

## EMPLOYMENT, EDUCATION, TRAINING AND YOUTH AFFAIRS

### Phase out specific funding for Language Australia

**Function: Education**

#### Financial Implications (\$m)

| 1997-98 | 1998-99 | 1999-00 | 2000-01 |
|---------|---------|---------|---------|
| -0.5    | -1.0    | -1.5    | -1.5    |

#### Explanation

Direct financial support for Language Australia provided under the Commonwealth Schools Programme will be phased out gradually by reducing funding by one-third in 1997-98 and two-thirds in 1998-99, with funding ceasing in 1999-2000.

Education authorities will have the opportunity to contract Language Australia for research work which makes use of its expertise.

This measure will:

- improve administrative efficiency;
- encourage the organisation to become more attuned to the needs of its clients and adept in identifying other business opportunities for its services; and
- provide support to Language Australia while it secures alternative sources of funds.

#### Further Information

Language Australia (formerly the National Languages and Literacy Institute of Australia) has a brief to contribute to improving the quality and relevance of language and literacy education in keeping with the goals of State and Commonwealth language and literacy policies and Australia's economic, social and cultural needs. Language Australia maintains an information-sharing network through 22 locations throughout Australia.

## EMPLOYMENT, EDUCATION, TRAINING AND YOUTH AFFAIRS

### Improvement and streamlining of Higher Education Contribution Scheme arrangements

**Function: Education**

#### Financial Implications (\$m)

| 1997-98 | 1998-99 | 1999-00 | 2000-01 |
|---------|---------|---------|---------|
| 1.0     | 1.6     | 1.9     | 2.1     |

#### Explanation

This measure will provide, from 1 January 1998, a 25 per cent discount for partial up-front payments of at least \$500 made by a student before the Higher Education

Contribution Scheme (HECS) census date in any semester. The administrative processes relating to the remission of HECS debt will also be streamlined.

Although this initiative has a small cost, there are gains to the Government in terms of net lending for HECS in the early years. These changes reduce the headline budget balance by \$1.6 million in 1997-98, \$4.5 million in 1998-99, \$5.6 million in 1999-2000 and \$6.2 million in 2000-01.

This measure will:

- enhance the incentive for students to pay HECS contributions up-front;
- assist students who may not be in a position to pay their full contribution up-front, but who might be able to pay \$500 or more to reduce their deferred HECS liability;
- increase the flexibility of the scheme; and
- improve the efficiency of administrative processes for the remission of HECS debt.

#### **Further information**

All Australian citizens, New Zealand citizens and Australian permanent residents enrolled in higher education student places funded by the Commonwealth are required, unless specifically exempt, to make a contribution to the cost of their course through HECS. Each semester, eligible students choose either to pay their HECS up-front or to defer payment. Eligible students who pay up-front pay 75 per cent of their HECS liability for the semester direct to the relevant institution. The Commonwealth pays the remaining 25 per cent on their behalf to the institution. New Zealand citizens must pay the whole of their HECS liability up-front.

### **EMPLOYMENT, EDUCATION, TRAINING AND YOUTH AFFAIRS**

#### **Higher education restructuring and rationalisation package**

##### **Function: Education**

##### **Financial Implications (\$m)**

| 1997-98 | 1998-99 | 1999-00 | 2000-01 |
|---------|---------|---------|---------|
| 10.2    | 7.3     | 4.3     | 4.4     |

##### **Explanation**

This measure will provide financial assistance to universities which need help in restructuring their activities. To be eligible for assistance, proposals from higher education institutions will need to generate long-term benefits and show that the cost is beyond the funding capacities of the institutions involved.

##### **Further Information**

The 1996-97 Budget reduced funding to higher education institutions by 1 per cent in the 1997 calendar year, 3 per cent in 1998 and a further 1 per cent in each of 1999 and 2000. At the same time, the Budget relaxed Government administrative constraints on institutions to provide them with greater flexibility and greater opportunities to diversify their income sources. The smaller and regional institutions might have greater difficulty adapting to the changes because of a higher degree of dependence on government funding and a more limited capacity to attract non-government funds.

