



A submission to the Standing Committee
on Community Affairs

into

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

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The National Union of Students (NUS) is the peak-body organisation advocating for student values at the national level. NUS welcomes the inquiry into the adequacy of Newstart and related payments and alternative mechanisms to determine the level of income support payments in Australia. We were founded in 1987 to represent all post-secondary students across Australia, including vocational, higher education, international and domestic students. We seek to further the voice of students in state and federal level government. For this reason, this submission will be focusing on student poverty and mental health.

NUS recommends the following:

1. To raise and maintain student income support, and Newstart payments to 75 percent of the Henderson poverty line (including rent assistance).
2. To allow for part-time students to have access to Newstart and Youth Allowance, subject to means testing.
3. To increase allowable time for completing from 6 months to match the allowable university time frame for degree completion.
4. To implement policies that require funding for universities encompass adequate allocations for support services on campus.
5. To reverse the HESLA legislation that caps HECS-HELP and FEE-HELP loans to \$104,000.
6. To increase public Government funding for Universities to reflect a per student cost similar or improved from 2010.

The growing wage gap for young Australians

The Grattan Institute has just recently completed its research that showed young Australians worse off than previous generations.¹ As the quality of life and financial stability has improved over time for older Australians, the quality for young Australians has remained about the same.² Housing and superannuation were the big wealth drivers for economic inequalities between young Australians today compared to decades ago.³ Younger Australians are less likely to own a home; in 2016, 45 percent of 30-year-olds owned a home; in 1981, 67 percent owned a home.⁴ Young Australians today are set up with more economic inequalities and barriers compared to their older counterparts at the same point in their lives. Therefore, setting up young Australians to succeed is vital for their growth and also the economic stability of Australia.⁵ While the Grattan Institute focuses their government recommendations on improving the housing market, and better education, NUS also supports providing better support for students to undertake study and upskill. It is for this reason that NUS supports the inquiry into support income support. Yet, as it will be discussed further in the following sections, the current system for student support is inept at actually supporting students.

¹ Wood, Griffiths, and Emslie, 2019, *Generation gap: ensuring a fair go for younger Australians*.

² Ibid, p. 3.

³ Ibid, p. 11.

⁴ Ibid, p. 11.

⁵ Ibid, p. 11.

Student Poverty

Current levels of student income support range from 29.0 percent to 53.2 percent of the Henderson poverty line for those living at home and 52.6 percent to 66.0 percent for those living away from home. While student income support has seen an increase in poverty line percentages since 2014 (e.g. from 54.4 percent in 2014 to 57.2 percent in 2018), it has been slight. Before the Bradley Review into Higher Education in 2008, students were closer to the poverty line (61.8 percent in 2008; see Appendix A). Appendix A shows the differences in poverty levels for individuals in 2008 (pre-Bradley Review), and 2014 (figures from previous NUS student income support submission). Poverty levels have not recovered since the review and are shown to still be low (averaging 57.2 percent for a single student living away from home.⁶ A report by Universities Australia (UA) in 2017 showed that 17 percent of all students and one in four indigenous students regularly go without eating.⁷ Yet, the report also found that students are working, 82 percent of domestic students are in paid employment with full-time students working a median of 12 hours a week. Students who are working and/or receiving student income support are still facing poverty, we as a nation need to address the low-income realities that Australian students face. From this NUS believes that to support students out of poverty, we need an increase in student income to provide a solid foundation for their studies.

Universities Australia Survey findings

- Median annual income for full-time domestic undergraduate students is \$18,300, while their median spending is \$14,200.
- One-third of domestic undergraduate students have estimated expenses exceeding their estimated income. This figure is slightly higher for low socioeconomic status (37 percent) and regional (38 percent) students. Some 43 percent of Indigenous students have income that does not cover their expenses.
- Most domestic undergraduate students (58 percent) are worried about their financial situation. Low socioeconomic status students are more likely (63 percent) to be worried about their finances, as are regional students (64 percent).
- Nearly three-quarters (72 percent) of Indigenous students are worried about their finances.
- Only 38 percent of domestic undergraduate students feel they are in control of their financial situation. This falls to 35 percent of low socio-economic status students and only 27 percent of Indigenous students.
- Some 15 percent of domestic undergraduate students regularly go without food or necessities because they cannot afford them. Again, the figures are slightly higher for low socioeconomic status (18 percent) and regional (19 percent) students.
- More than one in four Indigenous students regularly go without food or necessities.
- More than four in five domestic undergraduate students (82 percent) are in paid employment. Full-time undergraduate students who work do a median of 12 hours per week.
- Nearly a third (30 percent) of full-time domestic undergraduate students work more than 20 hours a week and more than 10 percent work more than 30 hours. The share of students working more than 20 hours has increased steadily since earlier surveys.

