

# Submission

to

Senate Employment, Workplace Relations and Education  
References Committee

## **Inquiry into student income support**

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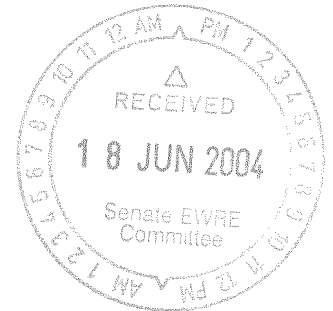
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The Secretary,  
Senate Employment, Workplace Relations  
and Education References Committee  
Suite SG.52, Parliament House  
CANBERRA ACT 2600



## **Submission to the Senate Student Income Support Inquiry**

### **The Youth Affairs Council of Victoria (YACVic)**

The Youth Affairs Council of Victoria (YACVic) is the peak body representing the youth sector. YACVic provides a means through which the youth sector and young people voice their opinions and concerns in regard to issues and policies affecting them. YACVic works with and makes representations to government and serves as an advocate for the interests of young people, workers with young people and organisations that provide direct services to young people. YACVic also promotes and supports the participation of young people in debate and policy development in areas that most affect them. YACVic's resources are primarily directed towards policy analysis and development; research and consultation and to meeting the information, networking, education and training needs of our constituency.

YACVic welcomes the Senate Employment, Workplace Relations and Education References Committee inquiry into student income support. We hope that the Committee will consider and address some of the entrenched inadequacies and inequalities of the current student support system.

### **Introduction**

A reflection on the recent history of the income support system and young people highlights the necessity for reform of this system. Although the support system has developed over time in response to changes in Australian society, some of the key income support issues facing young people have not been addressed. Young people and their advocates are raising many of the same issues today as they did two decades ago.<sup>1</sup> Over the years, young people have repeatedly voiced concerns about the level of income support they receive and the subsequent poverty they experience, the degree to which they are eligible to receive income support and the complexity of the system. Thus, incremental policy changes over the last twenty or so years have not increased young people's access to a living income.

Access to adequate income is a right, enshrined in the Convention of the Rights of the Child to which Australia is signatory. However, too often YACVic hears of concerns about young people not having access to an adequate income and the negative consequences that stem from this. YACVic believes that there must be a more fundamental reform of income support for young people. Young people are entitled to a living income. Assumptions that young people can rely on their families for support or that they require less income than other individuals simply because they are young, should not continue to underpin income support arrangements for young people.

When talking to young people about the issues that are of most concern to them in relation to income support, key themes are consistently raised: eligibility and independence, payment rates and poverty. In preparing this submission we called for case studies from young people

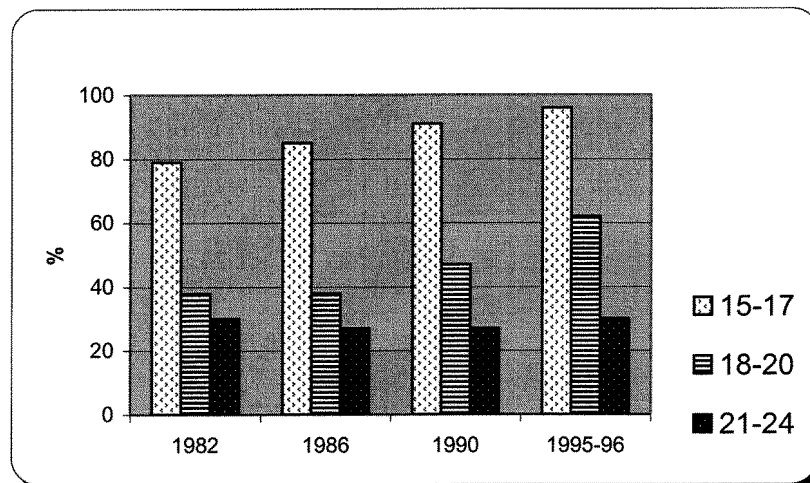
<sup>1</sup> For example: Youth Affairs Council of Australia (1984) *Income Support for Young People*, Melbourne; State and Territory Youth Affairs Councils and Networks (1992) *A living income: Income support for young people*, Youth Action and Policy Association, NSW; Australian Council of Social Services (1994) *Youth Income Support*, ACOSS Paper No. 72.

to illustrate some of the key issues and these stories are included throughout this submission to highlight key issues and concerns.

