



# Students' Representative Council The University of Sydney

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Australia

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Submission to the Committee's Inquiry into

*The adequacy of the allowance payment system for jobseekers and others, the appropriateness of the allowance payment system as a support into work and the impact of the changing nature of the labour market*

Dear Committee Members,

I write on behalf of the Students' Representative Council (SRC) of the University of Sydney.

The Students' Representative Council represents over 32 000 undergraduate students at the University. We have a commitment to broaden access to higher education for students from disadvantaged backgrounds and have extensive experience providing advocacy and advice services for students receiving or seeking income support.

As students we have direct experience of the adequacy of Youth Allowance, Austudy and Abstudy. Our caseworkers provide independent support, advice and advocacy for students in a range of matters that provides us with a good insight into the financial situation of students. Our staff assist students who face problems with their progression for reasons beyond their control. For many of these students their financial circumstances are a major factor in the difficulties they face with their studies. Our casework staff also give specific advice on employment, accommodation and tenancy rights. The SRC is the primary source of advice and advocacy for undergraduates on Centrelink matters on campus.

We welcome the opportunity to make this submission to the Inquiry into *'The adequacy of the allowance payment system for jobseekers and others, the appropriateness of the allowance payment system as a support into work and the impact of the changing nature of the labour market'* and provide below a number of recommendations.

We wish to primarily focus on the specific term of reference that relates to the *'adequacy of all other allowance payments that support a range of recipients who study'*, while making general comment on the overall adequacy of allowances and the way the current payment structure could better facilitate participation in education. As at 25 November 2011 there were 287 462 students getting Youth Allowance, 83 394 on the 'away from home' rate. Students are a sizable and important group of Social Security recipients.

We trust you will find our submission a valuable contribution from the perspective of this group.

Yours sincerely

Phoebe Drake



## **RECOMMENDATIONS**

### **Principles**

1. The SRC recommends that the adequacy of rates of Allowances be assessed according to the following principles:

- Poverty alleviation, so that those in receipt of Allowances are not in a state of deprivation.
- Equality and fairness, so that those in receipt of Allowances are not disadvantaged relative to others in the community who are earning or in receipt of other payments.
- Inclusiveness, so that Allowances are sufficient to support a sustainable activity such as participation in education.
- Autonomy, so that post secondary students (or job seekers) are recognised as adults engaged in a sustained productive and challenging activity that requires government support.

### **The Rate of Allowances**

2. The SRC recommends that the rate of Youth Allowance, Abstudy and Austudy payment be increased, initially by \$50 per week .

### **The Adequacy of Scholarships and participation allowances**

3. The SRC recommends that the rate of the Start Up Scholarship be increased.

4. The SRC recommends that the concept of a similar 'participation allowance' be extended to Newstart Allowance.

### **Rent Assistance**

5. The SRC recommends that the maximum rate of Rent Assistance be increased.

6. The SRC recommends that Rent Assistance be indexed to shifts in median rentals.

7. The SRC recommends that the Sharers rate of Rent Assistance be removed.

### **Long term income support recipients**

8. The SRC recommends that the qualification period for the 'Special rate for long term income support recipients' moving to Youth Allowance or Austudy be shortened from 'at least 26 out of the preceding 39 weeks receiving Newstart Allowance' to 'at least 18 out of the preceding 52 weeks receiving Newstart Allowance'

### **Access to Allowances and adequacy- Independence**

9. The SRC recommends that all currently 'dependent' students who qualify for the Away from Home rate (defined by the need to move to study through the 90 minutes travel time test or other issues relating to study in the family home), be considered Independent. If this category of Independence needs to be limited, that it be subject to a test on parental income (set at \$150 00 per annum indexed).

10. The SRC recommends the reduction in the Age of Independence be extended to 21 in 2013.



## **DISCUSSION**

### **Principles**

**1. The SRC recommends that the adequacy of rates of Allowances be assessed according to the following principles:**

- **Poverty alleviation, so that those in receipt of Allowances are not in a state of deprivation.**
- **Equality and fairness, so that those in receipt of Allowances are not disadvantaged relative to others in the community who are earning or in receipt of other payments.**
- **Inclusiveness, so that Allowances are sufficient to support a sustainable activity such as participation in education.**
- **Autonomy, so that post secondary students (or job seekers) are recognised as adults engaged in a sustained productive and challenging activity that requires government support.**

The SRC believes that these principles should be accepted as standards owed to citizens in a prosperous, democratic country.

