



**Submission in response to**

***The adequacy of the allowance payment system***

**August 2012**

# Australian Youth Affairs Coalition

The Australian Youth Affairs Coalition (AYAC) is Australia's non-government youth affairs peak body, which represents young people aged 12-25 and the sector that supports them.

AYAC represents a growing membership of State and Territory youth peak bodies, national youth organisations, researchers, policy makers and young people themselves, who are all passionate about creating an Australian community that supports and promotes the positive development of young people.

AYAC aims to:

- Provide a body broadly representative of the issues and interests of young people and the youth affairs field in Australia
- Advocate for a united Australia which respects and values Aboriginal and Torres Strait Islander heritage, promotes human rights, and provides justice for all
- Represent the rights and interests of young people in Australia, at both a national and an international level
- Promote the elimination of poverty and to promote the well being of young Australians, with a particular focus on those who are disadvantaged
- Recognise the diversity of Australian society, to promote the cultural, social, economic, political, environmental and spiritual interests and participation of young people in all aspects of society
- Advocate for, assist with and support the development of policy positions on issues affecting young people and the youth affairs field, and to provide policy advice, perspectives and advocacy to governments and the broader community
- Facilitate co-ordination and co-operation within the youth affairs field

AYAC and its members are committed to working for and with young people and seek to ensure they have access to mechanisms, which allow them get involved in decisions about issues that affect them in the Australian community.

Committee Secretary  
Senate Education, Employment and Workplace Relations Committees  
PO Box 6100  
Parliament House  
Canberra ACT 2600

Dear Secretariat,

The Australian Youth Affairs Coalition (AYAC) welcomes the opportunity to provide a submission to the Senate Committee inquiry into *the adequacy of the allowance payment system for jobseekers and others, the appropriateness of the allowance payment system as a support into work and the impact of the changing nature of the labour market*.

In preparation for this submission, AYAC consulted with over 200 young people on the issues around Youth Allowance through an online poll and through individual case studies. AYAC also wishes to acknowledge the contributions of the Multicultural Youth Advocacy Network (MYAN), who assisted us by providing their perspectives on the experiences of newly arrived young people with Youth Allowance.

In this submission, AYAC endorses the positions and recommendations of the ACOSS and draws attention to some key features of the current Youth Allowance system that we believe unfairly impact young people.

Sincerely,

**Andrew Cummings**  
Executive Director

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*We acknowledge the traditional owners of country throughout Australia and their continuing connection to land, sea and community. We pay our respect to them and their cultures, and to the elders both past and present.*

## Recommendations

AYAC believes young people need to be recognised as a key stakeholder group within the allowance payment system. The Government has an opportunity to be a leader in engaging in genuine consultation to ensure better policy outcomes for all stakeholders.

AYAC urges the Federal Government to use this Inquiry as a catalyst for action that empowers and supports all young people to access further training and education, and we offer some recommendations to ensure this can happen.

AYAC recommends that:

1. Youth Allowance for people living independently of their parents should be increased to, at least, the recognised poverty line – by \$50 a week.
2. Young people on low incomes are entitled to income support payments that reflect real living costs so that they can afford life's essentials – like food, rent, health, education, transport and clothing.
3. There be equity and consistency between pensions and allowance payments.
4. The Government institute a rigorous, evidence-based review of all allowance payments in collaboration with the community sector and young welfare recipients.
5. Young people be consulted about their income support needs in all related policy decisions.
6. The Government work closely with AYAC and the MYAN to ensure that the allowance payment system is accessible and supports the needs of newly arrived young people.
7. The Government encourage participation in casual employment by increasing the income test free area and allowing students to 'bank' their earnings credit for up to 13 weeks.
8. That the Government lower the age of 'independence' to 18 years, aligning it with the legal and practical age of adulthood.
9. The Government review and amend the 'independent' criteria for an 18-month period of work and income by ensuring all regional young people be immediately eligible for the full rate of independent Youth Allowance if they must move away from home for tertiary education.
10. The 18-month period for Workforce Participation be reduced to 12 months.
11. Allowance payments be indexed by legislation to wage price increases and community living standards.
12. All young people be immediately eligible for the full rate of independent Youth Allowance if they move away from home for tertiary education.