The Government made a commitment in the 1996-97 Budget that in exceptional circumstances it would be prepared to consider specific proposals for financial assistance from institutions to restructure their activities.

## **EMPLOYMENT, EDUCATION, TRAINING AND YOUTH AFFAIRS**

### **Phased abolition of the Higher Education Commonwealth Industry Places Scheme**

**Function: Education**

#### **Financial Implications (\$m)**

| 1997-98 | 1998-99 | 1999-00 | 2000-01 |
|---------|---------|---------|---------|
| -5.2    | -16.5   | -22.7   | -23.0   |

#### **Explanation**

This measure involves the phased abolition of the Commonwealth Industry Places Scheme (CIPS) over 1998 and 1999. The Scheme contributes to the cost of providing higher education places in undergraduate courses by sharing the cost between the Commonwealth and industry.

The Scheme is being phased out in recognition of the fact that there are now alternative ways for institutions to meet employer demand for higher education courses. For example, from 1998 the Government will pay institutions the minimum up-front Higher Education Contribution Scheme (HECS) payment for all undergraduate students enrolled above the target student load agreed between institutions and the Government. Industry may also fully fund award courses or buy places in award courses. In addition, private sector employers have access to assistance through the tax system as they are able to claim tax deductions for business-related education and training.

## **EMPLOYMENT, EDUCATION, TRAINING AND YOUTH AFFAIRS**

### **Reduction of National Board of Employment Education and Training administrative budget and removal of Australian Language and Literacy Council funds**

**Function: Labour and Employment Affairs, Education**

#### **Financial Implications (\$m)**

| 1997-98 | 1998-99 | 1999-00 | 2000-01 |
|---------|---------|---------|---------|
| -2.9    | -2.7    | -2.8    | -2.8    |

#### **Explanation**

The proposal involves the abolition of funding for the Australian Language and Literacy Council, and the reduction in funding for the National Board of Employment, Education and Training (NBEET) by 35 per cent.

Funding reductions to NBEET reflect the Government's policy to abolish three of the existing five separate Councils within the Board, and the Board itself in due course (i.e. retaining the Australian Research Council and the Higher Education Council as independent bodies). The Department of Employment, Education, Training and Youth

Affairs has estimated that the administrative support required by these two Councils represents some 65 per cent of all current funding, allowing NBEET's operating expenses to be reduced by 35 per cent in total.

## **EMPLOYMENT, EDUCATION, TRAINING AND YOUTH AFFAIRS**

### **Increased AUSTUDY for families with two or more tertiary students living away from home**

**Function: Education**

#### **Financial Implications (\$m)**

| 1997-98 | 1998-99 | 1999-00 | 2000-01 |
|---------|---------|---------|---------|
| 1.6     | 1.5     | 1.6     | 1.6     |

#### **Explanation**

This measure increases the AUSTUDY parental income test dependent deduction from \$3,700 to \$7,400 for tertiary students eligible for AUSTUDY, at the away from home rate, in families where there are two or more such students. Although the AUSTUDY income tests recognise the additional costs incurred by families with more than one dependent student, the current test does not recognise the extra costs for families where two or more of their dependent students must live away from home to undertake tertiary study.

AUSTUDY entitlement for each applicant is calculated on the basis of 'adjusted family income', which is parental taxable income less deductions for dependants. This proposal will introduce a higher rate of deduction for each AUSTUDY eligible, tertiary away from home student where there are two or more such students in the family.

Students with one eligible sibling could gain up to \$925 a year extra in AUSTUDY benefits, or up to \$1,850 a year if they have two eligible siblings, and so on. In addition, some students who currently do not receive AUSTUDY because their assessed benefit falls below the \$1,000 minimum payment threshold would pass that threshold and could benefit by up to \$1,925 (with one other eligible sibling) or \$2,850 (with two other eligible siblings).

It is expected that students benefiting from this proposal will receive their additional AUSTUDY from around October 1997, with payments backdated to 1 July for eligible students.