### Eligibility and independence

Research has shown that young people are becoming increasingly dependent on their families for financial support.<sup>2</sup> The financial dependency of young people has increased since the late 1960s and there has been a marked increase over the last fourteen years for young people aged between 15-20 years as shown in the graph below.<sup>3</sup> Students are also more likely to live at home than non-students.<sup>4</sup>

**Financial dependence among young people**



Reasons for the increase in financial dependency of students include:

- Greater participation in school and tertiary education.
- Changes to government income support arrangements that have imposed parental means tests on many recipients of income support.
- Continuing casualisation of the workforce and lower employee income.

Under current arrangements, young people up to the age of 21 are considered dependent on their families for support if they are jobseekers and students can be considered dependent up to the age of 25. Parental means tests are applied to determine rates of pay when a young person is considered dependent on their family. Payments are affected if the parent's taxable income is over \$28,150.<sup>5</sup>

The philosophy behind this eligibility criteria is outlined in the Government's evaluation of Youth Allowance. The eligibility criteria for young people exists to 'encourage families to support young people until they have achieved financial independence'.<sup>6</sup> Interestingly, in a submission to the Commonwealth Government on the issue of income support in 1984, the Youth Affairs Council of Australia, the national youth peak body at the time, considered this philosophy 'outmoded'.<sup>7</sup> Twenty years on our system is still predicated on the same philosophy.

The system's understanding of 'independence' differs significantly from social expectations of adulthood. The law recognises independence at the age of 18 yet the income support system

<sup>2</sup> Schneider, J. (1999) *The increasing financial dependency of young people on their parents*, Social Policy Research Centre Discussion Paper No 96.

<sup>3</sup> Source: Schneider J, 1999, op cit.

<sup>4</sup> Australian Bureau of Statistics (2000) *Family-family formation: young adults living in the parental home*, Australian Social Trends

<sup>5</sup> Rate at June 2004.

<sup>6</sup> Department of Family and Community Services (2001) *Youth Allowance Evaluation: final report*, Canberra, p.20.

<sup>7</sup> Youth Affairs Council of Australia, 1984, p.

imposes a far longer period of financial dependency. YACVic does not believe that the assumption that young people can rely on their families for support should underpin income support arrangements for young people. Families may not be willing or able to support the young person. Indeed, parents may already be supporting other family members such as grandparents and may be unable to support the young members of the family as well. Young people also choose to, or are forced to, live independently at various stages of their lives and do so with differing levels of resources.

YACVic believes that the age of independence should be lowered to 18 while taking into account (as now) the individual circumstances of those that may need to be classed as independent prior to 18.

Some of the key issues for young people include:

- Current arrangements place a financial strain on the family, particularly low-income families who may have to support the student throughout their study. Approximately 250,000 young people aged 16-24 living at home receive Youth Allowance and the vast majority come from families with total incomes below \$40,000 per year.<sup>8</sup> Young people from low-income backgrounds are especially vulnerable during transitions and may require additional supports. They require their own income to ensure they do not pose a financial burden on parents.
- Some young people defer study or only take on part-time study due to difficulties establishing independence. Young people may also have to take on part-time work to afford the costs of education or to earn enough to be classified as independent. The Youth Allowance Evaluation found that 'those young people who were ineligible for Youth Allowance because of the parental means testing may have experienced some disincentives to study full time... a much higher proportion of ineligibles (were) in part-time study than those on YA'.<sup>9</sup> Of great concern is that 'the continuation rates of ineligibles was also much lower than the rates for students on Youth Allowance'.<sup>10</sup>
- This issue is particularly true for young people from rural and regional areas. Unless a regional student's parents can support them they often have to take at least a year off to earn the money to gain independence. The Youth Allowance Evaluation also found that 'there were concerns that some young people would have to stay at home if their families could not help them relocate and they would have limited or non-existent employment opportunities in their home town'.<sup>11</sup>
- For many rural families, the family income is often tied up in the business so the family may not have access to ready cash to support their children. These families may not be able to afford to support young people in the city or may only be able to afford to support one child.
- The current system of eligibility is complex where young people have to prove they cannot live at home. This is particularly difficult for young people who may have to move out of home due to abusive or difficult family situations. It is often difficult to prove inability to live at home particularly where parents say that their child can live at home.
- In some cases, parents are reliant on the young person's income to supplement the family income. The parent may not agree for the young person to be considered independent even where the young person has to move away from because it is unreasonable for them to live at home.