⁶ 'Home' refers to not living with their parents or guardians.

⁷ Universities Australia, 2018, *2017 University Australia Student Finances Survey*.

- More than one-quarter of full-time domestic undergraduates regularly miss classes because they have to work. Some 41 percent report that work has a negative impact on study.
- 36 percent of part-time domestic undergraduates regularly missed classes to work with 52 percent reporting that work has a negative impact on study.
- Only 35 percent of students who work believe that their work/study balance is satisfactory and 39 percent of domestic students report that their work has little value to them apart from the money.
- A third of domestic undergraduates receive student income support (Austudy, Abstudy or Youth Allowance).
- Some 42 percent of low socioeconomic status students and 45 percent of regional students receive student income support. Nearly half (49 percent) of Indigenous domestic undergraduates receive student income support.
- Most of the debt for domestic students is made up of tuition fees deferred through the HELP scheme. Full-time domestic undergraduate students' median estimate of their debt at graduation is \$38,200. For full-time domestic postgraduates, the median estimate is \$54,100.

Such statistics show students struggling with costs and income while trying to study, to the degree where more than one-quarter of students miss classes and 41 percent of students report work having a negative effect on their studies. There is a trend in these figures that show students working just to get by. Studying and education should not be a factor for poverty for students.

Henderson Poverty Line

The Poverty line is a calculation completed by the University of Melbourne every quarter, the most recent is from June 2018 and used as an estimated comparison for student income support maximum rates. The comparison in Appendix A uses the rate for a single person. The maximum amount for an individual living away from their parents or guardians on Youth Allowance receives 57.2 percent of the poverty line. With one-third of undergraduate domestic students exceeding their income in day to day living costs, there is a great concern for the level of poverty students experience. Australian National University researchers Ben Phillips, Matthew Gray, and Richard Webster argue that increasing Newstart is vital to reducing poverty.⁸ A rise in support payments to 75 percent of the Henderson poverty level would provide an equitable step for supporting students. The rise would be in line with the pre-Bradley review student income support - Tertiary Education Assistance Scheme (TEAS) from the 1970s.

Part-time and holiday work has been a part of undergraduate life for many decades. However, the long term historic decline in student income rates as a percentage of the Henderson Poverty line (from 75 percent under TEAS in the 1970s) has led to an excessive reliance on paid work at the expense of student development. Research has found that some part-time work is beneficial to student development. However, students trying to juggle full-time study with more than about 12 hours a week paid work, reported increased difficulties with maintaining study commitments and fewer opportunities to participate in enriching campus activities outside the classroom.

⁸ Phillips, B., Gray, M., and Webster, R., 2018, *Cut the pension, boost Newstart. What our algorithm says is the best way to get value for our welfare dollars.*

NUS believes that increasing the base rates for Youth Allowance, Austudy and Abstudy will improve student access and retention rates for disadvantaged students. It will also allow students more time to participate in experiences outside the classroom that will lead to the development of the more rounded graduates that employers are calling for.

Recommendation: raise and maintain student income support, and Newstart payments to 75 percent of the Henderson poverty line (including rent assistance).

Mental Health in Universities

Attending university is well known to be a financial and psychological stressor.⁹ The NUS Wellbeing report in 2016 showed 65 percent reported high or very high psychological distress. The same Wellbeing Report found that two thirds of young people rated their mental health as only fair or poor, while 35 percent reported that suicidality impacted on their ability to study. Further to this, financial, academic and workload stress contributed to poor mental health.

