



Australian Youth
Affairs Coalition

Submission in response to

The Review of Student Income Support Reforms

April 2011

Australian Youth Affairs Coalition

The Australian Youth Affairs Coalition (AYAC) is Australia's non-government youth affairs peak body, which represents young people aged 12-25 and the sector that supports them.

AYAC represents a growing membership of State and Territory youth peak bodies, national youth organisations, researchers, policy makers and young people themselves, who are all passionate about creating an Australian community that supports and promotes the positive development of young people.

AYAC aims to:

- Provide a body broadly representative of the issues and interests of young people and the youth affairs field in Australia
- Advocate for a united Australia which respects and values Aboriginal and Torres Strait Islander heritage, promotes human rights, and provides justice for all
- Represent the rights and interests of young people in Australia, at both a national and an international level
- Promote the elimination of poverty and to promote the well being of young Australians, with a particular focus on those who are disadvantaged
- Recognise the diversity of Australian society, to promote the cultural, social, economic, political, environmental and spiritual interests and participation of young people in all aspects of society
- Advocate for, assist with and support the development of policy positions on issues affecting young people and the youth affairs field, and to provide policy advice, perspectives and advocacy to governments and the broader community
- Facilitate co-ordination and co-operation within the youth affairs field

AYAC and its members are committed to working for and with young people and seek to ensure they have access to mechanisms, which allow them get involved in decisions about issues that affect them in the Australian community.

Secretariat Review of Student Income Support Reforms
DEEWR GPO Box 9880
Canberra ACT 2601
Loc: C50MA3

Dear Secretariat,

The Australian Youth Affairs Coalition (AYAC) welcomes the opportunity to provide submission to the Secretariat Review of Student Income Support Reforms.

AYAC is Australia's non-government youth affairs peak body, which seeks to represent young people aged 12-25 and the sector that supports them. AYAC boasts a growing membership of State and Territory youth peak bodies, national youth Organisations, researchers, policy makers and young people themselves, who are all passionate about creating an Australian community that supports and promotes the positive development of young people.

AYAC welcomes the recent Henry Independent Tax Review's recognition that the gap between pensions and allowances (almost \$130 per week) needs to be reduced. AYAC also commends the Federal Government for its lowering of the age of independence increasing the number of young people who will be able to access Youth Allowance and also for offering student start up scholarships and relocation scholarships which will directly benefit youth from regional areas. These are positive developments.

However, the goals of a good student income support system should include treating young people with similar needs and living costs in a fair and consistent way, and ensuring that all Australians, regardless of age and circumstance, have the financial capacity to attain a decent basic standard of living according to contemporary community norms. The current student income support scheme is inadequate and fails to meet these twin goals.

In this submission, AYAC endorses the positions and recommendations of the Australian Council of Social Services (ACOSS) and draws attention to some key features of the current income support system and the 2011 social security amendments that we believe still unfairly impact young people.

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We acknowledge the traditional owners of country throughout Australia and their continuing connection to land, sea and community. We pay our respect to them and their cultures, and to the elders both past and present.

Recommendations

In response to the Review of Student Income Support Reforms, AYAC believes young people need to be recognised as a key stakeholder group within the education system. The Government has an opportunity to be a leader in engaging in genuine consultation.

AYAC urges the Federal Government to use this Inquiry as a catalyst for action that empowers and supports all young people to access further training and education, and we offer some recommendations to ensure this can happen.

AYAC recommends that:

- Young people be recognised as a key stakeholder group and that the Review involve young people at each stage in the student income support reform process.
- The Government increase Youth Allowance and Rent Assistance rates to reflect real living costs: that Youth Allowance for people living independently of their parents be increased by \$50 per week.
- The Government assist young people from regional areas by:
 - Reviewing the ‘dependence’ tests for parental income and assets are reviewed and increased to better reflect local living costs.
 - Amending the ‘dependence’ criteria so that it includes large debts on assets and not include land and assets used to generate income within the parental income assessment.
- The Government review and amend the ‘independent’ criteria for an 18-month period of work and income by:
 - Ensuring all regional young people be immediately eligible for the full rate of independent Youth Allowance upon commencement of tertiary education or training if they must move away from home for tertiary education.
 - Allowing young people to be eligible for Youth Allowance as soon as they earn the required amount in any period.
 - Reducing the 18-month period of work to 12 months so that young people can receive payments from the beginning of their academic year.
- Student income support payments be indexed by legislation to wage price increases and community living standards to ensure equity with other social security payments and pensions.
- Rent Assistance be made more accessible by:
 - Increasing the maximum rate of Rent Assistance by 30 per cent to better reflect the real costs of renting.
 - Paying Rent Assistance to those on Youth Allowance at the same rate as those on Newstart Allowance.
 - Abolishing the sharers rules for Rent Assistance.
- The Government ensure consistency by bringing the income test for student allowances in line with the test for pensions, as the income test free area varies substantially between allowance payments and pensions.