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<sup>8</sup> Australian Council of Social Services (2003) *Poverty, policy and the cost of raising teenagers*, Info sheet 344

<sup>9</sup> Department of Family and Community Services (2001) p.76

<sup>10</sup> Ibid p.76

<sup>11</sup> Ibid p.81.

**Maya**

*My name is Maya and I'm 18 years old. I moved to Victoria from interstate and I'm now living in a small town a couple of hours out of Melbourne. Before I turned 16, my mum received an allowance on my behalf. As soon as I turned 16 it was cut back by about half even though our expenses hadn't changed. I wanted to live a bit more independently from my mum and tried to get the independent rate of youth allowance but couldn't get it so I stayed at home and mum had to pay for me.*

*I took out a loan to help with some expenses and my Centrelink allowance kept changing as a result. This put a lot of pressure on me and it made it difficult to live so I dropped back to part time school and I took some part time work on. The pressure became too much to handle and my total income was not enough to live on so I decided to drop out of school.*

*Because of some other issues I was depressed and suicidal but Centrelink was on my back about finding work even though I was hospital for a few weeks. Once I was feeling OK I decided to move to Victoria and once I moved I was able to get the Independent rate of youth allowance and I also receive rent assistance. I went back to school here.*

*I now live on \$360 a fortnight. I took out a loan from Centrelink which I'm paying back each fortnight and I've also got a bank loan and a credit card to help me get through. My rent is \$145 a fortnight and I get \$45 rent assistance so rent assistance helps it doesn't nearly cover it. Youth Allowance is enough for me to pay the basics like rent and food but there's no extra to save. There's always a feeling that if something goes wrong I won't be able to pay any unexpected costs. Whenever I get my Allowance, it goes towards bills, loan repayments etc so it's already accounted for. I prioritise my bills to make sure I pay at least some of them each month so I don't get too far behind. A local service helped me out at the beginning of the school year with school costs. I'm always aware of what I spend and I know I can't buy certain things like more some types of food because it's too expensive.*

*I still get stressed about things. I'm only allowed to have 5 days off a term and if I take more days off I've been told my Allowance will be deducted. But it's really hard at the moment because I have some ongoing health issues and I have to travel into the main town to see my doctors. I have to miss school because of this. I'm starting to think that it might be better to drop school again. I don't want to but the pressure to attend school, deal with my health problems and pay everything is just getting too much.*

*I believe that if someone is receiving an independent allowance that there should be more support for them because they are taking on adult responsibilities at a young age and need help, not more pressure from Centrelink about turning up to school or work. It's really hard. I want to stay at school, there are just some times there needs to be a bit more flexibility. It's also been hard moving around and telling my story over and over to different Centrelink offices and getting told different information all the time. Contact with one person who knows my situation would be great and would relieve a lot of pressure.*

**Annalise**

*My name is Annalise and in 2000 I was accepted into university at Australian Catholic University to study Bachelor of Social Science Youth Studies. Ever since I can remember my mum was a recipient of Centrelink benefits (Family Allowance). However, in 2001 I decided to move out with my then boyfriend.*

*I remember having to fill in what seemed like an endless amount of paperwork for the Allowance. Not only did I have to fill out the paper work I needed my mum and also an independent person to fill it out as well. It was such a difficult procedure, such a hassle.*

*Finally my paper work went through and I was getting my benefits Youth Allowance-Away from Home \$390.00 per fortnight, hardly enough for a university student to live off. And in this country we put such emphasis on the importance of study yet the difficulties faced by students are left alone for them to deal with.*

*I had to pay half the rent, transport to and from uni, work, friends and family, uni resources, food, bills the list just goes on and on and on.*

*Unfortunately my parents had their own money problems so I couldn't always go to them for help. The worst was when we'd run out of food and have to wait a few days before the next pay that's when I'd go to eat dinner at my parents, lucky for me I had somewhere to go. There was no way in hell that I*

*could've survived just on Centrelink benefits thank goodness I lived with my boyfriend and thank goodness I had stable casual work.*

