

Submission

to

Senate Employment, Workplace Relations and Education
References Committee

Inquiry into student income support

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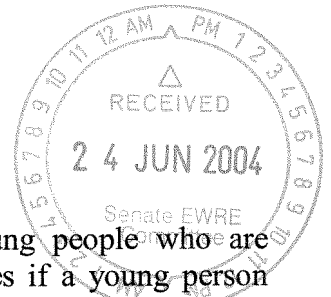
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Summary

The Youth Allowance is benchmarked at an inadequate level for young people who are independently living in our community. As our submission demonstrates if a young person could have the choice to live independently in a two-bedroom flat in Brisbane they would have an after housing income of **\$13.90pf** which is \$4.20 less than in 2001. Should this young person share with another single young person in the two-bedroom flat their after housing income would be \$162.10p/f. Neither of these options leave young people with enough income to enable young people to participate fully in the community. Both options can make day to day living a struggle where compromises, sometimes significant compromises, are a constant feature in maintaining their independence and an adequate standard of living while trying to complete secondary education and achieve further education goals.

The current level of payment forces young people to share in the private rental market due to housing un-affordability and engage in some sort of part time or casual work because no matter what their living arrangement are in the private rental market they will still need to supplement their income. Engaging in work can impact detrimentally on study as it takes away from important study time and as young people age they can find it increasingly hard to find casual work due to employer preference for younger lower paid workers.

This situation is exacerbated for those young people who have been homeless and continue to be homeless while they engage in studying.

Young people are our future and that includes all young people, not just those wealthy enough to be able to afford a secondary or tertiary education. Further it is discriminatory to operate from the lowest common denominator in the payment of young people. The payment structure must be based on the cost of living not on a person's age.

The cost of living for a young person under 25 who is living independently is no different to a person over 25 living independently. Young people under 25 do not pay junior rates for food at a major supermarket, rent at the real estate agency, clothes or any costs associated with living in our community.

Terms of Reference

The living costs of students enrolled in full-time and part-time courses and, in particular:

(a) current measures for student income support, including Youth Allowance, Austudy and Abstudy, with reference to:

(i) the adequacy of these payments,

The current rate for all the above payments is inadequate to cover the costs of living of students and in particular young students living independently.

The Youth Allowance applies to students who are 16-24 or unemployed young people under 21. Young people over 21 receive the Newstart Allowance if they are unemployed. Austudy payment provides financial help to individuals aged 25 years or more and studying full-time.

The QYHC focuses on young people (12-25 years of age) who are marginalised and disadvantaged, particularly young people who are homeless or at risk of homelessness therefore the main focus of this submission will be on this group. The majority of these young people are seen as independent.

Under Centrelink guidelines and in relation to the Youth Allowance:

‘You are considered independent if you are aged 16 or over and:

- have been out of school at least 18 months and earned an amount equivalent to 75 per cent of the Commonwealth Training Award Rate in an 18 month period before lodging a claim; or
 - have worked to support yourself for at least 18 months, working full-time at least 30 hours a week during the preceding two years (or for a period or periods of 12 months if you are considered disadvantaged); or
 - have worked part-time for at least 15 hours a week for at least two years since last leaving school; or
 - are 25 or more and a full-time student (in special circumstances).
- You are also considered independent if you are aged 15-24 and :
- are above school leaving age in your state or territory; and
 - are a refugee, an orphan or it is unreasonable for you to live at home; or
 - are in state care, or only stopped being in state care because of your age;
 - have, or have had a dependent child;
 - are or have been, married, including living in a marriage-like relationship for 12 months or more, or six months (in special circumstances); (To qualify as independent on the grounds that you have been in a de facto or marriage-like relationship for at least 12 months, the 12 months must have been while you were over the age of consent in the state or territory you live in.)
 - have parents who cannot exercise their responsibilities.’

It is noteworthy to mention that current recipients of the Youth Allowance includes young people who are either under the Care of the State, or who are no longer living at home and who may be homeless or at risk of homelessness and still studying.

The recent report by Chamberlain and MacKenzie, *Youth Homelessness 2001* identified that Queensland had 15 homeless young people per 1000 of the school population.