AYAC is committed to working with the Government to ensure young people have a fair chance to access further training and higher education. We look forward to the findings of this Review and would welcome the opportunity to meet to discuss this further.

Youth participation in decision-making

In line with the United Nations Convention on the Rights of the Child, it is widely recognised that young people should be directly engaged in decisions that affect them. As young people have the most to gain when it comes to any reforms to student income support payments, AYAC strongly urges the Review to give young people the opportunity to meaningfully engage in these decisions that so critically affect them. Given the Federal Government's targets of seeing 40 per cent of 25–34 year olds attaining a bachelor level qualification by 2025,¹ AYAC believes that problems in the current system pose a significant block to this stated goal. Requirements for student income support are mostly standardised and imposed on young people by government authorities. In a well-managed student income support system that is responsive to the needs of young people, there would be an active partnership between the Government and recipients of this support.

Recommendation 1

- That young people be recognised as a key stakeholder group and that the Review seek to involve young people at each stage in the student income support reform process.

¹ Department of Education, Employment and Workplace Relations, 2011, 'Review of Student Income Support Reforms – Background', <http://www.deewr.gov.au/HigherEducation/Programs/YouthAllowance/Pages/RSISRBackground.aspx>, accessed 21/4/11.

Youth Allowance rates well below the poverty line

There is little doubt that student support income rates fall far beneath the accepted poverty line and are manifestly inadequate. The National Welfare Rights Network conducted a recent survey in which respondents were asked what goods and services they would forego if their income was reduced to \$234 per week – the amount that allowance recipients receive. Almost 60 per cent said they would stop buying fresh food and half said they would not visit the doctor when sick.² Significantly, half of those polled said that they would drop out of education entirely. Youth Allowance rates are simply insufficient for meeting basic living costs and students are highly likely to miss out on what ordinary Australians consider “the essentials of life”.³ With the cost of living continuing to rise, students who are dependent on Youth Allowance find themselves living in poverty unable to afford the basics such as food and clothing and medical care.⁴ Current Youth Allowance and Rent Assistance rates, plus the proposed fortnightly income of \$400, are simply inadequate for young people to cover living, study, (and travel costs for regional students). Many students work long hours and live with high levels of stress and fatigue, significantly affecting their educational performance, wellbeing and connection with family.⁵ In order to prevent them from dropping out of university entirely, they need greater financial support.

Only pensioners (eg age pension, disability support pension, carer payment and parenting payment single) receive payments above the Henderson poverty line.⁶ A person receiving Youth Allowance will generally receive a Health Care Card, but usually not the considerably more valuable Pensioner Concession Card.⁷ Inequity between student allowances and pensions is marked, particularly following changes made to pensions over the last few years. While the 2009 pension increase was certainly a vital reform, allowances were left behind with single people on Youth Allowance now living on just \$34 per day - \$128 a week less than those who live on the aged pension. Single people on the aged pension receive \$365 per week for single adults, yet those on allowances receive much less at \$237 per week for single adults.⁸ Student allowances are well below the poverty line.

Both the Henry Tax Review and the OECD have recommended that allowances be increased.⁹ In order that the Government’s fulfil its stated goals under the National Youth Strategy to equip young Australians to shape their own futures through education¹⁰, young people need better financial support to access training and higher education opportunities. As such, AYAC recommends that the Government restore equity and fairness to Youth Allowance payments.

Recommendation 2

- That the rates of Youth Allowance be increased by \$50 per week.

