



Submission to the
Senate Employment, Workplace Relations and
Education References Committee

Inquiry into student income support

June 2004

Summary

The Brotherhood of St Laurence believes that the current level of Youth Allowance is inadequate for students faced with high accommodation, food and travel costs and forces some students to spend long hours working, compromising their studies. Therefore the independent rate of YA should be increased to the same level as Newstart and income support payments should be gradually increased to 25 per of male total average weekly earnings.

The means-testing of student benefits to parents' income to the age of 25 years is out of step with social and legal trends and causes undue hardship for some students. Moreover, the parental income threshold is too low, placing pressure on parents who cannot afford to support their children as students who need to live away from home.

The shortage of affordable housing has serious consequences for students and requires attention by governments at all levels. Excluding Austudy recipients from Rent Assistance is undesirable, especially in the light of high rents. Steep rises in TAFE fees, fees for student transport concession cards and the prospect of incurring a large debt (in the case of HECS) are disincentives to young people embarking on study and pose significant barriers for students from disadvantaged backgrounds. While the Student Financial Supplement Scheme was unsatisfactory, there is a need for a modest affordable loan scheme for unexpected student expenses.

The situation of young refugees, especially those on Temporary Protection Visas warrants attention. Many are being prevented by Centrelink from taking up vocational courses of longer than 12 months which could improve their employment prospects. We believe Centrelinks' administration in this area is inconsistent with the legislation.

Recommendations:

The Brotherhood of St Laurence recommends that:

- young people be regarded as being independent for the purposes of Youth Allowance eligibility when they reach the age of 18, unless there is clear evidence of substantial support provided by parents
- the independent rate of Youth Allowance (all independent categories) be increased to the same rate as Newstart Allowance
- Rent Assistance be made available to Austudy recipients
- the rates for Youth Allowance and Newstart Allowance be gradually increased to the same level as the Age Pension over a period of five years
- the Federal government develop a national housing policy to improve the availability of affordable housing
- up-front TAFE fees be abolished, and replaced with an income-contingent HECS scheme in which the amount to be repaid increased with post-education income (with an exemption for a limited number of subjects for low-income students)
- a financial supplement loan system be reintroduced which provides a small no interest or low-interest loan for students facing unexpected immediate expenses
- Youth Allowance (student) recipients be eligible for public transport concessions available to other YA and Newstart recipients
- Centrelink policies regarding vocational training for Special Benefit recipients be amended to recognise that vocational training may last longer than 12 months provided it is education for a profession or occupation, as defined in the Social Security Act

Introduction

This document represents the Brotherhood of St Laurence's submission to the Senate Employment, Workplace Relations and Education References Committee 'Inquiry into student income support'. The Brotherhood of St Laurence has substantial experience working with young people living in hardship, many of whom are, or would like to be, students. In brief our current work with young people includes:

- *The Homework Centre*, which helps secondary students, especially those who lack space or resources at home, to complete homework. It provides space, computer and Internet access, tutors to help with schoolwork up to VCE level in most subjects (especially maths, sciences, English and humanities) and a safe place to meet with friends. Most students live in nearby public housing, are from non-English speaking backgrounds.
- *Transitions projects*, which help young people to bridge the gap between school and work or training. Transitions workers work intensively with secondary students considering at risk of leaving school early, to ensure that they find employment, or places in training or further education. With individual support, many students have been encouraged to continue at school or to take up TAFE courses, apprenticeships or employment.
- *The PACTS (Parents as Career and Transition Supports) project* which aims to equip parents with up-to date information about education, training and employment opportunities for their teenage children. This pilot project was established because our experience showed that while young people are most likely to ask their parents about career paths and educational choices, many parents lack confidence, skills and information to assist their sons and daughters with these decisions.
- *The Jobs Placement, Employment and Training (JPET) program*, which provides one-to-one support for disadvantaged young people aged 15 to 21 years, who are homeless or at risk of becoming homeless. This often includes helping the young people find stable accommodation and obtain appropriate income support, so that they can then begin to think about their goals.
- *Employment programs* which include: *STEP Inc* (Scheme for Educating and Training People), a group training company which recruits young people (and others) to take on traineeships with 'host' employers; *Furniture Works Training Centre*, which assists unemployed young people by delivering a 16-week wood-work related course in a workshop environment; and *Green Corps* programs in North East Victoria and the Mornington Peninsula which provides work experience on environmental projects.
- *The Ecumenical Migration Centre (EMC)* of the Brotherhood of St Laurence has a particular focus on the successful settlement of newly arrived migrants and refugees, especially those from small and emerging communities. The EMC runs 'Given the Chance', a targeted labour market program which develops employment and education pathways for young refugees. The program uses an extensive network of voluntary mentors working in the public and private sectors, and provides individual tuition so that a young refugee can take up the opportunity of a traineeship or an educational pathway.
- The BSL complements its services for specific young people with research into the obstacles facing young Australians on low incomes. A recent project (Jope and Beaumont 2002) examined young peoples experiences of the Centrelink system and its Preparing For Work Agreements, to identify areas for improvement.

