



THE UNIVERSITY OF
SYDNEY

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30 September 2019

Senator Rachel Siewert
Chair
Senate Community Affairs References Committee

by email: community.affairs.sen@aph.gov.au

Dear Senator Siewert,

Inquiry into the adequacy of Newstart and related payments and alternative mechanisms to determine the level of income support payments in Australia

The University of Sydney welcomes the opportunity to make the attached brief submission to the Committee's inquiry into the adequacy of Newstart and related payments.

Our main areas of interest concern the Newstart-related student income support payments – Youth Allowance, AUSTUDY and ABSTUDY. We have therefore confined our comments to issues related to these payments, which exist largely to assist eligible Australian citizens and residents to access and complete tertiary education.

We have structured our feedback around the Inquiry's terms of reference that are most relevant to the higher education sector and to current and prospective full-time students who face financial hardship.

We appreciate that the focus of this Inquiry is on the adequacy of the Newstart Allowance. Nevertheless, given the changing nature of work and the challenges far too many Australians face securing and sustaining reliable employment, we believe that renewed attention must also be given to policy options to maximise tertiary education access and outcomes for all Australians. It will therefore be important for the Committee to also consider the adequacy of the various student income support payments as well as policy options to promote and facilitate life-long learning.

Yours sincerely,

(signature removed)

Michael Spence

The University of Sydney's responses to the Inquiry's terms of reference most relevant to the higher education sector and students

ToR c. The changing nature of work and insecure work in Australia

There are three standout trends regarding where Australia's employment growth has occurred over the last thirty years. First, by far the largest gains have occurred in positions that require high level educational qualifications. Second, the bulk of Australia's new jobs have come in the service industries. Third, under-employment remains persistently high, with young people representing a large proportion (~35%) of those with insufficient work and struggling to gain a secure foothold in the labour market.

More than 4.2 million jobs have been created in the services sector since the early 1990s, compared to just over 780,000 in the goods producing industries (manufacturing, mining, construction etc). These new jobs requiring high level qualifications and soft human skills have been created largely in the health, education, community and personal services, retail, finance, engineering, information technology, software design, telecommunications and tourism sectors etc.¹

The Committee for Economic Development of Australia (CEDA) predicted in 2015 that almost 5 million Australian jobs (40% of all jobs) faced a high probability of being replaced in the next decade or two as a result of technological advances, with another 20% of roles facing a medium probability of redundancy. The report predicted that jobs that involve low levels of social interaction, low levels of creativity, or low levels of mobility and dexterity are most likely to be replaced by information technology.²

More recently, Deloitte reviewed the available research extended the analysis in its *Building the Lucky Country* Report No.7 of June 2019, to predict that these trends will continue over the next decade such that:

- 86 percent of the jobs created between now and in 2030 will be 'knowledge worker' jobs;
- one quarter of Australia's workforce will be professionals by 2030, with most of these to be in the business services, health, education and engineering fields; and
- two-thirds of jobs will be 'soft-skill intensive' by 2030.³

Conclusions

The nature of work in Australia is changing due to the forces of globalisation and technological advancement.

To ensure prosperous and fulfilling lives for all Australians, we must do all we can as a nation to maximise secondary school completion rates and standards and ensure equitable access to high quality initial tertiary education study and training.

We must do more also to provide seamless and affordable access to education for all Australians throughout their working lives so that they can keep their knowledge and skills up to date.

¹ Data from the Reserve Bank of Australia

² CEDA (June 2015) [Australia's future workforce?](#), p.8

³ Deloitte Insights, [Building the Lucky Country #7](#), June 2019

ToR g. The impact of the current approach to setting income support payments on older unemployed workers, families, single parents, people with disability, jobseekers, students, First Nations peoples, people from culturally and linguistically diverse backgrounds, people living in regional and remote areas, and any others affected by the process.

The Australian Government's current approach to setting student income support payments reflects a long, incremental and complex history of involvement in this area of social policy. The evolutionary nature of our system of our student income support payments makes it very difficult to determine the grounds on which the current rates of the different payments have been determined.

The first Commonwealth scheme providing financial aid to students was established in 1943, during World War II, to ensure an adequate supply of appropriately trained people for the Defence force and support industries.

The *Commonwealth Scholarship Scheme (CSS)* was established in 1951, with scholarships for university fees awarded on basis of academic merit and living allowances for these students subjected to a means test. The CSS expanded over the next twenty years, with separate streams established for secondary, technical college, advanced education and university students.

The original ABSTUDY scheme commenced in 1969, with a range of changes made over the years to better target assistance to maximise the prospects of Aboriginal and Torres Strait Islander people progress successfully through primary, secondary and tertiary education.

University fees were abolished for a period from 1972, with student financial assistance reformed so that any full-time secondary, adult secondary and tertiary students could receive assistance subject to a means test. AUSTUDY was introduced in 1987 as a single payment to replace the previous three schemes, with assistance provided according to age rather than level of study and the payment rates for students and young unemployed people aligned to reduce disincentives for study.

The Youth Allowance was introduced in 1998 following an extensive review intended to simplify the income support system for young people whether working or studying. The Youth Allowance also aimed to further reduce disincentives to study by applying a similar means test to students and jobseekers. AUSTUDY was maintained as a separate scheme for students aged over 25. Changes were made to ABSTUDY to bring the living allowance into alignment with those payable for Youth Allowance recipients for 16-20 year-olds, while Indigenous students aged 21 years and over became eligible for the Newstart rate, which was a higher rate of payment than students in receipt of Youth Allowance or AUSTUDY.

