

Senate Select Committee on Cost of Living

Joint submission

About Orygen

Orygen is the world's leading research and knowledge translation organisation focusing on mental ill-health in young people. At Orygen, our leadership and staff work to deliver cutting-edge research, policy development, innovative clinical services, and evidence-based training and education to ensure that there is continuous improvement in the treatments and care provided to young people experiencing mental ill-health.

Orygen conducts clinical research, runs clinical services (including specialist services and five headspace centres), supports the professional development of the youth mental health workforce and provides policy advice relating to young people's mental health. Our current research strengths include: early psychosis, mood disorders, personality disorders, functional recovery, suicide prevention, online interventions, neurobiology and health economics.



About AYAC

Australian Youth Affairs Coalition (AYAC) is the national voice and advocate for young people. We're a team of young policy experts representing more than 4.5 million young people aged 12–25 across the country. We're the national peak body and our members include young people, youth-led organisations and youth sector organisations.



Young people

Many young people continue to be affected by cost-of-living pressures and see a role for government in responding to this issue. In a national survey of young people (n=541) conducted by the Australian Youth Affairs Coalition in February 2023, cost-of-living was the number one issue respondents (68.2 percent) wanted the government to address this year. In a follow-up survey (April-May 2023) the impact of cost-of-living pressures had become an even bigger issue for young people: 80.9% reported having been affected and 93.9% saw a role for government in reducing cost-of-living pressure. Another survey of young people, conducted by ReachOut found that cost-of-living pressures had impacted their wellbeing and mental health. Young people reported issues sleeping due to worry (52%), mood changes (63%) and reduced motivation (57%).(1)

The cost-of-living pressures young people continue to face comes on top of the impact of COVID on their employment and financial security. Young people are particularly exposed to the impact of cost-of-living pressures, but do not see their experiences reflected in government statements and policies.

Listen to young people's experiences and show us how they are meeting the crisis specifically! I want to see young people mentioned clearly in budget and not in a general way. – Young person

The Federal Budget released on 9 May 2023 included measures to ease cost-of-living pressures. While welcome, these measures have not delivered the minimum level of support needed by young people who are studying, looking for employment or are having to compete in the rental market for secure housing.

The impact of cost-of-living pressures on young people are exacerbated by the impact they can have on the life transitions they are navigating. At the same time that young people are undergoing physical, cognitive and socio-emotional development there are points and periods of transition, from education into employment, and increased financial independence. Young people report feeling unprepared for the transition from education to employment, especially young people experiencing financial hardship or living independently.(2) The transition from secondary school to tertiary education or employment increases young people's exposure to the prevailing forces at play in the economy. Burgeoning or tenuous employment and lower financial reserves exacerbate the potential impact of cost-of-living pressures. Young people also have higher rates of unemployment compared to other Australians. Unemployment and financial stress can contribute to poorer mental health outcomes for young people, at an age when most lifetime experiences of mental ill-health are onset.(3, 4) The impact of cost-of-living pressures across transitions requires a coordinated policy response. This submission addresses three policy domains impacted by cost-of-living pressures and affecting young people's lives: mental health, employment, and housing.

KEY FINDING

Young people need a specific focus in the Committee's inquiry. Young people are disproportionately impacted by the impact of cost-of-living pressures across a range of life domains. The cumulative impact has the potential to contribute to the onset of mental ill-health or worsen existing experiences. Delayed transitions to further training or training related employment will exacerbate the impact cost-of-living pressures. Young people are more likely to experience longer-term impacts from the current cost-of-living pressures.

Mental Health

The life transitions young people navigate can be more challenging for young people experiencing mental ill-health. This period, from ages 12 to 25 years is also when the majority of lifetime experiences of mental ill-health are onset. Half of lifetime mental illness or disorders will have their onset by the age of 18 years with another 10–25 percent by 25 years (3-5).