² A Horin, ‘Life on \$234 a week’, SMH Online, 5 January 2011,

<http://www.smh.com.au/money/life-on-234-a-week-20110105-19ffv.html#ixzz1Kn4WAYVQ>

³ research conducted by the Social Policy Research Centre at the University of NSW in 2008. *ibid.*

⁴ National Welfare Rights Network, *op.cit.*, p 7

⁵ National Welfare Rights Network, 2010, ‘Observations on Australia’s performance regarding its Social Security obligations under clauses 26 and 27 of the United Nations Convention on the Rights of the Child, specialising in Social Security law and practice’, December 2010, p 6.

⁶ *ibid.*

⁷ *ibid.*

⁸ Australian Council of Social Service, 2011, ‘Carbon Price & Low Income Household Position Paper’, 18 April 2011, p 2.

⁹ *ibid.*

¹⁰ Federal Office for Youth, 2011, ‘National Strategy for Young Australians’, <http://www.youth.gov.au/media/Pages/NationalYouthStrategy.aspx>, accessed 21/4/11.

Restrictive eligibility criteria

Overly restrictive eligibility criteria for dependent rates

The Government's policy intention under the recent reforms to student income support is to ensure a fairer and more equitable allocation of resources based on the principle that young people are dependent on their families, unless they have reached the age of independence or otherwise demonstrate genuine independence. If young people are deemed 'dependent', Youth Allowance eligibility is assessed against their parents' assets and income. However, the parental income and assets thresholds are very low and unrealistic, even with the proposed increases to the Parental Income Test threshold. Most young people recognise that if their middle-income parents earn above the income threshold, they are not necessarily able or willing to financially support each child studying away from home to the tune of \$10,000 - 15,000 per year.¹¹ Further, higher regional living costs (such as fuel and food expenses) are not considered within the thresholds.

While AYAC welcomes the removal of regional eligibility distinctions for students who will be excluded from the changes to the workforce participation criterion, provided they need to move away from home to study and their parents' combined income is less than \$150,000 per year¹², also poses problems. The \$150,000 assets threshold is nevertheless too onerous for young people whose parents are farmers or business-owners, because their assets (including land) provide income that is factored into the threshold, yet the land cannot be sold to assist their children studying away from home. Indeed, many regional and urban young people come from families who are 'asset rich but cash poor'. And frustratingly for many rural families, any significant debts on assets (such as debts on the family farm) are not considered within the assets and income tests.¹³

AYAC believes the 'dependence' criteria are clearly unrealistic and make income support inaccessible for many young people, forcing them to meet the stricter 'independence' criteria.

Recommendation 3

- That the current income and assets tests for the Dependence criteria include large debts on assets, and that land and assets used to generate income not be considered in the parental income assessment.

¹¹ N Godden, 2007, 'Regional Young People and Youth Allowance: Access to Tertiary Education', The Centre for Rural Social Research and Monash University Department of Social Work, November 2007, p 11.

¹² Department of Education, Employment and Workplace Relations, 2011, 'Review of Student Income Support Reforms – Background',

<http://www.deewr.gov.au/HigherEducation/Programs/YouthAllowance/Pages/RSISRBackground.aspx>, accessed 21/4/11.

¹³ N Godden, *op.cit.*, p 72.

Overly restrictive eligibility criteria for independent rates

AYAC welcomes the Government's reduction of the age of independence from 25 years to 22 years by 2012. This is a considerable improvement on the former age of independence of 25 years, which was for many young people, a significant barrier to tertiary education. However, for many young people, especially from regional areas whose only option is the 'independent' rate of Youth Allowance, the true age that they actually become independent is 18. Many young people leave home immediately following secondary school, and are thereafter responsible for their own accommodation and expenses. In order to qualify for Youth Allowance at the independent rate, young people who are eager to start studying are then forced to defer tertiary study in order to meet the criteria for the independent rate.

Many young people want to commence higher education immediately after completing secondary school. As the financial need is immediate upon enrolling in a tertiary course of study, AYAC recommends that all regional young people be immediately eligible for the full rate of Independent Youth Allowance if they must move away from home for tertiary education. For this large group, the Workforce Participation Criterion - which requires them to work for an 18-month period before being eligible for Youth Allowance - is unfair and impractical. Many young people struggle to secure well-paid, consistent work to meet the criterion, given their obvious lack of training and experience. And if young people are forced to defer study for 18 months, there is also an increased likelihood they may not return to tertiary education, having broken the continuum of study and adapted to a new lifestyle and income. Further, the 18-month period for the Workforce Participation test results in many young people to work until May of their first year of study until they are eligible for Youth Allowance, sacrificing their studies for that initial four-to-five months so that they can financially support themselves.

