

# SUBMISSION TO THE SENATE INQUIRY INTO THE ADEQUACY OF NEWSTART AND RELATED PAYMENTS

12 September 2019

Universities Australia (UA) welcomes the opportunity to provide a submission to the Senate Community Affairs References Committee inquiry into the adequacy of Newstart and related payments and alternative mechanisms to determine the level of income support payments in Australia.

In this submission, UA will focus on student income support payments, including Youth Allowance, Austudy and ABSTUDY.

## STUDENT INCOME SUPPORT

Government student income support payments are generally available to full-time undergraduate students who are Australian citizens or permanent residents. Students in some postgraduate coursework programs are also eligible for student income support.

The largest student income support program is Youth Allowance. In June 2016, 177,378 higher education students<sup>1</sup> received Youth Allowance (YA) and the estimated cost of YA for higher education students in 2019–20 was \$1.36 billion.<sup>2</sup>

There are two other small income support programs—Austudy and ABSTUDY. Austudy is for students aged 25 or older and it supported 32,392 higher education students in June 2016,<sup>3</sup> with an estimated cost of \$303.5 million in 2019–20.<sup>4</sup> ABSTUDY is for Indigenous students and the program supported 4,815 Indigenous higher education students in 2015–16.<sup>5</sup> In 2019–20, the estimated costs for ABSTUDY was \$53.9 million.<sup>6</sup>

The *2017 Universities Australia Student Finances Survey* found one-third of domestic undergraduate students reported receiving some student income support payments—in the form of YA, Austudy or ABSTUDY—with a median amount received of \$9,900 in 2017. Six per cent of undergraduate students reported receiving other forms of Centrelink payments.

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<sup>1</sup> Department of Social Services (DSS) 2017, *Youth Allowance (student and apprentice) Payment Trends and Profile Report June 2016*.

<sup>2</sup> Expenditure on Youth Allowance (YA) for higher education students is not separately reported by the Government. The expenditure estimate for 2019–20 is calculated from the YA funding aggregates reported in the 2019–20 DSS Portfolio Budget Statements (p.43) assuming the share of YA recipients who are in higher education is the same as it was in June 2016.

<sup>3</sup> DSS 2017, *Austudy Payment Trends and Profile Report June 2016*.

<sup>4</sup> Expenditure on Austudy for higher education students is not separately reported, see the explanation for YA in Footnote 2.

<sup>5</sup> Australian National Audit Office (ANAO) 2017, Administration of Youth Allowance (Student) and ABSTUDY, ANAO Report No. 51, 2016–17, p.16.

<sup>6</sup> Expenditure on ABSTUDY for higher education students is not separately reported, see the explanation for YA in Footnote 2.

The central concern of universities is whether student income support is adequate and thus supports healthy study habits. For the student and the taxpayer, it is important that finances do not inhibit study and societal and individual benefits that result from it.

## FINANCIAL STRESS

The *2017 Universities Australia Student Finances Survey* found that while there had been slight improvements in the financial circumstances of university students since the previous survey in 2012, a significant proportion of students continue to experience serious financial difficulties.<sup>7</sup>

The 2017 survey found that:

- One-third of domestic undergraduate students have estimated expenses that are greater than their income.
- Fifteen per cent of undergraduates regularly go without food or necessities because they can't afford them. This rises to 18 per cent for students from low socioeconomic backgrounds and 27 per cent for Indigenous students.
- One in ten undergraduate students reported that they deferred their studies because they could not afford to continue, while one in five students reduced their course load for financial reasons.
- More than four in five undergraduate students (82 per cent) are in paid work.

To make ends meet, 30 per cent of full-time domestic undergraduate students work more than 20 hours a week and more than 10 per cent work more than 30 hours a week. The share of students working more than 20 hours a week has increased steadily since earlier surveys conducted in 2006 and 2012.

Some 41 per cent of full-time domestic undergraduate students have reported negative impacts of paid work on their studies. More than one-quarter of full-time students reported that they regularly miss classes because they have to work. Only 35 per cent of students—who work—believe their work/study balance is satisfactory.

## Completion and attrition

The *2018 Student Experience Survey*<sup>8</sup> commissioned by the Department of Education found 19 per cent of undergraduate students had considered leaving their studies in 2018. Disadvantaged students were more likely to have considered leaving, with 22 per cent of students from low socio-economic background (SES) considering leaving their studies compared with 18 per cent for high SES students.

The 2018 survey found that the most common reasons for undergraduate students considering early departure were health or stress (45 per cent), study/life balance (30 per cent), difficulties related to workload (27 per cent), finances (25 per cent) and the need to do paid work (25 per cent). These findings are consistent with the findings from the 2015, 2016 and 2017 reports.

Studies have shown hours of part-time work are negatively correlated with completion of university courses, further highlighting the need to ensure adequate amount of student income support payment for students from disadvantaged backgrounds. The Department of Education data on completions<sup>9</sup> found that 78 per cent of high SES students completed their Bachelor degree within nine years, compared to just 68 per cent for low SES students.

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<sup>7</sup> <https://www.universitiesaustralia.edu.au/Media-and-Events/submissions-and-reports/Students-Finances-Survey-2017>

<sup>8</sup> Social Research Centre, *Student Experience Survey: National Report*, various years.

<sup>9</sup> Department of Education 2018, *Completion Rates of Higher Education Students—Cohort Analysis, 2005 to 2017*.

