

Department for Work and Pensions

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Financial support for 16 to 19 year olds

A review of the literature and evidence on the Australian Youth Allowance

Dan Finn and Natalie Branosky

A report of research carried out by the Centre for Economic and Social Inclusion on behalf of the Department for Work and Pensions

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Abbreviations

| | |
|---------|--|
| ABS | Australian Bureau of Statistics |
| ACOSS | Australian Council of Social Service |
| DETYA | Department of Education, Training and Youth Affairs (Australia) |
| DEWR | Department of Employment and Workplace Relations (Australia) |
| DfES | Department for Education and Science (Great Britain) |
| DWP | Department for Work and Pensions (Great Britain) |
| EMA | Education Maintenance Allowance |
| FaCS | Department of Family and Community Services |
| FSS | Full Service Schools Programme |
| FTB | Family Tax Benefit |
| HECS | Higher Education Contribution Scheme |
| IA | Intensive Assistance |
| JPET | Job Placement Education and Training |
| JSCI | Jobseeker Classification Instrument |
| MCEETYA | Ministerial Council on Education, Employment, Training and Youth Affairs |
| MO | Mutual Obligation |
| NEET | Not in Education, Employment or Training |
| NSA | Newstart Allowance |
| NWRN | National Welfare Rights Network |
| OECD | Organisation for Economic Co-operation and Development |

| | |
|-------|-----------------------------------|
| PFWA | Preparing For Work Agreement |
| PMT | Parental Means Test |
| PSP | Personal Support Programme |
| RA | Rent Assistance |
| TAFE | Technical and Further Education |
| UTLAH | Unable to Live at Home |
| VET | Vocational Education and Training |
| WFTD | Work for the Dole |
| YA | Youth Allowance |

Summary

Background

The Prime Minister has indicated that one of the aims of the British Government is to create an attractive combination of personalised academic and vocational pathways to reduce the appeal of short-term employment and *'effectively raise the school leaving age from 16 to 18'* (PM, 2004). In the 2004 Budget, a key policy development to this end was announced. It outlined significant changes to Income Support arrangements for young people aged between 16 and 19 including a *'long-term vision'* to introduce *'a radically simplified financial support system for 16-19 year olds'* (HMT *et al.*, 2004, p. 5).

In preparation for this change, the Social Research Division of the Department for Work and Pensions commissioned the Centre for Economic and Social Inclusion to carry out a literature review of international research into 'large-scale' and 'unitary' youth allowance schemes.

The research

The research involved an extensive literature search of academic, policy and professional databases, supplemented by discussions with international experts. The second phase of the research consisted of a detailed investigation into the characteristics and impacts of the Australian Youth Allowance (YA) due to its unique unitary characteristics.

The findings revealed that most OECD countries have complex, and often fragmented, systems of income support for 16 to 19 year olds. Such arrangements reflect the complexity of the transitions that young people experience as they move from dependency to independence. The systems typically consist of diverse benefit payments, grants and allowances that provide financial support for full-time students, parents, and young people undergoing apprenticeship training, participating in employment programmes or actively looking for work.

There were extensive national and international studies of school-to-work transitions but many of these revealed little attention to, or detail on, the impacts of income support systems.

The exception was the Australian YA that was both 'unitary' and 'large-scale' and aimed to increase the participation of young people in education, training and employment. It appeared also to be successful with the Australian minister responsible claiming that between 1994 and 1999, the number of young Australians receiving income support and involved in some form of study or training had increased from 59 to 84 per cent.

The background to the Australian Youth Allowance

The transitions of young Australians from school and family to employment and adult independence have changed dramatically. The principal drivers have been increased participation in full-time education and the collapse of the full-time youth labour market. There has been consensus amongst Australian policy makers that young people need higher levels of education and skills if they are to be competitive in the labour market and make successful transitions to adult independence.

In the 1980s, there was a significant voluntary increase in the levels of participation in Australian secondary education, peaking at 77 per cent of post-school leaving age young people in 1992. By the mid-1990s, however, the school retention rate for Year 12 students had begun to decline and now stands at 72 per cent. The examinations completed at the end of Year 12 represent the stage prior to university entrance.

In the early 1990s, there were four separate benefits available to young Australians depending on which main activity they undertook. There was increasing evidence that the system was complex, 'inconsistent, inefficient and unfair'.

Following an extensive consultation process, the Commonwealth Government introduced the YA with effect from 1 July 1998. It is delivered by Centrelink, the 'one stop' agency responsible for the assessment and payment of benefits

Youth Allowance objectives and eligibility rules

The formal objectives of the YA are to:

- ensure eligible young people receive adequate levels of income while studying, looking for, or preparing for, paid employment;
- encourage young people to choose further education or training rather than job search should they lack sufficient skills to obtain long-term employment;
- encourage young people to undertake a range of activities that will promote entry into employment; and
- gain and maintain broad community support for the programme.

Another key objective of the YA was to simplify the benefit system for young people and through this reform, improve service delivery and secure greater administrative efficiency.

Although YA simplified the income support system, it continues to be a 'conditional' and means tested benefit. To be eligible, young people must satisfy an 'activity test'. This requirement is satisfied if the young person is in full-time education. Under 18 year olds are generally expected to participate in full-time education. Young people who are not in full-time education must agree a Preparing for Work Agreement with a Centrelink officer. The activity test for this group allows for a broad range of activities, and combinations of activities, in addition to job search. This can include part-time education and training.

There are complex rules to determine the 'dependent' or 'independent' status of the young person, with the families of 'dependent' YA recipients being subject to a Parental Means Test (PMT). There are also means tests that apply to the other income or part-time earnings of the young person with rules that reflect and encourage the part-time work patterns of full-time students. Generally YA for under 18 year olds is paid to the parent not the young person. The young person is responsible for declaring any relevant change in income or circumstances to Centrelink.

One immediate impact of the YA was a significant reduction in new claims activity, with consequential administrative savings, because young people only had to deal with one agency and no longer had to change benefit when they changed their main activity.

The impact of the Youth Allowance on participation and retention in education

Between 1997 and 2001, there were significant changes in the position of 16 to 24 year-old Australians. In particular there was an increase in the proportion of young people in full-time education, from 37.5 to 39.7 per cent. In 2001 just under 40 per cent of young Australians were full-time students, of whom, 31 per cent were receiving a YA payment.

The major YA impact evaluation undertaken by the Commonwealth Government acknowledged that it was difficult to distil the impact of YA from the effects of broader changes and other policies.

Nevertheless, the final evaluation identified some particular impacts, especially on school retention rates. After three years:

- more students were receiving income support than had been prior to YA implementation; and
- a greater proportion of all income support recipients were full-time students (rather than jobseekers) under YA.

The most significant impact had been on under 18 year olds:

- there had been a 'significant and sustained' increase of under 18 year-old income support recipients in full-time education or training;
- there had been a sustained decrease in the number and proportion of under 18 year-old income support recipients who were unemployed and not in full-time study; and
- more disadvantaged young people had stayed on at school and 'continuation rates' for this group had moved into line with those of the broader community.

Data collected between July 1998 and June 1999, suggested that YA influenced an additional 10,000 young people aged 16 or 17 to undertake full-time schooling or vocational education and training courses. This increase was sustained in the following two years and the final evaluation reported that YA may have influenced around a quarter of early school leavers and those at risk of early school leaving, to remain in, or return to, education.

The data showed, however, that a significant cohort of minimum age school leavers continued to leave school at the first opportunity. One of the most common reasons cited by early leavers was their desire to earn money – far fewer said they could not afford to stay at school. Other common reasons given for early leaving involved dissatisfaction with aspects of study at school.

The payment of the YA to parents of young people under 18 years old was a source of some confusion for young people 'at risk' of leaving early. Some did not know whether or not their parents had received YA. Many saw no connection between their living circumstances and YA. A significant proportion would have preferred to be entrusted directly with the YA.

YA was implemented in the context of State Government strategies and other Commonwealth Government initiatives that aimed to increase school retention rates. Several State Governments have increased the school leaving age from 15 to 16 years, with Queensland about to increase it to 17 years.

The Commonwealth Government introduced school-based New Apprenticeships and through a Full Service Schools Programme (FSS) tested a wide range of curricula and service approaches that would encourage young people 'at risk' of not completing Year 12 to return to, or remain at, school.

The progress reported in the main YA evaluation has been put in perspective by other reports based on evidence from long term surveys. In 2003, the Business Council of Australia (BCA) assessed data from longitudinal surveys and suggested that, despite the reforms undertaken, there had been '*little change in the retention and completion rates of young people undertaking Year 12 or equivalent over the last decade*'. The implication was that much of the increase was in part-time participation or amongst the unemployed. The BCA called on the Commonwealth Government to commit itself to increasing youth participation in education, training and/or employment to at least 90 per cent.

The impact of the Youth Allowance on young people 'Not in Education, Employment or Training' (NEET)

It is estimated that just under 15 per cent of 15 to 19 year-old Australians are not in full-time study or full-time work. Under the YA eligible young people in these circumstances are allowed to combine job search with other activities. However, there was little evidence that this flexibility was applied in practice. This was attributed to a narrow and mechanical approach to activity testing by Centrelink officials, which failed to uncover barriers to employment and failed to encourage activities that would increase the capacity of young people to get work, return to education or develop work-related skills. Jobsearch activity test requirements had also been intensified and independent reports revealed a marked increase in the imposition of benefit sanctions or 'breaches' amongst young people, particularly those from disadvantaged groups.

The Youth Allowance and disadvantaged groups of young Australians

A task force appointed by the Australian Prime Minister highlighted concerns about the impact of the Youth Allowance on vulnerable young people. Independent reviews and case studies reported that young people in difficult circumstances, such as severe problems with substance abuse or mental illness (often combined with homelessness), found it difficult to meet activity test requirements. Young carers and care leavers experienced multiple disadvantages and there were particular problems when the payment of YA was transferred at age 16 from foster parents to the young person. Some marginalised young people opted out of a system they viewed as onerous and unhelpful. The increased imposition of benefit sanctions, in part, explained a marked increase in the number of young people who were in debt to the benefit system. This was particularly acute for young homeless people who also incurred benefit debts after failing to notify Centrelink of changes in their circumstances or in their parents' income, even though they may have been homeless and estranged. One study found that over half of the young homeless people interviewed, were having benefit debts recovered from their current payments. Another study reported that some Centrelink staff lacked an understanding of the daily difficulties faced by young homeless people and failed to use the flexibilities that existed in the YA activity test. Changes were made following the development of a Centrelink 'Youth Servicing Strategy' and the level of inappropriate 'breaching' has diminished.

The impact of the Youth Allowance on families

The YA has impacted on Australian families in several ways. The most controversial was the extension of a PMT to cover all dependent young people up to the age of 21. Following its introduction, it was estimated that of the 80,000 unemployed young people affected, 2,263 had their payments stopped because of the extension of the PMT; 5,649 had their payments reduced and around 6,500 lost their payments because they failed to return their claim forms or supply the required information. A significant minority of young people were effectively excluded from income support because of the PMT. There was evidence that these young people, and those in families who received little YA support, had been more likely to enter employment rather than stay in full-time education.

The policy assumption was that the extension of the PMT would have the greatest impact on the existing caseload and that over time, parents and young people would adjust. By 2002, two cross-sectional surveys of parents had found broad support for the principle of parental means testing. Overall, there was a greater sense of financial responsibility among parents if their children were full-time students.

Reports from welfare rights organisations questioned the responsibility of dependent young people to declare relevant changes in their parents' income. Young homeless people were being required to repay overpayments that resulted from such non-declaration.

Questions were raised concerning the adequacy of the allowance to provide the level of income support needed to encourage young people to stay in full-time education or training. There was also evidence that poverty was particularly acute in families with dependents over 15 years of age. Most criticisms were of the complex rules around family income assessment, with suggestions that the parental income test thresholds, 'cut-outs' and sibling concessions were unrealistically low. There was evidence too of complex interactions between the YA and other family benefits producing high marginal tax rates where any earnings resulted in a disproportionate loss of benefit entitlement. This impact was especially high for lone parents.

Lessons for the UK

The Youth Allowance has greatly simplified the Australian benefit system but the problems they have experienced raise some core issues to be addressed in the development of a simplified youth benefit in the UK.

The first is the design and implementation of an appropriate activity test that simplifies the existing rules for different benefits, especially between Jobseeker's Allowance, Income Support and Sickness Benefit for 18 year olds, and that allows for combinations of appropriate activities. A broader activity test would be of particular benefit to disadvantaged young people, such as the young homeless. There are other pertinent questions concerning the extension of an activity requirement. For example, would 18 year-old lone parents or carers be expected to combine caring with at least part-time education?

The second issue concerns the interactions between a unified youth allowance, family circumstances and composition, and effective marginal tax rates. There is already complexity in the British system and care must be taken with the design of a new benefit so that it does not create perverse incentives for either parents not to work or for young people not to engage in appropriate activities.

A third issue involves clarification of the relative responsibilities of the parent and young person. One important dimension is where responsibility lies for declaring relevant changes in the income or circumstances of either the parent or the young person. Another dimension concerns the future of the independent status of unemployed 18 to 20 year olds who currently are eligible for Jobseeker's Allowance.