Despite this, campus counselling services are frequently under-funded and under-resourced, with long wait times, poor experiences with campus counselling services and the general stigma of seeking help impacting services. Some universities still do not have access plans for physical or mental health, or they are under-marketed or under-promoted on campus. Universities need to treat counselling and disability services as important aspects of their duty of care to students and fund them adequately. Findings from the report found that services could barely keep up with student demands due to low number of staff and high number of students needing the services, long waiting times for access to services, and a lack of specialisation on issues such as sexual assault, trauma, queer or gender diversity, or chronic illness. With mental health being such a prevalent issue for students, NUS supports a more inclusive and supportive system for student support. NUS encourages the government to prioritise mental health for students, as failing to provide effective interventions for mental ill-health is also likely to cost the government through a) lost investment through course non-completion and b) downstream costs to mental health systems from not intervening early with mental health and substance use disorders.¹⁰

While a raise in student income support and Newstart would be a positive step towards improving conditions for students, particularly those with mental health struggles, allowing those students to also take a smaller study load without losing their income support payments would also be hugely beneficial. Mental health constraints are only one recorded and ongoing issue that students can face while studying, which requires that they take a smaller study load. Other examples of reasons students may decrease their study load include family responsibilities, needing to work more hours to financially survive, carer responsibilities to name a few. Moreover, when students need to go part-time they can either take one or two subjects. Due to these factors, the “allowable time” that Centrelink financially supports students is inadequate when supporting students who have mental health or financial barriers to receiving their education. Currently, Centrelink provides student income support payments for a time period for the minimum full-time completion time of a degree, with an added 6 months allowable time. However, when barriers are presented, 6 months can be inadequate. This is especially the case for those that are completing a second degree to upskill or

⁹ Orygen, 2017, p. 11.

¹⁰ Orygen. (2017). *The National Centre of Excellence in Youth Mental Health* p. 6.

change careers.¹¹ In many cases, NUS hears from vulnerable students who have had their Youth Allowance payments cut off during their studies, and a large number of students are on Newstart, the job seekers allowance, as a result of this. To better support students, NUS supports a change for allowable time to match university policy for degree completion. As the UA report shows above, one-quarter of domestic students miss class to work. A change to allowable time will ensure more support and flexibility for students so they can attend class and succeed academically rather than suffer the consequences of financial strain.

Recommendation: allow for part-time students to have access to Newstart and Youth Allowance, subject to means testing.

Recommendation: increase the allowable time for student income support payments... to match the maximum allowable university time frame for degree completion.

Education Funding

Alongside increases to Youth Allowance, Newstart and other income support payments, increasing funding and access to education, and removing the financial barriers to university and vocational education is an important alternative investment to consider. Investment in education ensures two things: that current vocational and university students are better supported in their finances throughout their degrees, and Australians are given the opportunity to upskill- a vital requirement for the future of work. AlphaBeta Future skills report indicates that the growth in technology by 2040 will require Australians to spend 33 percent more time in education.¹² Moreover, a report by the Foundation for Young Australians (FYA) estimates that 70 percent of students will need reskilling due to automation or redundancy in skills.¹³ This means that Australians will see themselves needing to upskill more frequently than current or previous demand. Investment in further education past highschool will be vital for ensuring that individuals, and young people in particular, are equipped for the future of work.

Increases to university and TAFE funding also help boost the support services available to students on campus, particularly supporting those suffering from financial and other disadvantages throughout their time as a student. However, from 2010 to 2016, Australia has had a decrease in education spending per student (see Appendix B for details).¹⁴ With universities increasing their student numbers and funding is proportionately decreasing per head, students are the ones that suffer. Continued funding cuts to universities have meant that student support services on campus have been cut, or continue to be underfunded. Financial counselling or support, housing support, mental health counselling and general wellbeing services are all examples of important services that universities currently run. However, a vast number of these services are inadequate for current student needs, as seen above support services at many universities are not adequately funded or resourced to provide the support students need during their studies. The university sector needs consistent and reliable funding in order to ensure support programs continue to be viable, and are improved as increasing numbers of students attend university.

¹¹ Basic Rights Queensland, 2012, *Youth Allowance & Austudy – The Effect of Past Study*.

¹² AlphaBeta, 2019, *Future Skills*.

¹³ Foundation of Young Australians, 2019, *Future Skills Framework 2030*.