Poverty alleviation, fairness and inclusiveness have to varying degrees been accepted grounds of past and current government policy across the political spectrum. We believe principle should govern policy and call on the all members of parliament to fulfil their stated commitment to these principles.

There is broad community and expert recognition that Allowances are inadequate. The Henry Report on Australian's Future Tax System has recognised that Allowances are inadequate for 'poverty alleviation' and 'fairness', and that 'adequacy benchmarks' need to be set for all payments and subsequently have common and adequate indexation arrangements.<sup>1</sup> The Bradley Review into Australian Higher Education Report has recognised that Allowances for students are insufficient to promote inclusiveness - 'Current levels of income support are inadequate to support the participation and success of students from low socio-economic backgrounds.'<sup>2</sup> The OECD support investment in young people who are twice as likely to suffer unemployment as others<sup>3</sup>, spends less on government support for student living costs than 17 of 30 OECD nations<sup>4</sup> and has raised concern about inadequate levels of payments and social risk.<sup>5</sup>

There may be less recognition of the principle of autonomy but we believe that it is time that there was. There is recognition of, and support for, the autonomy of citizens over 18 in some spheres: such as the capacity to vote, to be treated the same under civil and criminal law, to serve on juries and in the armed forces. But it has often not been recognised in the sphere of education (and job searching). Instead broad and unjustified assumptions about family support are made. Students living out of the parental home face the same costs whether they are 18 or 25. Furthermore the capacity or willingness of families to support their adult children cannot reasonably be assumed as it currently is under Social Security law in Australia. We call for the greater consistency of principle, and recognition of the realities of students lives.

<sup>1</sup> [http://www.taxreview.treasury.gov.au/content/FinalReport.aspx?doc=html/publications/papers/Final\\_Report\\_Part\\_1/executive\\_summary.htm](http://www.taxreview.treasury.gov.au/content/FinalReport.aspx?doc=html/publications/papers/Final_Report_Part_1/executive_summary.htm)

<sup>2</sup> [http://www.deewr.gov.au/HigherEducation/Review/Documents/PDF/Higher%20Education%20Review\\_Executive%20summary%20Recommendations%20and%20findings.pdf](http://www.deewr.gov.au/HigherEducation/Review/Documents/PDF/Higher%20Education%20Review_Executive%20summary%20Recommendations%20and%20findings.pdf)

<sup>3</sup> <http://www.oecd.org/education/investinyouthtotacklejobscrisis.htm>

<sup>4</sup> <http://inside.org.au/why-unemployment-benefits-need-to-be-increased/>

<sup>5</sup> <http://www.oecd.org/edu/highereducationandadultlearning/48630949.pdf>



## **The Rate of Allowances**

### **2. The SRC recommends that the rate of Youth Allowance, Abstudy and Austudy payment be increased, initially by \$50 per week .**

The SRC believes that the current rate of Allowances for students (who are qualified and payable to receive them) is grossly inadequate. The level of payments puts students in poverty and deprivation unless they are able and can find part-time employment. The capacity to find employment or employment at non exploitative rates should not be assumed. Many students are not able to undertake paid work because of their study or other circumstances, or because employment was not available. Many students have particular years of their study (e.g. in placements) when they are not able to give any time to employment. Poverty drives students away from study, particularly study that is intensive and in courses where there are no significant breaks.

Even with significant hours in employment the current rate of Allowances combined with the income test taper rates puts students in a poverty trap. Receipt of these Allowances may allow students to spend a bit less time at work and more on study but does not remove them from a poverty cycle.

There have been 20 years of historical underfunding of student income support. Years with no real increases to the parental income test threshold, or even nominal increases to the personal income test threshold. The reforms introduced following the Bradley Report meant finally some important (though partly delayed) movement on these fronts but only at the cost to 'independence' status removing others from any support. We do welcome the introduction of the Start Up Scholarship which went some way to meeting the participation needs of students through a lump sum of money to meet the significant costs of study including travel, texts and equipment.

There is however much more work to be done. The original income support scheme (the Tertiary Education Assistance Scheme) supported twice the proportion of qualified students receiving support to those getting it now. The original payment was above the poverty line. The current level of student payments are still well below the recognised poverty line.

Students go into significant debt for their education. Most work and contribute to general taxation and will do so for many years into the future – arguably at greater rates than the majority of people who do not attain a university qualification. They do not begrudge that contribution where they know it meets progressive and meaningful ends such as student income support. Providing adequate income support and thereby increasing the numbers of Australians with a tertiary qualification is an investment that will be more than repaid through taxation.