A fourth issue relates to lessons that can be derived from the Centrelink experience of working with the most disadvantaged. The problem areas in the relationship between Jobcentre Plus and disadvantaged young people identified in the UK Government's 'Strategy for supporting young people to achieve', echo the problems experienced by Centrelink. There now may be much to learn from subsequent reforms in Australia where Centrelink has worked in partnership with local agencies to improve its procedures and practices.

A final issue concerns the paucity of accessible information on the arrangements for young people in many OECD countries. Further systematic research into European countries at least, and into how their benefit systems support and facilitate participation in education and training, especially for the most disadvantaged, could provide a valuable resource as the UK redesigns its income support system for young people.

1 Introduction

1.1 Background

The Prime Minister has indicated that one of the aims of the British Government is to create an attractive combination of personalised academic and vocational pathways to reduce the appeal of short-term employment and *'effectively raise the school leaving age from 16 to 18'* (PM, 2004). In the 2004 Budget, a key policy development to this end was announced. It outlined significant changes to Income Support arrangements for young people aged between 16 and 19 including a *'long-term vision'* to introduce *'a radically simplified financial support system for 16-19 year olds'* (HMT *et al.*, 2004, p. 5).

In preparation for this major change, the Social Research Division of the Department for Work and Pensions commissioned the Centre for Economic and Social Inclusion to carry out a literature review of international research and evaluation on 'large-scale' and 'unitary' youth allowance schemes. The research brief drew attention to international comparators such as the Irish 'Back to Education Allowance', the 'Ontario Works' scheme and the French 'Contres Jeunes'. It suggested particular attention also be given to the Australian Youth Allowance that had been identified also in the 'Bridging the Gap' Report published by the Social Exclusion Unit (1999).

1.2 Aims and objectives

The Department expected the literature review to answer the following research questions:

- What are the main findings/conclusions of research and evaluation that has investigated large scale/unitary youth allowance schemes?
- On what issues are the research findings in agreement? On what issues are the research findings consistent? Where are the gaps in the current research evidence?
- What was the policy context, rationale and decision-making process for introducing large scale/unitary youth allowance schemes? What was the main reason(s) for introducing the scheme? What issues/problems was the introduction of the scheme supposed to address?

- How have large scale/unitary youth allowance schemes been implemented and administered? What benefit(s) did it replace? What age range does it cover? How are transitions in and out of the schemes handled? What are the advantages and disadvantages of different schemes compared to the process(es) they replaced? What are the advantages and disadvantages of different schemes – in terms of implementation and administration? What modifications have been made? Which schemes work most efficiently and effectively?
- What impact – both positive and negative – has the introduction of a large scale/unitary youth allowance scheme had on:
 - young people, in terms of: (a) participation in post-compulsory education, training and employment; (b) transitions in and out of education, training and employment; (c) attitudes towards financial management/independence; (d) personal characteristics (social class, ethnicity, geographical location of residence, people in care); what are the views of the young people themselves?
 - parents, in terms of: (a) perceptions about financial responsibilities for supporting young people; (b) the level and type of support they provide to their children; and (c) their decisions regarding their financial management?
- To what extent are the findings from the literature review of relevance to the UK context?
- Which elements, of the large scale/unitary youth allowance schemes reviewed, work most successfully? To what extent can these elements be implemented in present-day UK?

1.3 Methodology

The research team carried out an extensive systematic literature search of academic, policy and professional databases. This involved the development of key search phrases and a search of six specialist databases, including the International Bibliography of the Social Sciences (IBSS) and the Campbell Collaboration's Social, Psychological, Educational and Criminological Trials Register (SPECTR), and the use of the meta search engine, Copernic Professional. There were further searches of international and national policy databases. These included the OECD, Europa (European Union), and the European Centre for the Development of Vocational Training (CEDEFOP).

The searches were supplemented by discussions with expert contacts in two international organisations and eight different countries (Australia, New Zealand, the Netherlands, France, Germany, Denmark, the USA and Canada). There were additional searches of relevant national websites suggested by the expert contacts.

Subsequently, the research team undertook a comprehensive search of a broad range of Australian websites and sources and reviewed over 100 publications and reports. During the course of the research, the author, a visiting professor at the University of Melbourne, augmented the literature results with interviews with relevant Australian experts and key public and voluntary sector organisations.

1.4 Structure of report

Chapter 1 reviews the evidence from the literature about the role of income support systems and the participation of young people in education and training. Chapter 2 discusses the background to the Australian YA. Chapter 3 outlines the objectives of, and detailed eligibility rules for, YA. Chapter 4 examines the impact of YA on the education participation rates of young people. Chapter 5 assesses the impacts on young unemployed people. Chapter 6 considers the position of disadvantaged young Australians. Chapter 7 considers the impacts on families. The conclusion draws out the implications of the research for the construction of a 'radically simplified financial support system for 16-19 year olds' in the UK, identifies gaps in knowledge and makes recommendations for further research.

2 Income systems and the education and training participation rates of young people

The initial literature search and discussions with experts revealed that in most OECD countries, governments share the British aim of increasing the proportion of 16 to 19 year olds in full-time education or training. There is a broad policy consensus that employment trends mean that the labour market will increasingly require ever higher general skill levels and more flexible learning skills. There is also consistent evidence that those young people who do not complete the equivalent of an upper secondary education will make less successful economic and social transitions to adult life. This particularly pertains to the two-thirds of OECD countries where the latest evidence indicates 'fewer than 65 (and in some even fewer than 50) per cent of 15 to 19 year olds not in education are working' (OECD, 2003, p. 290). Accordingly, most OECD member states are developing systems and programmes to increase the participation rates of young people in education and training and to make their transition to working life less problematic.

2.1 National strategies

Throughout the OECD countries, there are a wide variety of national strategies for increasing participation rates for 15 to 19 year olds, with some countries stressing participation in full-time education whilst others, as in the German dual system, require young employed people to engage in high quality on- and off-the-job training.

Many northern European countries have secured participation rates in excess of 80 per cent. In the Netherlands, for example, participation rates of over 88 per cent have been secured through a combination of a compulsory school leaving age of 17 and a requirement that all young employed people participate in off the job vocational training for at least two days each week until they reach 19 years of age (Meijers and Te Riele, 2004, p. 7). Other governments start from a lower base but have also committed themselves to ambitious targets. For example, New Zealand's aim is that by 2007, '*all 15 to 19 year olds will be engaged in appropriate education, training, work or other options which will lead to long-term economic independence and well-being*' (Maharey, 2003, p. 6). Within each

country, such broad strategies have been supplemented by a wide variety of initiatives, services, programmes and projects that aim to assist 'at risk' young people in participating in full-time education and training and making successful transitions to employment.

2.2 Income support systems

The literature reviews and the expert interviews also indicated that most OECD countries have a complex system of income support for young people aged between 16 and 19. Few in this age group qualify for unemployment benefit due to their limited work experience and, in many countries, they remain as dependants of their families unless they can show good reason for not being regarded as such. These fragmented income support arrangements reflect the complexity and diversity of young people's transitions from dependency to independence. In addition, these arrangements interact with equally diverse systems of financial support for full-time students, parents and young people undergoing apprenticeship training, participating in employment programmes or actively looking for work (Burke, 2001).

Different 'allowance' and income support systems have evolved in various countries, each with complex eligibility and entitlement rules, with coverage varying from minimal income support provision for young people across much of the USA (Levin-Epstein and Greenberg, 2003) to the more comprehensive, albeit fragmented, support systems of the northern European countries (Serrano Pascual, 2004). This diversity is reinforced further because responsibility for the payment and assessment of allowances and income support is often divided between different government departments and levels of governance (and agencies). This complexity and fragmentation, has been exacerbated by major changes in youth participation in the labour market and higher education and in the ever-more complex transitions of most young people from compulsory full-time education to independent adulthood.

Despite the complexity and cost of these diverse income support and allowance systems and their potential for generating both positive and perverse incentives, few research studies assessed the specific impacts of income support arrangements, especially on the motivation of disadvantaged young people. There are extensive national and international studies of school-to-work transitions but little on the impacts of the complexity of the benefit system (for Britain, for example, see the various studies from the ESRC 'Youth, Citizenship and Social Change' research programme, at www.tsa.uk.com). Indeed, the OECD (1999), which has carried out extensive comparative reviews of provision for young people, did not refer to income support arrangements in its criteria for the design and implementation of effective programmes.

By contrast, there is a wide range of literature on a range of school, workshop and employment projects, initiatives and programmes aimed particularly at assisting less academic young people to participate in full-time education and/or training and to move to employment. Many such initiatives and programmes, that were employment-based, were linked to the payment of allowances and incentives but generally were restricted to the target groups involved and/or the underlying income support arrangements were rarely studied as significant variables.

Even in those countries that increasingly require all young people to participate either in full-time education, employment programmes, job search or employment, such as the Netherlands or Denmark (see Example 1), our research found that this comprehensive approach rarely meant unifying or simplifying the income support arrangements targeted at young people and their parents.

Example 1: The Danish Youth Guarantee

In the early 1990s, Denmark experienced high levels of unemployment with youth unemployment increasing to almost 14 per cent in 1993. The group most affected was young unskilled people who had left school at the earliest opportunity. In response, a special 'youth grant' was introduced for young unemployed people on social welfare. This grant was to be paid at a higher rate than their current benefit, but in order to receive the grant, young people had to accept an 'activation offer' of five months' duration, consisting of participation in a 'Production School,' or work as a volunteer in a local sports club or as an assistant to an adult worker. A considerable number of participants in the youth grant scheme continued in education or secured employment, but the achievement of the Government's goal – that 95 per cent of all young people would complete an upper secondary education – was difficult to realise.

A major new youth unemployment programme was introduced in 1996. Its overall purpose was to encourage unemployed, low-skilled young people to take up paid employment or participate in education. If a young person fails to undertake ordinary education or find a regular job in six months they 'have the right and duty to participate in full-time special vocational education or training (in ordinary education or in other activities, such as job training) for at least 18 months'.

In Denmark, responsibility for implementing 'activation measures' is split between the public employment service, which comes under the Ministry of Labour, and local authorities, which come under the Ministry of Social Affairs. The former is responsible for young people who qualify for unemployment benefit, the latter for those who have to rely on a separate system of welfare payments. The 'youth guarantee', as it is now known, applies to both groups of young people but is delivered through different programmes and institutions.

The social assistance and unemployment benefit systems have also not been unified but both are used to encourage participation in education and enforce the youth guarantee. In the case of unemployment benefit, for example, the entitlement of young people without any formal education is reduced by 50 per cent. This reduced benefit is more or less equal to the support allowance that is paid by the State to participants in conventional education programmes. Those who choose not to do so, must still participate in 'youth guarantee' programmes and refusal to participate is followed by a loss of entitlement to unemployment benefit and the young person then has to claim social assistance.

Sources: Peer Review EES, 1999; Bardone *et al.*, 2002; Serrano Pascual, 2004.

Indeed, a more in-depth assessment of three of the four approaches identified in the original research brief from the Department of Work and Pensions as being worthy of investigation, found that they had limited relevance. The Irish 'Back to Education Allowance' applies only to a small group of long-term unemployed over 18 year olds. 'Ontario Works' is a workfare programme that, like many European social assistance schemes, requires under 18 year olds with no parental support, to engage in education or training; and the French 'Contres Jeunes' scheme was identified as an employment subsidy programme that now encourages the private sector to recruit young people (brief descriptions of these particular programmes are given in Appendix A and see Example 2 for a more directly relevant French programme).

Example 2: TRACE – Access routes to employment for young people in danger of exclusion in France

In France young people under the age of 26 have only limited access to financial support and are largely excluded from unemployment benefits and RMI (Occupational integration minimum income). There are instead a multiplicity of programmes and initiatives aimed at the young unemployed designed to re-engage them with education, training or jobs with training. One of the most significant is 'TRACE', an abbreviation for 'Access routes to employment for young people in danger of exclusion'. The programme is managed by a complex partnership structure involving the state, regional and local government, public services and social partners. It is delivered by 'case managers' through the network of Missions Locales that were set up in 1982 as information and resource centres for young people. Until 2001 most young people who were not actively participating in a programme would not receive any benefit (in 2000 only 7.5 per cent of TRACE participants were in receipt of family support or RMI payments). There was, however, a system of selective assistance for emergency payments and transport and in 2001 a new employment access grant of about €300 a month was introduced for those who were not yet placed or ready for placement.

Source: Peer Review EES, 2001.

The exception was the Australian Youth Allowance, described more fully in an Appendix in 'Bridging the Gap'. This Youth Allowance was both 'unitary' and 'large-scale' and was part of a comprehensive strategy explicitly linking the policy aim of increased participation of young people in education, training and employment with a significant reform of all income support payments targeted at young people. It also appeared to be successful with the Australian Minister responsible noting that between 1994 and 1999 the number of young Australians receiving income support and involved in some form of study or training had increased from 59 to 84 per cent (Anthony, 2002).

As the aim of this research project was to inform the UK Government's efforts to develop a new 'radically simplified financial support system' for 16 to 19 year olds the second half of project was re-focused to more fully explore the experience of and evidence from the Australian Youth Allowance.