Table 1: Number of homeless secondary students (final figures), and rate of homelessness per 1,000 of the school population, by state and territory

	NSW	Vic	Qld	SA	WA	Tas	ACT	NT	Aust
No. of homeless	3,063	2,886	3,073	1,018	829	574	324	460	12,227
Rate per 1,000 of school population	7	10	15	11	7	14	14	37	10

The research also identified that the total estimated numbers of *homeless young people* using the definitions of homeless (as articulated by Chamberlain and Mackenzie) in *Australia* as being 26, 060 or 14 out of 1000 of the youth population. In *Queensland* the estimated numbers of *homeless young people* was 6,381 or 18 young people per rate of 1000. This identified that Queensland had higher than the national average of homeless young people. This data highlights in particular the extent of youth homelessness amongst the student population. As the data for Queensland indicates approximately half the *youth homeless population* (6,381) were *secondary students* (3,073).

Age	Dependent	Independent		Total
		Homeless	Non-Homeless	
15	78*	761	328	1,167
16	57,149	4,318	918	62,385
17	59,202	7,827	1,672	68,701
18	48,371	10,243	4,225	62,839
19	34,384	10,039	12,029	56,452
20	24,791	9,270	22,434	56,495
21	11,506	2,267	15,030	28,803
22	5,852	1,329	12,245	19,426
23	2,809	814	8,902	12,525
24	1,587	449	6,706	8,742
25	450		4,843	5,293
Total	246,179	47,317	89,332	382,828

* This figure is inexplicable as under legislation, only young people classified as "independent" are qualified for Youth Allowance at age 15.

The data collected by Chamberlain and Mackenzie also identified that about:

- 39% of the homeless young people in Queensland were still either at school or TAFE (2489 young people)
- 60% of homeless young people in Queensland were unemployed (3829 young people) and:
- 1% (64 young people) were in full time work.

¹ Welfare Rights 2002, Down and Out on Youth Allowance: Analysis of the causes and effects of breaches, penalties and debts in the Youth Allowance system' National Welfare Rights Network

² Figures provided by Family Community and Services are as at 17 August 2001.

For young people who are students and receiving the Youth Allowance the payments are:

Table B: Status	Allowance Paid Per Fortnight	Can earn - For full Allowance (per fortnight)*	Can earn - For part Allowance (per fortnight)
Single, no children:			
Under 18, at home students	\$174.30	up to \$236	less than \$507.86
Under 18, at home, unemployed	\$174.30	up to \$62	less than \$333.86
18 and over, at home student	\$209.70	up to \$236	less than \$558.43
18 and over, at home unemployed	\$209.70	up to \$62	less than \$384.43
Under 18, away from home student	\$318.50*	up to \$236	less than \$713.86#
Under 18, away from home unemployed	\$318.50*	up to \$62	less than \$539.86#
18 and over, away from home students	\$318.50*	up to \$236	less than \$713.86#
18 and over, away from home unemployed	\$318.50*	up to \$62	less than \$539.86#
Single, with children students	\$417.40*	up to \$236	less than \$855.14#
Single, with children unemployed	\$417.40*	up to \$62	less than \$681.14#
Partnered, no children students	\$318.50*	up to \$236	less than \$713.86#
Partnered, no children, unemployed	\$318.50*	up to \$62	less than \$539.86#
Partnered with children student	\$349.80*	up to \$236	Less than \$758.57#
Partnered with children unemployed	\$349.80*	Up to \$63	Less than \$584.57#

* For unemployed, fortnightly income between \$62 and \$142 reduces fortnightly allowance by 50 cents in the dollar. Income above \$142 reduces payment by 70 cents in the dollar. For students, fortnightly income between \$236 and \$316 reduces fortnightly allowance by 50 cents in the dollar. Income above \$316 reduces payment by 70 cents in the dollar. For students the income test is subject to income bank credit. Partner income which exceeds cut-out point reduces fortnightly allowance by 70 cents in the dollar.

