Improving Youth Allowance for Young Tasmanians: Barrier or Enabler to Building the Clever Country?

Southern Tasmanian Youth Transitions Taskforce

October 2008
Contents

Context.................................................................3
Overview.............................................................4
The issue of independence......................................4
The need for adequate payment for Youth Allowance......5
The balance between full time study and part time work....6
Rural and regional students........................................7
Accommodation costs for students living away from home....7
Why are there special concerns in Tasmania?.................8
Recommendations..................................................9

Appendix A
Other observations arising from our Youth Allowance study…11
Context

The Southern Tasmanian Youth Transitions Task Force has been created through the Tasmanian Government’s *Guaranteeing Futures* initiative. It is auspiced by the Southern Tasmanian Councils Authority (STCA) and works through a small management committee and a broader community-based reference group.

Early in 2007-8, the Taskforce identified a number of priority areas in which it determined to contribute to enhance transition options and opportunities for young people moving from compulsory education to further education, training and/or work.

One of those priority areas was to explore Federal and State Government allowances and concessions to assess their benefit for young Tasmanians in transition. Time and again, the federal Youth Allowance (YA) came up as creating major disincentives for young people to continue in education. Given this is the major payment for young people under 25 years who need support to build Australia as ‘the clever country’ this became a significant concern for the Task Force.

We appointed a consultant, Mr Greg Cure, to prepare a paper for us reviewing the Youth Allowance and making recommendations for change, in the context of research already undertaken on YA. We also ran a focus group of young people with personal experience of the YA as recipients, frustrated would-be recipients and student advocates.

This submission will be forwarded to the Federal Government, through local Federal MPs, as well as to the Premier and State Minister for Education who currently chairs the national Ministerial Council for Education, Employment, Training and Youth Affairs, [MCEETYA], in an effort to raise awareness that young Tasmanians are currently very poorly served by the YA system and to propose a brighter way forward.

Kim Boyer,
Chair, Southern Tasmanian Youth Transitions Taskforce
October 2008
Overview

Youth Allowance was introduced in July 1998 and was designed to replace a number of payments then made under the Social Security Act 1991 and the Student and Youth Assistance Act 1973.

Currently Youth Allowance can provide assistance for young people who are:
- studying full time;
- undertaking a full-time Australian apprenticeship;
- looking for work;
- ill or temporarily incapacitated.

This document is specifically focused on the potential of Youth Allowance to improve the capacity for young Tasmanians to participate in education and training without experiencing economic hardship. At a time of high employment it is important that there are adequate incentives to ensure that young people continue with training and education to fully develop their skills and potential.

Philosophically, the Government needs to separate the payment of Youth Allowance from general welfare payments that are aimed at addressing financial hardship. Youth Allowance needs to focus on providing educational incentives and financial support to encourage young people into developing their potential for the future. If this is done correctly there will be great social and financial benefits which will flow both to the individual, and to the whole community.

The issue of independence

Students are assessed for payments against the notion of ‘independence’. While there are a number of criteria which impact on the independence category, the single biggest reason for students not qualifying for income support is that students under 25 are not automatically recognised as independent and are subject to the Youth Allowance Parental Income Test. [Above the age of 25 Austudy applies and this is not subject to a parental means test].

It is important to note that young people who can vote, drive, and go to war for their country, are deemed by the Federal Government as dependent on their parents for financial support for study up to the age of 25.

There are ways in which the Government can allow young people to be considered to be independent earlier than the age of 25. The major way is through spending time in the workforce. If, after leaving school, a young person works for 18 months and earns 75% of the adult wage they are deemed to be ‘independent’. [There are other permutations of employment and earnings which are also acceptable to the Government].

I don’t understand what they want from us, if they want people to work, you should be able to go straight from school to uni. We shouldn’t be punished for wanting to go straight to uni, it’s easy to get distracted and not go back. They should be looking at the work done, and not the money earned. Hours should be valued over money.

University student
The clear disadvantage to the young person, and for building a highly skilled and educated workforce for Australia in the future, is that study has to be deferred for one or two years. In some cases, young people will be absorbed into the work force and not proceed to formal study, partly through the economic disincentives in returning to study and eschewing a full-time wage.

Another provision for establishing independence is where there is incompatibility between parents and young people or unsuitable home background, extreme illness and similar exceptional circumstances. During the course of the review by the consultant there was evidence to suggest that occasionally parties contrived to demonstrate incompatibility to establish ‘independence’.

The barrier of independence being not automatically granted until the age of 25 locks out students whose families cannot or will not support their children through tertiary education. The age of independence negatively impacts particularly on low income families (often stressed with high levels of debt) to support adult children.