#### **Further information**

AUSTUDY provides income support grants to students 16 years of age and older undertaking approved courses of study in secondary schools, Technical and Further Education (TAFE) colleges, approved TAFE equivalent courses offered by private providers and higher education institutions. The AUSTUDY away from home rate is paid to students who need to live away from home to study due to either the student living too far from the educational institution, difficult home conditions or compulsory residency requirements of the course of study.

## EMPLOYMENT, EDUCATION, TRAINING AND YOUTH AFFAIRS

### Improved targeting of ABSTUDY

**Function: Education**

#### Financial Implications (\$m)

| 1997-98 | 1998-99 | 1999-00 | 2000-01 |
|---------|---------|---------|---------|
| -5.0    | -10.9   | -11.2   | -11.6   |

#### Explanation

This measure aims to better target access to some ABSTUDY benefits from 1 January 1998, and address anomalies. Notwithstanding these changes, ABSTUDY will continue to provide indigenous students with access to a broader and more generous set of benefits than is available under AUSTUDY.

The following limits on ABSTUDY benefits are to be introduced from 1 January 1998:

- additional incidentals allowance, a maximum of \$2,000 per year;
- away-from-base assistance, a maximum of four weeks and two return trips a year for each approved award;
- travel for compassionate reasons, two return trips a year;
- graduation travel entitlements to be restricted to students who were approved for fares allowance to undertake their course away from their permanent home;
- student and partner or parental income tests will be applied to Masters and Doctorate Award students and entitlement to supplementary Masters and Doctorate allowances will no longer be available to students who do not meet the relevant income test(s);
- courses comprised wholly or substantially of away-from-base components (i.e. residential schools and field trips) will no longer be approved; and
- an income test on the 'at home' rate of school fees allowance.

Entitlement to the following travel allowances will be removed:

- interstate travel for tertiary students undertaking basic tertiary courses and away-from-base activities which are part of basic tertiary courses; and
- use of travel entitlements for dependants of independent and pensioner students during the academic year.

Assistance for tertiary students will now be limited to one undergraduate and two postgraduate courses (including masters and doctoral students), plus diploma and graduate diploma studies where it is a requirement by a profession prior to employment.

An abatement rate in the calculation of living allowance and dependent spouse allowance, including living allowance under the Masters and Doctorate Award, will be introduced. This will align ABSTUDY with the abatement rate used in the calculation of AUSTUDY living allowances. From 1 January 1998, the ABSTUDY living allowance will be reduced by \$1 for every whole \$2 of personal or partner income over

the threshold, and will be reduced by \$1 for every whole \$4 of parental income over the threshold.

This measure will reduce estimated ABSTUDY outlays by approximately 8 per cent from 1998-99.

### **Further information**

The ABSTUDY programme is designed to help overcome disincentives to participate in secondary and further education by indigenous Australians through the provision of financial assistance to study. ABSTUDY provides assistance on a non-competitive basis to all eligible indigenous students who enrol in an approved course of study. ABSTUDY provides an income tested living allowance to assist students to overcome financial barriers to study. The ABSTUDY income test is based on personal and parental or partner income. Currently, ABSTUDY income test cut-out points are broadly aligned with those for AUSTUDY, but the ABSTUDY test has no abatement so that the maximum rate of ABSTUDY living allowance is payable up to the cut-out point. Some 24,000 students currently receive the ABSTUDY living allowance.

In addition to a living allowance, ABSTUDY also provides a range of supplementary allowances to assist with education costs such as school and course costs, fares, attendance at compulsory course activities and postgraduate study costs. Few of these allowances have limits on use and they also have broad eligibility criteria.

## **EMPLOYMENT, EDUCATION, TRAINING AND YOUTH AFFAIRS**

### **Benchmarking efficiencies in Vocational Education and Training Grants to the States**

**Function: Education**

#### **Financial Implications (\$m)**

| 1997-98 | 1998-99 | 1999-00 | 2000-01 |
|---------|---------|---------|---------|
| -10.0   | -20.3   | -20.7   | -21.0   |

#### **Explanation**

The Commonwealth provides grants of around \$900 million a year to the States to put towards the operation of vocational education and training (VET). Primarily, this funding is used for the operations of the Technical and Further Education (TAFE) sector. Funding is allocated by the Australian National Training Authority (ANTA) under the ANTA Agreement between the Commonwealth and the States. Commonwealth funding for VET has increased by 37 per cent in real terms since 1992. This additional funding has been put towards growth in the sector, with a focus on increasing opportunities for young people.