13. Rent Assistance be increased to better reflect the real costs of renting and that the Government abolish unfair sharers rules.
14. Application and appeals processes within the Centrelink system be made more youth-friendly.
15. Administrative processes and activity test requirements be amended to take into account the unique needs of young people experiencing multiple disadvantage.

AYAC is committed to working with the Government to ensure young people have a fair chance to access further education and appropriate full-time employment supported by a fair and equitable allowance system. We look forward to the findings of this Inquiry and would welcome the opportunity to meet to discuss this further.

## Introduction

AYAC commends the Federal Government for changes made to the student income support system following the 2011 review that make it easier for regional students to access independent Youth Allowance, and that increase the amount regional students can access from relocation scholarships. These are positive developments.

However, AYAC believes that the current allowance system is inadequate and young people on allowances desperately need an increase of \$50 per week in line with the recommendations of Australian Council of Social Services (ACOSS), the Henry Tax Review, the OECD and the Business Council of Australia. With over 380,000<sup>1</sup> young people studying and depending on Youth Allowance, this is a significant equity issue that needs addressing.

The goals of a good allowance payment system should include treating young people with similar needs and living costs in a fair and consistent way, and ensuring that all Australians, regardless of age and circumstance, have the financial capacity to attain a decent basic standard of living according to contemporary community norms. The current allowance payment scheme is inadequate and fails to meet these twin goals.

An adequate income support does not act as a disincentive to work or study and can enable young people to move towards independence. AYAC is committed to ensuring all young people get a fair chance to responsibly prepare for their future without being put at further risk of extreme financial hardship.

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<sup>1</sup> AIHW 2011. "Australia's welfare 2011". Australia's welfare no. 10. Cat. no. AUS 142. Canberra: AIHW, p 93.

### **Case study: Briana's story<sup>2</sup>**

*I am a full-time Bachelor degree student. I currently live on \$350 a week, which comes from part time work, and youth allowance. Youth allowance only covers board, and a bus ticket.*

*I have gone without a lot of basic health tests, dentistry and many life basics such as haircuts, new shoes, fresh fruit and veggies.*

*An increase in youth allowance would make the most impact in affording basic necessities, especially during times of less hours, or no hours of work in a week. \$50 dollars in a week would make the difference between affording to pay a bill, going a day without food, or having to borrow money that you may not be able to pay back.*

*I would tell the Senate that they need to take into account that at 18-23 years of age a person can no longer be 'dependent' on their parents, and youth allowance does not take into account a full study load for a university student requires 40+ hours of study, plus working a part time job just to cover basic necessities creates tremendous strain on young adults.*

*Youth allowance is too low to encourage independence; there is no extra that allows for covering expenses such as car costs, public transport, education supplies for those whose parents need part or all of their children's payment to cover living costs. Assuming a young adult between 18-23 can still rely on their parents for monetary support is unrealistic.*

## **Youth participation in decision-making**

*"I believe students are the future leaders, professionals and thinkers and we should be considered an excellent investment."*

*- Youth Allowance recipient*

In line with the United Nations Convention on the Rights of the Child, it is widely recognised that young people should be directly engaged in decisions that affect them. As young people have the most to gain when it comes to any reforms to student income support payments, AYAC strongly urges the Review to give young people the opportunity to meaningfully engage in these decisions that so critically affect them. Given the Federal Government's targets of seeing 40 per cent of 25–34

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<sup>2</sup> Names have been changed to protect anonymity.

year olds attaining a bachelor level qualification by 2025,<sup>3</sup> AYAC believes that problems in the current system pose a significant block to this stated goal. Requirements for student income support are mostly standardised and imposed on young people by government authorities. In a well-managed student income support system that is responsive to the needs of young people, there would be an active partnership between the Government and recipients of this support.

### Recommendation

- Young people should be consulted about their income support needs in all related policy decisions.