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,

The main aim of the social security system is the prevention of poverty, but it is failing for many people. In December 2003, young adults between 18 and 20 years of age received about \$203 per week (including maximum rent assistance), 33 per cent below the then Henderson poverty line of \$302 per week (see Brotherhood of St Laurence 2003 for the method used in these calculations).

The low rates of payment cause hardship for many students. High private rental prices and high rooming house prices frequently prevent young people from accessing these forms of accommodation entirely or puts them at risk when combined with bills and food and travel expenses. A young person aged 18-20 getting the away from home rate of YA and maximum rent assistance will receive around \$203 per week, but can expect to pay between \$110-130 per week on accommodation. For example one private rooming house in Fitzroy charges \$132 per week for a single room with no food included.

The rate of benefits paid to full-time students is lower than that paid for Newstart for someone of the same age. For example a 22-year-old student receives \$318.50 per fortnight (not including rent assistance) while someone receiving Newstart Allowance receives \$389.20 p.f. This situation is both unfair and misguided. We believe the system should provide incentives for young people to undertake training but the current arrangements act as a disincentive. As a starting point for reform, YA rates should be increased to the same level as Newstart.

The Australian social security system distinguishes between pensions (such as Disability Support Pension and Age Pension), which have been traditionally viewed as long-term payments, and allowances (such as Newstart Allowance for job seekers), which have been seen as short-term payments. Single allowees receive around \$193 per week, 16 per cent less than the pension rate of \$229, but this gap is growing since allowances are indexed to the Consumer Price Index (CPI), while pensions are indexed to male total average weekly wages which increase faster than the CPI.

The argument that people receive allowances for only a short period is no longer tenable: the casualised labour market and the incidence of long-term unemployment mean that many people must rely on allowances for an extended period. Young people must attempt to survive on particularly low rates of payment and this means many students are forced to work long hours, compromising their ability to study.

The Brotherhood sees no rationale for the continued difference in payment rates, and believes that income support payments should all be set at the level of Age Pensions—that is, 25 per cent of male total average weekly earnings.

(ii) the age of independence,

The legal age at which someone is regarded as having the capacity to make decisions on their own behalf and to participate fully in public life varies considerably, but is usually considered to be 18

years of age. For example, an 18 year old can volunteer to be shipped to Iraq as a member of the military, drive vehicles, catch up for a beer and cigarettes after work, get a credit card in their own right, and if they get into trouble, get thrown into an adult prison. Yet, for the purposes of social security payments, young people are not considered to be independent from their parents until they are 21 if they are looking for work or 25 if they are a student. There seems little rationale for choosing these ages apart from minimising government expenditure.

The differing categories for payment of YA are confusing and sometimes counter productive. The 'independent' rate is paid to students who cannot stay at the parental home. Staff in our JPET program see many young people who live away from the family home due to some form of family conflict. If they stay living with their parents, these conflicts escalate, but if they live elsewhere, they are often more able to build at least some form of relationship with their parents at a distance. This group faces major difficulties in proving that it would be 'unreasonable to live at home'. Even young people who have gained independence via work experience, for example having worked full time from the age of 16, do not receive payments equivalent to someone who is over 21.

We believe that young people should generally be regarded as independent once they turn 18 years of age, and that they should have an entitlement to payments in their own right, unless there is clear evidence that they receive substantial financial support from their parents.