*However it was my stable work that got me into trouble. Without ever actually knowing or anyone ever telling me I was claiming the tax free-threshold on two sources of income. Yet each week I'd ring up and declare my hours and earnings. Tell me which young person or even adult knows that when you receive Centrelink benefits you are actually claiming a tax-free threshold. I never knew receiving benefits was treated the same way as being employed.*

*Well, when I received my tax return expecting to see a nice return in order to pay some of my bills, and by now also a credit card debt, you can imagine how devastated I was to find out that all up I now also owed the Australian Tax Department over \$900 dollars. I didn't have that sort of money. I had no savings. My parents couldn't help me and I felt stuck. I felt as though my whole world came crashing down. Fortunately after bawling my eyes out I pulled myself together and rang the ATO. The first guy I spoke to was the meanest and cruellest person I'd ever shared a conversation with in my life. He was not at all helpful or empathetic. He was so rude. His words to me were 'there's nothing you can do, the money needs to be paid, tough luck'. He didn't even explain to me why I owed this money. The only thing helpful he did was hang up in my ear. Luckily when I rang back the next lady I spoke to was extremely sincere, apologetic and kind. Together we worked out a monthly repayment amount that I could stick to.*

*To this day I do not understand how I was made to pay so much money. I was a full time uni student, working approximately 8 hours per week and extremely dependant on my boyfriend to support me. There was no way I could've lived by myself.*

*My yearly income was around \$13, 500 and out of that I had to pay \$900 to the ATO. I'm sure the Kerry Packer's and the Rupert Murdoch's and all those top shots, earn millions of dollars and how much tax do they have to fork out each year? It's the lower class and the middle class that pay the highest tax and thus suffer the most*

*There's no doubt that all the stressors of living away from home, ALWAYS being short and tight of money affected my studies. During this time I was highly stressed my health was extremely affected as were my grades.*

*Finally I have finished my studies, found some part-time work within my profession and am now able to support myself. My heart genuinely goes out to all of the uni students today as HECS fees are increasingly and the standard of living goes up each year. So how come Centrelink benefits haven't gone up as well?*

## **Payment rates and poverty**

The adequacy of income support payments directly affects people's ability to participate in the economic and social life of the community. Circumstances in which young people need money do not differ greatly from circumstances in which older people need money. They have the same basic needs: rent, board, bond, utility costs, food, furniture, clothing, personal appearance, health and entertainment etc. Yet the current income security system discriminates on the basis of age and the rates of payments for young people differ significantly from other payments. Age related income is based on the assumption that the younger the person is, the less income they need. However, the essential costs of life are not age related. Young people do not receive discounts on food, rent, bills, petrol etc. Therefore anomalies in payment rates cannot be justified.

Ongoing research by the Australian Council of Social Services (ACOSS) consistently indicates that young people face a much higher risk of poverty than older people due to high rates of youth unemployment and relatively low rates of social security payments.<sup>12</sup> Although the principal aim of Youth Allowance is to provide a strong, positive financial incentive to young people to pursue full time education,<sup>13</sup> young people have voiced concerns that low rates of payment prove to be a disincentive to further study. In fact the Department of Family and Community Services' own evaluation of the Youth Allowance found that 'the main Youth

<sup>12</sup> Australian Council of Social Services (2003) *The bare necessities: poverty and deprivation in Australia today*, p.12

<sup>13</sup> Department of Family and Community Services (2001) op cit p.58

Allowance related disincentive to study or training were eligibility conditions and levels of payment'.<sup>14</sup>

The key issues raised by young people include:

- There has been increasing cost shifting from educational institutions to students. For example, students at TAFE or university may have to pay for the printing of online resources while paying compulsory student fees. The level of Youth Allowance barely covers basic living needs let alone the associated costs of education or job search.
- When young people decide, or are forced to, set up their own homes, the Youth Allowance often does not cover the cost of establishing a home eg. furniture and appliances, computer or Internet connection for study purposes etc.
- Low-income impacts on the ability of young people to pay fines, to get a licence, pay for motor registration, pay for transport costs etc.
- Young people on income support who are not eligible for the Healthcare Concession Card often avoid going to the doctor and other health professionals because of the costs associated with health care.
- Young people from country areas often choose to reside at a university college as part of the transition to the city. The Youth Allowance payment is not enough to cover college fees. As a result, the students often need to work 10-15 hours a week to cover the fees. However, this work may place them at risk of exceeding their earnings limit.