## Youth Allowance rates well below the poverty line

There is little doubt that student support income rates fall far beneath the accepted poverty line and are manifestly inadequate. As our case studies demonstrate, Youth Allowance rates are simply insufficient for meeting basic living costs and students are highly likely to miss out on what ordinary Australians consider “the essentials of life”.

In recent months, there has been support for an increase in unemployment benefits from a number of community organisations including ACOSS<sup>4</sup>, social sector organisations, leading economists, the Henry Tax Review and even the business community. All are calling for \$50/week increase to Youth Allowance and Newstart.

*“People can’t live on \$35 a day. Entrenching them into poverty is not a pathway back into employment.”* (Chief Executive of the Business Council of Australia, Jennifer Westacott)<sup>5</sup>

For an average student (who has no children and single) living away from home, the maximum Youth Allowance with Rent Assistance is \$482 per fortnight or just below \$35 per day. With the cost of living continuing to rise, students who are dependent on Youth Allowance find themselves living in poverty and unable to afford the basics such as food and clothing and medical care.<sup>6</sup> Current Youth Allowance and Rent Assistance rates, plus the proposed fortnightly income of \$400, are simply inadequate for young people to cover living, study (and travel costs for regional students). Many students work long hours and live with high levels of stress and fatigue, significantly affecting their educational performance, wellbeing and

<sup>3</sup> Department of Education, Employment and Workplace Relations, 2011, ‘Review of Student Income Support Reforms – Background’, <http://www.deewr.gov.au/HigherEducation/Programs/YouthAllowance/Pages/RSISRBackground.aspx>.

<sup>4</sup> Australian Council of Social Service (2012). ‘\$35 a day is not enough! Lift paltry allowances and help people into paid work’ accessed at [http://www.acoss.org.au/take\\_action/allowances\\_statement\\_2012-02/](http://www.acoss.org.au/take_action/allowances_statement_2012-02/)

<sup>5</sup> ABC Radio National (2012) *Business thinks laterally on social welfare*.

<sup>6</sup> National Welfare Rights Network, 2010, ‘Observations on Australia’s performance regarding its Social Security obligations under clauses 26 and 27 of the United Nations Convention on the Rights of the Child, specialising in Social Security law and practice’, December 2010, p 7

connection with family.<sup>7</sup> In order to prevent them from dropping out of university entirely, they need greater financial support.

Only pensioners receive payments above the established poverty line.<sup>8</sup> A person receiving Youth Allowance will generally receive a Health Care Card, but usually not the considerably more valuable Pensioner Concession Card.<sup>9</sup> Inequity between student allowances and pensions is marked, particularly following changes made to pensions over the last few years. While the 2009 pension increase was certainly a vital reform, allowances were left behind with allowances approximately \$130 a week below the aged pension (and the poverty line).

*In AYAC's 2012 poll<sup>10</sup> of 214 young people, over 90% said they thought Youth Allowance was too low.*

Both the Henry Tax Review and the OECD have recommended that allowances be increased.<sup>11</sup> In order that the Government fulfil its stated goal - under the National Youth Strategy - to equip young Australians to shape their own futures through education,<sup>12</sup> young people need better financial support to access training and higher education opportunities. As such, AYAC recommends that the Government restore equity and fairness to Youth Allowance payments. An independent public inquiry should be established to critically assess the entire allowance system and recommend future directions for reform. The youth sector and young allowance recipients, as primary stakeholders, should be properly consulted in this process.

### **Inadequacy of Allowances for Newly Arrived Young People**

For young people facing particular disadvantages, the low levels of Youth Allowance are particularly troubling. According to recent consultations by the Centre for Multicultural Youth Centre (CMY) and the MYAN, education is often a priority for newly arrived people from refugee backgrounds, however, their unique circumstances make accessing and completing study particularly difficult. They may have lost family members, experienced torture, and have experienced very interrupted experiences of education, and often having experienced unsafe or limited experiences of paid work, arriving with very few skills and accredited education to engage successfully in the Australian labour market. They are still mastering the language in those first years, and they face many barriers adjusting to an education system which is not well set up for their particular needs. Inadequate income levels work against their ability to overcome the many barriers they face in education. Their families have almost no financial resources and no knowledge of Australian systems. Many young people have no parents, and are living independently in the community by the time they turn 18 years.