3 The background to the Australian Youth Allowance

3.1 Introduction

There are approximately 1.33 million resident Australians aged between 15 and 19, of whom, 51.3 per cent are male and 48.7 per cent female. The nature of their transition processes from school and family to employment and adult independence have changed dramatically. The principal drivers of such change have been increased participation in full-time education and the collapse of the full-time youth labour market (DETYA, 2001b). By the 1990s, there was substantial evidence that those young people who completed their secondary education at about 18 years of age and who obtained a Year 12 qualification or its equivalent, were more likely to continue their involvement in education and training, gain employment-related skills and generally fare better in the labour market than those who did not (see, for example, Fullarton *et al.*, 2003, p. 1).

In the 1980s, there had been a significant voluntary increase in the levels of participation in Australian secondary education. At the start of the decade, just 35 per cent of school students continued to Year 12, the final year of school prior to university entrance. By 1992, this figure had more than doubled to 77 per cent (NCSEM, 1999, p.2). In that year, the Australian Education Council review of post-compulsory education and training (known as the 'Finn' review), endorsed by the then Labor Government, recommended that all young Australians should be encouraged to complete Year 12 or its vocational equivalent (cited in ACER, 2003, p. 2).

Responsibility for securing this aim was to be shared between different levels of government. In Australia, responsibility for young people is divided between the Commonwealth Government and the governments of the five states and two territories. The State and Territory Governments have played the major role in the provision of full-time schooling and are responsible for establishing the school leaving age that, until recently, was 15 years of age throughout Australia. They also play the more important role in the operation and delivery of further education through Technical and Further Education (TAFE) colleges.

The Commonwealth Government, generally, has been responsible for higher education policy, income support and labour market programmes. The Commonwealth Government exercises considerable control of schools and colleges through the provision of funding. This affords an opportunity for the Commonwealth Government to 'steer' State, Territory and non-government schools' authorities to support agreed priorities for schooling, to promote national consistency and

coherence and develop strategies to achieve these aims. The lower tier of local government within States and Territories, by contrast, has only a small role in the delivery of relevant services.

3.2 Labour market trends and participation in education

By the mid-1990s, the socio-economic circumstances of young Australians had changed dramatically. Between the 1960s and 1990s, the full-time labour market for young people contracted sharply with the number of 15 to 19 year olds in full-time jobs falling from around 60 per cent in the late 1960s, to 16 per cent in 1998 (DETYA, 2001b). By contrast, those working part-time increased in number with most of this growth amongst the full-time student population (who now make up two-thirds of the part-time youth labour force). This change in the youth labour market was not paralleled by a continued increase in education participation rates and by the mid-1990s, these had slipped from the highpoint of the early 1990s, with some 70 per cent of 15 to 19 year olds and 30 per cent of 20 to 24 year olds in full-time education (FaCS, 1999, Figure 1). These and other social trends also had an impact on family life and the housing market as, for example, the number of 20 to 24 year olds living at home increased by five per cent, to 48 per cent, between 1988 and 1998 (ibid, p. 6).

The cumulative effect of these changes has been to make the transition to adult independence more complex and uncertain. As in other OECD countries, many young Australians no longer follow a linear path from education to work and take longer to make the transition. Their experiences 'are often complex and fragmented' involving combinations of full-time/part-time education and casual/part-time/full-time work (FaCS, 1999, p. 5). In Australia, as elsewhere, these changes have exacerbated the problems faced by those young people who already have other barriers to employment with one estimate suggesting that 'one in six young people' are at risk of not making a successful transition from education to work (Curtain, 2003).

The transformations within the youth labour market have been part of broader developments in patterns of employment and the recruitment demands of employers. Australian policy makers concur that young people need higher levels of education and skills if they are to be competitive in the labour market and make successful transitions to adult independence. Yet, despite increased participation rates amongst many young people by the 1990s, the school retention rate for Year 12 students (currently about 72.3 per cent) had begun to decline (FaCS, 1999, p. 6). Low retention rates were most commonly correlated to young people from lower socio-economic backgrounds. Whilst many factors contributed to the lower retention rates, it was 'clear that income support is essential to providing a source of funds for some young people to keep studying and training' (FaCS, 1999, p. 6).

3.3 Income support for young people before the Youth Allowance

The Australian social security system has traditionally provided a variety of income support payments for the parents of school children. The first systematic support programme for young people who participated in full-time education courses, the Tertiary Education Assistance Scheme, was introduced in 1974. This was replaced by Austudy in 1987 to coincide with the introduction of fees for university education. In contrast to the student grant and discretionary award system then available in the UK, Austudy was a means-tested income support payment available to eligible young people on full-time college and university courses.

During the late 1980s, the Australian social security system was overhauled and unemployment benefit replaced by a means-tested Job Search Allowance for the short-term unemployed and a

Newstart Allowance (NSA) for the long-term unemployed (subsequently Job Search Allowance was dropped as a separate benefit) (Cass, 1988). All unemployed 15+ young people were entitled to NSA as long as they actively looked for jobs and were available for full-time work. Unemployed people were allowed to study part-time but, as in the UK, there were many ambiguities in the regulations and confusion surrounding the definition of a 'full-time' course (Hanks, 1994). In addition, a changing menu of job search and labour market programmes was introduced in the 1980s and 1990s as the incidence and durations of unemployment changed (Finn, 1999). Successive attempts were made to maintain and modernise the apprenticeship system and a variety of training programmes was introduced for the young unemployed.

By the mid-1990s, four separate benefits were available to young Australians depending upon their main activity (FaCS, 1999, p. 16):

- Austudy for full-time students aged 16 and over (including certain 15 year olds);
- Youth Training Allowance (YTA) and Newstart Allowance (NSA) for young unemployed people aged 16 and over (including certain 15 year olds);
- Sickness Allowance (SA) for young people aged under 21 who were incapacitated; and
- Family Payment for the parents of young people aged 16 and 17 who were in full-time secondary education and who could not receive assistance in their own right.

The then Department of Employment, Education, Training and Youth Affairs administered Austudy, while the other payments were administered by the then Department of Social Security. The education, employment and welfare departments of individual State Governments also provided a wide range of mandatory and discretionary benefits for young children, parents and particular disadvantaged groups, such as young care leavers.

By the early 1990s, there was growing evidence that the workings of this complex system were *'inconsistent, inefficient and unfair'* (FaCS, 2002). In 1995, a major Senate inquiry documented the main concerns surrounding this system:

- young people who were studying or undertaking other constructive activities often could not qualify for income support as they were deemed to be neither a full-time student nor available, and looking for, suitable paid work;
- the complexity of the dual systems of income support exposed young people to significant overpayments and/or loss of payments either because young people did not understand their entitlements or they failed to comply with the requirements of payment, for example, by not informing the DSS of a change of circumstances;
- the availability of income support for unemployed people, free of parental means-testing, was seen to be a disincentive to young people remaining in education or training; and
- there were incentives in the payment system for young people to choose job search over education or training.

Following the Senate inquiry report, the then Labor Government made some administrative adjustments that prefigured the arrival of a unitary youth allowance. In November 1995, it introduced the Student and Youth Assistance Amendment (Budget Measures) Bill that significantly changed family assistance payments and Austudy. The new legislation replaced family payments to 16 and 17 year-old secondary students with a new student payment. This represented, according to David Kemp, the then relevant shadow minister, a shift in the 'philosophical justification for financial

assistance to 16-year olds' (Kemp, 1995), in that any financial assistance to those 16 years old and over, should be targeted to support their engagement in full-time study or training.

Paradoxically, low-income families could apply for either Austudy or the additional family payment. The means test for the new basic student payment was more stringent than that applied to family payment, rendering students estranged from their families, worse off than previously. The changes also enhanced the attractiveness of claiming NSA as the young unemployed over 16 years of age were not subject to a parental means test.

3.4 The introduction of the Youth Allowance

During the subsequent 1996 General Election campaign, the coalition parties did not advocate a radical change in youth income support arrangements, although they were highly critical of the Labor Government's inability to tackle youth unemployment (Coalition, 1996). Within a few months of taking office, however, they announced that a Youth Allowance would be introduced to replace a range of income support payments for students and jobseekers. A discussion paper was issued by the relevant minister and consultations undertaken and submissions reviewed in late 1996 (FaCS, 1999, p. 4).

The Government's 'Community Discussion Paper' indicated that the proposed YA was a response to four key concerns (DEETYA, 1996, p. 2):

- **The changing labour market** – fewer young people now participate only in full-time work or full-time education. Increasing numbers are combining study with paid work and/or moving frequently between study, paid work and unemployment.
- **The need for flexibility** – the reason for having separate income support programmes for young people has weakened as differences between full-time students and other young people have become less apparent.
- **The need for simplification** – there are numerous differences between the various income support programmes which mean that young people's entitlements can vary considerably depending on what they are doing, causing unnecessary complexity.
- **Removing disincentives to study** – income support arrangements for young people need to remove the incentive to leave education or training early.

The aim of the proposed YA was to provide a simpler, more effective system to support young people as they made the transition from education to work and from dependence to independence. It was to cover all young people aged 16 to 20 years old and full-time students up to the age of 25 years. The most controversial proposal was to extend the PMT to cover unemployed benefit claimants, and vocational trainees aged 18 to 20 years. The Government's explanation was that this 'would remove one of the major anomalies' in existing income support arrangements and 'encourage parental support' and 'ensure that young people in similar circumstances have similar entitlements and minimise disincentives to study' (DEETYA, 1996, p. 6).

The response of many of the organisations working with disadvantaged young people was expressed by the Australian Council for Social Service (ACOSS), the body representing national- and State-based voluntary and community organisations. ACOSS endorsed the principle of a common youth allowance but also voiced the concerns of the sector, especially the proposal to extend the PMT to cover unemployed benefit claimants, and vocational trainees aged 18 to 20 years.

ACOSS endorsed the idea of a common YA because it would (ACOSS, 1997):

- remove the inequities in payments between those for unemployed young people, students, and trainees;
- ease transitions between study, training, and unemployment; and
- recognise the increasing overlap between these three categories.

ACOSS proposed an entirely new Youth Employment Education and Training Allowance, designed from first principles, not constructed on the 'fragile foundations of the present system'. This meant a new allowance designed primarily as an income support payment, not a supplement or incentive payment. For ACOSS, the payment should alleviate poverty by meeting the full basic income needs of the individual, should be targeted towards low-income independent young people and low-income families, and should facilitate activities to assist young people to secure employment (that is, job search, education, or training, or a combination of these). Above all, the new arrangements *'should treat people consistently and fairly, should reflect the cultural norms of Australian society with regard to relationships of dependency and independence between young people and their parents, and should be supplemented by other payments to meet specific costs of living, studying and job search'*. (ibid, p. 6)

Subsequently, the Government reported that the principle of the YA had been broadly endorsed in this nation-wide consultation exercise. It acknowledged, however, that there was much controversy centred on the application of the proposed 'parental means test' to young unemployed people. There were also long-standing issues concerning the level of payments and their delivery to disadvantaged groups, such as those leaving care.

In late 1997, legislation was introduced to Parliament with the Social Security Legislation Amendments (Youth Allowance) Act receiving Royal Assent in April 1998. The YA was implemented with effect from July 1st 1998.

On the day of implementation, a coalition of over 60 community, youth, church and welfare organisations, representing many of the largest in Australia, issued a 'Joint Statement of Concern' on what they described as *'a missed opportunity for many young people and their families'*. Whilst supportive of a *'fair and simple system of income support payments for young people'* they believed that the new allowance would *'lead to financial hardship and further marginalisation for many young people and their families'* for the following reasons:

- the introduction of the PMT and other changes for 18-20 year-old unemployed people would mean the reduction or cancellation of social security payments for around 45,000 young people;
- there would be increased burdens for struggling families, including a worsening of low-income 'poverty traps';
- unemployed people aged 16-17, who were not in full-time education or training, could prove ineligible for any income support; and
- full-time students also would face many complex changes to their income support arrangements.

These organisations called on the Government to amend the YA legislation so *'that it is equitable for young people and families, and is based on more realistic assumptions about the willingness and ability of parents to support their adult unemployed children'*. The Government rejected the arguments but agreed to carry out an extensive evaluation of the impacts of the new income support arrangements for young people.

3.5 Other policy changes that were to impact on young people

The YA constituted only part of the significantly changed approach to provision for young people, and income support recipients adopted by the 'right of centre' coalition government first elected in 1996. In particular, the coalition government has emphasised the importance of a new 'social contract' between the State/community and income support recipients. It has stressed the importance of a 'mutual obligation' where, in the words of the Prime Minister, claimants are asked *'to give something to the community in return for assistance in times of need'* (cited in ACOSS, 1999).

Simultaneous to the introduction of the YA, a new 'mutual obligation' was extended to all unemployed young people aged between 18 and 24. After six months receipt of benefit (three months for school leavers), a young person must, in addition to actively seeking work, engage for a minimum number of hours each week, in one of a range of other 'approved' activities that may improve their employability. This can include part-time education and training. The default option is, however, participation in a 'Work for the Dole' programme in projects for community benefit. The aim of the 'mutual obligation' is to encourage young people to *'more actively look for work and to participate in activities to improve their skills and work habits, job prospects and competitiveness in the labour market, as well as encourage their community involvement'* (FaCS, 1999, p. 7).