These figures may be higher if you are eligible for Rent Assistance or Pharmaceutical Allowance. Maintenance income is not included as income for the personal income test.

QYHC wants to note that there is clearly a discrepancy between young people who are studying and people who are unemployed and can see no rationale for the discrepancy in the payment levels between the two. Young people seeking work need to ensure that their presentation is agreeable to the employer (clothes, haircuts, and general hygiene etc), have access to IT technology and stationary to seek work, fill out forms and develop resumes, need to cater for transport costs in order to get to interviews, as well as their day to day costs (including but not limited to phone, electricity, rent, food).

Secondly the payment rates for young people who are on the Youth Allowance and the Newstart also have a discrepancy. Young people do not pay junior rates for food at a major supermarket, rent at the real estate agency, clothes or any other costs associated with living in the community.

Young people do have access to Rent Assistance if they are receiving the Youth Allowance. This is at the rate below:

Table C: Situation	Maximum payment per fortnight	No payment if your fortnightly rent is less than	Maximum payment if your fortnightly rent is more than
Single, no dependent children	\$95.40	\$84.80	\$212.00
Single, sharer, no dependent children	\$63.60	\$84.80	\$169.60

Couple, no dependent children	\$90.20	\$138.20	\$258.47
One of a couple who are separated due to illness, no dependent children*	\$95.40	\$84.80	\$212.00
One of a couple who are temporarily separated, no dependent children	\$90.20	\$84.80	\$205.07

* Includes respite care and partner in gaol.

In light of the above information, the key question is whether the amount of money that young people receive allows them to live independently and study.

Firstly we need to acknowledge that the private rental market is often the only choice that young people have in seeking a roof over their heads. Independent young people on low incomes are most likely to live in private rental market housing and receive Rent Assistance from Centrelink (Fopp 1997, Shaw 1994).

For many young people living in the private rental market is at an enormous personal and financial cost, this is particularly so for disadvantaged young people (those young people who cannot live at home due to financial hardship, lack of parental support, general family conflict or breakdown, physical or sexual abuse or family violence). The private rental market is expensive; the National Youth Housing Strategy (1995) found that 90% of young people were spending more than 25% of their income on housing, with 44% spending more than 50% of their income on housing costs. As a result many young people are forced to share or find accommodation that is inappropriate and insecure.

Fopp (1997) identified young people in Brisbane (December 1995) spending a large proportion of their income (especially if they are on income support benefits) on rent.

2001:

This situation had not altered; in March 2001 the median rent for a 2 bedroom flat in the Brisbane area was \$180.00 p/w.

March 1999	- \$160.00pw / \$320.00pf
March 2000	- \$165.00pw / \$330.00pf
March 2001	- \$180.00pw / \$360.00pf

A single young person in receipt of the Youth Allowance receiving a total per fortnight income of \$378.10p/f (\$290.10p/f + Rent Assistance of approximately \$88.00p/f) would be left with only \$18.10 per fortnight (\$378.10 f/n income minus \$360.00 f/n rent) to cover all other living costs.

Should this young person be sharing with another single young person in the two bedroom flat, the after housing income would be \$168.80p/f (taking into account adjusted Rent Assistance and sharing rent), to cover items such as food, personal hygiene, electricity, transport and other living costs.

If this young person was working, for example, as an apprentice bricklayer (first year), they would have an after housing income of \$89.60pf (wages of \$449.60pf, not entitled to Rent Assistance). Alternatively, if they were to share with another single person, their after housing income would be \$269.60pf.

A similar situation is reflected across the state. For example, a young person in Kingaroy, sharing a two bedroom flat with another single young person, would pay rent of \$100.00pf (half the fortnightly rent of \$200.00). This would leave them with an after housing income of \$206.60pf (\$290.10pf Youth Allowance + \$16.50 rent assistance approximately).

A young person in the same living arrangement in Townsville would have an after housing income of \$203.80pf, after paying a fortnightly rent of \$180.00 (half of the fortnightly rent of \$290.00) (\$290.10pf Youth Allowance + \$58.70 rent assistance approximately).