Education is costly and young refugees find themselves unable to purchase textbooks or the additional resources that are required to participate in VET courses, such as steel capped work boots, chef hats, knives and tools. It is not uncommon for students at senior levels to need calculators in excess of \$200, which is way beyond the budget of refugee young people, even those with support from families. In addition, access to a computer and the internet is not always possible. It is not

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<sup>7</sup> *ibid.*

<sup>8</sup> *ibid.*

<sup>9</sup> *ibid.*

<sup>10</sup> Question asked: "If you are between the ages of 12 and 26, tell us, is Youth Allowance too low?" Australian Youth Affairs Coalition Facebook poll August 2012.

<sup>11</sup> *ibid.*

<sup>12</sup> Federal Office for Youth, 2011, 'National Strategy for Young Australians', <http://www.youth.gov.au/media/Pages/NationalYouthStrategy.aspx>, accessed 21/4/11.



uncommon that refugee young people cannot afford the basics, such as school uniforms, excursions and camps. Organised sport is not affordable at all, and valued opportunities to settle well through involvement in sporting clubs are lost, despite evidence that sport can assist newly arrived young people to manage stress and past trauma more effectively. If the young person is also living at home with younger siblings, these education costs can escalate.

Refugee young people often go without food in order to pay other bills. Many struggle to make their budgets work, and it is not uncommon for young refugees to have incurred debts and to be in rental arrears. A lack of experience and skills needed to successfully live independently in a new country can lead to bad financial decisions that exacerbate the problem.

Given these stresses, newly arrived young people commonly abandon school, TAFE or apprenticeships to seek immediate increased income through the informal cash in hand economy. These positions are often unsafe and offer no long-term employment options. Young people are often exploited in these roles and employment is often only short term. The lack of education and training then leaves them in their mid-twenties and too old for alternative pathways into secure employment. They become long-term Newstart recipients, with limited English, and very little chance of finding employment, usually living in regions with the highest youth unemployment.

The current system is difficult to navigate even for young people who are born and raised in Australia, let alone for the added difficulties faced by young refugees. Young people who arrive in Australia as refugees come with the hopes for a better future for themselves and the Government needs to ensure they are supported to effectively engage in education and training opportunities. A fair and equitable allowance system is critical so that young people facing multiple disadvantage, such as newly arrived young people, can be adequately supported to make a successful transition.

### Recommendations

- The rates of Youth Allowance be increased by \$50 per week for young people living independently of their parents.
- Young people on low incomes are entitled to income support payments that reflect real living costs so that they can afford life's essentials – like food, rent, health, education, transport and clothing.
- There be equity and consistency between pensions and allowance payments.
- The Government institute a rigorous, evidence-based review of all allowance payments in collaboration with the community sector and young welfare recipients.
- The Government work closely with AYAC and the MYAN to ensure that the allowance payment system is accessible and supports the needs of newly arrived young people.

### Case study: Adam's<sup>13</sup> story

*Youth Allowance is too low in certain circumstances, primarily where a person is unable to make up the difference in expenses after Youth Allowance. Youth Allowance is often less than the total expenses a student has, and at times an increase in expenses happens due to textbooks, petrol price hikes and other unforeseen costly circumstances.*

*My current study load is a full time university student. Subjects range in price from \$636.00 to nearly \$1000 each; four subjects a session, two sessions a year for three years. I currently live on Youth Allowance and an extra \$30 to \$45 per week working as an English tutor. I have had to be lent money from members in my family.*

*Youth allowance pays for my rent, petrol, insurance (which as a young male is ridiculously expensive), a laptop needed for study, textbooks which all up can cost between \$170 to \$400 per session.*

*I have gone without: travelling from Wollongong (where I study), to my home in Wagga Wagga, certain food items, and car insurance.*

*A \$50 increase to Youth Allowance will ease pressure on my expenses, repay family members money owed, be able to afford my car getting repaired/serviced and registration for it.*

<sup>13</sup> Names have been changed to protect anonymity.