The Government has also implemented a range of other initiatives and many of these are targeted at the most disadvantaged young people:

- Full Service Schools Scheme;
- Jobs Pathway Programme;
- New Apprenticeships Access Programme;
- Job Placement, Employment and Training programme;
- Green Corps;
- Special Learning Needs Programme for students with intellectual disabilities; and
- measures to reduce youth homelessness and youth suicide.

These new policies were implemented alongside significant changes in service delivery arrangements. These included the creation of Centrelink as the provider of integrated registration and income support services for students and jobseekers, and the introduction of a 'Job Network', a privatised competitive employment services market that replaced the public sector Commonwealth Employment Service. Job Network contractors are paid by results and provide services such as job matching and job search training for unemployed people, and they deliver more 'intensive assistance' for those who are long term unemployed or 'at risk' of long term unemployment (PC, 2001).

Later chapters describe the interaction between many of these initiatives and YA in greater detail.

3.6 The Prime Minister's Youth Action Plan Task Force

In September 1999, a year after the implementation of the YA, a high level Taskforce was established by the Australian Prime Minister. This Taskforce was commissioned to suggest *'better ways of supporting young people and their families in the changeover from being students at school to having an independent life'* (PMYPT, 2001, p.1). Its establishment was in response to a growing body of

evidence that a significant group of young Australians struggled to make an effective transition from school to adulthood and that institutional fragmentation and a bewildering array of related Government and State programmes and services were not tackling the problem (see, for example, BSL *et al.*, 2001). As one report noted (NWRM, 2002, p. 14):

'It is ironic that the number of agencies a young person needs to deal with increases in proportion to the young person's 'vulnerability'. This requires vulnerable or 'at risk' young people to have the most sophisticated negotiation skills, because they have to balance the often competing demands of the range of agencies with which they are dealing.'

Unlike within the UK, Australia has no unified Connexions, Careers or Youth Service, although many agencies provide elements of what, in Australia, are referred to as 'transition' services.

The Taskforce organised public consultations around Australia, conducted surveys of young people and their parents, received written submissions, organised case studies, and commissioned special research. An appendix to the main report (which can be found at <http://www.youthpathways.gov.au/report.htm>) contains the results from detailed evidence and literature reviews that examine Australian and international evidence on early school leaving, the processes involved in making the transition to adult life, and the best practice available in supporting youth transitions to independence. The four reports in this appendix provide a rich source of evidence relevant to British policy development.

After its deliberations, the Taskforce concluded that while many young Australians were able 'to find the right pathway for themselves', there was a particular need to provide more effective support for those young people '*who are in danger of falling through the gaps in existing support services, or who cannot relate to the help that is being offered*' (PMYPT, 2001, p.2). There was a still greater challenge to '*provide ways to help young people who, for whatever reason, are already adrift from their families, their schools and other support systems*'. The Report stressed the 'urgent need' for improved transition support for young people and for the co-ordination of the multiplicity of Commonwealth and State services and programmes (some Commonwealth programmes of particular relevance to the YA client group are described in Example 2).

After deliberation, the Taskforce called for '*a national commitment to all young people*' and made 24 recommendations to government that it hoped would be acted upon by '*Commonwealth, State, Territory and Local Governments as well as the community sector*'. In practical terms, it suggested that what became called the 'Youth Commitment' would involve an undertaking to provide all young people with the opportunity to (ibid, p. 2):

- complete 12 years of schooling (or equivalent vocational training);
- undertake vocational education and training programmes and structured workplace learning while at school and beyond;
- acquire employment and life skills which enable them to be independent, confident and active members of the community;
- have access to professional career and transition support system; and
- have available in their local community, a range of support, which offers early intervention with problems, crisis assistance and suitable long-term help.

The Taskforce suggested too that there would be 'great value' in producing an annual national report on young people's transitions to independence, and in developing a '*set of clear and simply expressed indicators of success*' that would '*focus the attention of policymakers on where change is most urgently needed*' (ibid, p. 6).

Example 3: Commonwealth Government transition programmes of particular relevance to 'at risk' YA clients

1. The Jobs Pathway Programme (JPP) (see <http://jpp.detya.gov.au>): Under JPP, service providers are contracted by the Commonwealth Government to assist young people in making the transition from school to work. The assistance is designed to ease school-to-work transitions and reduce the risk of unemployment. The way JPP is delivered on the ground varies and may include support, brokerage and the development of alternative curricula.
2. The Job Placement, Employment and Training Programme (JPET) (see <http://jpet2000.detya.gov.au>): JPET is aimed at assisting students and unemployed young people aged 15 to 21 years (with priority given to those aged 15 to 19), who are homeless, or at risk of becoming homeless, to overcome barriers to education, vocational training and employment. About 140 projects are delivered mainly by homeless and voluntary organisations. Strategies include brokerage, counselling, facilitating links to education, training or work.

The Homelessness Early Intervention Programme was reshaped into Reconnect after publication of the Pathways Report. The target group is young people aged 12 to 18 and the aim is to improve the level of engagement of homeless young people or those at risk of homelessness with family, work, education and training in the community. One particular emphasis is on community capacity building and providing cohesive and integrated service delivery. About 90 Reconnect services have been established.

The Commonwealth Government has been wary of endorsing the specific Youth Commitment. By contrast the State Government coordinating group - the Ministerial Council on Education, Employment, Training and Youth Affairs (MCEETYA) – accepted the approach in a Ministerial Declaration in 2001. The MCEETYA identified five 'key areas of action' that included an audit of the relevant initiatives being undertaken by State, Territory and Commonwealth Governments. In the process it has created a comprehensive data base of case studies, partnerships and innovative programmes, involving education providers, voluntary organisations and other agencies that aim to improve educational attainment and school retention rates and improve the transition from school to work. This wealth of material can be found at <http://www.mceetya.edu.au/stepping/recommendations/about.htm>.

4 Youth Allowance objectives and eligibility rules

This Chapter outlines the formal objectives of the YA and the eligibility rules that are of particular comparative relevance to the UK. This will aid the interpretation of the impacts of the new system that are assessed in the evaluation reports described in subsequent chapters.

4.1 The Youth Allowance

The Australian YA was introduced on 1st July 1998. Its formal objectives are to (FaCS, 2000, p.7):

- ensure eligible young people receive adequate levels of income while studying, looking for, or preparing for, paid employment;
- encourage young people to choose further education or training rather than job search should they lack sufficient skills to obtain long-term employment;
- encourage young people to undertake a range of activities that will promote entry into employment; and
- gain and maintain broad community support for the programme.

Another key objective of YA was to simplify the benefit system for young people and through this reform, improve service delivery and secure greater administrative efficiency.

In January 2004 there were 243,087 full-time students or their parents in receipt of YA. Another 94,664 young people were being paid what is called YA (other). This is the payment made to those eligible young people under the age of 21 who are not in full-time education (FaCS, 2004, Table 1). The 'vast majority' of YA recipients were from families with total annual incomes less than below A\$40,000, about £17,000 at the then currency exchange rate (ACOSS, 2003a, p. 7).

Table 4.1 Youth Allowance recipients: January 2002 – January 2004

| Youth Allowance | Jan 02 | June 02 | Jan 03 | June 03 | Jan 04 |
|-------------------------|----------------|----------------|----------------|----------------|----------------|
| Full-time students | 252,077 | 313,112 | 251,475 | 304,491 | 243,087 |
| Youth Allowance (other) | 102,578 | 91,056 | 97,748 | 87,574 | 94,664 |
| Total | 354,655 | 404,168 | 349,223 | 392,065 | 337,751 |

Source: Table 1, Department of Family and Community Services, Labour Market and Related Payments: a monthly profile, February 2004, Canberra.

4.2 The role of Centrelink

YA is an income support payment made by 'Centrelink' on behalf of the Department for Family and Community Services (FaCS) to eligible full-time students aged between 16 to 24 years and unemployed people aged under 21. YA payment rates are revised annually. The current rates can be found on the Centrelink website: <http://www.centrelink.gov.au>.

Centrelink is a public sector 'one stop' benefits agency that acts as the gateway to the Australian income support system. It delivers services and payments for a range of Commonwealth Government Departments although FaCS is its main customer. Centrelink operates from about 1,000 sites across Australia. The organisation makes extensive use of automated payment systems and call centre technologies; and clients phone one of 11 numbers depending on the services they require.

Centrelink has responsibility for assessing eligibility for YA and for administering payments. If a full-time student wishes to claim YA, they must submit a claim within 14 days of first making contact with Centrelink. Other young people need to arrange an interview to establish their eligibility. If the young person qualifies, they have to enter into a 'Preparing for Work Agreement' (PFWA) (this is not required of full-time students).

Centrelink staff are responsible for:

- assessing the work capacity of young jobseekers;
- identifying both vocational and non-vocational barriers; and
- referring the young person to appropriate provision.

They do not, however, cover any costs that might be associated with such provision. The Centrelink officer gathers the relevant information through the application of a 'Jobseekers Classification Screening Instrument' (JCSI), an automated computer-based procedure that creates a profile of the person claiming payment.

A PFWA is generated from the information supplied and, if there are particular barriers, a young person may be eligible for early entry to one of the Commonwealth Government-funded programmes delivered via the privatised Job Network. Subsequently, Centrelink is responsible for ensuring the young person carries out the steps indicated in their activity agreement and young unemployed people have to report their job seeking activities fortnightly and are also required to declare any relevant change in their circumstances. Centrelink is also responsible for ensuring that young people fulfil their 'mutual obligation' and, when required, participate in programmes like Work for the Dole.

Front line Centrelink staff play no active role in finding or filling vacancies. This is the responsibility of Job Network providers. Almost all Centrelink performance indicators are focused on benefit processing and payment.

4.3 Eligibility for the Youth Allowance

Although YA simplified the Australian benefit system, it remains a means tested income support payment with complex rules and regulations to determine eligibility. There are hundreds of detailed rules and regulations that determine YA entitlement.¹ Rather than describing all such regulations, this section highlights the basic YA eligibility rules and details those identified as of significant, comparative relevance to the development of a new British income support system for young people.

To qualify for YA young people must meet age, residency and 'activity test' requirements:

- The minimum age for YA is 16, although there are exceptions for some 15 year-olds. The maximum age for YA is 25 for full-time students and 21 for other young people. A student on YA immediately before turning 25, can continue to receive YA until their course ends. Eligible students aged over 25 continue to receive Austudy.² Indigenous full-time students retain access to a separate system called Abstudy.
- To claim YA, a young person generally must be an Australian resident and be living in Australia.
- A young person meets the 'activity test' if they are studying full-time, looking for work or doing a combination of activities. Young people do not have to meet the activity test if they have for example, a temporary incapacity, a special circumstances exemption or are in receipt of a Disability Support Pension.

4.4 The Youth Allowance activity test

The YA activity test was designed primarily to encourage young people to undertake full-time education and training. This activity test encourages a broad range of activities in addition to job search, to improve the longer term employability and self sufficiency of a significant minority of under 20 year olds who are not in education and who are unable to work or retain employment.

The activity test rules are designed to enable young people to engage in combinations of activities and transfer between relevant activities, such as part-time education or employment and voluntary work. Indeed, Centrelink guidelines indicate that, in certain circumstances, the combination of activities need not even include a job search component. This applies to young people undertaking a combination of approved activities including, but not limited to, part-time work, part-time study, voluntary work, State-funded programmes, rehabilitation or caring responsibilities '*provided these activities amount to 15 hours participation per week*' (from 'Guide to Social Security Law: Approved activity: combination of activities' at www.FaCS.gov.au/guide/ssguide/328100.htm).

¹ Detailed entitlement guides are publicly available either through the relevant Government publications, especially those produced by Centrelink for Australian claimants (see www.centrelink.gov.au). There are also independent sources of information, such as the annual 'Social Security handbook' produced by the national Welfare Rights Organisation.

² The over-25 Austudy allowance is administered by Centrelink. To be eligible for Austudy, students must be formally enrolled in an approved course, undertaking full-time study which is defined as at least nine units per semester, and studying at least 75 per cent of a normal full-time workload. The sum provided is means and assets tested, taking into account personal income and assets, parents' or partner's incomes and assets, enrolment, previous study history and levels of expenditure.

Under 18 year olds who do not have the equivalent of Year 12 education must normally participate in full-time education or training. This requirement is intended to act 'as an incentive' to encourage young people 'to choose education and training over unemployment' (FaCS, 2002). An exemption can be given where the young person's current circumstances make full-time study an unreasonable expectation, for example where the person (FaCS, 2001, p. 17):

- will turn 18 within three months of claiming or ceasing study;
- has recently left employment;
- is temporarily incapacitated or has substance abuse problems;
- lacks stable accommodation;
- has responsibilities as a carer; or
- is unable to secure a suitable education/training placement.

Most exemptions are only temporary, and the young person is expected to resume study as soon as possible if their circumstances change and study again becomes a realistic option. In most cases, even where an exemption is given, the young person is expected to satisfy the activity test in other ways while they are not studying. The activities they need to undertake are negotiated with the young person and will often include activities designed to overcome the circumstances preventing them studying. The activities decided upon are then recorded in the PFWA.

4.5 Preparing for Work Agreements

The original 1988 YA activity test was updated in July 2000 when new legislation introduced a requirement that all Australian jobseekers enter a PFWA. This agreement lists the activities that the young person must undertake to remain eligible for YA if they are not participating in full-time education.