A very basic grocery bill per fortnight (calculated according to Food Guidelines for Teenagers from the Australian Nutrition Foundation, and priced at a Brisbane inner city supermarket, August 2001) came to just over \$80.00 per fortnight, but did not include tobacco, condoms or feminine hygiene products. Research (HFAB 2000) indicates that the “cost of living’, including the cost of basic foods, is higher in remote and rural areas” with the cost of meat/meat alternatives, and dairy products showing the greatest variance.

Across the All Groups Index including housing rents and local authority charges, food, groceries, alcohol and tobacco, housing, and transport prices, 65.12% of regional centres were more expensive than Brisbane. 83.72% of these centres were more expensive than Brisbane in terms of food, groceries and tobacco. A further 58.14% of the regional centres had more expensive transport prices than Brisbane, and 13.95% had higher housing costs (Index of Retail Prices in Regional Centre, 1999).

Using the regional examples of Kingaroy and Townsville to compare the ‘cost of living’ with Brisbane shows that Kingaroy prices fall slightly below those of Brisbane, and Townsville prices rise slightly above.

Table D: Index of Retail Prices in Regional Centres, Queensland, August 1999.

Centre	Groups	All Housing Groups Less Housing Rents & Local Authority Charges	Food Alcohol & Tobacco	Groceries, Housing	Transport
Brisbane	100	100	100	100	100
Kingaroy	96	99	99	72	104
Townsville	101	102	99	103	103

(Source: Index of Retail Prices in Regional Centres, 1999.)

One of the ways that young people attempt to overcome high housing costs issues is to form group/share households and/or to choose housing stock that is of a low quality standard. In areas where there is little or no housing stock this means limited housing choices. The National Youth Housing Strategy found that 63% of young people age 16-19 and 38% of young people live in shared housing arrangements.

2004:

As the following statistics show the price of rent has steadily increased in the Brisbane area (Residential Tenancy Authority statistics)

March 2003 - \$190.00pw/ \$380.00pf
 March 2003 - \$200.00pw/ \$400.00pf
 March 2004 - \$220.00pw/ \$440.00pf

If we look at the current payment rates as we did in 2001 what do we find?

A single young person in receipt of the Youth Allowance would have a total per fortnight income of \$413.90pf (\$318.50p/f + maximum Rent Assistance of \$95.40p/f as the median rent more than meets the benchmark \$212.00pf).

Income: \$413.90pf
 Rent: \$440.00 pf
 Other costs: \$13.90pf

The young person then would be left with only \$13.90 per fortnight to cover all other living costs. It is noteworthy that this is \$4.20 per fortnight less than in 2001!

Should this young person be sharing with another single young person the after housing income would be \$162.10p/f.

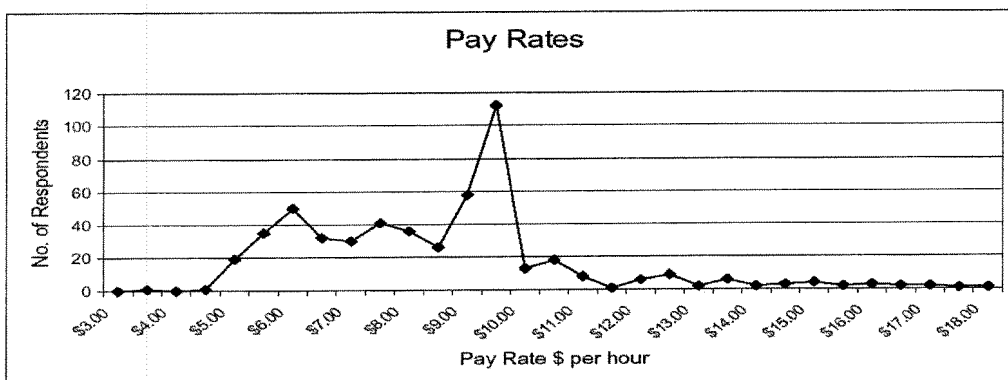
Income: \$382.10pf (\$318.50p/f + Rent Assistance of \$63.60p/f)
 Rent: \$220.00pf
 Other costs \$162.10 pf

The young person would be left \$162.10pf to cover items such as food, personal hygiene, electricity, transport and other living costs – again less than 2001!