## Work-integrated learning

Increasingly, university students are required to undertake compulsory work placements, practicums and other forms of work-integrated learning (WIL), as part of professional accreditation requirements and initiatives to enhance students' employability. Often these placement opportunities are at a different location from their main study location or campus and students could be away from their home for weeks or months at a time.

This has caused significant pressures for students from disadvantaged backgrounds including:

- costs of accommodation and living expenses, on top of continuing rental commitments;
- loss of regular part-time work income and potential job losses due to extended period of absence; and
- family dislocation and increased child care cost for mature age students.

In addition, some students may exceed the allowable period for student income support if they take extended period of placements which goes beyond the duration allowed by Centrelink for the completion of the course.

Direct and indirect costs associated with WIL experiences have put students at risk of dropping out, changing course of study or not taking up WIL opportunities, which may impact on their employment outcomes over the long run.

The 2017 *Universities Australia WIL Data Collection* found that:<sup>10</sup>

- Indigenous students were less likely to participate in a WIL activity than non-Indigenous students. 37.3 per cent of domestic non-Indigenous students participated in a WIL activity, compared to 31.1 per cent of domestic Indigenous students.
- domestic students from low socio-economic backgrounds were less likely to participate in WIL than students from high socio-economic backgrounds. While almost one in two students (or 48.6 per cent) from high SES backgrounds participated in WIL, fewer than one in three students (or 27.8 per cent) from low SES backgrounds participated in WIL; and
- domestic students from metropolitan areas were more likely to participate in WIL than students from regional and remote areas. 37.7 per cent of students from metropolitan areas participated in WIL, compared to 34.1 per cent and 27.2 per cent for students from regional and remote areas respectively.

## ADEQUACY OF STUDENT INCOME SUPPORT

Despite the significant growth in enrolments of undergraduate students from Indigenous (a growth of 105 per cent) and low SES backgrounds (66 per cent) following the introduction of the demand-driven funding system, it is of concern that the share of students on income support—ABSTUDY, Austudy and Youth Allowance—has declined from 38.4 per cent in 2011 to 33.2 per cent in 2017.

Maximum student income support payments for single adults are lower than budget standards—the income levels required to achieve a minimally adequate standard of living—as calculated by the Social Policy Research Centre at UNSW; and the Henderson poverty line maintained by the Melbourne Institute of Applied Economic and Social Research.

Youth Allowance/Austudy rates for students aged 18 and older—both living at or away from home—are between 36 and 69 per cent of these benchmarks. ABSTUDY rates for students aged 18 to 21 living at or away from home are the same. So, if the benchmark is \$100, students only receive between \$36 and \$69 of income support. ABSTUDY rates for students aged 22 and older and living away from home are

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<sup>10</sup> Universities Australia 2019, *Higher Education Facts and Figures July 2019*, p. 41.

between 44 and 81 per cent of these benchmarks, while for students living at home ABSTUDY rates are between 79 to 126 per cent of these benchmarks.

More students—especially those with no family support—must work long hours to make ends meet, negatively affecting their academic performance. Universities continue to provide financial assistance to students in need. Since 2008, scholarships, grants and prizes offered by universities to their students have increased by 50 per cent in real terms from around \$1.2 billion in 2008 to \$1.8 billion in 2017.<sup>11</sup>

Moreover, for people aged 22 and older, unemployed individuals received higher rates of income support through Newstart Allowance than students do through Youth Allowance or Austudy. Any future increase in payment rates for Newstart Allowance would further widen an already inequitable gap between payments for students and the unemployed.

## ADMINISTRATION OF STUDENT INCOME SUPPORT PROGRAMS

There are critical weaknesses in the administration of student income support programs including long delays in processing times and a lack clarity about decisions that are taken. Students are particularly affected by resourcing constraints in Centrelink, especially during the commencement of the academic year given the increased volume of applications. This has resulted in new students commencing university courses without having confirmation of income support. Even if the arrears are eventually paid, it assumes students will have access to sufficient financial support while waiting for confirmation of income support.

The 2016–17 Australian National Audit Office (ANAO) [independent performance audit report](#) on administration of Youth Allowance (Student) and ABSTUDY found:

- From early 2013–14 to early 2016–17, the Department of Human Services did not meet its key performance measure for processing both Youth Allowance (Student) and ABSTUDY claims during peak workload periods. The implementation of a new processing system led to longer delays between the receipt of claims and their finalisation during the 2015–16 peak workload period.
- Between 2013–14 and 2015–16, callers to the Youth Allowance (Student) phone lines on average spend 24 to 30 minutes in the queue before their calls were answered. The number of calls receiving a busy signal over this period more than doubled, from around 2.27 million calls to 4.68 million calls; while the number of calls answered increased by just 3.3 per cent from 1.28 million calls to 1.32 million calls.
- Telephony performance data for the ABSTUDY lines have declined between 2013–14 and 2015–16 with more than a 1,500 per cent increase in callers to the ABSTUDY line receiving a busy signal over the period, from around ten thousands calls to 176 thousands calls. The average time callers spent in a queue on ABSTUDY lines before their calls were answered also increased from around 10 minutes to 17 minutes over the period. The number of calls answered only increased by just 1.6 per cent, from around 138 thousands calls in 2013–14 to 140 thousands calls in 2015–16.

### Universities Australia:

- encourages the Government to undertake a review of student income support arrangements and consider an increase in student income support payments; and
- calls on the Government to improve the efficiency and responsiveness of student income support administration by Centrelink, especially during the peak workload period.

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<sup>11</sup> Department of Education, *Financial Reports of Higher Education Providers*, various years.