Young Australians (aged 20–22) have been found to have poorer mental health outcomes if they have experienced interrupted employment and financial hardship, especially if the experience extends over several years. Financial strain that requires post-secondary students to find work is linked with poorer mental health.(6) Young people are also impacted through household financial strain. For example, experiences of household financial stresses by a young person are linked with leaving home earlier and a mother’s reported financial stress may also be linked with poorer labour market outcomes for their children.(7) Lost family income during COVID-19 was associated with poorer mental health outcomes for children moving into adolescence (mean age 13 years).(8)

Australians (all ages) experiencing cash-flow problems and deprivation (skipping meals, not heating the home) have been found to be more than five times as likely to also be experiencing mental ill-health compared with people who had not previously reported these financial stresses.(2) Self-reported life satisfaction rises and falls with a person’s financial situation, and past financial events are linked with current wellbeing.(9) Extended periods of unemployment, financial stress and debt have been identified as the biggest risk factors for mental health problems.(10)

Poverty

Orygen has previously made a submission to the Senate Standing Committee on Community Affairs’ inquiry into the extent and nature of poverty in Australia. In this submission it was noted that:

Young people are disproportionately impacted by poverty. An analysis of 2017 Australian data found that the poverty rate for young people (15–24 years old) was 13.9 percent, and 17.7 percent for people under 15, compared to 11.8 percent of 25–64 year olds. The analysis found that young people not living with their families, or experiencing underemployment or unemployment, are at greater risk of poverty.

The submission also noted that there was a bi-directional relationship between poverty and mental ill-health.

One in four Australians in the quintile experiencing the highest socioeconomic vulnerability experience high or very high psychological distress compared to one in 20 Australians in the highest socioeconomic quintile.

Impact of unemployment

Young people experience higher rates of unemployment which affects their financial security and exacerbates the impact of cost-of-living pressures. Underemployment and casual or intermittent employment can also affect a young person’s financial security and mental health. Despite historically low unemployment rates, young people (15–24 years) are twice as likely to be unemployed (7.7 percent compared with the national average of 3.5 percent). The difference in the underemployment ratio (proportion of employed persons) between young people is even higher at 15.5 percent for young people compared with the national average 6.3 percent.(11)

Unemployment and underemployment among younger Australians (20–34 years) is associated with a higher prevalence of mental ill-health. Young people (18–25 years) who were unemployed or had precarious employment have described feelings of helplessness and depression.(2) Younger people

reporting financial hardship, a perceived lack of control over one's life and low social support report poorer mental health. The impact of unemployment on mental health is greatest in the first nine weeks after becoming unemployed.(12)

Australians (all ages) have reported a decline in their mental health when they begin to receive, and during receipt of welfare payments (disability, unemployment, parenting); and have poorer mental health compared with people who have never received welfare payments. Around one fifth of increased risk of mental ill-health for people receiving Newstart (now JobSeeker) has been directly attributed to experiences of financial hardship.(13)

The link between un(der)employment, receiving income support and poorer mental health highlights the importance of early interventions to provide mental health and employment support services. Income support, sufficient to meet increasing cost-of-living pressures is important to alleviate financial stress. Proven employment support services are also important in assisting young people to find employment, including greater hours and job security, and providing increased financial security. This is especially important for young people experiencing mental ill-health.

For young people experiencing mental ill-health, re-engagement with employment and training can be difficult due to their complex needs.(14) The Individual Placement Support (IPS) model sees vocational specialists working with mental health services to support young people experiencing mental ill-health into work and study.(15) Evaluation of trial IPS services in headspace centres found that education and employment outcomes broadly aligned with young people's own goals, and that they reported improvements in confidence and capacity to seek opportunities.(16)

POLICY SOLUTION

Expansion of Individual Placement Support (IPS) programs is required to increase capacity to support young people experiencing mental ill-health into work and study.(15) The extended impact of the current economic situation warrants a further expansion of headspace services funded to deliver this program.