We reject the romanticised notion of students living happily in garrets for short term periods, with their poverty somehow being unimportant. Higher Education now frequently stretches well past the traditional three year bachelor degree. As many as 40% of students would not complete the degree they commenced within the standard minimum time. Many students would commence further postgraduate study to qualify for a profession. Seven or more years of study before being qualified is not uncommon. Sustained periods of poverty are debilitating. They impact on mental health and they are unjust.

The current rate of Allowances also means some students do not have enough money to support their successful participation in education which is a significant element of inclusiveness in a democratic society. Increases in the levels of successful participation of Australians in higher education, especially students from low Socio economic Status backgrounds is central to the Government's stated policy on education.



Students dependent on the Allowances are clearly living well below the poverty line. This is most striking when they are paying rent.

The most recent poverty line figure for a single person 'allowee' (excluding housing) is \$316- a week The most recent poverty line figure for a single person 'allowee' (including housing) is \$470- a week.<sup>6</sup>

The 'at home' rate of Youth Allowance is \$265- per fortnight or \$132.50 per week.

The current 'away from home' rate is \$402- per fortnight. With the 'sharers' rate of Rent Assistance of \$80- per fortnight a student could get a maximum of \$482- per fortnight or \$241 per week. <sup>7</sup>

The Housing NSW Rent and Sales Report for Dec 2012 shows Median rents in a one bedroom dwelling in the Inner Ring of Sydney (where the majority of universities and other educational institutions are located ) is \$460- per week, each room in a two bedroom dwelling is \$295- per week, and each room in a three bedroom dwelling is \$265- per week The shortfall between rent in a 3 bedroom dwelling (\$265- per week) and Youth Allowance or Austudy assuming they get the maximum 'away rate' with Rent Assistance is ( \$241- per week) is \$24 – per week. That is before any food, transport bills and other day to day expenses are considered. This is worse than living on nothing.

As ACOSS points out, the cost of rent in Sydney have increased 46% from 2000 to 2011. The cost of electricity has risen by 87%. Dental cost have gone up 101% This is an area, in our experience, that has shown a high level of poverty 'deprivation'. Housing stress (with over 30% of income spend on recurrent housing) affects more than 50% of those in the private rental market. Housing is the greatest indicator of expenditure inequality.

While the Age pension has increased by 75% since 2000, Youth Allowance and Austudy has only increased by 39%. We believe this disparity should change and that payment of all allowances should be brought to the level of pensions.<sup>8</sup>

We also note the disparity between the \$402 per fortnight payable to those on Youth Allowance, Abstudy and Austudy and the \$487 per fortnight payable to those on Newstart Allowance (NSA), and that this is reflected in the degree to which each is below the poverty line. We support increases for both sets of payments and the future convergence so there is an equality of rates (with increases to Youth Allowances, Abstudy and Austudy), and alignment of income tests so those on NSA have an 'income bank' similar to that for students , and participation allowances similar to the student Start Up and Relocation Scholarships.

The SRC supports the recent call of ACOSS for an interim increase in Allowances of \$50 per week. If only limited increases were possible, we recommend increases be prioritised to students living away from the parental home.

<sup>6</sup> <http://melbourneinstitute.com/downloads/publications/Poverty%20Lines/Poverty-lines-Australia-March-2012.pdf>

<sup>7</sup> <http://www.humanservices.gov.au/corporate/publications-and-resources/a-guide-to-australian-government-payments>

<sup>8</sup> <http://www.acoss.org.au/publications/factsheets/>



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**The Adequacy of Scholarships and participation allowances**

**3. The SRC recommends that the rate of the Start Up Scholarship be increased.**

**4. The SRC recommends that the concept of a similar 'participation allowance' be extended to Newstart Allowance.**

We welcome the introduction of Start up scholarships but believe it is inadequate. We also believe the concept can be used to improve participation in activities required in job searching for Newstart Allowance.

The principles of inclusiveness and participation outlined earlier suggest that the adequacy of Allowances needs to be assessed against the specific costs related to participation in an activity – such as education.

Demonstrated engagement in an 'Activity' is a core requirement of the Australian Social Security System that applies equally to those in full time education and those engaged in job searching. Real activity needs resources to meet specific costs of engagement in the activity.

A significant cost for students required for participation in education is the cost of transport either through public transport or the purchase and running of a car to the place of education. The cost of weekly concession bus tickets is \$21 to \$30. The cost of weekly concession train tickets is \$13 to \$29.50. That is, annual costs could rise to \$1500.<sup>9</sup>

Students face many out of pocket costs incidental to their study. New textbooks in fields such as Commerce or Science now commonly cost \$180-. In Law they often cost up to \$200-. For any student doing 8 Units of Study per year text books alone can go up to \$1800- a year. Added to this are Course Readers and Kits which average out at \$50- per Unit, or \$400 a year.