(iii) the parental income test threshold,

The parental income test threshold is extremely low considering the costs associated with providing for 15-25 year old dependants. It places parents on low to middle incomes under great financial stress as they do not have enough disposable income to support their children whether living at home or away from home. It can also cause considerable family tensions between parents and children.

The administration of the parental income test requires students to monitor and report on their parents' income to Centrelink – for many this is a very unrealistic expectation. The BSL often sees young people who are estranged from their parents but not eligible for the independent rate of payment, and who have incurred debts because their parents circumstances have changed unknown to them.

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

We see no reason why Austudy recipients should not be eligible for rent assistance (RA). In fact this seems contrary to the often stated policy goals of encouraging life long learning.

Current RA rates do not meet the costs of accommodation in large cities, especially Melbourne and Sydney. As mentioned above, private rooming houses charge up to \$130 per week for a single room, and renting a flat or shared house is often more expensive than this. Housing costs take up more than half the income of many students. Young people are sometimes precluded from receiving Bond Assistance due to the fact that private rentals are often more than 55 per cent of their income. We believe the maximum rate of RA payable should be increased to more closely reflect actual rent prices.

The high cost of accommodation is due to the national shortage of affordable rental housing. We believe a national housing strategy is necessary to address this shortage since adjusting the rates of RA will not by itself lead to greater investment in this area.

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

(i) the increasing costs of higher education,

Many of the young people seen at the Brotherhood have left secondary school early, and have had a very difficult experience of formal schooling. Although they realise the importance of further education, they may feel very hesitant in tackling further studies because they may feel they will 'fail' again. They are more likely to see TAFE as a viable option than university, especially where TAFE courses are delivered in a more flexible, non-traditional manner.

Up-front education costs are a significant barrier for some students. Even fees of a few hundred dollars are enough to prevent some people from taking up further education. In Victoria, TAFE fees have recently increased by around 25 per cent, posing additional difficulties. Abolishing up-front fees and introducing a HECS-based system in TAFE may help reduce some of these barriers, as long as the HECS fees are not unreasonable.

While HECS is an improvement over a up-front fee system, it can still pose a barrier to education. People from low-income backgrounds are often more risk averse (due to the insecurity of their day to day lives) and the prospect of a debt of tens of thousands of dollars is also a psychological disincentive. This is especially the case since students incur HECS debts once they enrol in a subject even if they fail, or if they do not complete the course. In addition, debts currently incurred through HECS for some courses are probably too high.

We believe two changes would make HECS more equitable, and yet also provide greater revenue. First, the possibility of paying up-front with a discount should be abolished as this benefits students from wealthy backgrounds. Providing an exemption for HECS debts for some subjects (eg first semester of a course) for students from disadvantaged backgrounds may reduce the psychological barrier that HECS can play. Second, HECS should become a truly income-contingent loan so that higher earners pay off a greater amount. At present, all students pay off the same amount once they reach the income threshold. Introducing variable fees dependent on the real income earned would more accurately reflect the benefit which students receive (which is the rationale for students' contributions in the first place). It would make the tertiary funding system more progressive since higher income earners would contribute more.

Such a system would also encourage some graduates to take up lower paying jobs where there is a currently a shortage; for example for dentists in public dental services and legal practitioners in community legal services or legal aid work.

A further disincentive to study is that recipients of YA (student) must pay for a student card (at least in Victoria) to be eligible for public transport concessions, whereas people in receipt of YA (unemployed) or Newstart Allowance are able to get concessions on the basis of holding a healthcare card.

(ii) students being forced to work longer hours to support themselves,

We believe that it is often useful for students to have some part-time work while studying. It can provide additional income, and some work experience which could help them make the transition to employment at the end of their studies. The current system, though, forces students to work long hours to supplement very low levels of income support. We are concerned that this means students might compromise their studies.

Most students are employed in casual part-time positions in the retail and hospitality sectors: while this provides some general work experience, it does not provide experience in areas they are likely to work in future. These positions are often categorised by large employers as traineeships, but the amount of training is inadequate. We would be concerned if these were simply designated as traineeships in order to be able to pay training wages which are only 75 per cent of award wages in the same industry.