## Restrictive eligibility criteria

*“Not only does the government need to re assess the amount paid to students, but also the standards that need to be met in order to receive these payments. I have a very good friend who is in an almost identical situation to myself and was not accepted by Centrelink. This has made her university experience rather negative and her enthusiasm towards her studies is lessening due to financial worries. If the government considers having educated people ready to fill all fields of work in the future a priority, then they need to prioritise the students who are not trying to cheat the Government, but are simply trying to better themselves and thus the community through an education.”*

*Youth Allowance recipient*

For many young people, both from regional areas and urban areas, whose only option is the 'independent' rate of Youth Allowance, the true age of independence is 18, and not 22 - the current age of "independence" for Youth Allowance. Many young people leave home immediately following secondary school, and are thereafter responsible for their own accommodation and expenses. In order to qualify for Youth Allowance at the independent rate, young people who are eager to start studying are then forced to defer tertiary study in order to meet the criteria for the independent rate.

Many young people want to commence higher education immediately after completing secondary school. As the financial need is immediate upon enrolling in a tertiary course of study, AYAC recommends that all regional young people be immediately eligible for the full rate of Independent Youth Allowance if they must move away from home for tertiary education. For this large group, the Workforce Participation Criterion - which requires them to work for an 18-month period before being eligible for Youth Allowance - is unfair and impractical. Many young people struggle to secure well-paid, consistent work to meet the criterion, given their obvious lack of training and experience. And if young people are forced to defer study for 18 months, there is also an increased likelihood they may not return to tertiary education, having broken the continuum of study and adapted to a new lifestyle and income. Further, the 18-month period for the Workforce Participation test results in many young people to work until May of their first year of study until they are eligible for Youth Allowance, sacrificing their studies for that initial four-to-five months so that they can financially support themselves. AYAC recommends that the 18-month period for Workforce Participation be reduced to 12 months as students need Youth Allowance from the beginning of the academic year in January, not in May when the current 18-month period ends.

### Recommendations

- That the Government lower the age of 'independence' to 18 years, aligning it with the legal and practical age of adulthood.
- The Government review and amend the 'independent' criteria for an 18-month period of work and income by ensuring all regional young people be immediately eligible for the full rate of independent Youth Allowance if they must move away from home for tertiary education.
- AYAC recommends that the 18-month period for Workforce Participation be reduced to 12 months.

## Consistency in indexation rates for students

Youth Allowance is indexed to the Consumer Price Index (CPI), which does not adequately address cost of living changes, and is less comprehensive than the indexation arrangements for pensions which is based on the Pension and Beneficiary Living Cost Index (PBLCI).<sup>14</sup> Youth Allowance is indexed only once annually in line with the annual CPI increase and an "indexation lag" of up to 18 months can occur.<sup>15</sup> Only pensions are indexed to movements in wages, and over the long term wages rise by around two percentage points a year above the CPI. This is largely why the gap between pension and allowance rates keeps growing. Therefore, like ACOSS, we believe that Youth Allowance should be indexed annually to movements in a standard Australian Bureau of Statistics measure of typical fulltime wage levels (before tax), as well as six monthly to movements in the CPI. This would ensure equity with other social security payments and pensions and that young people are not unfairly left behind.

### Recommendation

- That Allowance payments should be indexed by legislation to wage price increases and community living standards.

<sup>14</sup> National Welfare Rights Network, 28 January 2011, *op.cit.*, p 8.