Lessons from the Global Financial Crisis

The impact of the Global Financial Crisis (GFC) on young people in 2008 provides an indication of the potential impact of the current economic environment and cost-of-living pressures on young people today. The GFC was found to have impacted a range of wellbeing measures (financial, social, future prospects) for young people (19 and 22 years old), with the strongest impact on social life, independence, and living standards.(17) An analysis of unemployment rates for young Australians (16–23 years) found the GFC cohort experienced 'greater levels of unemployment and time outside the labour market' compared with a pre-GFC cohort. The average time a young person was unemployed for increased from 6.7 to 11.1 months; for young people combining study and work the average period of unemployment doubled from 9.1 to 18.1 months. The proportion of 23-year-olds who had transitioned to full-time employment was 47 percent post-GFC compared with 63 percent pre-GFC.(18)

Experiences during the pandemic

It is too early to understand the medium to long-term impacts of the COVID-19 pandemic on young people's education and employment outcomes and comparative financial security. The subsequent cost-of-living pressures currently being experienced, however, will likely exacerbate the impact of COVID-19 on young people. Available data indicates that young people's employment was severely interrupted, but that in many jurisdictions this was relatively short-lived. The experience in

Melbourne, which was subject to disproportionately lengths of time under 'lockdown' being the exception.

In the first few months of the COVID-19 pandemic (March–May 2020), young people (15–24 years) experienced a ten-percentage point drop in employment, more than twice the decrease experienced by the overall working-age population (15–64 years). The drop in employment during this time was greater for young women (11 percent) compared with young men (8.6 percent). There was a corresponding difference in increased employment over the subsequent 12 months to April 2021, between young women (12 percent) and young men (9.5 percent).⁽¹⁹⁾ This is national data and the experience in Melbourne is likely to have been different.

Housing

Cost-of-living pressures have the greatest impact on nondiscretionary expenses, such as housing. Housing was second to groceries as the expense creating the most pressure for young people surveyed (April-May 2023). Securing permanent housing is a priority positive outcome for young people transitioning from secondary education into emerging adulthood.⁽²⁰⁾ Young people face barriers moving into independent, stable, secure housing, both rental and owned. These barriers are increased by cost-of-living pressures.

In Australia three out of ten households are renting. This proportion of young people (15–24 years) renting is higher at 83.5 percent. The proportion of income spent on housing costs is also higher for young people. The average weekly housing costs for renters aged 15–24 years in 2019–20 was \$384 per week (\$54.86 per day).⁽²¹⁾ The amount spent on rent is likely to differ based on available income with differences for young people working full-time, part-time, unemployed or studying and different combinations. The average rental cost (2019-20) for the lowest and second quintiles was \$249 per week (\$35.57 per day) and \$342 per week (\$48.86 per day) respectively.⁽²¹⁾

Households with an income level in the fourth and fifth quintiles (bottom 40 percent of household income distribution) are determined to be experiencing housing affordability stress when they spend more than 30 percent of household income on housing costs ⁽²²⁾ Housing costs data from the Australian Bureau of Statistics is delayed and does not reflect the current increase in cost of living. The latest data (2019-20) shows that a third of young person households (33.8 percent) were spending more than 30 percent of household income on housing. A further 14.6 percent were at risk of rent increases pushing them into unaffordable housing because they were already spending between 25 and 30 percent of their household income on housing.⁽²¹⁾

Rent Assistance

Accessing ongoing and stable housing is vital in supporting the mental health and wellbeing of young people. More than any other age cohort, young people are more likely to rely upon the private rental sector as they are unable to access homeownership or social housing.⁽²³⁾ It has been estimated by the National Housing Finance and Investment Corporation that almost 800,000 households are experiencing some form of rental pressure. This has been exacerbated with the recent rises in rental prices nation-wide. Parts of Australia have seen rental rates rise by upwards of 30 percent.⁽²⁴⁾

Financial support is available from the Commonwealth to help with rental costs for people receiving income support. A majority of young people (61.8%) surveyed by AYAC reported that an increase to Commonwealth Rent Assistance (CRA) should be a priority for the Government to ease cost-of-living pressures. The amount of CRA available is determined by your circumstances and the amount of rent you pay. The maximum amount of CRA for a single person living in a shared housing arrangement is

currently \$7.22 per day, and for a single person living in a single dwelling it is \$10.83 per day.⁽²⁵⁾ The Federal Government increased the CRA by 15 percent in the Budget. Increased CRA, while helpful is not a long-term solution to insecure housing, a lack of access for young people, and fluctuating rental costs.

