



youth affairs council
OF SOUTH AUSTRALIA

Select Committee on Cost of Living

March 2023

Introduction

YACSA is the South Australian peak body representing the interests of young people as well as the organisations and youth workers throughout the non-government youth sector. Policy positions held by YACSA are independent and not aligned with any political party or movement.

YACSA supports the right of young people to participate in decision-making processes that impact them and their lives and recognises the barriers young people face when engaging with Parliamentary inquiries. Throughout YACSA's long history, we have engaged with young people who describe experiences of poverty and economic barriers to meeting essential needs which continue to be exacerbated by the COVID-19 pandemic.

YACSA is pleased to provide this response to the Senate Select Committee Inquiry into the Cost of Living especially as economic participation of young people, including the rising cost of living, is a priority advocacy area for YACSA.

The Australian Government has a responsibility to acknowledge the impact of cost of living pressures and increase its support for young people through greater investment in services and ensuring policy promotes generational equity. The changes needed require government to demonstrate political courage and prioritise policy decisions that will build an equal and sustainable future.

Key Points

- Young people have suffered the negative impacts of financial and social events, including COVID-19, which have far-reaching consequences.
- Addressing the resulting economic scarring requires political will and decisive action.
- Current cost of living relief measures fail to adequately support young people.
- Cost of living pressure is now the highest risk factor for suicide and suicide remains the leading cause of death for young people.

Young People in Context

While all Australians are impacted by the rising cost of living, young people today are experiencing a vastly different economic context compared to past generations. Young people have been disproportionately impacted by a series of financial events including the Global Financial Crisis, and Australia's current housing crisis and the effects of wage stagnation, while simultaneously experiencing a greater tax burden along with increasing cost of livingⁱ. These issues received significant attention at the height of the pandemic but, along with COVID-19, are no longer prominent in public discourse.

A range of complex factors affect young peoples' experience of the cost of living and addressing these factors and mitigating the impacts requires a holistic approach to planning for a sustainable future in partnership with young people. This submission will focus on key priority issues identified by YACSA's research and consultation with young people and the non-government youth sector during the height of the COVID-19 pandemic as it relates to cost of living.

Cost of Living for Young People

The cost of living in Australia has been significantly increasing, accelerated by the end of the pandemic with no foreseeable end in sight. The Consumer Price Index (CPI), designed to provide a representation of household expenditure, increased by the highest ever yearly amount from March 2021 to March 2022 with another large increase projected for 2023ⁱⁱ. The largest increases were in transport and housing accompanied by substantial increases across food, health and education. While these increases alone can demonstrate the impacts of recent events on young people, to fully appreciate these cost of living needs to be viewed within the current context of young peoples' income, financial security, and economic participation.

Labour income makes up the vast majority of young peoples' income in Australiaⁱⁱⁱ. An adequate income supports young people to access essential items and services and is the central determinant of economic wellbeing and financial security. Despite the importance of adequate income and older cohorts experiencing an increase, young peoples' incomes have declined over the last decade^{iv}. Additionally, hours worked among young people also declined while increasing for older cohorts^v. This means that even before pandemic-related impacts and the current increasing cost of living, young people had lower savings and lower wealth. This disadvantage was then compounded as precariously employed workers particularly from industries dominated by young people (retail, travel, tourism) were most impacted by pandemic-related restrictions^{vi}.

Impacts from the rising cost of living are far reaching for young people. Young people are increasingly forced to live week to week and more young people report forgoing essentials like food, transport, healthcare and housing^{vii}. These experiences affect young people's physical and mental health and wellbeing, education and employment outcomes, as well as their futures^{viii}. Housing is an enormous cost of living pressure that continues to significantly impact young people. The vast majority of young people are renters with over 80 per cent sourcing housing via the private rental market^{ix}. In 2020, prior to the pandemic's major impact on the housing market, almost half of young renters spent 25-50 per cent of their gross income on housing^x. As of February 2023, the vacancy rate dropped to a record low nationally, resulting in a private rental housing market dubbed a 'landlord's market'^{xi}. The availability of rental properties below \$400 per week has drastically declined while the median weekly wage of young people has remained at \$647 per week^{xii}. Additionally, despite opportunities to do so most states and territories have declined to reform tenancy legislation to prohibit no-grounds evictions. Within a 'landlord's market', young people who rent are placed in a precarious position where they are more likely to avoid raising issues with landlords and real estate agents. More and more young people are therefore forced to live in inadequate or even unsafe homes for fear they will be pushed into an abnormally difficult rental market^{xiii}.

Australia's Tax System and Intergenerational Inequality

Young Australians today will be the first generation to have a lower standard of living than the previous^{xiv} due to economic changes and policy decisions. Older cohorts have significantly benefitted from growing wealth in Australia while young people have been left behind. Equality between generations relies on an equitable generational bargain, an obligation to support future generations. However, this is quickly becoming untenable due to Australia's ageing population, tax concessions increasingly favouring older cohorts and substantial housing and cost of living increases^{xv}. Australian governments' past reliance on future economic growth to close the gap between generations cannot

continue. Current focus solely on economic growth places young people at risk of continued disproportionate impacts from events that effect economic growth and will further entrench intergenerational inequality^{xvi}.

Economic policy decisions have overwhelmingly favoured older cohorts for decades and this has contributed to increasing intergenerational inequality^{xvii}. Introduction or reform to refundable franking credits, negative gearing on investment properties as well as the upcoming 'Stage Three Tax Cuts' mean older cohorts will continue to pay less tax than young people despite the disproportionate impacts of world events as well as declining wages and hours for young people^{xviii}. Additionally, some of these changes were made while government debt increased substantially which means young people will pay significantly higher taxes into their future^{xix}. Removing the Low-and Middle-Income Tax Offset and replacing it with 'Stage Three Tax Cuts' harms the progressive tax systems and will disadvantage young people further as they will likely see an increase in taxes while older cohorts will see a decrease.

