



Unions NSW submission into the
adequacy of the allowance payment
system for jobseekers and others, the
appropriateness of the allowance
payment system as a support into work
and the impact of the changing nature of
the labour market

Senate Education, Employment and Workplace Relations
Committees

7 August 2012

Submission by:
Unions NSW
Trades Hall Building
Level 3, 4 Goulburn Street
Sydney
T: 02 9881 5999
F: 02 9261 3505

1. Introduction

Unions NSW welcomes the opportunity to make a submission to the *Inquiry into the adequacy of the allowance payment system for jobseekers and others, the appropriateness of the allowance payment system as a support into work and the impact of the changing nature of the labour market*.

Unions NSW is the peak body for unions in NSW. It has 64 affiliated unions, 10 affiliated regional trades and labour councils and represents approximately 600 000 union members. It is governed by an elected executive who are assisted in the day-to-day operations of the organisation by a small team of officers and support staff.

Our affiliated unions cover the spectrum of the workforce, stretching from workers in finance to footwear and construction to communications. Our affiliated unions cover a large number of workers who are also students and apprentices. We are the largest member based organisation for workers in NSW.

2. General comments

This submission will focus on the adequacy and appropriateness of Youth Allowance payments.

Unions NSW acknowledges that Youth Allowances seeks to assist and encourage participation in approved tertiary education of students from low socio-economic backgrounds and regional areas. Unions NSW also acknowledges that Youth Allowance breaks down many of the barriers preventing people from commencing and remaining in post school education.

The Unions NSW submission recommends improvements to the current Allowance that seek to further encourage participation in higher education whilst allowing those receiving allowance payments to live in dignity.

Of particular concern to Unions NSW are the low payment levels of Youth Allowance as well as the low threshold for the personal income test. Currently, the combination of these two elements of Youth Allowance leave many students living below the poverty line with little opportunity to

improve their weekly earnings. Unions NSW advocates for increases to Youth Allowance payments to ensure that all students have the ability to live in dignity.

Attached to our submission is a letter from a young woman, which will be used in this submission as a case study, demonstrating the need for increases to Youth Allowance payments.

3. Payment levels

Youth Allowance is currently paid at \$402.70 a fortnight (Single independent, living away from home). Whilst Unions NSW acknowledge that these payments are adjusted with the Consumer Price Index, Youth Allowance payments continue to sit significantly lower than the minimum wage and the poverty line.

The weekly payment is \$405.05 a week below the minimum wage (\$606.40 a week) and \$269.28 a week below the Henderson poverty line (\$470.63 a week¹). Youth Allowance recipients receive \$28.75 a day to live on. This low payment level leaves many recipients unable to meet basic living costs. The living costs of young people studying vary depending on where they live, what they study and how they budget. Despite the different approaches to budgeting, the level of payment is still below the poverty line. As demonstrated in the attached case study; clothes, makeup and equipment for studying are often optional extras for students relying on Youth Allowance. The low level of Youth Allowance also causes financial stress amongst students, reducing the time and attention they are able to commit to their study.

The age pension is currently paid at \$347.30 per week. Whilst this payment also sits below the poverty line, it is still \$146 a week more than the Youth Allowance payment. Increases to the age pension are indexed to Male Total Average Weekly Earnings (MTAWE), Consumer Price Index (CPI) or the Pensioner and Beneficiary Cost of Living Index – whichever is greater. Alternatively, Youth Allowance is indexed once a year in line with the CPI. This has seen a growing gap between Youth Allowance payments and pension payments, as the pension has been based on the MTAWE in recent years, which is significantly higher than CPI.

¹ Melbourne Institute of Applied Economic and Social Research. (March 2012), *Poverty Lines: Australia*, viewed at <http://melbourneinstitute.com/downloads/publications/Poverty%20Lines/Poverty-lines-Australia-March-2012.pdf> on 02.07.2012

To rectify the low level of Youth Allowance payments, as well as the growing gap compared to current pension payments, Unions NSW submits that Youth Allowance payments need to be increased, and the indexation model altered.

Recommendation one:

That Youth Allowance payments are increased by \$50 a week.

Recommendation two:

That Youth Allowance payments are indexed in line with pension payments. Indexation should be based on MRAW, CPI or Pensioner and Beneficiary Cost of Living Index, whichever is the greatest.

5. Workforce participation criterion

Unions NSW appreciates the purpose of the recent changes to the Workforce Participation Criterion, as a method of directing assistance to the most appropriate applicants. However, the current test, requiring 18 months of full time work will act as an impediment to study and increased workloads for students.

The 18 month time period of required full time work does not coincide with the university or TAFE academic year. As mid-year enrolments are often difficult to arrange for first year apprentices, university and TAFE students, this will result in school leavers applying for independence to delay the commencement of their study by two years. With the increased need for skilled workers into the future, Unions NSW believes it is important to limit the delays and barriers placed on willing young people from starting higher education earlier. This is especially the case for those from regional or low socioeconomic backgrounds who continue to have lower participation rates.

The lack of coordination with the academic year may also lead young school leavers attempting to qualify as independent by completing the tail end of their 18 months of work at the beginning of the academic year. This may lead to young people working full time and studying up until at least May of the academic year. Such situations will cause significant stress on individuals attempting to balance

work, study and adapting to a new study and social environment. Youth Allowance should encourage young people to engage with their studies and alleviate financial difficulties and work pressures. The current work test does not support these outcomes.

Whilst the requirement of 18 months of full time work is overly onerous, Unions NSW commends the two year period that this is given to be completed in. This measure acknowledges the growing nature of short term contract and insecure work that many Australians find themselves in, and the potential difficulty of gaining unbroken full time work hours over an 18 month period.