<sup>15</sup> *ibid.*

### **Case study: Alice's story<sup>16</sup>**

*Youth Allowance is too low because I frequently can't afford to eat well. It is too low because I feel like I am not valued as the professional of the future, and I am treated as a second-class citizen. It is too low because I need to not have a heater on for a lot of winter because I know I won't be able to pay for the electricity. I am lucky because I can get help from my mother, but for many students they are simply forced to live a substandard existence because they ONLY have Youth Allowance. Not only do low Youth Allowance payments decrease our quality of life, but they also give the message to other Australians that we are not important and we do not deserve consideration, that we are leaching off the Government and giving nothing back.*

*I believe students are the future leaders, professionals and thinkers and we should be considered an excellent investment.*

*I am currently completing my fourth and final year in my Bachelors degree as a full time student.*

*I receive \$520 a fortnight from Centrelink (\$120 of this is Rent Assistance). I also receive \$1000 per session (\$2000 a year) as a study/textbook bonus from Centrelink*

*and this year I have been awarded an honours scholarship from my school. Altogether this amounts to about \$16,000 per year.*

*I pay \$300 a fortnight in rent (\$7800/year), which means that approximately 78% of my Youth Allowance + Rental Assistance income goes to simply having a home. This could also be considered as ALL of my Rental Assistance PLUS more than half of my youth allowance payment. I try to eat well and have unique dietary needs, so most of the \$220 /fortnight I have left after rent goes to food (at least \$150). The rest goes to utility bills, my phone bill (I only allow myself to spend \$15 a month as I can't afford any more), medical expenses, internet costs (I need this to complete my research), car maintenance and fuel costs. I don't drink alcohol or smoke, which helps with the expenses a lot.*

*Obviously, the leftover \$220 does not cover this, so I spend my textbook allowance and scholarship on everyday living costs. I have nothing left over and so I have no savings. If anything unexpected happens I need to receive financial help from my mother who is a pensioner.*

*I never participate in recreational or social events that involve money. My apartment is cold because I can't afford adequate heating. I have no savings. I can't see my family as often as I would like to because I can't afford the travelling costs.*

*A \$50 a week increase would still not be enough, but it would maybe help me save some money for unexpected costs (taking the pressure off my mum), or allow me to eat better. It might allow me to occasionally do something fun like seeing a movie. It might allow to me heat my apartment a bit more*

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<sup>16</sup> Names have been changed to protect anonymity.

## Housing stress and unfair rent assistance rules

The cost of living, including rent, is rising dramatically around most, if not all, universities in Australia, which tend to be located in major urban areas. All the young people we consulted mentioned the drain of housing costs to their weekly income. Over the last three years rents have risen by an average of 10 per cent while the maximum rates of Rent Assistance have increased by only 2.7 per cent<sup>17</sup>. Even if students receive Rent Assistance, 43 per cent of recipients experience housing stress, paying more than 30 per cent of their income in rent.<sup>18</sup> Young people have told us directly that they spend 50 - 60% of their weekly income on rent. Young people are also often discriminated against due to their youth by landlords and agents, making securing a lease for adequate rental accommodation difficult. This often leaves young people with little resort but in illegal boarding houses or worse, in secondary homelessness.

In addition to the clear inadequacy of Youth Allowance rates in comparison to other payment types, Rent Assistance that may be paid to those on student allowances is subject to more restrictive qualification criteria and often lower rates than the Rent Assistance received by people on other payment types. Rent Assistance in a share house decreases Rent Assistance by approximately \$40 per fortnight. The rule that determines people in share housing receive less Rent Assistance than in other housing situations also has an inequitable and disproportionate impact on young people because they tend to use share-housing options more than other groups. Given this is how most students live, the distinction needs to be abolished.

### Recommendations

- Rent Assistance be increased to better reflect the real costs of rental prices.
- The Government abolish separate rules for share housing.

<sup>17</sup> National Welfare Rights Network (NWRN), Fairness & support in uncertain times: 2012-13 Federal Budget Statement Priorities, January 2012, p 19

<sup>18</sup> National Welfare Rights Network, 28 January 2011, *op.cit.*, p 10.

