

## CHANGES TO YOUTH ALLOWANCE

06/08/09 – Tim Udorovic

***In its most recent Budget, the Rudd Government has decided to make finding the money to attend University even harder for young Australians.***

The media has been ablaze since the release of the May Budget with criticism of the Government's changes to the Youth Allowance. Briefly, to qualify for the higher 'independent' Youth Allowance rate, a young person originally had to work at least 15 hours per week for 12 months or earn over \$19,500 in that time. Under the new system, the 15 hours per week becomes 30, and the 12 months becomes 18. Simply put, this means that prospective students undertaking a 'gap year' in order to work (and hopefully qualify for the Youth Allowance when they begin their study) will no longer be eligible to receive the payments. This has rightly triggered an uproar from parents, prospective students and rural communities. From January 1 2010, a student completing Year 12 in a rural area will no longer be able to take a gap year, work, and then commence University studies in the city with the financial security of the Youth Allowance. It is an indefensible policy to try to save money by penalising those who most need it. All this from a Government that purportedly wants to increase University attendance - it is astonishing to say the least.

The Budget papers say that, "The measure will provide savings of \$1,819.9 million over four years, which will be redirected to help fund other improvements to student income support." The 'other improvements' talked about here include steps to relax the parental income test, progressively reduce the Youth Allowance age of independence for students from 25 years to 22 years, and increase the level of personal income at which Youth Allowance begins to be reduced from \$236 to \$400 per fortnight. There will also be an extension of the relocation scholarship for rural students moving to the city to study of about \$4,000 in the first year. Added to this will be a \$2,254 start-up scholarship for all students on Youth Allowance. These measures are very welcome, and the Government should be applauded for recognising at least some of the shortfalls that have existed for some time now. However, a serious issue arises when the source of funding for these improvements is considered. Punishing students who rely on the Youth Allowance for their everyday expenses whilst studying at University for the benefit of other students who may not be so desperate is simply not good policy.

The cost-cutting measures herein may be seen by some as another element of the Rudd Government's war on middle-class welfare, but these measures don't help. Indeed it is widely accepted that the parents of many rural young people are income poor, yet asset rich. Christopher Pyne, the Shadow Minister for Education, Apprenticeships and Training has said that, "Their parents are above the threshold for income support, but are nowhere near wealthy enough to be able to pay for their children's rent, food and educational expenses." The improvements in the Youth Allowance as outlined earlier will admittedly help ease the pressure on rural young people who still benefit from it, but ironically, those same changes may mean that some become completely ineligible in the first place. He also says that, "This Government talks big about increasing University attendance, but has disenfranchised more than thirty thousand students – particularly from rural and regional areas – from having the financial means to do so." The media in general certainly seem to agree with Pyne's view.

The way they stand, these changes seem untenable. There are strong arguments supporting a complete reversal of the reforms, many of them centering on rural-living prospective students and those taking a gap

year. In terms of a practical and workable alternative, the Government should separate the criteria for those prospective students taking a gap year, and currently enrolled students. In terms of gap year students, working for at least 30 hours per week seems reasonable, but the words “in at least an 18 month period,” should be amended to “in at least a 12 month period. “This will allow gap year students to qualify for Youth Allowance having completed their single gap year of work. Concerning currently enrolled students, requiring 30 hours of work per week on top of a full-time study regime is wholly unfair and impractical. The Government should review its decision to “remove the criterion that the recipient earned, in an 18-month period since leaving school, an amount equivalent to 75 per cent of the maximum rate of pay under Wage Level A of the Australian Pay and Classification Scale generally applicable to trainees (in 2009 this requires earnings of \$19,532).” A total dollar amount of income earned over some period of time (probably up to 18 months) in order to qualify for Youth Allowance should only be an option for students currently enrolled in full-time study at the time of the application. This would then mean that prospective students would be able to work full time for 30 hours per week in a gap year prior to study whilst simultaneously allowing current students to take on more flexible work hours (not necessarily 30 hours per week) whilst studying in order to earn the required amount of income to qualify for Youth Allowance.

The Government is not simply profiteering off the more stringent criteria though. Quite the contrary - it has addressed many critical problems. The only issue now standing in the way of real progress with the Youth Allowance and youth income support, as it stands, is the evident disincentive to go and study at University. The proposed changes outlined here would go a long way to relieving this major problem.

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