Submission

to

Senate Employment, Workplace Relations and Education References Committee

Inquiry into student income support

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YOUTH ALLOWANCE: MORE PLEASE!

Ian R. Dobson

A Senate committee is currently reviewing the level of student income support. Using previously unpublished data, this article shows that the proportion of full-time higher education students who are Youth Allowance recipients is low and, in the case of young students, has fallen since 1997.

The lack of equity in entrance to university is well known.[1] Students from better-off families are much more likely to win university places, particularly if they have attended non-Government schools. Youth Allowance, the name of the scheme currently in place to provide financial support to students, is very limited in its capacity to help change the inequity in access to university places.

This paper examines patterns of recipience of Youth Allowance over the past five years and, in doing so demonstrates the niggardliness of the award, and how difficult it is for students to survive financially without parental support.

The Senate Employment, Workplace Relations and Education References Committee is currently inquiring into student income support. An examination of submissions to this inquiry reveals that the Committee is, in effect, going ahead without key information on the incidence of Youth Allowance recipience. This article will supply new evidence on this matter which is central to the Senate inquiry.[2] It is based on customised data provided by Centrelink to the Centre for Population and Urban Research. Unfortunately, as detailed below, Centrelink was unable to provide all the requested information which would be relevant to the Senate Committee's investigation.

The topic of student financial support is revisited occasionally by governments, and broadly similar inquiries to the current one were held in 1991, 1995 and 2001. Little has ever been done to improve the lot of financially strapped students. These government inquiries are in addition to a range of private studies which are uniform in their finding that many university students do it tough financially. Studies by McInnis et al.[3] and Long and Hayden[4] found that students hold down part-time jobs whilst undertaking full-time study to a greater extent than in the past. These studies both conclude (inter alia) that undergraduates are compelled to work excessive hours, to the potential detriment of their studies.

Not only is the financial support available to students stingy, over the last 15 years students have been required to contribute increasing amounts towards their tuition costs. The uniform partial tuition fees charged through the Higher Education Contribution Scheme (HECS) at the time of its inception in 1989, were replaced by a tiered scheme in 1997 as well as a considerable increase in the base level of HECS. From 2005, universities will be permitted to charge a HECS premium of up to 25 per cent. Seventeen of Australia's universities have opted to charge this maximum premium, twelve have said they will not increase HECS, and another four are to increase HECS, but at less than the permitted maximum 25 per cent.[5]

The Youth Allowance scheme as a system of student financial support for young people was introduced in 1998. It is targeted to people aged from 16 to 24. Subject to certain rules, a student receiving Youth Allowance prior to turning 25 can continue to receive it until they finish their course. For students, Youth Allowance replaced the previous Austudy scheme but, just to confuse issues, the current scheme of support for students aged 25 and above is called AUSTUDY.

One of the problems an analyst encounters when trying to calculate Youth Allowance recipient rates is the limited range of data Centrelink puts into the public arena. Centrelink (as the agency responsible for administration of Youth Allowance and many other welfare programs) does not provide data sufficient for external analysis, and appears unwilling to undertake this work itself. Even in its own submission to the Senate inquiry mentioned above, there is an absence of analysis on

- school, TAFE and university recipients, disaggregated.
- the proportion of recipients receiving less than the full amount of the gazetted awards.
- the numbers of students (by age group) receiving Youth Allowance by virtue of being assessed according to their family's means ('dependent'), or their own means ('independent').

The key issues, then, are the rate at which Youth Allowance is made available to students and the proportion of Youth Allowance recipients receiving the full award. Table 1 focusses on university students and quantifies the first of these issues by showing the proportions of university students of various ages receiving Youth Allowance since its inception

Overall, the table shows that 37 per cent of higher education students aged less than 25 were receiving income assistance through Youth Allowance in 2003, up from 34 per cent in 1998. A few thousand additional students took out loans based on their Youth Allowance entitlement. These are not included in Table 1.

The small overall increase in recipient rates since 1998 masks movements up and down according to age. This outcome is a product of reduced access to Youth Allowance for younger students and improved access for older students. In the case of young students (aged less than 19), Table 1 shows that the recipient rate has declined significantly from 33 per cent in 1998 to 22 per cent in 2003. On the other hand, recipient rates have generally increased for older students.

For the younger students, the likely explanation is that the general improvement in the Australian economy in the past few years has meant that an even smaller minority of families in 2001 fell under the threshold of family-income eligibility criterion than was the case in 1998. In the case of the older students, the situation is more complex. The rules on Independence (which increased the age at which a student was automatically considered as an Independent from 22 to 25) meant that, after 1998, students who turned 22 would no longer have been able to avoid the means test on their parent's incomes and assets. In these circumstances, one would expect to see a decline in recipient rates for 22-24 year old full-time students. This has not been the case because of another impact of the rules implemented in 1997. This is via new rules which provided access to the Youth Allowance for students who have demonstrated some independence from their parents (explored further below).