Most students now use or are required to use a lap top or desk top computer for study and writing assessment. The bottom range price of a Mac Computer, at the student discount rate, cost \$1500- (averaging \$500 per year over 3 years). Students also need to pay for Internet connection costs and software up-dates (\$200 for Microsoft Office), printing and stationary. Added to this are other variable costs depending on the field of study; on materials for Fine Arts students, lab kits for Science students, uniforms for health students, field trips for Science – all of which comes out of the student's pocket.

Many fields of study (Vet Science, Education, Health Science) require a student to attend extensive periods (up to 1 year) of professional/work placements. The travel and additional living costs for placement within and outside the metropolitan area is also considerable.

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<sup>9</sup> <http://www.131500.com.au/tickets/fares/fares>



## **Rent Assistance**

**5. The SRC recommends that the maximum rate of Rent Assistance be increased**

**6. The SRC recommends that Rent Assistance be indexed to shifts in median rentals**

**7. The SRC recommends that the Sharers rate of Rent Assistance be removed.**

The current rate of Rent Assistance is woefully inadequate to meet the housing needs of students. The current maximum single rate is \$120.20 per fortnight or \$60 per week. The sharer rate is \$80.13 per fortnight or \$40- per week.<sup>10</sup>

Median rents in a one bedroom dwelling in the Inner Ring of Sydney (where the majority of universities and other educational institutions are located ) is \$460- per week , each room in a two bedroom dwelling is \$295- per week, and each room in a three bedroom dwelling is \$265- per week.<sup>11</sup>

It is unjust that that some recipients get paid less than others because they are, by economic necessity, sharing a house. Students and others on Allowances can generally only afford to rent rooms in shared houses.

There is broad agreement that rent assistance levels are inadequate to meet reasonable housing needs and contribute little to the rate of rents paid by people receiving Allowances.

The SRC supports the argument contained in the Henry Report into Australia's Future Tax System ;

“Maximum rates of Rent Assistance for income support recipients should be substantially increased and linked to movements in market rents.”<sup>12</sup>

“Access to adequate housing is integral to a decent life enabling full participation in society.

... However, the current maximum levels of assistance are too low for many people to secure an adequate standard of housing. Further, indexation of assistance to the Consumer Price Index means that assistance is not well targeted over time, leaving recipients to bear the risk of rent fluctuations.

Rent Assistance should be increased so that assistance is sufficient to support access to an adequate level of housing, and indexed to market rents...”<sup>13</sup>

<sup>10</sup> [www.humanservices.gov.au/corporate/publications-and-resources/a-guide-to-australian-government-payments](http://www.humanservices.gov.au/corporate/publications-and-resources/a-guide-to-australian-government-payments)

<sup>11</sup> <http://www.housing.nsw.gov.au/NR/rdonlyres/FA8067C0-9354-4583-BA8A-A96319FBD927/0/RSReport99.pdf>

<sup>12</sup> [http://www.taxreview.treasury.gov.au/content/FinalReport.aspx?doc=html/publications/papers/Final\\_Report\\_Part\\_1/executive\\_summary.htm](http://www.taxreview.treasury.gov.au/content/FinalReport.aspx?doc=html/publications/papers/Final_Report_Part_1/executive_summary.htm)

<sup>13</sup> [http://www.taxreview.treasury.gov.au/content/FinalReport.aspx?doc=html/publications/papers/Final\\_Report\\_Part\\_1/chapter\\_9.htm](http://www.taxreview.treasury.gov.au/content/FinalReport.aspx?doc=html/publications/papers/Final_Report_Part_1/chapter_9.htm)



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**Long term income support recipients**

**8. The SRC recommends that the qualification period for the 'Special rate for long term income support recipients' moving to Youth Allowance or Austudy be shortened from 'at least 26 out of the preceding 39 weeks receiving Newstart Allowance' to from 'at least 18 out of the preceding 52 weeks receiving Newstart Allowance'**

The Special higher rate allows those (older and younger people) receiving Newstart Allowance to not be disadvantaged by a shift from job searching activity to education (under Section 1067 F(1)) of the Social Security Act). It means they retain the higher rate payable under Newstart Allowance.

It is an appropriate measure that needs to be extended. Four months (18 weeks) unemployment in a year is a significant period and suggests a lack of human capital sufficient to find viable long term employment. The recommendation is aimed at encouraging young people who have had significant periods of unemployment in the previous year to shift to education to improve their employment prospects. This recommendation is aimed at removing disincentives to engage in education rather than staying in non productive job searching activity.