When YACVic was preparing this submission, we were contacted by a parent who asked us to raise concerns about the low level of Youth Allowance from a parent's perspective. Parents may receive Parenting Payment and related benefits until their child turns 16. At this time, the young person may be eligible for Youth Allowance. However, the two payments differ in amount and household income can be significantly reduced once a child turns 16 even though expenses have not decreased. Indeed, parents recognise that costs increase as their children get older and parents may incur additional costs such as driving lessons, drivers license etc.

**Therese**

*This year my daughter turned 16. A reason to celebrate you would think. But Centrelink has a completely different idea. I am a single parent of two children - a son 18 and studying Year 12 and a daughter now 16 in year 10. I work full time on an annual salary of \$32, 913 and have no assets. The children have no contact with their father so I bear all child-rearing costs. The Government says that as children get older, parents can get paid work reducing their reliance on Government support but I've worked full time for several years so can't increase my income any more.*

*Before my daughter turned 16 Centrelink provided top-ups to my income with Parenting Payment, Family tax Benefit, Youth Allowance (for son), small rebates on power, phone, gas and water and a Health Care Card enabling cheaper car registration, lower medical and dental costs and other discounts.*

*That all changed this year because my daughter turned 16 and I work full time. I lost my eligibility to Parenting Payment, Family Tax Benefit, all rebates, the Health Care Card and therefore all discounts, and exemption from parental income test for Youth Allowance recipients. I will instead receive Youth Allowance of \$116.53 per fortnight and Youth Allowance of \$151.93 For each of the two children.*

*The Youth Allowance does not make up for the loss of Parenting Payment and associated benefits. My total loss of income is \$340.37 per fortnight.*

*This huge drop in income is occurring right when the children are at their most expensive. Teenagers cost far more than babies or primary school aged children. How am I to raise my family from the constant cycle of poverty when I already work full time and am already stretched to the limit financially?*

<sup>14</sup> Ibid p.76. Of the 28% of survey respondents who said that Youth Allowance posed some disincentive, 40% of that group said the level of payment was a problem

*Why does Centrelink make it so hard when the children are still at secondary school? Just cutting off benefits because your child is 16 takes no account of what the child needs.*

*The cost of raising teenagers should be factored into Centrelink policy. The income test for parents should also be relaxed so we can earn more before our benefits are reduced.*

The Senate Community Affairs References Committee report 'A hand up not a hand out' considers issues related to students and poverty in more detail. The report notes that while education is an important pathway out of poverty, many young people cannot complete their education or experience ongoing financial pressures throughout their education because of poverty. While student poverty is often dismissed as transient and just a part 'student life', YACVic believes that student poverty is a serious issue that needs to be recognised and addressed. 'A hand up not a hand out' notes that economic hardship has a major impact on the day-to-day lives of students and is seen in:

- poor academic performance as financial concerns and the need for work distract students from their studies;
- regular absence from lectures and tutorials due to the pressure of work or the unaffordability of childcare;
- withdrawal from study;
- inability to purchase essentials such as textbooks and equipment;
- inability to afford adequate or suitable accommodation;
- students not eating adequately;
- being unable to afford heating;
- selling essential items to pay bills;
- experiencing severe stress and poor psychological health; and
- inability to afford medical and dental care.<sup>15</sup>

YACVic believes that the base rates of payment for young people on unemployment and student allowances must be raised to pension levels to eradicate this inequality. .

#### **Fatima**

*I'm a 22 year old, studying my third year of a four year degree at Uni. I have an ongoing medical condition and require medication daily. I deferred uni for a year and worked almost full time. Luckily I earn enough over this time to be considered independent. If I had to do the parental means test I would get nothing despite the fact I still have to pay my way in life.*

*I have a part time job working at after school care two or three afternoons a week (ranging from 2.5 hours to 3.5 hours per shift). This interferes with the time I have to spend at uni and study at home, and has nothing to do with my chosen future profession. It is necessary however, to supplement what I get from Centrelink.*

*I get paid just over \$200 from Centrelink a fortnight, plus a \$5 allowance for prescriptions and am struggling to cope. If you do the maths it's all quite ridiculous.*