Proportion of Youth Allowance recipients on the full rate

Centrelink was unable to provide data allowing an assessment of the proportion

Table 1: Full time undergraduate and Youth Allowance recipient numbers and Youth Allowance recipient rates, by age of student

	1998	1999	2000	2001	2003
Enrolments (Full time, aged <25)					
< 19 yrs	56,783	57,273	55,970	57,357	55,319
19 yrs	62,609	63,318	63,627	65,136	67,852
20 yrs	56,939	58,056	57,947	60,749	68,394
21 yrs	42,526	44,138	44,242	47,074	56,517
22 yrs	26,132	27,598	27,398	29,943	37,445
23 yrs	15,759	16,442	16,101	17,630	21,350
24 yrs	10,319	10,759	10,185	11,044	12,879
Total < 25 yrs	271,067	277,583	275,471	288,934	319,756
Youth Allowance Recipients					
< 19 yrs	18,644	16,771	14,685	12,271	11,913
19 yrs	18,500	20,715	19,758	19,932	20,502
20 yrs	18,354	21,726	22,388	23,691	26,657
21 yrs	14,131	17,175	19,279	20,682	24,777
22 yrs	9,223	11,613	12,835	14,129	17,377
23 yrs	6,512	7,819	8,202	8,789	10,454
24 yrs	6,294	5,845	5,616	5,893	6,565
Total < 25 yrs	91,658	101,664	102,763	105,387	118,245
Per cent receiving Youth Allowance					
< 19 yrs	33	29	26	21	22
19 yrs	30	33	31	31	30
20 yrs	32	37	39	39	39
21 yrs	33	39	44	44	44
22 yrs	35	42	47	47	46
23 yrs	41	48	51	50	49
24 yrs	61	54	55	53	51
Total < 25 yrs	34	37	37	36	37

Source: University undergraduate enrolments: Department of Education Science and Training (age adjusted to match date of Centrelink data); Youth Allowance: Centrelink, unpublished data.

of students receiving less than the full rate. This is an important issue. Many eligible students do not qualify for the full rate, either because their parents' income exceeds the maximum level permitted ($28,150 per annum for an only child student; higher if there are other dependent siblings), or because the students themselves exceed the maximum additional income allowable under Youth Allowance ($118 per week). Beyond these financial cutoffs, a Youth Allowance recipient will start to have his/her allowance reduced. Recipients lose 25 cents for every dollar the family income exceeds $28,150, and for student earnings, the 'tax' is 50 cents in every dollar for the next $40 earned over $118, and then 70 cents in the dollar thereafter.

Dependent or Independent?

Youth Allowance regulations presume that a person is 'dependent' on their family until age 25. 'Dependence' means that until that age the student's eligibility is based on family rather than personal circumstances. However, by becoming 'independent' a student can be assessed on their own, rather than their family's financial circumstances.

If a student aged 24 or younger can demonstrate financial independence from their parents, they can be deemed to be 'independent' via their workforce participation. The easiest way to demonstrate this financial independence from parents is for a young person to earn $15,990 in an 18 month period after leaving school.

Some students will be able to prove their 'independence' rather more easily than others. A student from a family with its own business could 'work' for that business, doing real or imaginary work, and easily meet the income criterion. By being paid about $900 a month for the 18 months after the end of Year 12 by a family business, a student could attain independence in the minimum time. For a family with a small business, and their student children, this would represent an excellent return on investment. By paying the student child $15,990 over 18 months (less than $11,000 per year), that student, if living at home, would become eligible for Youth Allowance of about $5,500 per year, a return on investment of 50 per cent. For a student living away from home, the return on investment would be 75 per cent.

For other students, gaining the 'independence' tag will be more of a grind. It is believed that some post-school students defer their entry into university, or start their studies as a part-time student, in order to be able to earn the required amount. This hypothesis is supported by the data shown in Table 1. The number of full-time <19 year-old students declined slightly between 1998 and 2003, whereas full-time enrollments in the other age categories all increased strongly. For those students who do enroll full-time, many work too many hours in casual jobs, often to the detriment of study.

The information supplied by Centrelink is also insufficient to calculate the number of recipients (by age) eligible for Youth Allowance by virtue of being Independents. The Department of Family and Community Services' own submission to the current Senate Inquiry provides incomplete information. Among all Youth Allowance recipients (school, TAFE and university) in 2004, the overall rate of 'independence' is about 35 per cent. For those students living At Home, the rate of independence is much lower, about 14 per cent. This compares with a rate of 72 per cent for those Away From Home.[6]

Youth Allowance Payments.