QYHC does note that young people who are students do have the ability to earn up to \$236 per fortnight. If this is taken into account in the calculations a young person, studying and working and living by themselves would be left with an after housing income of \$249.90pf. If they were sharing they would be left with an after housing income of \$398.10pf.

The question then arises about where are these young people forced to work? At what pay rates? And, how does this impact on their ability to study? A large number of workers are employed casually in the fast food industry and ‘estimations from within the fast food industry suggest that over 70% of the workers are under the age of twenty-one.’³

Figure 1: Hourly pay rates by number of respondents



³ May 2004, Queensland Government Division of Workplace Health and Safety, *South Coast Region Target Industry Audit on FastFood Industry*, Division of Workplace Health and Safety, Brisbane, June 2001, p6 quoted in **FAST FOOD INDUSTRY: A RESEARCH STUDY OF THE EXPERIENCES AND PROBLEMS OF YOUNG WORKERS** Prepared by: Vera Smiljanic, Job Watch Inc

As the table from the report shows many young people earn around just under \$10 an hour, this means that to earn \$236p/f they would be working at least 12 hours a week although most respondents noted that they were working 20 hours per week or less.

Clearly the income support measures for students are inadequate and young people are:

- a) forced to live in shared accommodation due to their inability to access the private rental market
- b) forced to participate in the labour market in order to be able to meet their cost of living

Clearly these factors impact on independent young people's ability to participate in their learning/study.

In their report 'Pocket Money Debt: down and out on Youth Allowance' the Welfare Rights Centre found that:

"For most of the young people interviewed in the focus groups conducted as part of this project, the primary reason for failing to complete courses of education was that they could not afford to live and meet their education costs on the \$150 per week that is paid as the full rate of independent Youth Allowance. This finding is similar to that found in the Youth Allowance Evaluation report which indicated the "level of payment" was a significant disincentive to study for young people".⁴

With young people who have left their family home and are classed as independent there are also other additional burdens especially in times where they may encounter an unexpected cost – such as medical or dental costs.

Whilst there is an ability to 'bank dollars' clearly this is a big ask for young people who are just able to make a living.

(ii) The age of independence,

In law young people are deemed to be independent when they are able to make informed decisions. QYHC supports the age of independence for the purpose of income support being 16 years of age. This is the age that relates to the end of formalised learning i.e. year 10. At the age of 16 young people are able to engage in traineeships, apprenticeships, TAFE or other studies, not in a secondary school setting. The current criteria for independence are appropriate and relevant for young people and do not require any alteration.

QYHC supports young people being eligible for the independent rate of payment if they are homeless i.e. parents who cannot exercise their responsibilities.

There is in operation a protocol between the Commonwealth and the State regarding young people under the age of 16 and this ensures that payment is consistent with State and Commonwealth responsibilities.

⁴ Department of Family and Community Services, *Youth Allowance Evaluation: Final Report*, 2002, p. 76. quoted in, *Down and Out on Youth Allowance: Analysis of the causes and effects of breaches, penalties and debts in the Youth Allowance system*'

(iii) The parental income test threshold, and

As this is not an area of which we have expertise, QYHC shall only make the observation that for young people in regional areas, whose parents are just over the threshold but are unable to support their children, they are forced to take at least some time off study in order to meet the eligibility for the Youth Allowance. If those same families lived in metropolitan areas young people could stay in the family home and be supported in kind by their families. Some consideration therefore needs to be made for young people who are from low income families and move to metropolitan areas from rural or remote regions.

