



Proposed Changes to Youth Allowance

Submission to the Inquiry into Rural and Regional Access to Secondary and Tertiary Education Opportunities

Senate Rural and Regional Affairs and Transport Committee

August 2009

Who we are

Newcastle University Students' Association is the representative body for students enrolled at the University of Newcastle. It is governed by a Council elected annually, which is open to all undergraduate students.

In addition to providing direct welfare services to students, NUSA advocates for student rights, educational access and quality and other issues of concern to students. Youth Allowance and student poverty have been among NUSA's highest priorities for many years.

NUSA welcomes the opportunity to make submissions on the proposed changes to the age of independence regime.

The current situation

Students under the age of 25 are the only group in society to be systematically excluded from government assistance. By contrast, the age of independence for Newstart is 21.

According to Universities Australia's 2006 report, *Australian University Student Finances*, only one-third of all full-time undergraduate students receive payments such as Youth Allowance, Austudy and Abstudy. The study surveyed almost 19 000 students from thirty-seven institutions, and followed a prior study in 2000. It painted a startling picture of the extent of student poverty in Australia, where one in eight students regularly skip meals for financial reasons, and 70% of students worked an average of 15 hours per week *in addition to* full-time study. To expect students to work to such an extent is clearly not in the national interest, particularly during a period of rising unemployment. Around a quarter of all students regularly miss classes because of their paid employment, and a small but significant number of students regularly miss classes because they cannot afford to travel to campus. The figures are much higher for Indigenous students.

Between 2000 and 2006, the number of students receiving government assistance declined significantly (42.4% to 35.2%) and the average amount of annual assistance also declined (\$2456 to \$2170). The reliance on paid work and non-government loans also shot up over this period.

These academic studies only confirm the experience that students see on the ground – students are living in poverty, students are having to work more, the problem is getting worse, and more students have to give up their studies because they can't afford to keep studying. This is particularly true during the current economic climate, especially since student work, or casual work, is generally the first casualty in bad economic times.

Students under the age of 25 fall into two categories: “dependent” on their parents or “independent”. This has nothing to do with how dependent students really are on their parents, since many students live out of home with no parental assistance and no government support payments. They survive on whatever paid work they can find, and are at risk of having no income if they become unemployed. Since youth of this age generally have little work experience or qualifications, they are generally employed on casual contracts or “off the books” with no protection from unemployment. Our experience as students may well include periods of homelessness or economic diets, which can have severe effects on our ability to meet study obligations. From NUSA's experience, students from rural and regional areas, as well as students with family problems, are particularly affected.

Dependent students *can* still receive Youth Allowance, but it is means-tested against parental income to such an extent that most students are excluded. Dependent students can only receive the full rate of Youth Allowance if their parents' combined income is less than \$32 800 (which would mean both parents earning less than 40% of the

minimum wage, if both parents work full-time). Since Youth Allowance is already 45% below the Henderson Poverty Line, the further reduced payment for higher parental incomes is of little value.

Students who wish to study and don't have parents financially stable enough to pay their way are left only the option of trying to "prove" their independence according to very strict tests. Apart from disabled people, refugees or wards of the state, the four ways to achieve independence are:

- Satisfying the work eligibility requirements (see below)
- Marrying
- Having a child
- Proving that it is unreasonable to live at home

Work eligibility requirements

The three workplace eligibility requirements for independence are:

- Working at least 15 hours per week for two years after leaving school
- Working at least 30 hours per week for 18 months over two years after leaving school
- Earning over \$19,532 over a minimum period of 18 months

Upon being accepted into a university program, a school leaver may not defer for more than one year without losing their place. For this reason, the income test and the part-time work test are the most common ways in which students gain independence. The full-time work test is of little value to school leavers, being more relevant to mature-age entrants.

Of course, it is not logical to only give support to those students who have earned the most, and this is why the independence test has been criticised as "upside-down". However, the point of reforming student income support should be to support students living in poverty, rather than to remove support from the minority of students who receive Youth Allowance (which, as noted above, is 45% below the Henderson Poverty Line).