I went travelling last year, now I have to work to become independent. I would be at uni now if it wasn’t a requirement to earn over $18,000.
Future university student

I couldn’t get on Youth Allowance because of my parents income. No other payments are accessible to me until I’m 25, therefore I still live at home. Work is not really an option because of uni commitments, so I’m completely dependent on my parents. University Student

The need for adequate payment for Youth Allowance
The Henderson Poverty Line for the June quarter of 2007 was $357.81 for a single person paying for housing. That is $715.62 per fortnight.

Student payments for Youth Allowance, are a maximum of $355.40 per fortnight (single person, no children, living away from parental home). Recipients may be eligible for Rent Assistance at $70.27 per fortnight (share accommodation) or $105.40 (living alone).

Current payment rates are currently well below the Henderson Poverty Line. The level of payment for youth allowance needs to be increased. While it is recognised that many young people will work part-time while they study full-time, that does not ameliorate the need for a satisfactory student support system.

It is also recognised that there are a number of other benefits such as Health Care
Card, Rent Assistance, Child Care Assistance and Fares Allowance that can benefit students on Youth Allowance. However the maximum Youth Allowance payment plus Rent Assistance (shared) are only 59.48% of the Poverty Line.

The balance between full time study and part time work
Due to the challenges of becoming eligible for independence and the general low rate of Youth Allowance students are forced to take paid employment. Often the amount of work that they need to take to support even a basic standard of living is to the detriment of their studies. The Australian Vice-Chancellors’ Committee in the Australian University Student Finances Survey 2006 Final Report shows how the need for income from employment affects participation at university, with students spending many hours at work to the expense of their studies, going part-time, dropping out or only being able to do short and cheap courses.

By providing an adequate level of Youth Allowance and recognising that all full time students over the age of 18 are viewed as independent, the amount of time that students work could be greatly reduced.

I had to drop out of University in the second semester of the second year to work for 6 months to become independent, because working to earn a liveable income is too large a commitment to undertake while studying full time. I became a parent in the next year, payments were available, but not accessible. I had to research available payments then ask for them, advice was not given relating to my particular situation.

University Student, single parent

I was still living at home after college, not eligible for Youth Allowance because of my parent’s income, so I had to work as well as study full time. After earning the required amount I was seen as independent but reporting income fortnightly is a big hassle, payments were reduced very severely due to income, therefore I decided just to work and not use Youth Allowance, this makes it very difficult to study.

University student

I didn’t have a year off, and went straight to uni. Then I realised that a year off is necessary to become independent. I took a semester off and am now working and at uni. I find it difficult to really engage on campus with my degree because of very large work commitments.

As well, the required earning to become independent doesn’t take into account any volunteer work, or hours, it only looks at how much money you earn.

University student
Rural and regional students

It needs to be recognised that there are particular challenges faced by students wanting to attend further study from rural areas. Without exception, in Tasmania, education and training is a citycentric activity. It also needs to be recognised in Tasmania that many students are required to move from one large town or city to another to attend a particular course of study and this can be a considerable cost to participants. A seminal report by Monash University (Godden, Naomi :Regional Young People and Youth Allowance: Access to Tertiary Education 2007) had the following key findings:

- Most rural families cannot afford to pay living costs for a young person studying away from home;
- There are considerable relocation and start-up costs for young people from rural families which are not experienced to the same extent by urban households;
- Many rural families are already facing money problems exacerbated by the drought and regional economic vulnerability;
- Regional young people are often forced to work very long hours to pay for living costs;
- In some instances rural families make significant financial sacrifices to enable their children to study.
- Income and assets thresholds for Dependent Youth Allowance are too low for these families;
- The government’s independence requirements mean many regional young people are forced to defer tertiary studies for one-to-two years to work; employment opportunities are more limited in rural areas.

The report called for a number of measures to ensure that there was equality of opportunity to study for young people from rural and regional areas. These measures included the need to lower the age of ‘independence’, increasing the level of Youth Allowance to match the cost of living and the need for a one off payment to assist with the initial move to study.

Accommodation costs for students living away from home

Across Australia, housing rental costs have skyrocketed, far outstripping the Consumer Price Index [CPI]. This is a particular challenge for young people on Youth Allowance, who receive CPI indexed assistance with rent which has failed to keep pace with the reality of market rentals.
Analysts have warned that worse conditions lie ahead for both homebuyers and renters, with the plunging demand for home loans leading to further falls in property prices, and a drying up of investment in real estate. Australian Property Monitors predicts that rents will rise by 40 to 50 percent over the next four years, as fewer people try to buy their own homes.

It is important that special measures are taken to mitigate the problems of the high cost of accommodation for student and that as a matter of urgency this is reflected in the rate of Rent Allowance.

Why are there special concerns in Tasmania?

A fair and accessible Youth Allowance is of particular relevance to Tasmania because we face major challenges in increasing our participation in education and training, and retention rates to the national average.