### **Case study: Tina's story<sup>19</sup>**

*I am a full time student studying a combined Bachelors degree.*

*I try to work also each week but study commitments can make it hard as law has such a heavy workload and I am now also studying a degree in business. My costs are: rent is \$160 each week, petrol (that I need for getting to university), food is approximately another \$60 a week. My textbooks for the first semester alone were close to \$400 and I am yet to purchase those needed for this semester as I do not have the money available. I have costs for internet usage and house and car bills. I am also in desperate need of a new car as mine is no longer reliable to get me to and from university.*

*I try to work each week and I earn \$150 from that. However, because of this my Centrelink does get slightly reduced. On a good week I would have around \$350, but unfortunately these are rare and mostly I have app. \$250-300 a week to cover all my costs.*

*Youth Allowance pays for rent, food, petrol. It's always helpful when it can cover all of this, however any bills for my car or house I usually struggle with. I am lucky to live with my sister who is very understanding as she herself was recently a student and am able to repay my part of the bill when I have the money rather than immediately.*

*This semester I am attempting to not buy textbooks, I am instead borrowing them from the university library. However, there are only a limited amount of books on a restricted 7-day loan policy so this is not a reliable method for the entire semester.*

*My food shopping consists of a lot of cheap meals such as pasta or rice with a little bit of meat. I make sure I have regular visits to my parents home for meals involving red meat because it is a luxury I simply cannot afford.*

*Since starting university my social life is close to non-existent. While I do not expect Centrelink to fund my 'nights on the town', if they were able to fund my bills and rent comprehensively and not punish me for earning my own money in a week then I would be able to fund this myself.*

*A \$50 increase a week would mean a great deal! I would be able to pay any and all bills for my car and home any time of the year. The stress that I have experienced from money worries this year, has effected my health and thus my studies. This extra money would be immensely helpful.*

*After being rejected from Centrelink twice (before being accepted on a subsequent application) my enthusiasm towards further study was lacking. I did seriously consider not completing university even though it had been my plan for many years. I believe that many more young people would complete studies if they knew they would be adequately financially supported, but without that insurance it can seem almost impossible. I am lucky enough to have a great support system of family and friends who convinced me quitting university was not a good option and for that I am grateful.*

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<sup>19</sup> Names have been changed to protect anonymity.



## Income test consistency

Due to the pressures of limited time and financial difficulties during semester, many students work during their university holidays to save for the upcoming academic year. However, significant holiday earnings and subsequent savings affect Youth Allowance payments due to the earning credit system and many students lose their Low Income Healthcare Card after holiday work.<sup>20</sup> This highlights how the current system creates a situation in which students who are unable to survive on Youth Allowance are then actively discouraged from boosting their income through casual employment. Many young people have told us how discouraging this system is, especially when their ultimate aim is to find full time employment following graduation, and that paid work experience during their studies is essential to boost their employability. AYAC questions why young people are penalised for working when work is the exact kind of behaviour young people need to engage in, to improve their chances of getting work when study is over. This experience is vital for young people to move away from a reliance on welfare payments.

Given the record rates of youth unemployment, young people should be encouraged to participate in casual employment. As such, AYAC calls on the Government to bring parity and consistency to the income test for student allowances, bringing them in line with the test for pensions, as the income test free area varies substantially between allowance payments and pensions.<sup>21</sup> In line with the recommendations of ACOSS, AYAC believes that the earnings credit should be replaced by a simpler system where the earnings credits allowed are increased and recipients can 'bank' their fortnightly income test 'free area' for up to 13 weeks.

### Recommendation

- The Government should encourage participation in casual employment by allowing students to simplify and increase the income test free area.
- The earnings credit should be replaced by a simpler system where the earnings credits allowed are increased and recipients can 'bank' their fortnightly income test 'free area' for up to 13 weeks.

<sup>20</sup> N Godden, *op.cit.*, p 12.

<sup>21</sup> Australian Council of Social Service, 2010, Paper 163, 'Out of the Maze: A Better Social Security System for People of Working Age', April 2010, p 23.



