

Briefing: Income Support and Allowances

Overview of allowances in the context of income support

The income support system comprises two main payment types, pensions and allowances. Pensions are paid at a higher rate than allowances. Allowances are primarily paid to those who are expected to be looking for paid work or undertaking training or education to improve their employment prospects. The main stated reason allowances are paid at a lower rate than pensions is that it is perceived as providing an incentive to look for and take up any available employment so payments should be low enough to ensure taking up paid work will leave the recipient better off. The main types of allowance are Newstart Allowance, Youth Allowance (other) for job seekers, and Youth Allowance, Austudy and Abstudy for students.

The problem

There is concern within the community that the rates of allowances are too low and no longer fulfilling their main function of providing for a minimum acceptable standard of living. The rate of Newstart Allowance as a percentage of the Aged Pension has been dropping since 1997 due to the different ways each are indexed. In 1997, Newstart Allowance recipients received 92% of what was paid to pensioners.¹ In February 2016 they received 66% of the pension while a single person living independently on Youth Allowance or Austudy received 55% of the pension.

Allowances were originally conceived as temporary payments. However, many on Newstart Allowance are unemployed for over a year, while for students, courses often take from 3 to 4 years to complete. Organisations such as ACOSS,² the Brotherhood of St Lawrence,³ and Mission Australia⁴ have gathered evidence to show that these rates of allowances are unacceptably low.

Last year, the AASW in conjunction with James Cook University conducted a national study of social work students. As part of the study, data was collected on 726 students who were receiving Youth Allowance, New Start Allowance, Abstudy or Austudy. The results highlight just what it means to have to rely on Allowances for a long period of time.

Thirty-eight per cent of the social work students reported that they had to regularly go without food or other necessities because they could not be afforded. When asked specifically about the impact of a lack of financial support, students reported insufficient money for food (46%), clothing (51%), accommodation (35%), transport (46%) or medication (35%).

Around half of the students commented on the struggle to survive financially:

There are definitely weeks where I have to choose between food, transport and medication. Clothes are usually out of the question.

Income is limited. Sometimes this means I have to weigh up what is more important at the time. I have paid rent late, had to survive off 2 Minute Noodles and had to wait to purchase medication all due to lack of income.

¹ Michael Klapdor, Parliamentary Library, *Adequacy of Income Support Payments*. Available at <http://goo.gl/w1B2WQ>

² ACOSS, <http://goo.gl/SDvL2>

³ The Brotherhood of St Laurence, <http://goo.gl/o4LoJN>

⁴ Mission Australia, <https://goo.gl/Bxvo2g>

It is always a struggle to make ends meet. I am on such a tight budget that I can't always afford to buy enough food or food that meets healthy dietary requirements. I can't afford new clothes. I have to live in a rundown house with two other housemates because we can't afford to live anywhere else.

Not only are the low levels of financial support affecting the lives of students on allowances they are also interfering with their ability to make best use of their study opportunities. Among the 726 students on allowances it was found that 29% felt that there was an increased likelihood of dropping out of the course because of a lack of financial support. Because the amount students on Youth Allowance can receive from paid work is greater than Newstart Allowance it is often argued that students don't need to be in poverty because they can simply work more. However, among those students on allowances, 49% of students reported being overtired from long working hours of paid employment, 45% reported needing to skip classes to attend a paid job and 23% reported needing to defer a course or reduce study load in order to work. There is also another cohort of students who cannot get paid work because of where they live or because they are engaged in one of the required full-time field placements in the social work course. The issue of compulsory field work placements is not unique to social work, both nursing and teaching require substantial field work practice.

Low rates of allowances becoming a disincentive

Government has sought to pursue incongruous aims with regard to Allowances. Allowances are designed to both provide short-term income support to prevent people falling into chronic poverty, and also act as an encouragement for people to find employment. Full-time students and those unable to quickly gain 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 Allowances. Currently there appears to be little strong evidence to support this assumption. Also there is an increasingly large number of older students engaging in tertiary studies. Among the social work students on various types of allowances, half were over 25 and 10% were over 45.

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. Furthermore, as the Business Council of Australia⁵ pointed out a few years ago, the rates of allowances have now fallen so low that they have become a barrier to employment. Evidence from the national study of social work students shows a similar effect with regard to the low rate of allowances interfering with students' ability to engage properly with their studies.

Conclusion

The current low rates of Newstart Allowance, Youth Allowance, Austudy and Abstudy are simply too low. They are not fulfilling either of their functions of preventing people falling into chronic poverty or acting as an effective incentive to assist people achieve paid employment. The national study of social work students has provided further evidence that the low rates of Allowances are causing real distress and interfering with students' abilities to break out of the cycle of disadvantage by furthering their education and achieving, in this instance, a professional degree. The AASW urges all politicians to accept that to achieve good policy outcomes the rates of Allowances must be raised substantially to above the poverty line.

⁵ Business Council of Australia. (2012). *Submission to the Senate Inquiry into the Adequacy of the Allowance Payment System for Jobseekers and Others*. Available at <http://goo.gl/ZuXcWI>