Unreasonable to live at home

This option is available to students whose parents are willing to sign a piece of paper stating that they have kicked their child out of home. It is possible to prove an abusive family relationship without the support of parents, but it is a long and traumatising process with the burden of proof resting on the student and the discretion lying entirely with Centrelink. NUSA has many members who have left unbearable family situations and have been unable or unwilling to go through the process of proving their situation to Centrelink. It is unlikely that a student with a genuine family problem would qualify under this criterion, or gain the cooperation of their parents.

However, there are many genuinely caring parents who are willing to sign such a letter in order to help their children study. If the government tightened this criterion it would leave a lot of students without the means to continue studying.

The Global Financial Crisis

The global financial crisis has clearly had a detrimental impact on the national economy as well as on students. Compared to business as usual, the crisis has included:

- More people losing their jobs
- More pressure on the labour market
- Not as much business activity or consumption
- Reduced government revenue
- More people enrolling in university studies instead of seeking work

The last thing that a government should be doing in the context of such a crisis is to put added pressure on the labour market or tightening government benefits, which would have a depressing effect on the national economy.

Since many students are employed in casual or “off-the-books” work, they are particularly vulnerable to losing their jobs during the financial crisis. As stated earlier, students not eligible for Centrelink payments (a majority of students) are the only group in society who will not have any unemployment benefits to fall back on if they lose their jobs.

Rural and regional students in particular will be affected by the crisis, since the costs of studying away from home are much higher. It will be more difficult for these students to find full-time jobs for two years in order to gain independence. Furthermore, there is no reason why students who are working to gain independence should be competing on the labour market with people who have greater needs, including working parents who have lost their jobs during the financial crisis.

Fortunately, improving access to student income support is one of the few government spending measures which offers both important short-term and long-term economic benefits. Not only could increasing access to income support help to lift us out of the economic crisis, but it would also increase our skills base and support the economy in the long term. This effect would be considerably reduced if changes were introduced slowly and incrementally.

Fundamentally, NUSA's concern is the right of all people to access to higher education based on merit, and on the rights of all people to adequate food and housing regardless of age. The fact that recognising these rights comes with economic benefits is a fortunate consequence.

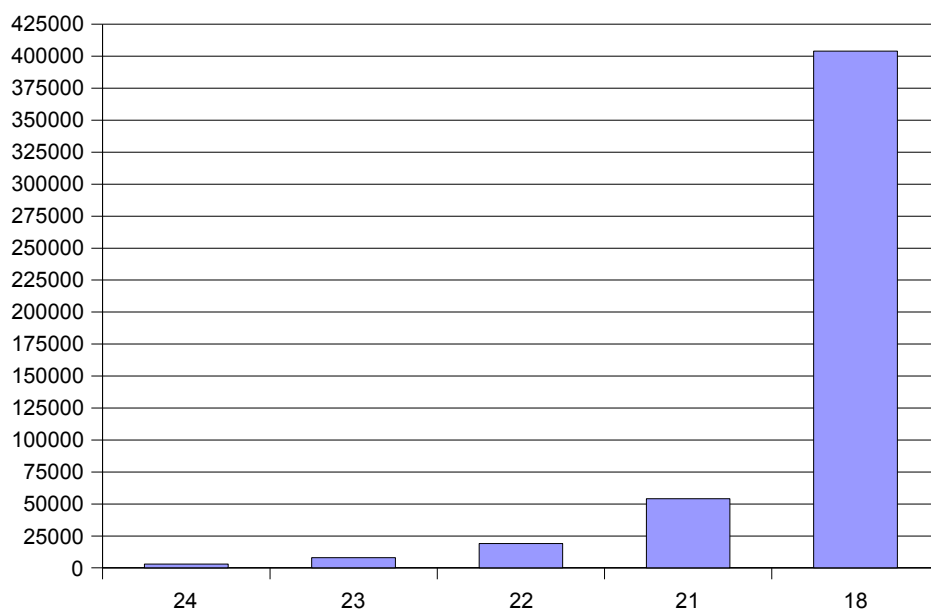
The Government's proposed changes

The Government announced a range of changes to student support as part of the 2009-10 Federal budget. These included:

- Lowering the age of independence incrementally from 25 to 22 over three years
- Scrapping two of the three workforce participation criteria for independence, leaving only the full-time work criterion
- Increasing the amount that students can earn while on Youth Allowance, to \$400 per fortnight.
- Increasing the parental income threshold to match the Family Tax Benefit thresholds

The Government did not propose increasing the base rate of Youth Allowance, which currently stands at 45% below the Henderson poverty line.