Recommendation 4

- That the Government lower the age of 'independence' to 18 years, aligning it with the legal and practical age of adulthood.

Recommendation 5

- The Government review and amend the 'independent' criteria for an 18-month period of work and income by ensuring all regional young people be immediately eligible for the full rate of independent Youth Allowance if they must move away from home for tertiary education.

Recommendation 6

- That young people be eligible for Youth Allowance as soon as they earn the required amount in any period.

Recommendation 7

- That the 18-month period for Workforce Participation be reduced to 12 months as students need Youth Allowance from the beginning of the academic year in January, not in May when the current 18-month period ends.

Consistency in indexation rates for students

Youth Allowance is indexed to the Consumer Price Index (CPI), which does not adequately address cost of living changes, and is less comprehensive than the indexation arrangements for pensions which is based on the Pension and Beneficiary Living Cost Index (PBLCI).¹⁴ Youth Allowance is indexed only once annually in line with the annual CPI increase and an “indexation lag” of up to 18 months can occur.¹⁵ Only pensions are indexed to movements in wages, and over the long term wages rise by around two percentage points a year above the CPI. This is largely why the gap between pension and allowance rates keeps growing.

Recommendation 8

- That student income support payments be indexed by legislation to wage price increases and community living standards to ensure equity with other social security payments and pensions.

Unfair Rent Assistance rules

The cost of living, including rent, is rising dramatically around most, if not all, universities in Australia, which tend to be located in major urban areas. Over the last three years rents have risen by an average of 10 per cent while the maximum rates of Rent Assistance have increased by only 2.7 per cent. Even if students receive Rent Assistance, 43 per cent of recipients experience housing stress, paying more than 30 per cent of their income in rent.¹⁶

In addition to the clear inadequacy of Youth Allowance rates in comparison to other payment types, Rent Assistance that may be paid to those on student allowances is subject to more restrictive qualification criteria and often lower rates than the Rent Assistance received by people on other payment types.

The rule that people in share housing receive less Rent Assistance than people in other housing situations also has an inequitable and disproportionate impact on young people because they tend to use share housing options more than other groups. And the rule that a person being paid the dependent ‘at home’ rate

¹⁴ National Welfare Rights Network, 28 January 2011, *op.cit.*, p 8.

¹⁵ *ibid.*

¹⁶ National Welfare Rights Network, 28 January 2011, *op.cit.*, p 10.

cannot receive Rent Assistance, regardless of whether or not they are paying rent, is similarly unfair.

Recommendation 9

- That the maximum rate of Rent Assistance be increased by 30 per cent to better reflect the real costs of renting.

Recommendation 10

- That Rent Assistance be paid to those on Youth Allowance at the same rate as those on Newstart Allowance.

Recommendation 11

- That the sharers rules for Rent Assistance be abolished.

Income test consistency

AYAC welcomes the proposed increase to the Personal Income Test threshold from \$236 to \$400 per fortnight so that students receiving support will be able earn up to \$400 per fortnight without having their payments reduced. However, AYAC calls on the Government to bring parity and consistency to the income test for student allowances, bringing them in line with the test for pensions, as the income test free area varies substantially between allowance payments and pensions.¹⁷

Further, due to the pressures of limited time and financial difficulties during semester, many students work during their university holidays to save for the upcoming academic year. However, significant holiday earnings and subsequent savings can affect Youth Allowance payments and many students lose their Low Income Healthcare Card after holiday work.¹⁸ This highlights how the current system creates a situation in which students who are unable to survive on Youth Allowance are then actively discouraged from boosting their income through casual employment.

As the cost of essentials like food, rent, energy, health, education, clothing and transport continue to rise, a disproportionate impact of the rise of these essential goods and services is felt by those on the lowest incomes - many of whom are young people living on Youth Allowance or ABSTUDY. In the current student income support system, young people still face enormous barriers accessing higher education and AYAC hopes that this Review will result in a fairer, better-resourced student income support system that better helps young people responsibly prepare for their future.

Recommendation 12

- That the Government ensures consistency by bringing the income test for student allowances in line with the test for pensions.

¹⁷ Australian Council of Social Service, 2010, Paper 163, 'Out of the Maze: A Better Social Security System for People of Working Age', April 2010, p 23.

¹⁸ N Godden, *op.cit.*, p 12.