In 2010 more changes were made to the Youth Allowance to improve rates of assistance and soften the impact of the parental and personal means tests for students. The age of independence for Youth Allowance and ABSTUDY was reduced gradually from 25 to 22, while the rules for access to independent status were tightened to ensure that only students who were genuinely financially independent of their parents could gain assistance free of the parental means test. These changes were accompanied by the introduction of *Student Start-up Scholarships* for all higher education students receiving Youth Allowance, AUSTUDY or ABSTUDY and *Relocation Scholarships*, which provided annual assistance to dependent higher education students receiving Youth Allowance or ABSTUDY who need to move to or from a rural or remote location to study. From 1 July 2017 the Student Start-up Scholarship Scheme was converted to a loans program, but the Relocation Scholarships remain for eligible students.

The last major review of the student income support system took place in 2011, led by Professor Kwong Lee Dow for the Gillard Labor Government. It was focused on rural and regional students and their capacity to access higher education and its recommendations contributed to changes being made to the Independence Test for students from rural and remote areas applying for Youth Allowance or ABSTUDY.⁴

Conclusions

There is a need to consider the adequacy of the Newstart-related student income support payments: Youth Allowance, AUSTUDY and ABSTUDY.

These payments are complex to navigate for students and their payment rates are based on historical decisions rather than any objective assessments of students' living costs in different parts of Australia.

The adequacy of the student income support system and its administration has not been independently reviewed since 2011. Yet, as our response to ToR h below highlights, the maximum financial assistance available to students may fall well short of meeting basic survival costs, with the shortfalls especially severe in metropolitan areas such as Sydney.

ToR h. The adequacy of income support payments in Australia and whether they allow people to maintain an acceptable standard of living in line with community expectations and fulfil job search activities (where relevant) and secure employment and training.

Metropolitan Sydney is widely recognised as an expensive city in which to live by Australian and global standards.

We currently advise a single student who needs to live away from home in Sydney to study that he or she will need a minimum of \$1,690 per month (\$20,280 per year) to meet basic living costs.

The actual cost of living will, of course, depend on the lifestyle choices and needs of each individual student. However, the current maximum monthly value of Youth Allowance plus maximum rent assistance for a single full-time student aged 18-22, living away from home and with no dependents, ranges from \$1,185 to \$1,283 depending on whether the student is living independently or in shared accommodation.⁵ This leaves a shortfall of between \$505 (30%) and \$407 (24%) per month respectively compared to the minimum estimated cost of meeting basic living expenses in metropolitan Sydney.

To meet these shortfalls in basic living costs, eligible students from rural and regional areas only may access a Relocation Scholarship of \$4,553 for first year, \$2,278 for second year and \$1,138 for later years.

Students in receipt of Youth Allowance or ABSTUDY may also access up to \$2,154 per year under the Student Start-up Loan Scheme. Students must meet any remaining shortfalls through paid employment or other sources. In 2017 more than 80% of our undergraduate, postgraduate coursework and research higher degree students reported undertaking paid work.

⁴ Details about the history of Australia's student income support system drawn from, Daniels D., [Student income support: a chronology](#), Parliamentary Library, 1 August 2017

⁵ Calculations based on payment rates at: <https://www.humanservices.gov.au/individuals/services/centrelink/youth-allowance-students-and-australian-apprentices/how-much-you-can-get> and <https://www.humanservices.gov.au/individuals/services/centrelink/rent-assistance/eligibility-payment-rates/how-much-you-can-get>

Conclusions

The cost of living in Sydney is high for students and particularly those who need to live independently.

The maximum monthly financial assistance available for a full-time student in receipt of Youth Allowance falls well short of the minimum cost of living independently in Sydney.

Some students can access additional support through the Start-up Scholarship Loans Scheme and for some through the Relocation Scholarships. However, any remaining shortfalls must be met through paid employment, which can take students away from their studies.

Student income support rates need to be set according to objective, evidence-based assessments about actual costs of living in different parts of Australia.

ToR i. The economic cost of long-term unemployment, underemployment, poverty, inequality and inadequate income support payments; and

ToR j. The economic benefits – including job creation, locally and nationally – of increasing and improving income support payments and supports, and decreasing poverty and inequality.

According to Victoria University's Mitchell Institute, roughly 25% of Australia's 19 year-olds (38,000 people in 2014) still do not complete Year 12 or equivalent while a similar proportion of 24 year-olds (46,000 in 2014) are not actively engaged in work or study. The Institute points out that this situation is not only at odds with our national goals but represents a major lost opportunity for Australia and the individuals involved, with huge fiscal and social costs. For example, the Institute's conservative modelling estimates that the lifetime fiscal cost to the Australian taxpayer of these lost opportunities is more than \$30 billion for each cohort of early school leavers and disengaged young people. It also estimates that the lifetime social costs (attributable to the lower earnings of these young people across their working lives, as well as the economic impacts in terms of crime and marginal tax burden) is more than \$70 billion for each cohort of the two groups.⁶

Given what we know about the future of work in Australia, it is very concerning that we still have so many young Australians leaving growing up without the education and skills they will need to thrive in the twenty-first century. Fixing the income support system will not solve this national challenge by itself. However, reforming the income support system should form part of a holistic suite of policies designed to ensure that all young Australia complete secondary school and make the transition successfully to tertiary studies and employment.

Conclusions

The long-term economic and social costs of young people failing to complete secondary school or to make the transition to tertiary studies are massive.

They dwarf the short-term budgetary costs of providing more adequate student income supports and other measures to help boost educational attainment and outcomes.

⁶ The Mitchell Institute, [Costs of lost opportunity in Australian Education](#), Report No. 02/2017