(iii) the closure of the Student Financial Supplement Scheme;

The BSL supports the closure of the Student Financial Supplement Scheme (SFSS) as it effectively converted what should be a social security entitlement into a loan which had to be paid back. Students making use of the scheme often ended up with large debts and we are aware of some young people studying at TAFE in paraprofessional courses who incurred larger debts than those undertaking tertiary studies with HECS debts.

Although the design of the SFSS scheme was problematic, there is a need for a short-term loan scheme for students who face unexpected expenses and who do not have the savings to cover these (for example breakdown of a car, need to replace whitegoods). In some cases, these situations can jeopardise studies as students must take time out to work longer hours. This is particularly a problem for students from very disadvantaged backgrounds who do not have family or other support networks which can provide informal loans.

Students in receipt of income support payments can receive an advance of \$500 of their benefit from Centrelink to cover such situations, and then pay the advance off by having their benefits reduced in subsequent weeks. This is a very useful facility and provides an 'insurance' capacity which is very important for people on low incomes. The limitations are the fairly small amount which can be accessed, and the fact that it must be repaid in fortnightly instalments immediately after it is received. Since student incomes are often low, this can, in some cases, place them into more financial difficulty. We believe that developing no-interest or low-interest loans which did not have to be repaid until a person's income reached a certain level (similar to HECS) would be help students get over these hurdles and possibly prevent some students from dropping out of their courses.

(c) the importance of adequate income support measures in achieving equitable access to education, with reference to:

(i) students from disadvantaged backgrounds, and

The issues raised above affect many of the homeless young people we see through our JPET program. They have experienced family conflict, physical, emotional or sexual abuse, and broken patterns of secondary schooling. They are often keen to study, but have no other financial supports and can be totally isolated. In other words, they have no-one to 'bail them out' when times get hard financially. Often these young people are actually very independent from their parents, but do not qualify for the independent rate of YA as they do not meet the 'unreasonable to live at home' test.

We are also concerned about the position of young refugees, especially those on Temporary Protection Visas. Since 1990 12,000 refugees and special humanitarian entrants per year have settled in Australia, and half are under 25 years of age. Many of these refugee/humanitarian entrants are from countries subject to civil war, famine, and religious, political and ethnic

persecution (most recently Afghanistan and Iraq). They have experienced considerable trauma and many have been tortured.

For most, gaining employment provides a vehicle for rebuilding trust in society – a concrete way of moving into action and taking back control of their life again. Employment is considered to be a key indicator of successful resettlement, but six months after arrival, 75 per cent of refugee/humanitarian entrants are unemployed compared with the national unemployment rate of around 6 per cent. Even four years after arrival, the unemployment rate for refugee/humanitarian entrants is still around 43 per cent (Department of Immigration, Multiculturalism and Indigenous Affairs 2002).

There are several aspects of policy which undermine their educational aspirations. TPV-holders are eligible only for Special Benefit which is activity tested for people of workforce age. Section 731A.(7) of the Social Security Act states that Special Benefit recipients may satisfy the activity test by taking a ‘course of vocational or language training or another course, being a course approved by the Secretary as a course likely to improve the person’s prospects for obtaining, or assist the person in seeking, suitable paid work’ (Department of Family and Community Services 2004). Vocational training ‘includes training for a profession or occupation’.

We have had contact with many TPV holders who have been told by Centrelink that only courses of less than 12 months duration are considered to be vocational training. This has been confirmed directly by some Centrelink officers. However there is nothing in the Social Security Act to support this interpretation, which appears to be arbitrary and misconceived.

There also appears to be considerable confusion within Centrelink about what courses can be considered vocational training. We have seen young people who have had their courses initially approved by Centrelink as vocational courses. These include a TAFE certificate in Computer Science or Advanced Diploma in Computer Science. After 12 months, they were told the courses no longer qualified because they were 2 year courses. The students affected received letters advising that their payment had been suspended until their circumstances had been reviewed, but no time frame was given for the review.