(iv) The ineligibility of Austudy recipients for Rent Assistance;

As the QYHC represents the issues of young people between the ages of 12 -25 we are unable to make comment on this point. However we do wish to point out the inquiry to the 1999 Youth Allowance Evaluation Interim report where:

‘FaCS commissioned a survey to assess the role of Rent Assistance in young people’s decisions about study, job search, and accommodation. It showed that:

- 65.8 per cent of students receiving Rent Assistance rated it as being important in their decision to study;
- students receiving Rent Assistance agreed that it has helped them to:
 - continue with studies (73 per cent);
 - improve their housing situation (51.1 per cent);
 - improve their standard of living (54.7 per cent);
 - change their place of study (26.8 per cent); or
 - live near their place of study (58.4 per cent).
- among those students who had previously received Rent Assistance as job seekers, 30 per cent indicated that they would not have been able to study without Rent Assistance’.⁵

b) The effect of these income support measures on students and their families, with reference to:

(i) The increasing costs of higher education,

As can be seen above independent young people utilise a large proportion of their allowance and earning on the cost of living including the increasing unaffordable housing that is available in the community. For many, the upfront costs at the beginning of the year that includes amenities fees, books, sports fees, Guild fees etc are difficult to save for.

(ii) Students being forced to work longer hours to support themselves, and

For some young people who are first time out of home and from rural and regional areas the concept of going to the city can be daunting. As a result for many the idea of entering into University run colleges is a great option as they get to meet new people and acclimatise to the city. Unfortunately the cost of being accommodated in these colleges is quite high. As outlined above young people are being forced to work in order to meet their cost of living whether that is in the private rental market or university colleges.

⁵ December 1999, Youth Allowance Evaluation Interim Report, Department of Family and Community Services

The Young Workers Advisory Service in Queensland documented in their annual report 03/04 a number of issues that young people face including the fact that some young people increasingly find it hard to get work as they age.

(iii) The closure of the Student Financial Supplement Scheme;

The major issue about the supplement scheme is that it is just another form of debt and while it may mean short term relief it is just part of debt accumulated. There is an assumption that people will have an ability to pay later in life however this is not necessarily always the case. The level of debt accumulated can have detrimental effects on the ability to make other life decisions such as when to have children and whether they are able to purchase a house.

(c) The importance of adequate income support measures in achieving equitable access to education, with reference to:

- (i) students from disadvantaged backgrounds, and
- (ii) improving access to education; and

Income support is essential for young people who are living independently and wishing to continue their education. As our submission has demonstrated if you are from a low income family and especially if you have no family support at all attendance at any educational facility requires you to engage in some form of work on top of your full time attendance at University – just being poor is an immediate disadvantage.

Because young people are forced to work this means that they have fewer hours for assignments and other curricular activities. Not only impacting on their level of achievement but their experiences in the education system.

In many cases the additional activities also require some form of payment anyway.

(d) alternative student income support measures.

Whilst it commendable that other income support measures are being considered there needs to be an understanding that the basic income support levels are inadequate and need to be increased.

It has also been shown that young people receiving

“...Centrelink services in an environment in which they feel comfortable, and with the support of known youth workers, young homeless customers are more likely to:

- Disclose information which will enable a more accurate assessment, including recording of activities on their PFWA commensurate with their homeless circumstances
- Be able to meet activities if they are a jobseeker, and therefore reduce the risk that they will be breached. This in turn can minimise the risk of chronic homelessness
- Continue to engage with services that can assist in pathways out of homelessness and

- Follow up their outstanding Centrelink issues”⁶

Young people who are homeless often are without stable accommodation for extended periods of time, have chronic health problems, disengage early from education and training and experience a disproportionate reduction in their income support (breaching).

The Welfare Right report found that:

“The level of both Centrelink breaches and debts incurred by young people under 25 is a clear indication that many people experience difficulty negotiating the system. For instance, in 2000-2001,⁷

- 57% of all Activity Test breaches were applied to young people under 25;
- 57% of all under 18 independent Youth Allowance recipients had a Centrelink debt;
- 68% of all 18-20 independent Youth Allowance recipients had a Centrelink debt;
- 42% of all 21-24 independent Youth Allowance recipients had a Centrelink debt.”⁸

It is essential that young people are not breached for an extended period of time as this only exacerbates and continues their homeless situation.

⁶ 2002, Centrelink Youth Community Officers Trial Final Evaluation Report August 2002

⁷ All data extrapolated from material provided to Welfare Rights Centre through Freedom of Information.

⁸ Welfare Rights 2002 op cit