This measure reduces Commonwealth funding from 1 January 1998 by \$20 million a calendar year to provide an incentive to the States to achieve efficiency gains in their VET operations by, for example, benchmarking their activities against the most cost effective States. The \$20 million cut represents around 0.7 per cent of total VET expenditure.

## EMPLOYMENT, EDUCATION, TRAINING AND YOUTH AFFAIRS

### Changes to entry level training employer incentives

**Function: Labour and Employment Affairs**

#### Financial Implications (\$m)

| 1997-98 | 1998-99 | 1999-00 | 2000-01 |
|---------|---------|---------|---------|
| -0.9    | 6.4     | 16.2    | 29.5    |

#### Explanation

Entry Level Training (ELT) incentives provide support to employers of apprentices and trainees under a contract of training. They consist of cash payments generally made when an apprentice or trainee commences training, recommences or progresses to a higher skill level. The regime of incentive payments has been amended through two changes.

The first change involves the abolition from 1 January 1998 of the tax exemption for payments under the Commonwealth Rebate for Apprentice Full-time Training (CRAFT) and conversion into outlays under the incentive payments regime. The corresponding Revenue measure for this initiative is titled: 'Conversion of the CRAFT tax expenditure to outlays' (see Part II).

The second change is a package of measures to enhance and re-focus the incentive payments. The package provides for introduction of a \$1,500 completion payment to 'for profit' employers of apprentices and trainees being trained at the Australian Qualifications Framework (AQF) Level 3. This new payment returns to employers the approximate value of the discontinued tax exemption for CRAFT incentives. The package is subject to passage of the legislation necessary to remove the CRAFT tax exemption.

The package also includes:

- restoring large employer eligibility for ELT incentives from 1 January 1998, following the *Review of the Impact of Restrictions on Entry Level Training Incentives* completed by the Allen Group earlier this year;
- an increase in the recommencement payment to 'for profit' employers from \$500 to \$750;
- introduction of a completion payment of \$1,500 to all employers, including 'not for profit' group training companies, which recommence an out-of-trade apprentice or AQF3 trainee, to encourage their recommencement; and
- abolition of the \$250 additionality payment (which was not taken up by a significant number of employers).

The following table summarises payments under the new incentives regime:

| Type of payment                    | AQF2    | AQF3 *    | * includes apprentices and trainees                                                          |
|------------------------------------|---------|-----------|----------------------------------------------------------------------------------------------|
| Commencement                       | \$1,250 | \$1,250   |                                                                                              |
| Recommencement                     | nil     | \$750 *   | * \$500 for Group Training Companies                                                         |
| Progression                        | nil     | \$1,250   |                                                                                              |
| Completion                         | nil     | \$1,500 * | * 'for profit' employers; all employers in the case of recommenced AQF3 apprentices/trainees |
| Group training                     | \$1,000 | \$1,000 * | * only payable for trainees                                                                  |
| Women in non-traditional positions | \$1,000 | \$1,000   |                                                                                              |
| Sporting operations traineeships   | \$3,000 | n/a       |                                                                                              |

## EMPLOYMENT, EDUCATION, TRAINING AND YOUTH AFFAIRS

### Work for the Dole Initiative

#### Function: Labour and Employment Affairs, Social Security and Welfare

#### Financial Implications (\$m)

|                                                   | 1997-98 | 1998-99 | 1999-00 | 2000-01 |
|---------------------------------------------------|---------|---------|---------|---------|
| Employment, Education, Training and Youth Affairs | 11.0    | 3.8     | 0.0     | 0.0     |
| Health and Family Services                        | 0.5     | 0.1     | 0.0     | 0.0     |
| Social Security                                   | 5.3     | 0.9     | 0.0     | 0.0     |
| TOTAL                                             | 16.8    | 4.8     | 0.0     | 0.0     |

#### Explanation

The aim of the Work for the Dole initiative is to give young unemployed people a chance to develop a work ethic through participation in projects which are supported by the community and which will be of lasting value to the community. This initiative is based on the principle of mutual obligation: that it is fair and just that people be asked to work in return for payment of unemployment allowance.