### **Access to Allowances and adequacy- Independence**

**9. The SRC recommends that all currently 'dependent' students who qualify for the Away from Home rate (defined by the need to move to study through the 90 minutes travel time test or other issues relating to study in the family home), be considered Independent.**

**If this category of Independence needs to be limited that it be subject to a test on parental income (set at \$150 00 per annum indexed).**

Access to any Allowance (or an Allowance unaffected by Parental income ) for many students in need is limited by current rules relating to independence. The principles stated earlier support changes to rules of independence for students who have moved out of home. These students show the greatest degree of poverty, the greatest need for support to participate and the most demonstrable autonomy.

The students most in need of financial support are those who have moved out of home. As discussed above the median rent in the 'Inner Sydney ring' near the University of Sydney for a 3 bedroom house range is \$800 per week. That is, a room in share house commonly costs \$270 dollars a week. It is more in a 2 or 1 bedroom dwelling.<sup>14</sup>This is an increase of \$20 per week since last year. On top of this are substantial costs relating to food and household bills.

Those at home do not face rental and other costs, (although some pay a nominal 'board' of that if they have the means). Indeed a key point of the Bradley reform in removing 'independence' through work was based on research about the ('high') income of families where independent students were living at home.

Recent legislation has broadened the set of students from regional areas who might be payable for Youth Allowance (as independent). The current definitions of regionality are arbitrary Educational disadvantage due to remoteness may be a function of a range of sometimes compounding factors. These include low Socio Economic Status backgrounds, low parental income, Aboriginality, limited access to secondary schooling and distances to travel to centres of higher education (and the consequent need to relocate). These factors also exist in the city, particularly in low socio economic areas away from the centre. Low SES students from outer Metropolitan areas who need to relocate may be just as, or more, disadvantaged as some regional students.

The need to move out from the parental home is a function of travel time from the parental home to the University, rather than a map based statistical sense of 'remoteness'. Travel time is used by the Secretary in determining policy (under Section 1067D of the Act) for 'Away from Home status; where 90 minutes travel time by public transport from home to University is considered to satisfy this status. This is a reflection of the disadvantage faced by those students in spending over 3 hours per day travelling, in ways that usually preclude study or other activities such as employment or time with family.

The current provision for remote and outer regional students requires combined parental income to be less than \$150 000 p.a. This recognises that the capacity of parents to support their (usually adult) children moving out is very limited and dependent on the parent's income levels. We would note that the amount of \$150 000 p.a. is an income level higher than the current cut off rates for 'dependent' students under parental income tests, but it is still not excessively high for many families meeting mortgage and other costs.

<sup>14</sup> <http://www.housing.nsw.gov.au/NR/rdonlyres/FA8067C0-9354-4583-BA8A-A96319FBD927/0/RSReport99.pdf>



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## **10. The SRC recommends the reduction in the Age of Independence be extended to 21 in 2013.**

Access to any Allowance (or an Allowance unaffected by Parental income) for many students in need is also limited by current rules relating to independence based on age – currently 22 or above.

The reduction in the age of independence to 24 in 2010, 23 in 2011, and 22 in 2012 now is an important reform, albeit a return to a situation that existed in the early 1990s. Our experience is that it has provided assurance and support to some slightly more mature students who commenced their first degrees later than others, or are commencing second degree to re-skill. Without this support many such students have advised us that they would reconsider their decision to return to study. The change in the Age of Independence has also supported some students at the end of some longer degrees, such as Architecture. The still relatively high Age mark does however still mean that majority of students who have started a standard three year degree at age 17 or 18 get no income support unless they can satisfy the parental income test or the current restrictive independence rules. At the end of their degrees these students have established their real independence as it would commonly be considered, but are considered 'dependent' under current rules.

Recognition of the principle of autonomy we argued for earlier mandates changes to this rule; bringing down the nominated age. As discussed earlier we believe that the expectation inherent in the current rules that students over 18 are necessarily dependent on their parents and will get supported by them is a false view in principle and in practice. Why are those over 18 who have the right and obligations to vote, drive, enter contracts and serve in the armed forces, be treated as dependent just because they are students. Many students do not get (or expect) any more than marginal support from their parents. The most important support they can give is through students having a place to live without rent, but this is not an option for many students who move out of home and who are independent in reality. These students are less likely to be supported by families and have a greater need to move for reasons unrelated to study or travel time.

An on-going reduction of the Age of Independence below 22 is warranted.