These include:

- Tasmania is the most dispersed state in Australia, with a high percentage of regional and rural students with the similar challenges to study as outlined above.
- Tasmania has a lower socio economic status than other states and this is indicated by a dependency ratio above the national average.
- There are a high level of Years 11/12 students in State Government Colleges currently receiving state Student Assistance Scheme Support [STAS]. See Table 1 below.

Table 1. Senior Secondary Students at Government Colleges in Tasmania eligible for Student Assistance Scheme [STAS]

<table>
<thead>
<tr>
<th>Year</th>
<th>Full-time Students</th>
<th>Part-time Students</th>
<th>Total Students</th>
<th>No. on STAS benefits</th>
<th>% of students on STAS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>7141</td>
<td>1049</td>
<td>8109</td>
<td>2839</td>
<td>39.1</td>
</tr>
<tr>
<td>2007</td>
<td>6997</td>
<td>1079</td>
<td>8076</td>
<td>2839</td>
<td>40.6</td>
</tr>
<tr>
<td>2008</td>
<td>6988</td>
<td>925</td>
<td>7913</td>
<td>2878</td>
<td>41.2</td>
</tr>
</tbody>
</table>
Recommendations

1. Recommendations – Payment levels and ‘Independence’ status

   Recommendation 1.1
   In support of the government’s education revolution all students aged 18 and over have access to an ‘independent’ rate of Youth Allowance. i.e. there should be no need for students to prove independence by earning a given sum of money.

   Recommendation 1.2
   The rate of Youth Allowance be reviewed and set so that it enables recipients to maintain a standard of living above the ‘Poverty Line’.

   Recommendation 1.3
   All young people who are full time students are eligible for a non-means tested Tertiary Access Allowance when they first begin tertiary education, for start-up expenses. This should be non income or asset tested and $500 for students studying at home; $1,000 for students away from home. [To be eligible to receive this allowance students would need to reach an agreed census day].

   Recommendation 1.4
   The Government consider the separation of the payment of Youth Allowance from general welfare payments aimed at addressing financial hardship, so that it better focuses on educational incentives.

2. Recommendations for rural and regional student

   Recommendation 2.1
   Rural students who are required to live away from home to study for a minimum of four nights a week be paid full rental assistance.

   Recommendation 2.2
   That rural and regional students who are commencing study be provided with the ‘one – off’ start up payment in recognition of the significant costs associated with relocating to study of $1,000 [see Recommendation 1.3], together with reimbursement of initial accommodation, transport and removal costs associated with relocation.

3. Recommendations for ‘Rent Assistance’

   Recommendation 3.1
   That rent assistance be immediately raised by 10% across the board pending a review of the adequacy of rent assistance.

   Recommendation 3.2
   That rent assistance be indexed each year based on market rent surveys rather than the CPI.
4. Recommendation - student earnings while on Youth Allowance

Recommendation 4.1
That there is an urgent review of the income and savings caps to increase what a student can earn and save while on Youth Allowance, so that they are set at a realistic level, and adjusted for CPI annually.

Recommendation 4.2
Any adjusted income and savings caps under 4.1 above be calculated over a full calendar year, thereby recognising that student income is frequently higher during the summer vacation period.
Appendix A
Other observations arising from our Youth Allowance study

A.1. Allowable Courses
There are misconceptions and concerns about what constitutes an ‘allowable course’ for Youth Allowance purposes. As education systems change, and boundaries between institutions and courses blur, it is important that young people are not disadvantaged in the processes of change.

A.2. Health Care Card and other concessions
It would be of significant assistance to young people if their youth allowance and Health Care Card assessment be undertaken jointly. Health Care Cards for Youth Allowance holders should also be assessed annually, recognising income varies during semester and vacation periods.

A.3. Centrelink Service Model
Students would benefit significantly if Centrelink change its servicing model to ensure that a knowledgeable person with rapport with students is available on site on a fortnightly basis for all secondary institutions and colleges from year 11 upwards. Where possible the same person should be utilised on an ongoing basis. The advent of the Tasmanian Academy, Polytechnic and Training Tasmania in 2009 gives Centrelink an opportunity to plan its presence in these locations from 2009.

A.4. Youth Allowance Forms
Understanding and completing the forms to apply for Youth Allowance can be a daunting process which prevents some young people from even reaching the point at which they can be assessed for an allowance.

It is important to ensure that Youth Allowance forms are:

• in plain English;
• not excessively long;
• user friendly;
• only collecting information that is really required;

and that:

• up to date data already held by Centrelink is re-used wherever possible, and
• help is available to young people having difficulties with forms.

A.5. Young people aged 16 – 18
Given this study has focused primarily on students aged between 18 and 25 year of age, we need to examine in more detail the Youth Allowance as it applies to students aged 16 and 17 years, to determine within the changing post-Year 10 Tasmanian context and legislation if there are specific impediments limiting the access of young people to the Allowance and, if so, to what extent that limits their capacity for further study.