It is proposed to pilot around 70 projects comprising up to 10,000 places. Most will be located in non-metropolitan regions with high levels of youth unemployment. Project proposals will be sought Australia-wide and will be required to benefit the wider community. Subject to the passage of legislation it is anticipated that the first participants will start in late 1997.

Priority will be given to young people aged 18-24 years who have been unemployed for at least six months, but participants will not be restricted to this group. Participants will work for two six-hour days if aged 18 to 20 years, and two and one-half six-hour days if 21 years or over. This is based on averaged National Training Wage Award rates. They will be required to participate for up to six months and will be paid an extra \$20 per fortnight in recognition of the unavoidable costs of working.

### Further Information

The legislation to support the Work for the Dole initiative, the Social Security Legislation (Work for the Dole) Bill 1997, was referred to a Senate Committee on 26 March, to report by 23 June 1997.

### EMPLOYMENT, EDUCATION, TRAINING AND YOUTH AFFAIRS

#### Subsume National Skills Shortages Programme into the regional assistance element of Enterprise and Adjustment Programme

**Function: Labour and Employment Affairs**

#### Financial Implications (\$m)

| 1997-98 | 1998-99 | 1999-00 | 2000-01 |
|---------|---------|---------|---------|
| -2.1    | -2.8    | -2.9    | -3.0    |

#### Explanation

The functions of the National Skills Shortages Programme are to be subsumed into the regional assistance element of the Enterprise and Adjustment Programme. The Programmes had similar objectives and outcomes in terms of employment and training. The objective of the National Skills Shortages Programme was to minimise the effects of current and emerging skills shortages through the provision of short term skills training to the existing work force and suitably qualified unemployed persons. The Enterprise and Adjustment Programme, however, is broader in its operation in that it develops and implements strategies to improve employment, as well as the skills base, in regions where there are growing employment opportunities.

The reduction is less than 8 per cent of the total funding for the regional assistance element.

### EMPLOYMENT, EDUCATION, TRAINING AND YOUTH AFFAIRS

#### Savings in Employment, Education, Training and Youth Affairs portfolio running costs

**Function: Labour and Employment Affairs**

#### Financial Implications (\$m)

| 1997-98 | 1998-99 | 1999-00 | 2000-01 |
|---------|---------|---------|---------|
| 0.0     | -15.2   | -15.5   | -15.8   |

#### Explanation

The reductions in administrative funding result from structural changes associated with the implementation of new employment servicing arrangements.

### **Further Information**

In the 1996-97 Budget, the Government announced that new arrangements for delivering labour market assistance to jobseekers would be introduced during 1997-98. The key components of the new arrangements are:

- establishment of a new Commonwealth Services Delivery Agency, within the Social Security portfolio, integrating key services to jobseekers previously delivered by a number of departments; and
- development of a competitive employment services market where the Public Employment Placement Enterprise will compete alongside private and community sector providers to place clients in jobs.

These arrangements result in significant structural change within the Employment, Education, Training and Youth Affairs portfolio, including the abolition of the Commonwealth Employment Service.

### **EMPLOYMENT, EDUCATION, TRAINING AND YOUTH AFFAIRS**

#### **Labour Market Programme funding adjustment**

**Function: Labour and Employment Affairs**

#### **Financial Implications (\$m)**

| 1997-98 | 1998-99 | 1999-00 | 2000-01 |
|---------|---------|---------|---------|
| -30.2   | 0.0     | 0.0     | 0.0     |

#### **Explanation**

As announced in last year's Budget, during 1997-98 the Government will introduce a new contestable market for employment services involving a government provider as well as private sector providers. This will enhance the cost-effectiveness and delivery of employment assistance. Savings come from the wind down of current arrangements prior to the implementation of the new arrangements and will not impact on the operation of the new market.