### **Case study: Gilbert's story<sup>22</sup>**

*I believe Youth Allowance is currently too low, this opinion is from my own experiences with Youth Allowance and from many of my friends' experiences.*

*I am currently in between courses but my study load was 25 hours a week at TAFE doing my HSC and then computer Programming and an additional 20+ hours a week doing preparation work for a Bachelor degree.*

*I live almost entirely on Youth Allowance I also run a few websites that earn very low income at less than \$200 per year.*

*As I live entirely on Youth Allowance, it pays for all of my expenses which include: phone bill, rent, cigarettes, fuel. This totals \$325 per fortnight. Currently I am not receiving Rent Assistance and my total fortnightly payment totals \$375 leaving me \$50 per fortnight for food/drink/toiletries.*

*With only \$25 a week to spend on food drink and toiletries there are many things I have gone without. My diet has had to drastically change and now largely consists of potatoes, pasta, rice, Mi Goreng (2 minute noodles) and tea.*

*Luckily, I recently moved in with a very close friends family and they have been providing me with food so that I can spend that \$25 a week on other hidden expenses like getting my car fixed, new clothes for job interviews and the like.*

*If it was not for the generosity of my friends I would not be capable of even searching for work, as I would not be able to maintain a professional appearance – and when it's a choice between food and shampoo/razors, I will pick food.*

*A \$50 a week increase would mean that my food budget raises too \$75 a week, this is such an incredible difference too my diet. It would also enable me to live off \$50 a week and have \$25 a week buffer in case something happens. I had a car accident a few months ago, my excess was just over \$1200, I had to take out a \$400 advance payment and then cut my food budget to \$10 per week just so that I could save enough to fix my car, without my car my ability to get to TAFE and study was severely compromised and put my payments in jeopardy. With the ability too save that extra amount it would be much easier for me to have a buffer so that things of that nature do not happen again.*

*The only thing I would like to tell the Government is that in the current job market having a low Youth Allowance is likely too mean many more individuals are going to be stuck finding cash in hand weekend work, it is not a viable system and in the long run is worse for the Government because they cannot tax it. Until the job market increases for casual work the only real way too keep students above poverty is too increase the Youth Allowance.*

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<sup>22</sup> Names have been changed to protect anonymity.

## Conclusion

There is little doubt that young people are faring badly in the employment market. More than a quarter of all long term unemployed in Australia are aged 15 to 25.<sup>23</sup> Since 2008 the percentage of young Australians without a job for a year or longer has almost doubled.<sup>24</sup> Opportunities for teenagers to undertake full time work have sharply declined.<sup>25</sup> Times of economic uncertainty, an insecure labour market, and more flexible and precarious forms of employment all mean that young people, more than ever, need greater assistance to develop the kinds of skills and competencies that will help them transition from education to work.

It is well known that educational attainment improves the labour market prospects of young people; a corollary of low educational attainment is marginalisation to either part-time work only or unemployment. Policies to raise educational attainment must therefore make study achievable, and an adequate allowance payment system to young people must be instituted to achieve this. Without adequate financial support, we are setting young people up for failure.

Australians tend to accept that it is part of a life stage for young people to live in poverty. Student poverty is almost viewed as a rite of passage. However, the reality is very different to the mythology - trying to survive on an allowance payment means that young people who are studying and living independently of their parents genuinely struggle to stay engaged in education because of the pressure to work more rather than focus on their studies. This puts young people at risk of secondary homelessness and dropping out of secondary and tertiary study altogether.

AYAC calls on the government to recognise that investing in young people through education and transition into the workforce with fair and adequate Youth Allowance is a priority. As the OECD has said, "investing in young people is vital to avoid a scarred generation at risk of long-term exclusion"<sup>26</sup>. The assumption that all families have the resources and the will to support adult children are flawed. Allowances are very necessary to improve the prospects of young people through education and should be reflective of the real cost of living, the real costs of studying and the real costs of training. Allowances should be indexed properly and brought in line with pensions. Young people and students should not be living below the poverty line, sacrificing food, medical treatment while studying or looking for work.

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<sup>23</sup> How Young People are Faring Report (2011), Foundation for Young Australians, p 6.

<sup>24</sup> *Ibid.*

<sup>25</sup> *Ibid.*

<sup>26</sup> OECD, 2010, *Invest in Youth to Tackle Job Crisis*, published 15/12/2010  
[http://www.oecd.org/document/1/0,3746,en\\_2649\\_37457\\_46733377\\_1\\_1\\_1\\_37457,00.html](http://www.oecd.org/document/1/0,3746,en_2649_37457_46733377_1_1_1_37457,00.html)