The relevant sections from the Social Security Act 1999 specify that unless a young person has been exempted from the requirement they must have a PFWA when they (<http://www.FaCS.gov.au/guide/ssguide/32730.htm>):

- are receiving YA (other) as a jobseeker; or
- are participating in a combination of activities to fulfil the requirements of the activity test; or
- first become subject to the activity test; or
- have been exempted from the activity test and now are required to undertake job search as their main activity; or
- undertake an approved activity; or
- have been undertaking an approved activity and now are required to undertake job search as their main activity; or
- are identified as being at high risk of non-compliance with the activity test; or
- have been in receipt of YA (other) for more than 12 months; and
- are at risk of non-compliance with the activity test; or
- are in need of assistance to improve their job prospects; or

- voluntarily propose an activity such as self-employment development; or
- are absent from secondary school without authorisation for more than five days in a term and it is the first time they have been absent for over five days since being paid YA;
- are under 18 years of age and exempted from the requirement to be in full-time education or training;
- have withdrawn from a course before completion, without any exceptional circumstances applying, and wish to undertake another course at the same level that is greater than 12 months in duration;
- had previously indicated that they intended to commence studies but did not do so.

Young people receiving YA must also have a PFWA when they engage in:

- the Mutual Obligation Initiative; or
- Work for the Dole; or
- intensive support; or
- literacy and numeracy training.

A PFWA must also be completed if a young person withdraws from a full-time course, is at risk of 'dropping out' or have a poor attendance record, specifically, when a secondary student has unauthorised absences of more than five days per term for the first time. PFWAs are not required if a young person has an incapacity that exempts them from a full activity test requirement. Equally, if the person has '*limited capacity to meet the activity test*' then a tailored PFWA should be negotiated to take into account their specific needs, such as health issues or family and caring responsibilities.

The PFWA is designed to ensure that '*from the first day that they claim payment, jobseekers will understand what they will need to do to meet the activity test*' (from 'Guidelines for negotiating Preparing for Work Agreements' at www.FaCS.gov.au/guide/ssguide/32740.htm).

4.6 What is considered to be full-time or part-time study?

The definition of full-time education, and its application, is of particular relevance to the UK. Under the regulations of the YA, full-time study may be defined in several ways (Centrelink, 2004a, p. 14):

- the course attracts a 'HECS loading' of at least 0.375 per semester (HECS is the 'Higher Education Contribution Scheme' that regulates the tuition fees charged by Universities);
- the course is considered full-time by the institution where the student studies;
- the student undertakes at least 75 per cent of the full-time workload and will finish the course in the minimum 'allowable' time. This depends on the nature of the course being taken, for example:
 - the allowable time is twice the length of the course if it normally takes one year or less;
 - if the course normally takes more than a year to finish and the subjects are semester-based the allowable time is the length of the course plus six months;
 - if the course normally takes more than a year to finish and one of the current subjects is year-based the allowable time is the length of the course plus one year;
- if none of the above applies the student must attend at least 15 hours a week of 'face-to-face' study.

There are special rules that allow a YA recipient to continue to be classified as a full-time student should their minimum workload be reduced to at least 66 per cent of the normal full-time workload, either because of the institution's normal requirements for the course, or there is a specific recommendation from an academic registrar, or their equivalent, that it is necessary for academic or vocational reasons.

By contrast, study is regarded as part-time for the purposes of YA if the young person has a study load that is less than 75 per cent of a full-time workload and they have to combine study with other activities (such as job search) agreed as part of a PFWA.

In its guidance to students receiving YA, Centrelink makes clear that the individual has a responsibility to make satisfactory progress on their course, and inform Centrelink of any changes in the relevant circumstances, including changing the place of study or the workload. Centrelink indicates that it regularly checks the status of students with educational institutions and 'that attendance and workload' are part of these checks (Centrelink, 2004b, p. 16).

4.7 Other Youth Allowance (eligibility) rules of comparative relevance

There are other (eligibility) rules that have comparative relevance to the development of a new UK system of income support for 16 to 19 year olds. The most significant are:

4.7.1 The parental means test

In most circumstances, a PMT applies to all young people up to the age of 21 unless a young person is assessed as independent. The PMT has three parts – parental income, family assets tests and the Family Actual Means Test (FAMT).³ Young people are exempt from the PMT where either of their parents receives a pension or benefit, unless they are also self-employed and then the FAMT applies. The parental income test does not apply where a young person's parent(s) have a low income Health Care Card (HCC). However, the family assets test and FAMT still apply.

4.7.2 Receipt of payment

YA is paid directly to young people aged 18 years or over and to independent young people aged under 18. For all dependent under 18 year olds, the payment is made to parents, who may elect to have the payment made directly to the young person. This contrasts sharply with the direct incentive payment of Education Maintenance Allowances (EMAs) in Britain to eligible young people (albeit EMAs have not replaced other types of benefit). The YA is an income support payment not an incentive payment and payment to the parent is designed to reinforce the assumption that they are responsible for their children up to the age of 18. In all cases, payments are made into a recipients bank account that all claimants are required to possess.

4.7.3 The personal and partner income and assets test

The YA personal income test allows full-time students to have income currently of A\$236 a fortnight (compared to A\$62 per fortnight for other young people) before payments are reduced (2004 rates). The first A\$80 of income over these income-free amounts reduces fortnightly income by 50 cents for each dollar received. Any income over the first A\$80 reduces fortnightly allowance by 70 cents in the dollar. A partner income test applies too and assets of other family members may be taken into account.

³ The FAMT is made up of rules that are designed to prevent parents misrepresenting their true income.

4.7.4 The income bank and advance payments

Full-time students/trainees can access an 'income bank', which recognises that they generally earn income over vacations rather than throughout the year. Any unused part of their fortnightly income-free area of A\$236 is accumulated in the income bank, up to a maximum of A\$6,000. YA recipients can also receive between A\$250 and A\$500 of their entitlement advanced each 12 months. The advance is recovered by reduced fortnightly payments over the following six months.

4.7.5 'Independent' status

There are other complex rules to determine 'independent' status for receipt of YA and specified criteria for those young people who are treated as independent because it is unreasonable for them to remain in the parental home.

The legal regulations indicate that young people will be treated as independent and be exempt from the parental means test if:

- they are, or have been, self-supporting through employment;
- they are a refugee;
- they are in State care;
- they are 18 years of age or older and have a work history but experience education or employment disadvantage;
- they are, or have been, a member of a couple;
- they have, or have had, a dependent child;
- they are jobseekers aged 21 or over;
- they are orphaned;
- they have parents who cannot exercise their responsibilities because they are in a prison, a psychiatric hospital or similar; and/or
- it is unreasonable for them to live at home because:
 - of extreme family breakdown or other similar exceptional circumstances; and/or
 - it would be unreasonable to expect the person to do so as there would be a serious risk to their physical or mental well-being due to violence, sexual abuse or other similar unreasonable circumstances; and/or
- their parents are unable to provide the young person with a home because they lack stable accommodation.

Centrelink guidance clarifies the 'employment test' (2004a, p.9). A young person is treated as independent if they have worked at least 30 hours a week for at least 18 months during the last two years. They are also 'independent' if they have worked at least 15 hours a week for at least two years since leaving secondary school.

Independent YA recipients are entitled to claim a higher 'away from home' rate of YA and this also extends to other particular categories of young people, such as those who are *'approved to live away from the parental home for study or job search reasons'* and those *'living in the parental home who have had a child, or who are/were a member of a couple'*.

Eligible independent young people may also qualify for 'Rent Assistance' (RA), a non-taxable payment made to low income earners who rent accommodation in the private rental market. Previously, RA was unavailable to full-time students unless they were homeless, but it was available to eligible young unemployed people in the same age range.

4.7.6 Eligibility for the Youth Allowance as a gateway to other benefits

Finally, the receipt of YA acts as a 'gateway' to other federal benefits, such as automatic entitlement to an HCC that entitles those who are not full-time students to free medical services (students qualify under a Low Income Card Scheme). YA also can be the 'gateway' to a diverse range of State-based income supplements, especially travel concession cards.

4.8 Changes of circumstances, confidentiality and the interaction between the responsibilities of the young person and parent

Young people who receive YA are obliged to inform Centrelink of any relevant change in their income, assets or circumstances that might affect their payment. Young people who are seeking work and receiving YA (other) have to report their relevant activities to Centrelink each fortnight. Full-time students are expected to do so when a relevant change occurs. Centrelink automatically reassesses all YA payments at least once a year to ensure that clients 'are getting paid the correct amount' (2004b, p.1).

Notwithstanding that the relevant Social Security Act provides that when a person is under 18, and not independent, YA has to be paid to their parent or guardian – unless that parent or guardian agrees to it being paid directly to the young person – it is the young person who remains responsible for reporting any change in circumstances.

At least once a year, the young person is responsible for ensuring that their parents complete a 'Parental Income Reassessment' form and provide a relevant copy of their Tax Assessment Notice. The young person must ensure that any increase in parental income is reported to Centrelink before 1 October '*otherwise we may pay you too much and you will have to pay it back*' (ibid, p.3). If the parents income increases by 25 per cent or more in a year, the YA payment is reduced from 1 October that year. If the increase is less than 25 per cent, the payment is reduced from the following January (the start of the Australian academic year).

In terms of confidentiality, Centrelink cannot give information to a parent about a young person's case other than details that relate to the PMT or whether, and how much, YA payment has been made into the parental bank account (Centrelink, 2004b, p.4).

4.9 Simplification and the Youth Allowance

One key objective of YA was to simplify the administration of the benefit system. The allowance itself reduced five payment types to one allowance that takes into account the different circumstances of young people and which is delivered by one agency. Under YA, when young people change or vary their activities, they usually do not have to cancel one payment and reclaim another payment. Full-time students on YA only need to apply once, when they start the course or transfer from another payment (FaCS, 2002).

A FaCS interim evaluation (1999) reported that an immediate impact of YA introduction was a significant reduction in new claims because young people no longer had to change benefit when their main activity changed. A subsequent analysis of administrative data, indicated a one-third reduction in total new claims falling from 680,000 new claims in June 1998 to 436,000 in June 1999, with consequential administrative savings. There was another fall in 2000-01, when the number of new claims fell to just over 372,000 (FaCS, 2002).

There have, however, been significant difficulties involved in the administration of the new benefit. Subsequent chapters examine some of the problems that have arisen around the implementation of the YA by front line Centrelink staff, especially when dealing with the changing circumstances of disadvantaged young people. Chapter 5 considers, in particular, the increase in sanctions and benefit debt that occurred alongside the implementation of the YA, and Chapter 7 reports on the complex interaction between YA and other family benefits.

Finally, it should be stressed that the YA is a small component of the work of Centrelink and that the organisation has itself undergone radical change over the period of YA implementation. This has involved a significant redesign of accommodation, culture, service processes and work programme, with a major emphasis on rethinking service delivery around a 'life events' approach. There have been significant increases in customer satisfaction and in the timeliness and accuracy within which payments have been made (Vardon, 2002). By contrast, there have also been significant reductions in resources and staffing and this has been reflected *'most particularly in the limitations on the time available for interviews and other attention to individual cases, and the lack of priority given to building the particular expertise and skills of staff'* (CPSU, 2001, p. 8; ANAO, 2001). These issues have exacerbated some of the YA implementation issues examined in subsequent chapters.

5 The impact of the Youth Allowance on participation and retention in education

This chapter describes the findings of the Commonwealth YA evaluation with particular focus on the impact of the new income support arrangements on education participation rates. The YA has been the subject of a major Commonwealth Government evaluation, that was carried out by FaCS.⁴ There were also other relevant Commonwealth Government evaluations that had been carried out by the Department of Education, Training and Youth Affairs (DETYA). The DETYA evaluations involved an in-depth study of a linked series of 'Full School Service' reforms that were introduced at the same time as YA and aimed to make continuing in full-time school education more attractive. There was another in depth survey, involving 1,400 'at risk' young people, who had either left school early or who were deemed to be at risk of leaving before completion of Year 12. These two evaluations were more directly concerned with exploring the significant challenges facing the education system in developing appropriate learning pathways for 'at risk' young people, but some of their findings are of direct relevance to exploring the impact of the YA.

This chapter also reviews evidence from the Business Council of Australia that in 2003, commissioned its own independent study on Australian education retention rates. This broader study puts the impacts identified by the Commonwealth Government evaluation into a broader perspective.

Finally, the chapter considers the strategies being pursued by some State Governments that have independently taken action to increase participation rates, especially through increasing the school leaving age.

⁴ The evaluation reports were downloaded from Commonwealth Government websites and access details are given in the bibliography. Unfortunately, the layout and presentation of the reports on the web sites precluded the identification of individual page numbers for many of the detailed findings that are cited in this and other chapters.

5.1 The Commonwealth Government Youth Allowance impact evaluation

When the Commonwealth Government implemented YA, it committed itself to carrying out an extensive impact evaluation and the results were published in two volumes – an interim report released and formally published in 1999, and a final report released in December 2001 but formally published in 2002. The formal, three-year evaluation of the YA was carried out by FaCS.