*So, lets figure it out. Just over \$100 a week. Out of that we can take about \$10-\$20 for scripts, \$20 for board, \$20 for my phone bill and we have \$40-50 left. Thanks to my parents I don't have to pay for my petrol or car maintenance, if I did I would be even further in debt than I already am. Also thanks to my parents I have private health insurance without which my teeth would be rotting and my health would be worse than it is, due to the fact that I couldn't afford to see doctors.*

#### **Georgina**

*I am 20 years old and I moved to Melbourne when I was 17 in order to study at University. I live in an inner city suburb in a share-house with two other young people. I receive the maximum basic Youth Allowance payment of \$318.50 per fortnight. I also receive \$57.90 per fortnight rent assistance. This money barely pays my rent, utilities bill and groceries.*

*In order to pay my amenities fee for uni (\$360 a year), my tertiary student transport concession card and pay all the other costs associated with my course like books and photocopying I work two part-*

<sup>15</sup> Community Affairs References Committee (2004) *A hand up not a hand out: renewing the fight against poverty*, Senate Committee Report, Canberra.



time jobs. I've found it tough this year because I'm trying to fund a research project too. The department I'm studying in doesn't have any money set aside for honours students so I've had to fork out close to \$500 to produce the surveys for the data collection part of my thesis and to photocopy journal articles. I've also had to travel to various locations to meet with my research participants which has probably cost me about \$150 in public transport costs.

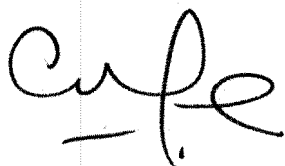
While working two part-time jobs means that I'm able to fund my research, it makes me ineligible for a Health Care Card – just. I earn something like \$2 a week more than the threshold for eligibility. Not having a Health Care Card means that I am no longer entitled to a discount on my water, gas and electricity bills. The cost of prescriptions also goes up, so if I get sick I have to pay close to \$20 for antibiotics. With the new changes to Medicare and the numbers of doctors who don't bulk bill anymore I have to choose really carefully which doctors I go to, so that I don't have to pay for the consultation – most of the time I just couldn't afford it.

As I live interstate in order to study, I also receive a tertiary students fares allowance. This means that I am reimbursed for my trip from home to Melbourne at the beginning of the year and to return home at the end of the year. I am also reimbursed for one return trip in the middle of the year to visit my parents over the semester break. This payment is really helpful, because without it I would never be able to afford to go home to visit my parents. Receiving the payment is a huge hassle though. No one in the Centrelink office ever knows what form I need to fill out to apply – usually I have to explain to them that it's a purple one and is usually kept in the pigeon holes behind their desk – nor can they answer any questions I have. Recently I wanted to know if I could get Centrelink to prebook my flight home for the winter break, because I didn't have enough money in my account to pay for the flight. The person at the desk didn't know and told me it was a three hour wait to see someone in the office who might know something about the Fares Allowance. In the end I went home and booked the flight on my parent's credit card, and will pay them back once Centrelink reimburses me. Usually it takes about 6 weeks to be reimbursed after my flight. About half the time, Centrelink loses my forms and I have to reapply. One semester it took almost 3 months for the payment to come through because my form kept getting sent back between my home state and Victoria because no one knew what to do with it.

Every fortnight I declare my earnings to Centrelink and if I have earned more than a certain amount and I don't have any accumulated earnings in my income bank, Centrelink adjusts my payments. Sometimes this works okay, but often the form I post in to Centrelink gets lost in their offices and my payments get delayed. I've learnt now to ring Centrelink and make sure they receive anything I send them, but this is a huge hassle. Often it takes up to 45 minutes to get through to speak to someone. A few weeks ago the person I spoke to in the call centre couldn't answer my question, so she made an appointment for someone to ring me back at 2pm the next day. I waited and waited for the call and it never came. Eventually I rang Centrelink and they told me that sometimes they just don't have time to ring everyone back – when I explained that I had an appointment the person on the phone wasn't very sympathetic and said that was just the way it goes. Surely if I hold up my end of the bargain and fill in my forms on time, the least Centrelink can do is call me back.

In a way I'm lucky – to some extent I understand how the system works. I couldn't imagine how hard it would be for a young person who didn't speak English, or didn't have any knowledge about how government departments work.

Georgie Ferrari

A handwritten signature in black ink, appearing to read 'G. Ferrari', with a horizontal line underneath the first part of the signature.

Executive Officer