¹⁴ OECD, 2019, "How much is spent per student on educational institutions?", in *Education at a Glance 2019: OECD Indicators*, p. 270

HECS-HELP Funding and access to education

Currently, the Higher Education Loan Program (HELP), allows students to access HECS-HELP (undergraduate students) or FEE-HELP (postgraduate students). The HECS system was originally introduced in the original *Higher Education Funding Act 1988* as an alternative to the free education model that was previously in place. The HELP program is vital to ensure that higher education is still accessible to a diverse range of students, even if they can't afford to pay for their degree up front. However, recent decreases to education funding, and the introduction of the Higher Education (Sustainable Loan Amendment) Bill in 2018, have affected the implementation of the HECS-HELP program. The most recent changes to HECS-HELP have resulted in the lowering of the repayment threshold from \$55,874 to \$45,881, and the introduction of a loan cap or limit of \$104,000. This change has introduced the possibility that students will have to pay out of pocket or take out private bank loans to complete their education, should their fees add up to more than \$104,000 in total. Considering the incredibly high costs of postgraduate degrees, and the fact that university fees are increasing every year, increasing numbers of students can be expected to be in the unfortunate position of having to find additional funding for their degrees. This will particularly impact the experience of university for low-income students, particularly those relying on Youth Allowance, other student income support payments and Newstart.

Recommendation: implement policies that require funding for universities encompass adequate allocations for support services on campus.

Recommendation: reverse the HESLA legislation that caps HECS-HELP and FEE-HELP loans to \$104,000.

Recommendation: increase public Government funding for Universities to reflect a per student cost similar or improved from 2010.

Appendix A: Student Income Support comparison with Henderson Poverty Level (June 2018)¹⁵

All figures are shown per fortnight.

Payment Type ¹⁶	Base Rate ¹⁷	Maximum rate of Rent Assistance	Maximum Total	Payment Henderson Poverty line ¹⁸	Total Benefit as a % of the poverty line
Youth Allowance, over 18, single, living at home	\$299.80	n/a	\$299.80	\$1,033.98	29.0% (27.6 % in 2014; 31.3% in 2008)
Youth Allowance, single, living away from home	\$455.20	\$135.80	\$591.00	\$1,033.98	57.2% (54.4% in 2014; 61.8% in 2008)
		\$90.53 (house sharing)	\$545.73	\$1,033.98	52.8% (50.2% in 2014; 57.1% in 2008)
Austudy, over 25, single or partnered with no children, living away from home	\$455.20	\$135.80	\$591.00	\$1,033.98	57.2% (54.4% in 2014; 61.8% in 2008)
		\$90.53 (house sharing)	\$545.73	\$1,033.98	52.6% (50.2% in 2014; 57.1% in 2008)
Abstudy, single, aged between 18 and 21, living at home	\$299.80	n/a	\$299.80	\$1,033.98	29.0% (27.6% in 2014)
Abstudy, single, over 22, living at home	\$550.20	n/a	\$550.20	\$1,033.98	53.2%
Abstudy, Single, aged between 16 and 21, living away from home	\$455.20	\$135.80	\$591.00	\$1,033.98	57.2% (54.4% in 2014)
		\$90.53 (house sharing)	\$545.73	\$1,033.98	52.6% (50.2% in 2014)
Abstudy, single, over 22, living away from home	\$550.20	\$135.80	\$685.80	\$1,033.98	66.3%
		\$90.53 (house sharing)	\$640.73	\$1,033.98	62.0%

¹⁵ Austudy and Abstudy do not have comparisons to 2008 as those programs did not exist.

¹⁶ 'Home' refers to not living with their parents or guardians.

¹⁷ Australian Government, 2019, Abstudy; Australian Government. (2019). Austudy; Australian Government, 2019, Youth allowance; Australian Government, 2019, Rent Assistance.

¹⁸ Calculated from the weekly estimate of poverty under a single individual, who is head in workforce calculation, sourced from University of Melbourne, 2018, Poverty Lines: Australia: June Quarter 2018.

Appendix B: Australian expenditure for Tertiary education comparison¹⁹

GDP deflator 2010 = 100, constant prices

Change in total expenditure (2010=100)			Change in number of students (2010=100)			Change in expenditure per student (full time equivalent) (2010=100)		
2005	2011	2016	2005	2011	2016	2005	2011	2016
79	102	136	80	103	150	99	99	91

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