The objectives of the evaluation strategy were to assess the short- and medium-term impacts of YA on:

- how effectively YA encouraged young people to remain in, or return to, education or training;
- the impact of YA on young people and their families, including the extent to which YA had resulted in parents accepting greater responsibility for their children until they attained financial independence;
- whether the amalgamation of different payments into YA produced significant benefits such as greater responsiveness to young people's changes in circumstances, greater adaptability to changing labour market and education structure, and increased efficiencies in delivery; and
- the extent to which education and training institutions developed appropriate pathways to cater for a wider range of young people.

The evaluation strategy drew on a wide range of data sources including: major surveys of young people and parents; administrative data from Centrelink; data from the Australian Bureau of Statistics and other literature and research. Both evaluation reports drew on the emerging outcomes of the following surveys:

- a three-year longitudinal study of YA recipients to examine their participation in education, training and employment and the impact of YA on this participation;
- two cross-sectional 'family response' surveys of parents and young people;
- a cross-sectional survey to assess the impact of RA on the study and housing choices of young people receiving YA and Austudy payments;
- a qualitative research project conducted in eight communities (three of which were Indigenous) on the impact of YA in rural and remote areas; and
- an analysis of YA client data on a sample of young people who were assessed as independent and classified as 'unreasonable to live at home'.

5.1.1 The impact of the Youth Allowance on education participation rates

Significant changes in the position of 16 to 24 year-old Australians occurred between 1997 and 2001. Table 5.1 shows that over this period, there was a small increase in the proportion of people participating in full-time employment, rising from 37.7 to 38.2 per cent, and an increase in the proportion of young people in part-time and casual employment, rising from 24.2 to 26.9 per cent. The proportion of unemployed young people fell from 10.7 per cent to 9.3 per cent, with the unemployment rate falling from 14.7 per cent to 12.6 per cent. There was also an increase in the proportion of young people in full-time education, growing from 37.5 to 39.7 per cent.

In August 2001, there were 2,465,200 Australians aged between 16 and 24, of whom 977,600, or 39.7 per cent, were in full-time study. 302,663, or 31 per cent, of these full-time students were receiving a YA payment (FaCS, 2001, p. 9).

The FaCS evaluation reports acknowledge the difficulty of measuring the impact of the YA in particular, given the other policy measures that were introduced alongside it and the broader environmental changes in which it operated, such as an improving labour market and societal attitudes towards the value of education and training. Indeed, the final evaluation report noted that *'taken together, these factors are likely to have a greater influence than any impact caused solely or in part by YA'*.

Nevertheless, the evaluation strategy did identify some impacts, especially on school retention rates, that were the particular focus of the changes. The Centrelink data presented in the final evaluation showed that after three years of operation (FaCS, 2002):

- more students were receiving income support than prior to YA implementation; and
- a greater proportion of all income support recipients were full-time students (rather than jobseekers) under YA.

Table 5.1 Major features of Australian youth population aged 16 to 24: 1997-2001

| Status | Population | | | | |
|--|------------------------|------------------------|------------------------|------------------------|------------------------|
| | June 1997 2,388,500 | June 1998 2,393,400 | June 1999 2,411,900 | June 2000 2,439,800 | June 2001 2,465,200 |
| Full-time employment (%) | 37.7 | 38.6 | 38.3 | 40.0 | 38.2 |
| Other employment – not in full-time education (%) | 9.5 | 9.4 | 9.3 | 9.1 | 9.3 |
| Other employment – in full-time education (%) | 14.7 | 14.9 | 16.5 | 16.4 | 17.5 |
| Unemployed – not in full-time education (%) | 8.3 | 7.9 | 6.7 | 5.4 | 6.8 |
| Unemployed – in full-time education (%) | 2.3 | 2.4 | 2.4 | 2.3 | 2.5 |
| Not in labour force – not in full-time education (%) | 7.4 | 6.9 | 7.2 | 7.3 | 6.8 |
| Not in labour force – in full-time education (%) | 20.0 | 20.0 | 19.7 | 19.3 | 18.9 |
| Full-time education (secondary and tertiary) (%) | 37.5 | 37.7 | 39.1 | 38.8 | 40.0 |
| Year 12 retention rate (%) | 71.8 | 71.6 | 72.3 | 72.3 | NA |

Source: Table 3, Department of Family and Community Services, Youth Allowance Evaluation, 2002, Canberra, Table 2.

The most significant impact of YA was on under 18 year olds who were ineligible for YA unless participating in full-time education or training. Findings from the longitudinal survey showed that a higher proportion of younger YA students who were in Year 10 or below in 2000, stayed at school in 2001 (83 per cent) than had planned to do so (79 per cent). The rate for older YA students who were in Year 11 in 2000 and stayed at school in 2001, was higher, at 89 per cent. Between 1997 and 2000, the percentage of early school leavers *'declined from 20 to 15 per cent'* (FaCS, 2002).

The final evaluation reported that YA had 'helped overcome' some of the social and education barriers to participation experienced by young people from 'the lowest two income-quartiles', the group who were most likely to be eligible for YA and who were most likely to leave school earliest. The analysis of the survey data showed that:

- there had been a 'significant and sustained' increase of under 18 year-old income support recipients in full-time education or training;
- there had been a sustained decrease in the number and proportion of under 18 year-old income support recipients who were unemployed and not in full-time study; and
- more disadvantaged young people had stayed on at school and 'continuation rates' for this group had moved into line with that of the broader community. This was of particular significance as historically *'young people from disadvantaged backgrounds tended to leave school before Year 12 far more often than young people from other backgrounds'*.

An early analysis of data collected between July 1998 to June 1999, suggested that YA influenced an 'additional 10,000 young people aged 16 or 17 to undertake full-time schooling or vocational education and training courses'. This increase was sustained in the following two years to June 2001 (FaCS, 2002). According to the final evaluation, a closer analysis of the target population of early school leavers and those at risk of early school leaving indicated that YA *'may have influenced around a quarter of them to stay in/return to education'*. This change was reflected in a similar drop in numbers of under 18 year-old unemployed jobseekers on YA which fell from 27,400 to 17,700 in the 12 months to June 1999, alongside a corresponding increase in the number of full-time students receiving YA (FaCS, 2002).

The survey evidence showed that almost 60 per cent of young people in the YA sample who returned to school, reported that YA had influenced their decision. About three-quarters agreed that being at school was preferable to unemployment. More than two-thirds of the sample also indicated they needed to complete their schooling to get the job they wanted. Moreover, a very high proportion (94 per cent) of returning students rated the subjects offered at school as important influences in their decision to return. This finding, according to the evaluation, reflected the impact of other programmes, such as the 'Full Service Schools Program' that had helped improve the responsiveness of the education system to the needs of returning students.

In addition, the survey data from the interviews with young people found that access to YA was an important factor in the post-school study plans of those planning to go to university (45 per cent) and those planning to go to TAFE (38 per cent). Of the young people who went on to post-school study in 2001, 59 per cent of university students and 46 per cent of TAFE students on income support regarded YA as an important support to their study. The evaluation concluded that given that YA recipients were under-represented at university, *'the incentive effect of YA for students from low socio-economic status backgrounds should not be under-estimated'*.

Almost half the young people who continued to study from 1999 to 2000 said that without YA they would not have been able to continue their courses. This suggests *'that YA was vital for many students who want to continue studying full-time'* (FaCS, 2002).

5.1.2 Early school leavers

There was evidence that the existence of YA was significant, not only in retaining young people in education or training, but also in persuading them to return (a requirement for under 18 year olds claiming YA). In 2001:

- 44 per cent of Year 11 school leavers were studying or training (18 per cent as apprentices or trainees, and 26 per cent in full-time study);
- 41 per cent had a job; and
- 16 per cent were unemployed.

The proportion in full-time study was similar for younger Year 10 leavers (46 per cent). However, a greater proportion of them were unemployed (35 per cent) and fewer were employed (19 per cent). Significantly, return to full-time study was four times higher for those on YA (40 per cent), compared to those not on YA (nine per cent) (FaCS, 2002). In addition, over half of the young people who were repeating Year 12 said they would not have done so in the absence of YA.

Despite these positive impacts, the data show that a significant cohort of minimum age school leavers continued to leave school at the first opportunity. One of the most common reasons cited by early leavers was their need to earn money – far fewer said they could not afford to stay at school. Of the 28 per cent who did identify aspects of the YA payment that had discouraged them from study, 40 per cent identified the level of payment (this represented 12 per cent of the overall sample). Three per cent reported that changes to the PMT had worked as a disincentive, and five per cent mentioned complex or difficult application procedures. Significantly, many of these young people continued to participate in full-time study between 1999 and 2001.

The other most common reasons that were given for early leaving involved dissatisfaction with aspects of study at school, cited by 40 per cent of the sample. Respondents *'were almost equally divided between those who saw their course as irrelevant or boring, and those who felt discouraged because it was difficult'*. For Year 11 students, curriculum issues seemed to be most significant, whereas, for younger Year 10 leavers social factors *'such as family and personal difficulties'* appeared to be more significant (ibid). Early leavers who had actually been receiving YA, most commonly cited school-related issues. Almost one-third reported they had left because *'they did not like school, they were not doing well at school, or teachers had advised them to leave'*. Another 17 per cent left because school did not offer the courses they wanted to do. The evaluation does not give precise data but it notes that *'early leavers on YA more often said that it was hard to stay in school because of financial difficulty'* (FaCS, 2002).

Further insight into the interaction between early leaving and the YA, was provided by the DETYA study of a cohort of 'at risk' young people. This in-depth survey was based on interviews with 1,400 'at risk' young people, who had either left school early or who were deemed to be at risk of leaving before completion of Year 12 (DETYA, 2001b).

A large proportion of the young people in school had part-time or casual jobs in order to meet immediate needs. Many worked long hours in addition to their study and reported that the pressure of school was the major barrier to gaining better employment and many cited *'examples of poor working conditions, and of uncertain income from part-time and casual work, where they are often 'on call' and where even 'down time' while 'on the job' is unpaid'*. Those who had left before completing Year 12, believed that they were viewed as failures by employers because they had left school early. At the same time, many of the young people thought that although they might have had the skills to do the work on offer, employers would not consider them unless they had the proper qualifications.

The key variable in the decision to leave or stay in school or to seek further education or training, was the adequacy of, access to and control over their own income. In terms of adequacy (DETYA, 2001b, p. 114):

*'.. many young people, especially those living independently, feel that their income was insufficient to cover their educational expenses, they felt they were missing out on an income by attending school. Some had friends who were working and who were seen to have sufficient incomes for their necessities, as well as for some extras. **The Youth Allowance was not seen as an adequate alternative nor as an incentive to remain at school** [our emphasis].'*

YA was seen by students as a means to pay for their educational and associated expenses, partly because it was seen as being insufficient for independent living.

The payment of the YA to parents of young people under 18 years old was a source of some confusion for many young people. Some did not know whether or not their parents had received YA. Many saw no connection between their living circumstances and YA. Only a few had made arrangements with their parents so that a proportion of the YA was paid to them as 'pocket money.' Not surprisingly, a significant proportion would have preferred to be entrusted directly with the YA.

The report called for improvement in several areas, including:

- better coordination of transition services, with particular reference to the poor connections between Commonwealth programmes and State and Territory initiatives;
- a better information base relating to the destinations of young people when they decide to leave school;
- a review of the effect of YA payments made to those under age 18 and the impact on their participation and engagement in education.

The evaluation suggested that consideration be given to making YA payments direct to under 18 year olds but this has not been acted upon by the Commonwealth Government.

5.2 Other evidence on Australian school retention and completion rates

In spite of the progress reported in the main YA evaluations, many other reports reviewed in the literature search continue to document a lack of progress in raising school retention rates in Australia especially in comparison with other countries. For example, in 2003 the independent Business Council of Australia suggested that, despite the reforms undertaken, there had been *'little change in the retention and completion rates of young people undertaking Year 12 or equivalent over the last decade'* (BCA, 2003, p. 6). It appears that while many young people receiving YA may have been involved in some form of education or training, this did not wholly translate into increased completion of Year 12. The Business Council commissioned its own research into 'Young Persons' Education, Training and Employment Outcomes with Special Reference to Early School Leavers'. This puts into perspective the gains reported in the YA Commonwealth Government impact evaluation. The BCA findings highlighted that each year in Australia (ibid, p. 6):

- about 270,000 young people leave school; and
- about a third of these young people leave school before completing Year 12.

While a third of the young people leaving school early take up other education and training opportunities, such as vocational education and training or apprenticeships, it is estimated that over 50,000 young people leaving school before Year 12 will not gain further qualifications. A large

proportion of those entering vocational education and training also do not complete their courses, with 30 per cent failing to complete half their course (DSF and BCA, 2003, p. 1).

For many young Australians, early leaving is linked to subsequent marginal labour force attachment. There are, it is estimated, 40,000 young Australians aged 15 to 19 who, having left school early, are not in some other form of education and training and are employed for less than 15 hours a week, usually in low skilled and casual roles (Muir *et al.*, 2003; Curtain, 2003).

Many of these young people are from poorer households and/or likely to be from rural areas. They leave school early as a result of disaffection with the system, skill limitations such as poor literacy and numeracy skills, or because the range of courses is inflexible. Some leave because of economic hardship. All these factors are particularly intense for indigenous young people (BCA, 2003, p. 7).