Youth Allowance is hardly a generous scheme. In 2004, a Youth Allowance recipient aged between 18 and 24, if on the full rate, could receive about $105 per week if living at home, and about $159 if living away from home. However, as noted above, many eligible students receive less than these sums. The Australian Council of Social Services (ACOSS) reports that at September 2002 rates, the (then) Youth Allowance Away-From-Home payment of $151 per week was just 63 per cent of the poverty line (of $238 per week).[7]

Students who do qualify for Youth Allowance are permitted to earn only A$6,000 a year in part-time work before their payments decline. Whereas the value of Youth Allowance and the family income limits are indexed against inflation each January, the recipient's permitted earnings are not. This amount has not been indexed against inflation since 1993. Indexation of the permitted earnings level from just over $6,000 in 1993 would make the 2004 level to be about $8,000. As noted above, the penalties for earning above the threshold are savage: 50 per cent of the first $40 per week earned, and 70 per cent thereafter.

The paltry sum a Youth Allowance recipient can earn without losing benefits has also most certainly driven many student workers into the black economy. Being permitted to earn only $118 per week on top of Youth Allowance has meant that 'cash' jobs are highly popular. Many of the jobs in the hospitality industry, including waiting, bar work and home delivery services are paid for in cash. Figures produced in the Department of Family and Community Services (FaCS) submission to the Senate Inquiry mentioned above indicated that, of all Youth Allowance recipients (university and other students),who reported earnings in 2003, 36 per cent reported income of less than $2000 a year and 30 per cent between $2000 and $5000 per year.[8] These earnings levels seem to be very low when combined with the low Youth Allowance rates, given the day to day living costs which students face. They imply that the black economy is an important source of earnings of university students. This situation raises an important social and moral issue. Some employers may be avoiding tax and there could be instances of student wage exploitation. Cash strapped students will stay out of the Pay As You Earn (PAYE) economy if entering it will cause the loss of a substantial portion of the Youth Allowance.

Students are universal in their view that Youth Allowance provides too little support. The Australian Vice Chancellors Committee (AVCC)-sponsored study, written up by Long and Hayden, collected comments to this effect from many of the 35,000 respondents to the national survey.[9]

CONCLUSION

Youth Allowance provides support for students coming from poor families. But because the parental earnings means test is placed at such a low level, most students from blue and lower white collar backgrounds are not eligible unless they become 'independents'. University fees are increasing, but at least the HECS scheme allows for fees repayment to be deferred until the student has entered the work force. It is not possible to defer living expenses, however. This situation provides a double 'whammy' for students from less than affluent backgrounds. Not only do students from these backgrounds find it more difficult to win Government subsidised places at university, but they are also to forced to work long hours in order to support themselves during their course. Students from wealthier families are much more likely to receive significant financial support from their family

It is likely that no one but the Government thinks that the presumption of family support until age 25 is reasonable. The Australian Council of Social Services put it this way: 'ACOSS believes the current use of age 25 as the age of independence for students living at home is unfair. It is out of step both with community expectations and with the criteria applied under other income support payments.'[10] They recommend a revision of the age of independence to 18, initially dropping from 25 to 21, and then reduced in every following year until it reaches 18.

As indicated the Youth Allowance system doesn't encourage full-time study. It also has a societal impact because it works to delay course completion and thus the entry of skilled young people into Australia's workforce.

Perhaps the current Senate Inquiry will recommend changes to the situation. The prospects would probably have been brighter if the committee had all the facts in front of it as regards recipient rates. It is hoped this article will make a contribution in at least partially filling the knowledge gap.

References

[1] See, for example, B. Birrell, V. Rapson, Ian R. Dobson, D. Edwards and Fred T. Smith, *From Place to Place*, Centre for Population and Urban Research, Monash University, 2003

[2] For earlier information on these rates see B. Birrell, V. Rapson, Ian R. Dobson and Fred T. Smith, *Higher Education at the Crossroads*, Centre for Population and Urban Research, May 2003, download http://www.arts.monash.edu.au/sociology/cpur/publications/higher_ed_crossroads.html

[3] C. McInnes, R. James and R. Hartley, *Trends in Fisrt Year Experience in Australian Universities*, Department of Employment, Training and Youth Affairs, Canberra, 2000

[4] M. Long and M. Hayden, *Paying their way*, Australian Vice-Chancellors Committee (AVCC), Canberra, October, 2001

[5] Higher Education Supplement, *The Australian*, 1 September 2004, p. 2

[6] Submission to Senate Employment, Workplace Relations and Education References Committee, *Inquiry into student income support*, Family and Community Services (FaCS), 2004, p. 11

[7] Submission to Senate Employment, Workplace Relations and Education References Committee, *Inquiry into student income support*, Australian Council of Social Service (ACOSS), 2004, p. 13

[8] FaCS, op cit, p. 24

[9] Long and Hayden, op. cit. 2001

[10] ACOSS, op. cit., 2004, p.22