Recommendation three:

That the independence test of 18 months of full time work in a period of 2 years, be reduced to 12 months in period of 18 months.

6. Liquid assets test

Unions NSW acknowledges the current inquiry in relation to the *Social Security Legislation Amendment (Fair Incentives to Work) Bill 2012*. Unions NSW supports the doubling of the liquid assets reserve thresholds.

The current liquid assets test delays the commencement of Youth Allowance payments for up to 13 weeks to new recipients if they have \$3000 (single) or \$6000 (couple or single with dependents) in liquid assets. The current liquid assets test discourages young people to prepare for the additional costs of study by saving money they have earned prior to study, particularly in cases where they have completed the *workforce participation criterion* for independence.

The delay that the current liquid assets test also places additional financial pressure on new recipients at a time when they are also potentially incurring the additional costs of moving closer to their place of study and purchasing items to assist with their study.

Recommendation four:

That the liquid assets reserve test be increased to \$6000 (single) and \$12000 (couple or single with dependents).

7. Work and study

Unions NSW welcomes the recent increase in the Personal Income Test Threshold to \$400 per fortnight. However, Unions NSW acknowledges that this will still leave many working students living on weekly payments below the minimum wage and poverty line. An independent single person living away from home will have their allowance reduced once they earn over \$200 a week in income, and receive \$401.35 in total (including allowance). The Poverty line is \$470.63 a week (as at March 2012, for a single person), which is \$68 below the \$401.35 a week that youth allowance recipients are penalised for receiving over.

If a student is working in order to earn an amount of money that puts them above the poverty line, they should not be penalised. The current Personal Income Test Threshold places significant work pressure on students and unfairly punishes them for attempting to live in dignity. Further, the current Income Test will potentially encourage allowance recipients to seek illegal 'cash in hand' jobs. This not only removes them from the tax system, but in many ways will lead to the exploitation of people through the unregulated nature of 'cash in hand' work.

Further increases to the Personal Income Test Threshold need to be made in order for Youth Allowance recipients to live in dignity and to balance work and study. Unions NSW acknowledges and welcomes recent increases in the number of hours allowance recipient are able to accrue in their 'income bank'. These increases acknowledge the fluctuating nature of students' work, however they do not allow for students to meet everyday living costs during study periods.

Recommendation five:

That the income threshold be increased by \$25 a week, allowing Youth Allowance recipients to earn \$450 a fortnight before their payments are reduced. Payments should be reduced by 50 cents in the dollar when an individual's income is over \$450 and below \$530 a fortnight. Income over \$530 a fortnight should be reduced at 60 cents in the dollar. This should be introduced in conjunction with a \$50 a week increase in Youth Allowance payments.

Case Study

To whom it may concern,

My name is . I am twenty years old, and in my second year of Arts/Law at The University of Notre Dame. I have been receiving *Youth Allowance* since I was fifteen (a total of five years).

I have a history of homelessness, and drug and alcohol dependency. Studying is very important to me - for me, it is the key to a better life. Though *Youth Allowance* has assisted me in reaching some of my goals (for which I am grateful), I wish to raise some concerns I have about the benefit.

My experience is that most of the money goes towards the costs of living rather than the person's education, and ultimately, their success. 'Costs of living' include things like rent, utilities, food, and public transport. Things like phone and internet credit come second, and things like make-up, clothes, and shoes come last. What happens, however, is that young people lose sight of what's important – they can't prioritize, and as a result they don't excel. When I was fifteen or sixteen for example, I would sometimes go without food so that I had enough money for make-up. Make-up is hardly a necessity, but for a young girl growing up it can be very important. I couldn't afford to buy make-up, or new clothes, or new shoes - because of this I was often ridiculed by other girls. Perhaps desperate to fit in, I began shop lifting most of these things.

I believe shop lifting is common among young girls receiving the Youth Allowance benefit. I believe this is so, because they find it difficult to be a young person as well as study, on the benefit.

When I was eighteen I began to look at ways in which I could manage my money more effectively – still, this was not without sacrifice. There were times where I would blow my

entire allowance on a night out with friends – not then having money for rent, food, or transport to and from school to complete my HSC. This may seem incredibly irresponsible, but it happens all too often - and again, I think this is because it is difficult to be a young person and study on *Youth Allowance*.

Today – aged twenty, I’m much better at spending my money. I believe this comes with maturity, and more sacrifice. My fortnightly spendings include (but are not limited to):

- \$100.00 on rent
- \$30.00 on utilities
- \$100.00 on food
- \$30.00 on public transport
- \$30.00 on mobile credit
- \$30.00 on internet credit

After these fixed expenses, I’m left with about \$50.00 – most of which goes towards pens, paper, printing, and the up-keep of my folders. For larger expenses, such as computer software and repairs, I have to rely on what little money I have saved (I have a separate account open for this purpose). If it happens that I don’t have enough money saved for whatever it is I need, I just have to go without.

I’m usually able to get by, but I wouldn’t say I live comfortably. I’m still not able to buy new things for myself often, or go out with friends. I accept some of the sacrifices I need to make in order to ensure my future, but I work really hard – I deserve to treat myself then and again.

If I could make a recommendation, it would be a \$50 a week increase in payments – I believe this would go a long way in relieving some of the financial pressures of being a student on *Youth Allowance*, as well as making it possible to enjoy some sort of leisure

(which is important). I believe this increase would result in an overall more pleasant experience for those currently receiving the Youth Allowance benefit.

Yours Sincerely