.acoss.org.au

part of their payments is they chose to study. This is an anomalous situation in opposition to the government's apparent objective of creating a well educated workforce and lifelong learning habits.

If an unemployed person on Newstart wants to study, they can, however their degree will take twice as long as there is a requirement that they must study part time and continue to look for full time work. Yet many students do opt to take this route, simply because Newstart (and the rent assistance that comes with it) provides them with a more realistic level of income than would Austudy or Youth Allowance. The payment system for Austudy recipients is also just as inflexible: a student cannot choose to study part time and be paid part-Austudy, and work more hours in a job, for instance. To receive Austudy, a student has to be studying full time.

Although Austudy recipients can earn extra money, after earning \$236 a fortnight, the income test means the loss of 50 to 70 per cent of extra earnings. Course requirements mean that most students on Austudy don't have time to work more than 1 or 2 days a week to supplement their incomes. Employers aren't always flexible in providing the right amount of hours for the student.

For mature age students or students from poor or rural families, the costs associating with studying, rent, food, transport and utilities is too great.

Case Study

Wendy* is 30. She has worked in retail and hospitality since she left high school. Her parents are elderly pensioners living on the northern coast of NSW.

In 2002, Wendy enrolled in a graphic design course at Enmore TAFE in Sydney. It was only offered as a full time, 5 day a week course so Wendy had no part-time option. She applied for Austudy and scaled down her hours from full time to 6 hours retail work on a Saturday, which paid \$100 a week. This meant her weekly income was about \$248 a week (before tax)⁴.

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

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

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

Wendy went off Austudy and returned to working in retail at a different art supplies shop and is now employed as a casual, working four to five days a week. She is still short of money but can afford to buy the basics and pay her rent. She has no holiday or sick pay. Sometimes she thinks of trying to study for a Social Work degree or a

⁴ An Austudy recipient is allowed to earn \$236 a fortnight in addition to \$297 a fortnight in Austudy payments. Rent Assistance is not payable to Austudy recipients. Wendy was earning \$100 and receiving \$148 in Austudy payments, which equalled \$248.

Diploma of Education, but the combination of studying part time for 8 years plus working plus a HECS debt makes studying unrealistic for her.

Wendy had this to say: "Austudy should definitely have Rent Assistance - if the dole has it, then Austudy should have it too. As a person trying to better myself - because I don't want to work as a casual in retail for the rest of my life where I live from week to week and the only way of doing that is educating myself and getting the qualifications - I found it hard to because Austudy is less than the dole. You also have more expenses when you are studying. The dole is more than Austudy – it's ridiculous!"⁵

* Not her real name.

1.3 The increasing costs of higher education and the declining rate of home ownership amongst younger people

Term of reference

(b) the effect of these income support measures on students and their families, with reference to:

(i) the increasing costs of higher education

Home ownership rates amongst younger age groups are declining. Although there are many factors influencing this trend, the increasing costs of higher education (and associated debt levels amongst graduates) is one factor that is significant because it constrains income and the ability to save.

Students forgo potential earnings in order to study, and often emerge with a series of debts at the end of their studies. Even though on average graduates earn more than non-graduates, HECS, supplementary loans, and credit card debts all add up and can cut into the future earnings of a graduate. Part of the decline in the rate of home ownership is because younger people cannot amass enough savings to bridge the deposit gap.

Yates⁶ has shown that the rate of home ownership for people aged between 25-44 has declined by 5.5% between 1986 and 1996. Home ownership rates for younger households declined at twice the rate of all Australian households⁷.

Many 'permanent renters' are younger people, forced to rent indefinitely in a private rental market that offers only short term leases and no tenure security. Rent soaks up a large part of people's income, making it harder to save.

⁵ This case study originally appeared in Shelter NSW's submission to the Inquiry into Poverty and Financial Hardship. The submission can be found at <http://shelternsw.org.au/publications>

⁶ Yates, J. (2002) 'Housing Implications of Social, Spatial and Structural Change', AHURI, pp. 52-53.

⁷ The only exception to this trend is young people who become outright owners, which are strongly correlated with very high incomes and inheritance from family members (ibid).

Younger people live in rental housing and are supposedly 'deferring' home ownership or 'choosing' to spend their money elsewhere. The reality is that many younger people simply have no choice or hope of affording to buy a home because their income is not enough and house prices are too high. Having to pay back HECS and other education-related debts would have an adverse impact on the ability of a younger person to save for a deposit. The higher cost of education is one of the factors that contributes to the reduced rate of homeownership.

3. Conclusion – Give Students Adequate Income Support and Adequate Housing

In Shelter's opinion student income support is not adequate for the following reasons:

- (i) In general, income support for Australian students is not enough to live on;
- (ii) Many students cannot qualify for the 'independent' rate of Youth Allowance due to the strict tests applied;
- (iii) The expectation that parents will support their adult children to study disadvantages people from families that are unable or unwilling to provide this support;
- (iv) Austudy recipients are denied access to Rent Assistance;
- (v) The Rent Assistance component paid to students on Youth Allowance has not kept up with rising rents;
- (vi) Educational institutions do not provide enough low income housing options for their students.

Affordable housing is a growing problem in Australia today. For students on low incomes, it is even more of a problem. There is a need to develop a National Housing Strategy that seeks to address this. This implies funding the Commonwealth-State Housing Agreement at adequate levels to address the poor supply of affordable housing. Provision of adequate housing for students near their place of study, and adequate Rent Assistance payments, should be part of this strategy.