The Business Council of Australia with a wide coalition, subsequently called on the Commonwealth Government to take more radical steps to improve the position and to commit itself to *'lifting youth participation in education, training and/or employment to at least 90 per cent'*.⁵ In a submission to the Treasury in 2004, a coalition proposed a detailed and costed strategy for securing this objective within five years. This would involve building on existing Commonwealth, State and Territory Government programmes; providing additional measures for those identified to be 'at risk' of early leaving; and introducing a comprehensive 'national youth transition service'. Although the Coalition Government has not yet responded to these proposals, the opposition Labor Party has proposed a new 'Learn or Earn' Youth Guarantee which it will implement if elected in a General Election that is likely to be called before the end of 2004. Under Labor's proposals, all *'15 to 18 year olds will get support to either be studying at school, TAFE, or university or be in a job or apprenticeship'* (Labor Party, 2004, p. 1).

5.3 School retention rates and other policies and initiatives to encourage participation in education

It is important to stress that YA and its related programme initiatives were implemented in the context of State Government strategies and other Commonwealth initiatives that aimed to increase school retention rates. A report for the Tasmanian State Government, for example, compared the destinations of young people eligible to leave school in 1995-96 and 2001-02, respectively. It found that those choosing to leave school at Year 10 had fallen from 32 to 17 per cent, a fall of nearly half. It attributed this reduction to the combined impact of a significant expansion of vocational education and training programmes alongside the introduction of YA (DET, 2002, p. 3).

Full-time education participation rates are likely to increase further still in Australia. Individual states have carried out independent reviews and Labor Governments in Tasmania, South Australia and Queensland have increased their respective school leaving ages, with a Labor Government in Victoria also implementing 'major structural reforms' (DSF, 2002, p. 7). In South Australia, school retention rates fell from around 90 per cent to 67 per cent between 1993 and 2002 (GSA/SI, 2003, foreword). In response, the State Government implemented a strategy to increase participation rates amongst 16 to 19 year olds and increased the school leaving age to 16 from January 2003. The Tasmanian Government plans to do the same. Perhaps the most dramatic increase is likely to be in Queensland,

⁵ The submission was sent to the Treasurer on 9 December 2003 and was signed by the Chief Officers or President's of the Business Council of Australia the Australian Council of Social Service, the Australian Council of State School Organisations, the Australian Council of Trade unions, the Australian Industry Group, the Dusseldorp Skills Forum; Jobs Australia, the Smith Family Foundation and the Australian Secondary Principals' Association.

where legislation has effectively increased the minimum participation age to 17, albeit many young people will be able to engage in appropriate activities outside the school setting. The Queensland Government, in particular, has embarked on an intensive phase of curriculum and programme development to advance methods to engage a new generation of 'reluctant learners' (<http://education.qld.gov.au/etrf>).

One significant Commonwealth Government initiative that was implemented shortly after the Coalition Parties won power in 1996, was to introduce school-based new apprenticeships which allow young people both to be a full-time student and a part-time employee and undertake employment, whilst also completing a senior secondary certificate (ANTA, 2003).

The FSS programme was another Commonwealth Government initiative that provided short term funding to facilitate the development and testing of new approaches that would encourage young people 'at risk' of not completing Year 12 to return to or remain at school and then to make a successful transition to further training or employment. In 1999 and 2000 FSS provided funding for 65 clusters of schools throughout Australia which undertook a range of initiatives ranging from individual support strategies (providing case management, counselling, mentoring and peer support), through to developing new curriculum initiatives and community partnerships.

A national evaluation of FSS assessed its impacts through findings from questionnaires, a telephone survey, six monthly reports, site visits and workshops (SP and CYA, 2001). The final report also incorporated findings from two associated FSS 'Strategic Projects', funded by the DETYA. The evaluation concluded that there was '*general agreement and documented evidence*' that the programme '*had a significant impact on the educational opportunities of at risk young people*'. The critical factors that contributed to success included an approach that facilitated '*cultural change and a shift in the attitudes of both the school and its community, about the school's role*'. One of the most positive findings was that '*many schools created strong and lasting partnerships with the local community and parents and engaged them in finding sustainable solutions*'.

Other factors included the '*development of a culture of enterprise and innovation, flexible curriculum design and implementation, and flexible use of school resources*'. In many cases, schools employed youth and/or social workers to assist them in occasioning change. The individual support and curriculum initiatives showed that young people became engaged in school due to the quality of relationships and so the challenge for future development lay in '*improving the relationships between school staff and students and between students and their peers*'. The report also called for the development of positive approaches '*to engage and involve parents in achieving educational outcomes for their children*'.

6 The impact of the Youth Allowance on young people not in education, employment or training

This chapter examines evidence of the impact of YA on young people not in education, employment or training. In particular, it assesses the implementation of the YA activity test on those young people who choose not to engage in full-time education and the extent to which young people have taken advantage of the greater flexibility that is allowed in YA legislation. The chapter also examines the interaction between YA and programmes targeted at the young unemployed and explores the reasons behind a marked acceleration in the imposition of ‘breaches’ – the sanctions imposed on benefit recipients who do not meet the activity test or who fail to report changes in circumstances – that paralleled the introduction of the YA (Pearce *et al.*, 2002).

6.1 Youth unemployment and those ‘not in education, employment or training’

The general unemployment rate in Australia has fallen since 1998 and now stands at less than six per cent. Teenage unemployment has also fallen. The number of male and female 15 to 19 year olds who were unemployed and actively seeking work, fell from a high of 129,500 in May 1992, to a low of 58,000 in September 2001, although it has since increased to 66,300 in March 2004 (ABS, 2004). The full-time teenage labour market has continued to contract and young people comprise a high proportion of the unemployed. In comparative terms, Australia has been identified as having the fifth highest youth unemployment rate amongst 13 comparable OECD countries (Muir *et al.*, 2003).

Despite YA and related incentives to remain in full-time education and training, about two-thirds of the 90,000 or so young people who leave school without completing Year 12, do not take up education or training and ‘are usually unemployed or employed in casual and short term jobs’ (BCA, 2003, p. 6). Many of these young people are those ‘least well equipped to compete for jobs’ (Curtain, 2003).

A fuller view of the position of these young people has been derived from Australian employment statistics used to calculate the extent of the 'NEET' population - 'Not in Education, Employment or Training'. Estimates have shown that just under 15 per cent of Australian 15 to 19 year olds are not in full-time study or full-time work, a proportion that increases to over a quarter of 18 and 19 year olds (Muir *et al.*, 2003; Curtain, 2003). A significant proportion of this group may be involved in positive activities, such as caring, but others are said to be in a '*maze of casual, temporary, and insecure employment*' (ACOSS 2003b, p. 36). Many of these will experience periods of unemployment and if they have no other income, will have to claim what is called YA (other).

In January 2004, there were just over 94,600 young unemployed Australians registered as claiming YA (other). The FaCS final evaluation reported that even though many of these young jobseekers identified their lack of skills and qualifications as barriers to finding work, about a third of those contacted in both 1999 and 2000 said that they had no plans to undertake further studying or training. There was some evidence that this group experienced prolonged periods of benefit dependency, with only about a third of the YA recipients who had been unemployed in 1999 and 2000 entering full-time work in the following year.

The FaCS YA evaluation identified the characteristics associated with those YA recipients who experienced prolonged unemployment. They included (FaCS, 2002):

- poor literacy skills;
- low motivation to find work;
- low socio-economic status backgrounds;
- more likely to be male;
- less likely to have completed Year 12;
- more likely to have no post-school qualification; and
- more likely to be the children of Australian-born parents.

It is important to stress that only some of the young people who are unemployed claim YA (other). Some young people aged between 16 and 20 years, may not claim because of personal circumstances or disadvantages (see Chapter 7). There are, however, another group of 'ineligibles' who are also unable to claim YA because of the income of their parents or partners. The FaCS evaluation reported that these 'ineligible' young people were less likely to continue in school and more likely to be in part-time study than those on YA.

There are few estimates of the size of this group but in 2001, Australian labour force survey data indicated that there were 88,300 16 to 20 year olds unemployed and looking for work and 113,300 in part-time work. In the same period, there were only 67,681 young people receiving YA (other) who had no employment, with another 13,945 YA (other) recipients who reported some employment income (that would have classed them as at least part-time employed in the labour force survey) (FaCS, 2001, p. 9). One important consequence of not being eligible for YA is that the young unemployed people involved are also ineligible to participate in many of the Commonwealth employment programmes targeted at the long-term unemployed.

6.2 Employment programmes for the young unemployed

Australian employment assistance programmes for the young and long-term unemployed, are delivered through 109 contractors who make up the privatised Job Network. These provide a job matching service and job search training generally, for those unemployed for over three months but immediately for young people. They also provide 'customised assistance' for the long-term unemployed or for those who qualify for early entry (determined by the application of the JCSI). The young unemployed also are subject to a 'mutual obligation' requirement where they are required to participate in one of a range of specified activities after six months' unemployment (three months in the case of school leavers). There is extensive literature on the employment impacts of Australian labour market programmes but these were not scrutinised intensively for this review as they are not YA specific.

It is important to note, however, that those targeted specifically at young people – including 18 to 20 year-old YA recipients – have been subject to much criticism (see, for example, PC, 2001; OECD, 2001). The most controversial is Work for the Dole that requires the unemployed to carry out work of community benefit for two days a week. One Government evaluation suggests that three months after participation, some 30 per cent of Work for the Dole participants were off benefit, compared with 17 per cent of a matched group of non-participants. Independent evaluations, however, criticise the weak linkages between Centrelink, Work for the Dole and real job opportunities (Nevile and Nevile, 2003). There also is statistical evidence that, in its current form, participation in the programme worsens participants' chances of getting a job by reducing the time available and incentive to look for work, and by stigmatising the people required to participate (Borland and Ping Tseng, 2003).

6.3 The Youth Allowance activity test: combining activities

Young people who claim YA have to satisfy the activity test that was described in detail in Chapter 3. Young people who claim YA (other), because they are not in full-time education or training, must either be looking for work or engaged in another approved activity; or be engaged in a combination of activities. This capacity to combine activities is one of the most innovative features of YA but it seems that it is little used in practice. The FaCS YA evaluation itself noted the low usage of the capacity to combine activities and identified a need for further research *'to find out the reasons and to explore ways to increase use of the range of activities which flexible activity testing permits'* (FaCS, 2002).

Table 6.1 gives a detailed breakdown of the pattern of activities of the 94,664 young people classified as YA (other) customers in January 2004. The vast majority, nearly 85 per cent, were unemployed jobseekers. In addition to job search, many of these young people may also have been participating in labour market programmes, such as Work for the Dole or Intensive Assistance, where participants continue to be paid YA (other). Some others, just over 3.3 per cent in total, were still required to look for work but were engaged in combinations of part-time study, part-time work and other activities, or were involved in training, self-employment preparation or full-time voluntary work. Another four per cent were involved in combinations of approved activities but were not required to look for work. Another small group, just over two per cent, were employed in a specific indigenous Community Development Employment Programme, and not required to look for work. There was a small group of YA customers temporarily incapacitated (just over four per cent). Finally, just under two per cent of YA customers were excluded from payment because of their declared income or that of a partner or parent.

Table 6.1 Status of YA (other) customers: January 2004

| | Male | Female | All |
|--|--------|--------|--------|
| All YA (other) jobseekers | 40,927 | 38,804 | 79,731 |
| Part-time study and work | 3 | 4 | 7 |
| Part-time study and other YA activities | 50 | 82 | 132 |
| Incapacitated | 1,713 | 2,244 | 3,957 |
| Training | 1,680 | 1,295 | 2,975 |
| Self-employment development | 5 | 5 | 10 |
| Full-time voluntary work | 19 | 20 | 39 |
| Other non-jobseekers (undertaking approved full-time voluntary work or combination of voluntary or part-time work not required to seek work) | 1,764 | 2,049 | 3,813 |
| Participating in CDEP (job creation programme for indigenous communities) | 1,329 | 817 | 2,146 |
| Did not receive a payment (either due to own income or that of parent or partner) | 757 | 1,097 | 1,854 |
| All YA (other) customers | 48,247 | 46,417 | 94,664 |

Source: Table 3, Department of Family and Community Services, Labour Market and Related Payments: a monthly profile, February 2004, Canberra.

6.4 The implementation of the Youth Allowance activity test

The 2001 report of the Prime Minister's Youth Pathways Taskforce was the first major independent review to draw attention to concerns about the inflexible implementation of the YA activity test (PMYPT, 2001, p. 73). These concerns were subsequently investigated in a small-scale study into the administration of the activity test. It explored how well the agreements drawn up by Centrelink staff were tailored to the individual needs of young jobseekers. The independent Brotherhood of St Laurence (BSL) carried out the research in partnership with Centrelink's specialist 'Youth and Community Segment' (Jope and Beaumont, 2003).

The BSL research involved open-ended questions in semi-structured interviews with a small sample of 21 young jobseekers. In addition, interviews were carried out with seven youth workers, through whom the jobseekers were recruited, and nine Centrelink officers from four local offices. A majority of the jobseekers interviewed, faced multiple barriers to employment and were unlikely to be directly representative of the total population. Nevertheless, the wider relevance of the problems experienced by these young people with the administration of the activity test, were confirmed by the youth workers and Centrelink officers and may prove pertinent to the equivalent administrative challenges that face UK agencies in their work with young people.

