

Senate Standing Committees on Community Affairs
Legislation Committee
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Committee Members,

Inquiry into the Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill 2015

Thank you for the opportunity to provide a submission in response to the proposed legislation. The Youth Affairs Council of Western Australia (YACWA) believes any change to Australia's social security system should seek to ensure the adequacy of payments in the context of overall wellbeing and serve to support families and young people most in need.

YACWA is the peak non-government youth organisation in Western Australia. At the heart of our work is addressing the social, economic and political exclusion of young people in contemporary Australia.

We encourage the active participation of young people in both identifying the issues that are important to them and working collaboratively with them to develop strategies to deal with any challenges.

As a Western Australian organisation with both local and national interests we seek to engender and enhance positive community attitudes towards young people at a local, State and National level.

YACWA has several concerns with the proposed legislation. We are specifically concerned that the proposed changes to family tax benefit Part A and Part B will disproportionately affect low-income families and more specifically the children of single parents. While YACWA supports the proposed modest increase to youth allowance payments for recipients under the age of 18, it is important to note that the proposed level of payment is still inadequate and that the Government should strongly consider raising the allowance to a liveable standard.

Family Tax Benefit Changes

YACWA is concerned that this Bill does not seek to improve targeted payments to families on lower incomes but will instead disproportionately impact single parent and low-income families. By the Department of Social Services estimate the changes will result in a reduction

of payments to 136,000 single parent families and 76,000 couple families, who are typically already on very low incomes.¹

The changes to family tax benefit Part B will result in payments decreasing as children get older in spite of the fact that children's needs become more expensive in their later years of adolescence.

The proposed changes to family tax benefit Part A and Part B will result in significantly reduced payments to single parents with older children. YACWA is concerned that this will lead to an increase in the number of children and young people living in poverty. The extent of the reduction in income for some families will be quite significant given their already low incomes.

Reducing support to low-income families does not seem to be reasonably justifiable given the already large numbers of single parent families living below the poverty line.² YACWA believes that at their most basic level the purpose of family support payments should be to serve to reduce child poverty in Australia and to ensure that all Australian children and young people can lead healthy and happy lives in line with community expectations.

In light of the above, YACWA does not support the proposed changes in their current form and recommends that they be reviewed with a view to improving the targeting of payments to low-income and single parent families while seeking to increase the scrutiny of payments to high-income families.

Youth Allowance

Base increase

An adequate income support system must treat young people with similar needs and living costs in an equal and consistent manner and must ensure that all young people, irrespective of their age and circumstance, have the capacity to reach a decent living standard in line with contemporary community expectation. The current youth allowance payment system does not meet these goals.

The proposed reform to family tax benefit Part A that will lead to a \$10.44 fortnightly increase in youth allowance payments to dependent young people is a welcome, albeit very modest, increase in support payments. However, it must be noted, that being connected to changes in the family tax benefit the increase only applies to young people under the age of 18 and living at home.

It is clear that student support income rates, including the increase proposed, fall not only below accepted community norms but also below the official poverty rate.³ The youth allowance rate is simply too low to allow students to meet basic needs that might be considered the essentials of life. It is worth noting that as recently as 2014 the Review of Australia's Welfare System (McClure Report) recommended that payments need to enable

¹ Community Affairs Legislation Committee, *Proof Committee Hansard*, Thursday 22 October 2015, p. 24

² Australian Council of Social Service, *Poverty in Australia 2014*

³ *Ibid*

recipients “to have a basic, acceptable standard of living, and [one] that allows them to meet their obligations to look for work, or to study, and/or to support children”.⁴

The rate of youth payments for independent young people has not increased in real terms since 1987; this explains why the youth allowance payment is considerably lower than today’s Newstart Allowance. Recent policy changes in this area have focussed primarily on relaxing or altering personal and parental income tests and have paid scant regard to reviewing the adequacy of the payment itself. At present an average young person living away from the family home can claim a maximum of \$426.80 a fortnight, this equates to roughly \$30 per day.

As the cost of living continues to rise young people who rely on youth allowance payments to support them through their studies find themselves unable to afford essentials such as clothing and medical care. Most students are consequently required to work long hours and live with high levels of physical and emotional stress that can have significant detrimental effects on both their educational performance and wellbeing. In order to combat the increasing number of young people dropping out of tertiary study or avoiding it altogether, students need to be given greater financial support.

The significant gap between youth allowance payments and other forms of income support, such as the Newstart Allowance, also serves to make transitions from unemployment to fulltime study prohibitively difficult. An unemployed young person moving into tertiary education can expect a substantial decrease in their support payments after having moved from the Newstart Allowance and onto Youth Allowance payments. If the Youth Allowance rate was standardised at the same level as the Newstart Allowance it would have the dual effect of encouraging unemployed young people to pursue tertiary education and also more effectively provide support to young students living on unreasonably low incomes.

Indexation

In addition to an increase in the Youth Allowance base rate YACWA also encourages the Committee to review the rate at which Youth Allowance payments are indexed. Under the current system Youth Allowance payments are indexed to the Consumer Price Index that does not adequately cover changes in the cost of living and is significantly less comprehensive than the indexation standard for pensions. Typically, this results in Youth Allowance payments increasing at a rate that is two percentage points lower than pensions.

YACWA recommends that the indexation arrangements for Youth Allowance payments be reviewed with a view to indexing them annually in line with fluctuations in the ABS standard fulltime wage levels. Further, we recommend that in addition to this the rate be indexed biannually to movements in the Consumer Price Index.

The recommended changes would ensure equity between different payments as well as providing additional support to young people struggling financially.

Youth payments are a critical means of encouraging Australian young people to pursue tertiary education and training and, for thousands of students, are an indispensable means of support throughout the course of their studies. Consequently, YACWA again encourages the

⁴ A New System for Better Employment and Social Outcomes: Report of the Reference Group on Welfare Reform to the Minister for Social Services. Final Report (February 2015), p.18

Committee to consider changes to the rate of Youth Allowance that adequately supports young students with their cost of living expenses.

Thank you again for the opportunity to present this submission. If you require any additional detail with respect to its content please contact our office at yacwa@yacwa.org.au.

Yours sincerely,

Craig Comrie
CEO

22 NOVEMBER 2015