Attention: Senator Fiona Nash

Submission re: Youth Allowance.

The proposed changes to eligibility for independence, with respect to Youth Allowance, have prompted us to write a response submission. We perceive there are a number of difficulties with the current Youth Allowance model including:

1. The current method of Youth Allowance recipients having to report any additional income fortnightly;
2. The proposed change to remove the alternative method to test for independence, with respect to youth Allowance, by earning “75% of the Wage Level A Australian Pay and Classification Scale” in 18months after leaving school;
3. The amount of combined income parents can earn before Youth Allowance payments begin to decline and are removed altogether and
4. The amount of additional income a student may earn before Youth Allowance is reduced.

These issues will be addressed separately and potential solutions offered. They are of extreme importance to rural and regional tertiary students forced to live away from home to attend university. These students have the added expenses of board (or rent plus food), transport costs (including purchase and maintenance of a vehicle if attending a regional university), as well as the usual costs of living and text books that all students have. Students living at home in metropolitan areas, attending a nearby university daily via public transport, are at a distinct advantage financially over rural and regional students.

1. Changing reporting methods

The administrative costs of a student receiving Youth Allowance and reporting any additional income fortnightly must be extremely high and add substantially to the whole Youth Allowance Scheme budget. A simple solution would be to treat Youth Allowance in a similar manner to the sliding scale of payment related to income as is applied to Family Tax Benefit Part A, whereby the family, or the student in this case, estimates their income in advance of the financial year, and is paid a rate of Youth Allowance per fortnight based on this estimate. At the end of the financial year, if the student has underestimated their income they would pay back the extra Youth Allowance they received over the next financial year. Alternatively and perhaps a better method would be to add this overpayment to the students HECS debt. If students had over estimated their additional income they would receive the additional Youth Allowance as a lump sum, after the ATO had confirmed the taxable income of the student.

This could be administered by the ATO, reducing administration costs enormously, allowing this saved money to be returned to the Youth Allowance Scheme.

2. **Proposed changes to qualifying for Independent status for Youth Allowance.**

   Universities currently have a deferment model in place whereby most courses will offer a one year only deferral (often at a small fee) for students wishing to delay university studies for one year. They do not offer deferment beyond this period. This leaves first year students in the situation where they may have to accept their offer of a place after twelve months in order to guarantee their place, receive no Youth Allowance for another 6 months and at the same time try to fit in another 6 months of full time employment whilst undertaking full time study (which could be up to 30 hours scheduled time, plus another 30 hours self-directed learning). If you add 30 hours work (providing work is available at the times the students are free) this leaves 78 hours per week to eat, sleep and socialise. A work – life balance is clearly not maintained in this situation, putting more pressure on stressed students, having most likely left their home, family and friends for the first time.

   We, as academic staff, do not wish to see students put under this pressure as it will only result in students leaving university, being unable to cope, or an increase in mental stress with potentially dire consequences.

3. **Parental Income Limits**

   Currently the combined income of parents with, for example, one child wishing to attend university and another child in senior high school, may earn $36,592 pa ($32,800 base rate + $3,792 for the high school student) before Youth Allowance payments begin to decrease on a sliding scale, cutting out altogether at a combined parental income of approximately $75,000.

   This is clearly a very low combined income when you consider the costs of students having to live away from home to attend university, as nearly all rural and regional students need to do. Such costs include board (ranging from approximately $8,500pa at regional universities to approximately $15,000pa at metropolitan universities), living expenses (food, text books, etc) of approximately $100 per week and if you attend a regional university the costs of maintaining a vehicle (at least $100 per week), totaling approximately $18,500 to $25,000pa. Obviously for a family on a $40,000 combined income it would be impossible to provide any financial support for any of their children whilst at university. This means these students need to bear all financial costs themselves, an impossible situation for all students, but even more so if they have a heavy university work schedule.

   Our suggestion would be to lift the combined family income to be in line with the Family Tax Benefit A, where, such as in the above example, parents could earn up to $114,562, on a sliding scale, before Youth Allowance cuts out altogether – a far more realistic income figure given student expenses.

4. **Amount a student may earn before Youth Allowance is reduced.**

   For a rural or regional student to live and attend university is expensive. Youth Allowance does not cover these expenses forcing students to seek extra employment in order to survive financially. To reduce their Youth Allowance is unreasonable at the current rates, resulting in a vicious circle by forcing many to work for cash where they illegally may not declare income, are potentially at risk of exploitation by employers and may not be covered by Workers Compensation.

A solution would be to lift the level of additional income a student may earn to a more realistic level, such as $500 per fortnight, before a reduction in Youth Allowance begins on a sliding scale.

However, perhaps an easier and more practical means of distributing Youth Allowance would be to follow the Danish model where all university students receive Youth Allowance for their first university degree regardless of parental income or personal income over about $20,000 p.a. Alternately, an additional amount could be paid to those students who must live a substantial distance away from home in order to study at university. This would be easy to administer and would treat all students equally.

Should you require further details our contact details are provided below. We should point out that we are all parents of either university age children or younger.

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