Secure housing

Secure housing should not require ownership. Housing policy is a complex policy field that extends into taxation, employment and industry, and land zoning; requires coordinated infrastructure and services investment; and crosses all three tiers of government. Recognising this complexity, one policy lever that has more potential to provide secure housing is government investment in social housing. Social housing, which includes both publicly owned housing and community housing are existing policy options that have a role in providing secure housing. Social housing policy needs to include youth specific housing options, including transition housing for young people moving out of homelessness and options for group tenancies. Secure housing has compounding benefits through supporting people's health and wellbeing, participation in education and employment and social inclusion. These health, economic and social benefits warrant greater government participation as a housing provider and partner in the provision of social housing.

POLICY DIRECTION

Policy initiatives to respond to the cost-of-living pressures young people are experiencing needs to include measures to provide access to affordable housing that is stable and secure. An increase in Commonwealth Rent Assistance would provide short-term financial support for current cost-of-living pressures for young people who are eligible for this payment. Longer-term, a Treasury review of multi-lever policy solutions is necessary to deliver affordable housing for young people into the future. This should include initiatives to increase social housing stock and access policies that provide secure housing for young people who are disadvantaged in the private housing market.

Financial hardship and mental health

Young people experiencing interrupted employment or financial hardship are more likely to experience poor mental health outcomes. Higher rates of unemployment and longer periods of transition from training and education to employment will contribute to the experiences of financial hardship. Income support from the Commonwealth is insufficient to offset this hardship and potential negative impact on a young person's mental health.

The delay in publication of public data on housing costs and incomes only permit approximations of the financial situations for young people. A single young person living in shared housing with a rental cost in the lowest quintile receiving Youth Allowance and Rental Assistance would require in the vicinity of 50 percent more income to pass above the poverty line.

A significant increase in income support for young people is required as a protective measure against the onset or worsening of mental ill-health related to interrupted employment and financial hardship. This investment in young people's mental health would also be an investment in their future social and economic contributions.

POLICY DIRECTION

Access to mental health services for young people experiencing financial hardship – better targeting of Better Access to low socio-economic groups and increased government investment in salaried psychologists and other allied health workers in community-based health and mental health services.

Youth allowance

Commonwealth funded support for young people studying or looking for employment is inadequate. The current cost-of-living pressures has increased the focus on the need to provide sufficient support to enable young people to live and build on the transitions they have to make. A majority of young people (63.4%) surveyed by AYAC identified increases to Youth Allowance and Job Seeker to at least \$73 a day, as a necessary change. The Federal Government announced in the Budget that Youth Allowance will increase by \$40 a fortnight, this measure will provide some easing of cost-of-living pressures but will not lift recipients above the poverty line.

The Youth Allowance is a means tested payment available from 16 years up to 24 years of age. The level of payment depends on your circumstances. For a single person with no children aged over 18 years and living away from their parent's home, the current maximum rate is \$40.20 per day.(26) This is less than the calculated (September 2022) poverty line income for a single person not in the workforce, \$70.73 per day.(27) Income support payments need to reflect real living costs so that young people can afford life's essentials – like food, rent, health, education, transport, and clothing – enabling them to focus on attending and completing study or look for employment.

The Youth Allowance payment is indexed to account for increases in cost of living. However, the calculated poverty line too increases. The inadequacy of the Youth Allowance and the inability to afford a healthy, dignified life will not be improved by indexation. A living wage that provides a socially acceptable minimum income has been proposed in place of the minimum wage for employed persons.(28) The level of financial support provided through the Youth Allowance should also be at least \$73 a day. Determining a socially acceptable minimum should be the responsibility of an independent Commission.

POLICY SOLUTION

Income support needs to be increased to provide young people with at a minimum level of \$73 a day. An independent Commission, similar to the Fair Work Commission be established to annually review and determine income support. The determination process should accept public submissions.

Further information

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