The change which has excited the biggest response has been the scrapping of the workforce participation criteria. Since the announcement, NUSA has been inundated with emails and calls from students, parents and “gappers” who will lose their place at University because of the changes. There have been dozens of spontaneously organised rallies, which have attracted hundreds of families. Many people who deferred their place at University until 2010 will have to forfeit their place (since it is not possible to defer for more than one year).



The table above shows how many more students would benefit from a lowering of the age of independence to ages 24, 23, 22, 21 and 18 (source: Bradley Review final report). As can be seen, the bulk of students excluded from support are in the 18-21 age group (since most school leavers complete their studies within 3-5 years). Lowering the age of independence to higher ages has only marginal benefits.

Astonishingly, the Bradley review recommended the lowering of the age of independence to 22 because it would be a more cost-effective option to government. This argument ignores two very important facts:

- Lowering the age of independence has economic benefits, not just costs
- Missing the overwhelming majority of students is costly to students

The report does not deal with any reasons for lowering the age of independence, other than “international standards”.

The same report recommended scrapping the two workforce participation criteria in order to tighten student income support and tried to find an equivalence between the students who would lose payments because of the tightened criteria and the students who would gain payments because of the reduced age of independence. However, this argument ignores the fact that while the lower age of independence would support students who have been at university for several years (and had already gone through a lot of poverty), the tightening of the independence criteria would exclude students who had not even begun to study.

The Bradley review did not, however, recommend lowering the age of independence as slowly as the government intends. Lowering the age of independence over three years will make the economic benefits irrelevant to the recovering of the Australian economy.

The government has not proposed any increase in the base rate of Youth Allowance. The only way in which recipients of Youth Allowance can increase their income (45% below the Henderson Poverty Line) is by working. The government's proposal to increase to \$400 the amount that students can earn without losing benefits will encourage students to work in excess of 15-20 hours per week, which will put added pressure on the labour market during the financial crisis. NUSA believes that full-time students' core role is to study full-time, rather than to work. There is no doubt that the personal income threshold is a source of income stress for students, but this should be addressed by increasing the base rate of Youth Allowance rather than encouraging students to take up more work.

The raising of the parental income threshold from \$32 000 to \$42 559 is to be welcomed. However, NUSA notes that this higher threshold is still 18% below the minimum wage for two full-time working parents, and that families on this income will still find it difficult to send their children to university. Parental income is irrelevant to adults, whether they be 18, 22 or 25. Again, the means-testing of youth allowance for higher incomes means that youth allowance remains insufficient to support a full-time student. The government has released model family situations which shows that two-child families with a family income of over \$100,000 would be eligible for Youth Allowance. However, the amount of Youth Allowance that these students would receive would be in the order of \$10-\$20.

Legal obligations

The right to equitable access to higher education based on merit is enshrined in the Universal Declaration of Human Rights, as well as the International Covenant on Economic, Social and Cultural Rights, which states that "higher education shall be made equally accessible to all, on the basis of capacity, by every appropriate means, and in particular by the progressive introduction of free education". While governments have to act within their means, NUSA believes that is a breach of this covenant to introduce new measures that restrict access to higher education. The Government has found savings that would reduce access to higher education in order to spend in other areas.

NUSA is aware of families that are seeking civil compensation because their children were advised by Centrelink to defer study for a year in order to earn independence. These students will never be able to take another leave of absence.

Recommendations

NUSA believes that the proposed reforms to Youth Allowance will prevent many students, particularly students from regional areas, of low socio-economic status or from difficult family situations, from attending University. We will never know what could have been if these students had been given the possibility of attending University.

We also believe that people are adults at 18, when they have all the rights and responsibilities of adults. Some adult students have little to no contact with their parents, yet are still required to know their parent's incomes in order to be able to study.

NUSA intends to continue campaigning against student poverty and supporting the families opposing the proposed changes. We urge the Government to:

- Retain all three workforce participation criteria
- Lower the age of independence to 18 by 2010
- Increase the base rate of Youth Allowance to the Henderson Poverty line

NUSA believes that these measures will not only protect the rights of students and act in Australia's long-term interests, but that they will also help Australia to recover more quickly from the global financial crisis.

Contact

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