Young people continue to be neglected in pandemic recovery plans as the urgent issues they face including poverty, housing and mental health remain. This is especially concerning as the long-term implications of economic scarring experienced by young people requires direct attention. The Federal Government has an opportunity in the upcoming budget to mitigate the effects of economic scarring by recognising the need to focus on reducing intergenerational inequality and better supporting young people with the rising cost of living.

Government Support for Young People

Despite the series of actions designed to provide cost of living relief in the October Federal Budget 2022-23, current Federal Government measures to address cost of living have failed to reach young people.

As young people are almost twice as likely to experience homelessness compared to older cohorts^{xx}, measures to address the cost of housing are especially applicable. While plans to develop a National Housing and Homelessness Plan are welcomed, it does little to support young people in need now. The investment to build 30,000 affordable and social houses and other construction plans within and beyond the new National Housing Accord are positive but with over 67,000 households on housing waitlists nationally considered to be in 'greatest need', more needs to be done specially for young people. Nation-wide only 2.9 per cent of social houses are leased to young people^{xxi}. Low-waged workers and young people receiving youth allowance or jobseeker payments are discriminated against in community-based housing as they are seen to be less profitable to providers^{xxii}. The Federal Government must address accessibility and availability of social housing for young people to better support them. Additionally, plans to build affordable housing won't support young people as current houses deemed 'affordable' are still out of reach. For example, in South Australia, 'affordable' homes cost between \$417,000 and \$479,000^{xxiii}. Young people require savings of at least \$83,400 to purchase one of these homes and with less hours of work available, lower incomes and higher cost of living including rapidly increasing rent, this is simply unattainable.

Also included as cost of living relief in the October Federal Budget 2022-23 was a reduction to co-payments for the Pharmaceutical Benefits Scheme (PBS). This is another positive step that without further action will fail to adequately support young people with the cost of living. While young people can save \$12.50 on a prescription the average gap fee for GP visits has increased to over \$40 per consult^{xxiv}. Additionally out-of-pocket costs for other healthcare services are also high. The average out-of-pocket cost of allied health professional services is approximately \$74^{xxv}. Most concerning for young people this also includes access to mental healthcare where the most commonly reported barriers to accessing support services are high co-payments and the inability to take time off paid work to attend services^{xxvi}.

Young people are worse off than older cohorts, not just now, but also in relative terms they are experiencing a lower standard of living, and young people today will be worse off across their lifetime^{xxvii}. Despite this being known, government spending continues to favour older cohorts to the detriment of young people as policy making within ageing populations often exacerbates inequality between generations^{xxviii}. Addressing the cost of living requires governments to recognise Australia's current generational disparity, and to recognise the need to work with young people to develop supportive policy based on evidence rather than ideology. Governments at all levels should prioritise young people to ensure policy and service measures will support them.

Income Support

Income support payment rates remain lower than any poverty line or measure and these consistently low rates have contributed substantially to cost of living pressure experienced by young people^{xxix}. Successive Federal Governments have declined to raise the rate of income support even though it would support more than one million Australians currently living in poverty. Additionally, Commonwealth-provided rental assistance does not adequately support young people who rent. With few properties costing less than \$400 per week and almost half of young people paying 25-50 per cent of their gross income towards rent, the approximate \$75 per week for those on Jobseeker and Youth Allowance falls well short of the reality of the increasing cost of rental housing^{xxx}.

Economic Participation

Cost of living and the lack of wage growth for young people must be addressed. Disproportionate unemployment, underemployment, and high levels of precarious employment among young people require consideration of demand-side employment policies to mitigate accumulative effects on the labour market that hit young people hardest^{xxxi}. Government should work with young people and other stakeholders to develop a comprehensive youth employment strategy aimed at increasing secure employment, a youth jobs guarantee, expanded public sector graduate programs, and targeted strategies for barriers young people face to securing full employment.

Health

The rising cost of living is affecting young people's mental and physical health and wellbeing. Young people's mental health has been deteriorating for many years^{xxxii} and since the beginning of the COVID-19 pandemic rates of stress, anxiety, depression and psychological distress have increased alarmingly among young people^{xxxiii}. Detrimental impacts on health and wellbeing are made worse by the inaccessibility of support services which is largely due to financial barriers^{xxxiv}. Cost of living pressure is now regarded as the highest risk factor for suicide^{xxxv} and suicide remains the leading underlying cause of death for young people^{xxxvi}. Government must increase evidence-based community health and wellbeing supports including co-designing non-clinical community-based mental health supports and invest in support for vulnerable cohorts^{xxxvii}.

Housing

Housing is a primary cost of living concern for young people as many are experiencing rental stress that puts them at a disadvantage economically and socially^{xxxviii}. Access to affordable housing is fundamental for economic, social, psychological and physical health^{xxxix} but young people are not receiving adequate support and the current private housing market alone does not provide them with opportunities to secure affordable housing. Government focus on home ownership cannot address housing affordability issues for young people who are still priced out of the market. Social and community housing provided by profit and non-profit organisations is also out of reach for young people as they comprise only 2.9 per cent of main tenants^{xl}. To address disproportionate experiences of housing stress and homelessness among young people, the Federal Government

needs to recognise young people as priority stakeholders in this area and co-design policy and initiatives to better support them.

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