Case study

Hamoud (not his real name) is an 18 year old man born in Iraq. He lives with a group of other young people in public housing. He arrived in Australia by himself when he was 15, and spent 9 months in mandatory detention. At the age of 17 he completed Year 12 with good results. He has a particular aptitude and interest in working with computers. At 18 he enrolled in an Advanced Computer Course at RMIT and was awarded a scholarship by the University to pay for his tuition (as a refugee on a Temporary Protection Visa he would have to pay fees as an overseas student). This course was initially approved by Centrelink. After five months of the course he received a letter from Centrelink saying that his Special Benefit payments had been suspended until an investigation had been completed. His caseworker at the EMC appealed this decision. After 2 weeks his Special Benefit was reinstated, but one month later it was again suspended. This action has again been appealed.

(ii) improving access to education;

We believe several measures would help support more disadvantaged young people to undertake study. These include:

- higher income support payments
- lowering the age at which students are considered to be independent to 18
- abolishing up-front fees for TAFE courses (possibly in conjunction with the introduction of a truly income-contingent HECS type scheme)
- better public transport concessions for students
- provision of a small no-interest or low-interest loan scheme for emergency expenses
- ensuring that TPV holders are able to undertake TAFE courses longer than one year as part of their Special Benefit activity test requirement.

(d) alternative student income support measures

Policies for life long learning

Economic growth in Australia since 1960 has been strongly driven by rising levels of education, and demand for skilled workers is likely to continue. We are moving from an industrial to an information and service based economy, and growth over the medium term seems contingent on developing key 'knowledge industries' such as biotechnology, information and communications and technology, and in health, education and business services. This requires staff who are more highly educated and skilled, and who are willing to learn new skills in order to adapt: key drivers for lifelong learning – the argument that workers need to be able to continually update their skills during their lifetimes rather than relying on one major injection of human capital at the start of the working life.

Individual firms face disincentives to invest in human capital because of risk that they will not reap the benefits, particularly in industries with high rates of labour turnover. Recent Australian data indicate that employers spending on training is declining (Buchanan & Watson 2000). Training for casual workers is particularly problematic and is more likely to be directed to immediate task-specific skills rather than generalisable capabilities (Hall, Bretherton & Buchanan 2000). It is clear that new policies will be necessary to facilitate access to lifelong learning.

One aspect of these policies will be the need to find ways to provide substitute income support for older workers who need or want to retrain after some years in the workforce. The current narrow eligibility criteria and low levels of payment for Austudy mean this is virtually not an option for anyone who has been employed for any length of time and may have financial responsibilities such as a mortgage or the costs of raising children.

One way to deal with this would be to establish a contributory 'life long learning fund' which would add to a basic social security entitlement set at the level of the Age Pension as argued above. Workers and employers could contribute to a central fund, perhaps converting some existing entitlements such as long service leave, annual leave and study leave, and accrue rights to a top-up training wage to supplement a basic income support payment. The Federal government could provide incentives by making co-contributions or by providing tax subsidies as exists for superannuation contributions. In contrast to the regressive nature of superannuation tax expenditure though, we believe these subsidies should be progressive, with higher subsidies to lower paid workers. This arrangement is also economically logical in that lower paid workers tend to have less formal education and are more likely to have to train or retrain over their working lives. Such a system would help ensure older workers had the option of retraining and continued employment rather than the prospect of enforced early retirement in their 50's which so many face today.

Recommendations:

The Brotherhood of St Laurence recommends that:

- young people be regarded as being independent for the purposes of Youth Allowance eligibility when they reach the age of 18, unless there is clear evidence of substantial support provided by parents
- the independent rate of Youth Allowance (all independent categories) be increased to the same rate as Newstart Allowance
- Rent Assistance be made available to Austudy recipients
- the rates for Youth Allowance and Newstart Allowance be gradually increased to the same level as the Age Pension over a period of five years
- the Federal government develop a national housing policy to improve the availability of affordable housing
- up-front TAFE fees be abolished, and replaced with an income-contingent HECS scheme in which the amount to be repaid increased with post-education income (with an exemption for a limited number of subjects for low-income students)
- a financial supplement loan system be reintroduced which provides a small no interest or low-interest loan for students facing unexpected immediate expenses
- Youth Allowance (student) recipients be eligible for public transport concessions available to other YA and Newstart recipients
- Centrelink policies regarding vocational training for Special Benefit recipients be amended to recognise that vocational training may last longer than 12 months provided it is education for a profession or occupation, as defined in the Social Security Act

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