

Position Statement: Income Support and Young People

Call to action

The Australian Association of Social Workers (AASW) calls on the Federal Government to:

- Increase the rates for Youth Allowance and Newstart Allowance to above the poverty line and index them to rises in average wages rather than to the Consumer Price Index.
- Abandon the proposal to implement a 6 month waiting period to receive Youth Allowance and Newstart Allowance for new claimants from 1 January 2014.
- Abandon the proposal to cut recipients off Youth Allowance or Newstart Allowance after 6 months if they have not been able to find employment.
- Include the AASW in consultations to ensure a fairer and more equitable allowance system that both encourages employment and study but also ensures vulnerable communities are not subject to ongoing poverty.

Overview of Income Support for Young People

The major income support payments for young people are Youth Allowance and Newstart Allowance. In April 2014 there were 348,364 young people who were receiving Youth Allowance¹ and approximately 85,000 on Newstart Allowance.² Of these young people 235,588 were either full time students or apprentices.

Unemployment

Currently the unemployment rate for young people is regarded as being about 12.5% while the unemployment rate for the general population is about 6%. This high unemployment rate contributes to the high numbers reliant on income support. (Youth unemployment will be the subject of another Position Statement.)

Eligibility

To be eligible for Newstart Allowance you need to be 22 years or older. Youth Allowance is paid to those under 22 who are unemployed and/or studying and those over 22 who are engaged in full time study equivalent. The 2014 Budget indicates that from 1 January 2015, the eligibility for Newstart Allowance will rise to 25 years.

Incomes Support Rates

The current rate for a single person on Newstart Allowance is \$510.50 per fortnight or \$36.46 per day and for a young single person who is required to live away from the parental home Youth Allowance is \$414.40 per fortnight or \$29.60 per day. That is a rate difference of \$96.10 per fortnight or \$6.86 per day.

¹ Department of Social Services, *Labour Market and Related Payments: A monthly profile April 2014* <http://www.dss.gov.au/about-the-department/labour-market-and-related-payments-monthly-profile-publications> downloaded 21/5/2014

² Based on an extrapolation of data contained in Dept of Families, Housing, Community Services and Indigenous Affairs, Statistical Paper No 10 Income support customers: a statistical overview 2011 http://www.dss.gov.au/sites/default/files/documents/07_2012/stps10.pdf downloaded 21/5/2014

The rate of New Start Allowance as a percentage of the aged pension has been dropping since 1997 due to the different ways each were indexed. In 1997, Newstart Allowance recipients received 92% of what was paid to pensioners.³ In March 2014 they received 66% of the pension.

The justification for the Newstart Allowance being so low was that it was a temporary payment that encouraged people to actively seek work. However, as of April 2014, 66% of Newstart recipients had been on the allowance for over a year. With regard to Youth Allowance, many students are on the allowance for years, and among those looking for work 57% have been on the allowance for over a year.

2014 Federal Budget - Implications

The 2014 Budget proposes to tighten payment conditions for Youth Allowance for those new claimants seeking full time work and not in an education or training course or being assisted by an employment program. They may have to wait up to six months after they claim the allowance before they are able to receive any payments, depending upon the extent of their previous work history. Then if they have not found employment within six months they will have a non-payment period of 6 months. This pattern will recur till the person turns thirty. Exceptions include young people with dependent children and those assessed as eligible for the higher levels of employment assistance under Streams 3 and 4.

The Purpose of Allowances for Young People

Government has sought to pursue contradictory aims with regard to Youth Allowance. Allowances are designed to both provide short-term income support to prevent people falling into chronic poverty, and also act as an encouragement for young people to find employment. Full time students and those unable to quickly find employment find themselves condemned to chronic poverty because the allowance rates have now fallen so low in comparison to the longer-term pension payment rates.

There is also an assumption that young people can survive on less money than older people and this is factored into the differential rates for Youth Allowance. There appears to be currently little strong evidence to support this assumption.

The AASW strongly believes that preventing a person falling into poverty is the primary purpose of income support payments and that acting as an incentive to find employment must always be a secondary purpose.

Role of Social Work

Social workers work with young people in a variety of ways and in different settings. Social workers are highly skilled in addressing the emotional, psychological and practical issues for young people as they interact with their social environments. As such, their skills are highly valued. The Australian Youth Affairs Coalition's Youth Welfare Survey of Young People (96% of whom were receiving Youth or Newstart Allowance) revealed that over 10% of respondents considered that they needed social work services.⁴

However, when government policy settings result in young people living in poverty, social workers need to go beyond their work with individuals and groups and engage in advocacy for systemic change.

³ Michael Klapdor, Parliamentary Library, *Adequacy of Income Support Payments* http://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/BriefingBook44p/IncomeSupportPayments downloaded 21/5/2014

⁴ Australian Youth Affairs Coalition, April 2014, *Youth Welfare Survey Summary Report*, p.9. http://www.ayac.org.au/uploads/AYAC%20WelfareSurveySummaryReport_140417.pdf

Implications for Social Work Clients

- The great majority of those who rely entirely on Newstart Allowance for their income have incomes below the poverty line.⁵ Accordingly, all those totally dependent on the lower paid Youth Allowance have incomes below the poverty line. Poverty is in itself a major stressor and impacts upon a person's ability to look for and find work. However, poverty also exacerbates other stressors in young people's lives.
- The rates of the allowances are now so low they act as an impediment to people finding employment due to the difficulty in covering costs of adequate housing, clothing and transport.
- Despite the more generous personal income tests for Youth Allowance recipients, full time students still need to spend long hours in part time work to avoid poverty. Working such long hours is incompatible with being able to commit to the hours of study a full time course entails. This combined with the proposed changes to the higher education system will see young people living in poverty whilst studying and entering the workforce with significant levels of debt to repay over many years.
- Young people who are leaving care from the child protection system are particularly at risk due to the failure of the States and Territories to take realistic financial responsibility for these young people beyond the age of 18.
- Young people who cannot rely on family support have difficulties now, but these difficulties will greatly increase if the proposed changes to waiting times are implemented.
- For young people supported by low income families, the low rates of the allowance and particularly the proposed changes from 1 Jan 2015 will increase the burden on the family.
- If young people are made desperate because they have no financial support, they are vulnerable to life limiting social pressures that encourage abuse of alcohol and drugs or criminal behaviour.

Conclusion

Social Justice is one of the ethical foundations of Social Work. The current low rates of Youth Allowance and Newstart Allowance are unjust, offend against the Australian sense of fairness and condemn many of our young people to years of poverty, despair and alienation.

Young people in Australia are particularly vulnerable to many years of entrenched poverty and we believe this is no way to treat the future leaders of this country.

⁵ Melbourne Institute of Applied Economic and Social Research, 2013, *Poverty Lines Australia: December Quarter 2013*
<http://melbourneinstitute.com/downloads/publications/Poverty%20Lines/Poverty-lines-Australia-Dec-2013.pdf> downloaded 21/5/2014