The research found that young people were unclear about the role of Centrelink and the limitations of the support that it was able to offer. They appreciated the access to income support, loans and referrals to courses and job search that were made, but were critical of the lack of direct support to tackle barriers, for example, with travel or course expenses. Centrelink staff have no equivalent to the (British) Advisers Discretionary Fund.

The young people reported significant variations in the attitudes of Centrelink staff varying 'from accepting and helpful on the one hand, to judgmental and unhelpful on the other' (ibid, p. v). It was suggested that poor communication skills and negative attitudes on the part of some Centrelink staff contributed to difficulties in establishing rapport, with some young people, consequently, reluctant to

disclose relevant information, leading to inaccurate assessments of their job readiness. The interviews revealed that these disadvantaged young people *'preferred to have an adult with them during the claim process, partly to provide help in completing forms and partly because they felt more comfortable with the whole process when they were not alone'*.

The report suggested that negative experiences and long waiting times in local offices meant that some young people were reluctant to deal with Centrelink directly. Instead, they would go elsewhere, particularly to workers in youth agencies, for assistance and to sort out mistakes made in the administration of YA. The workers in youth agencies reported, consequently, that they spent a lot of time on Centrelink business, which may have reduced their capacity to focus on other issues.

It seemed too that designated youth staff at the Centrelink offices involved in the study, had been withdrawn and this was regarded by youth agency workers and some Centrelink officers as having had negative impacts on the delivery of the YA. Firstly, it was no longer guaranteed that young people would see an officer who understood the specific issues related to young people and youth services. Secondly, youth workers reported that they could no longer contact Centrelink officers with expertise in YA easily, to remedy their YA clients' problems.

Significantly, the study reported that the young people interviewed, generally did not understand the purpose of PFWAs and did not know they could negotiate the activities included within them. The process of completing the PFWA during the first interview (where eligibility to YA also is determined), left Centrelink staff with little time to identify both vocational and non-vocational barriers, especially concerning those young people who did not readily disclose relevant personal information. The report consequently stated that it was *'unlikely that PFWAs prepared during this process were based on an accurate assessment of the capacity or job readiness of all claimants'* (ibid, p. vi).

While all young people had been referred to Job Network providers for job matching, few had ongoing contact with them and few were confident that their vocational barriers were being addressed or that they were being directed to appropriate job vacancies. The PFWAs examined as part of the study, mainly contained job search activities, with relatively infrequent inclusion of other 'capacity-building' activities such as training or volunteer work.

The PFWA often was understood by both YA customers and youth workers to be a list of required job search activities that provided the basis of a possible breach should the jobseeker fail to comply. The computer-based processing of YA applications seemed to contribute to the generation of a standard model of PFWA that primarily required job search activities. This automated system lacked 'triggers' to identify potential non-vocational and vocational barriers to employment. As a result, PFWAs *'appeared to motivate young people to look for work but did not increase their capacity to get work or develop work-related skills'* (ibid, p. 37). The report concluded that Centrelink did not appear to have a quality assurance process to ensure that PFWAs included activities reflecting the vocational and non-vocational barriers that prevent the entry of marginalised young people to long-term employment.

The report made a series of recommendations that may be relevant to the development of a Jobcentre Plus youth strategy in Britain. They include:

- engaging young people and youth agencies in the redesign of letters, forms, and printed information for young people;
- promoting a dedicated Centrelink Youth and Student line to enable young people to feel more comfortable in contacting the agency by phone and to have greater confidence in the information or advice they receive;

- make provision for a longer initial interview to provide more time to build rapport and collect relevant personal information. It also would allow the YA applicant to consider their goals or discuss the PFWA with family or friends before having to complete it. This should lead to a more accurate assessment of jobseeker's circumstances and a PFWA better tailored to their needs, especially where barriers to employment exist; and
- develop and implement risk indicators to identify young people between 18 and 20 years of age who require assistance to apply for the independent rate of YA because it is unreasonable for them to live at home.

Finally, the report recommended that Centrelink work with local partnerships, including outplacing its specialist youth officers with local youth agencies, on a regular basis and develop protocols for sharing information on clients, without jeopardising confidentiality.

Subsequently, the Centrelink 'Youth and Community Segment' which had cooperated with the research, investigated the use of its own guidelines. These had been issued in 2000 for negotiating PFWAs with under 18 year olds identified as being 'at risk' of non-compliance with the activity test requirement. This unpublished research demonstrated the value of well constructed PFWAs that reflected the young person's actual circumstances. The benefits included *'better customer service, improved relations with YA customers, a potential reduction in breaches and appeals, and improved relations with community agencies'* (cited in Jope and Beaumont, 2003, p. 5).

6.5 Benefit sanctions and penalties

If young people receiving YA fail to meet their activity test requirements, they may be 'breached' (sanctioned). YA recipients may also be subject to 'administrative' breaches that also incur sanctions. As in the UK, breaches of activity requirements (such as, a failure to attend an interview, or to seek work actively, or leaving a mandatory employment programme without good cause) attract escalating penalties that can, for a third offence, result in the cancellation of an entire income support payment for up to eight weeks (see Table 6.2).

The activity test requirements aimed at unemployed young people, and unemployed people more generally, have been intensified since 1998. Unemployed under 18 year olds are expected to be in full-time education or training. Unemployed over 18 year olds must satisfy rigorous job search requirements, such as maintaining a Jobseekers Diary, following up ten job leads a fortnight and, when required, obtaining 'Employer Contact Certificates'. When required, they also must engage in employment assistance activities with a Job Network provider and, after six months' unemployment (three months for school leavers) they must participate in a 'mutual obligation' activity. This can involve a range of employment-related activities, including participation in Work for the Dole for two days a week for up to six months.

Table 6.2 YA penalties for ‘breaching’ Australian activity and administrative requirements

| Activity Test | Penalty |
|-----------------------|--|
| First breach | 18% reduction in weekly allowance for 26 weeks |
| Second breach | 24% reduction in weekly allowance for 26 weeks |
| Third breach | No payment for eight weeks |
| Administrative breach | No payment for two weeks or 16% reduction in payment for eight weeks |

Source: Table F, ‘Runaway youth debt – no allowance for youth: an analysis of the causes and impact of extensive debt in the Youth Allowance system’, National Welfare Rights Network, Sydney, October 2002.

One consequence of the implementation of these intensified requirements was a marked increase in the imposition of sanctions. In the year to June 2002, for example, 260,000 penalties were imposed with an average value of A\$800, representing a 260 per cent increase from the 100,000 breaches imposed in 1999 (ACOSS, 2002). Over 30,000 breaches involved full eight week withdrawal penalties. A further 172,000 penalties were imposed but later revoked. Over the year to June 2002 72,270 of the penalties were imposed on YA recipients and the Government YA evaluation itself noted that the *‘breach rate for non full-time students is higher than for other activity test payments’* (FaCS, 2002, p. 122).

Evidence drawn from across Australia highlighted that charities and community organisations had to provide crisis help for many vulnerable and disadvantaged people, including many young people. In response, a group of nine leading charities and other organisations sponsored an independent inquiry, chaired by a former Commonwealth Ombudsman, that called for changes to reduce inappropriate breaching (Pearce *et al.*, 2002). The review consulted representatives of Commonwealth and State Government, providers, and welfare organisations, many of whom embraced the basic principle that the breach system should ‘assist and reinforce’ compliance, rather than punish for non-compliance.

The review made a series of 36 recommendations to:

- improve the effectiveness of the initial Centrelink interviews;
- pay close attention to identifying the ‘especially vulnerable’;
- improve methods for identifying and recording contact with individuals;
- improve information on the ‘special circumstances’ in which activity test exemptions could be granted; and
- better communicate the rules for compliance and the penalties for breaching.

Finally, the report called for frank, detailed and regular consultation with community organisations about the design and implementation of the income support system (Pearce *et al.*, 2002).

The findings and recommendations of the review were reinforced by a subsequent Senate Inquiry into ‘Participation Requirements and Penalties’, although Government members issued a dissenting minority report (Senate, 2002). The Government and relevant Departments have subsequently introduced administrative changes that have helped reduce the level of inappropriate breaching. There continue to be problems, however, and the Australian experience reinforces the need for the careful implementation of behavioural and programme requirements, especially as they are applied to the vulnerable groups of disadvantaged people discussed in Chapter 7.

7 The Youth Allowance and disadvantaged groups of young Australians

Although there was consensus in Australia on the principle of a unified YA, there have been criticisms of its implementation, especially concerning its impact on the most disadvantaged young people. The final FaCS YA evaluation did not directly address issues around the delivery of the new benefit but it did note the ‘community concerns’ that had been expressed about access to YA, administrative inconsistencies and, particularly, the increased rates of ‘breaching’ discussed in Chapter 6. The evaluation noted that the breach rate for YA non-full-time students was higher than for other categories, suggesting *‘that young people in difficult circumstances, such as severe problems with substance abuse or mental illness (often combined with homelessness), may be set inappropriate activities and are breached when they fail to comply’* (FaCS, 2002).

This echoed the findings from the community consultations undertaken by the Prime Minister’s Youth Pathways Taskforce. The Task Force had concluded that the introduction of YA had *‘provided more flexible income support and incentives to engage in full-time study and training’*, but expressed concern about the inflexible implementation of the rules and the ‘rigid’ application of activity testing provisions resulting in payments for vulnerable young people being reduced or withdrawn for *‘relatively minor matters’* (PMYPT, 2001, p. 74). The consequence was that (ibid, p. 7):

‘...a small number of young people in need are not accessing income support. Meeting the requirement to return to school or to undertake other activities sometimes seems too hard. Also, failing to lodge forms or attend interviews can lead to young people having their payments breached and, in some cases this further discourages them from accessing income support. Not accessing income support makes activities such as study almost impossible and can further marginalise a group who are already disadvantaged!’

The Task Force reported that in their consultations, such young people had expressed their concerns *‘about the level of, and requirements for, access to income support’* and as a consequence *‘elect(ed) to drop out from what they view as an onerous and unhelpful system’* (PMYPT, 2001, p. 73). At the extreme, the Task Force observed that ‘in some circumstances’ marginalised young people had said that *‘they had turned to petty theft or drug dealing to survive’* (ibid, p. 74).

Subsequently, independent community organisations have raised particular concerns about the increased level of benefit debt associated with YA, especially among the young homeless. There have also been particular concerns about the interaction between YA eligibility rules and the position of young people in care.

7.1 Youth Allowance-related benefit debts, the young homeless and changes of circumstances

As the level of 'breaching' increased in the Australian income support system much concern was expressed at a parallel increase in the number of YA recipients identified as being in debt to the benefit system. The FaCS YA evaluation itself noted that 'the number of reviews, debts and the amounts of debts increased' between 1998-99 and 1999-2000. In 2000-01, *'the number of debts plateaued, the number of reviews decreased and the value of debts increased'* (FaCS, 2002, p. 122).

In 2002, the National Welfare Rights Network (NWRN) carried out an independent investigation into the reasons for the increase. This involved an examination of all relevant cases reported to NWRN members. A series of 14 focus groups undertaken with young people and youth workers throughout New South Wales, and an analysis of relevant data obtained through formal 'Freedom of Information' requests. The debt data released by FaCS for the year ending 30th June 2001 showed that of 1,108,217 Centrelink debtors, 594,916 were YA or Newstart Allowance debtors. The data also showed that (NWRN, 2002, p. 14):

- 57 per cent of all activity test breaches were applied to young people under 25;
- 57 per cent of all under 18 independent Youth Allowance recipients had a Centrelink debt;
- 68 per cent of all 18 to 20 independent YA recipients had a Centrelink debt; and
- 42 per cent of all 21 to 24 independent YA recipients had a Centrelink debt.

The research identified two key factors behind increased debt levels for YA recipients: There had been a marked increase in the imposition of benefit penalties (discussed above), and there been a disproportionate growth of YA benefit debts amongst young homeless people in particular. The focus groups with young people, many of whom were homeless, found that over half had a Centrelink debt that was being recovered from their current payments. Two of the key reasons for incurring these benefit debts included (NWRN, 2002, p. 16):

- not completing study, because they could not afford to attend school or because of housing problems; and
- discontinuing full-time education when under 18, because of housing problems or other life crisis issues.

In these situations, the young person is no longer eligible for payment and if they have not notified Centrelink immediately, they will end up with a debt. Should the young person notify Centrelink immediately, the event occurs they may be granted an exemption from the requirement to study. Unfortunately, the research found that many of the young people interviewed were unaware of the requirement to immediately notify Centrelink or failed to notify Centrelink because of the crisis they faced. As a result, the young person ended up with a debt and Centrelink did not retrospectively provide the young person with an exemption from the requirement to study. Many of the young people in the focus groups were left with no income while they were homeless because they were required to repay YA overpayments incurred during periods when they had been unable to study due to their homelessness.

The report also drew attention also to the problems that arise when a young person is required to repay a debt because of a parental failure to provide the correct income or a parental failure to inform Centrelink that the young person is no longer with that parent/guardian (ibid, para 2.2). In these situations, Centrelink insists that the parent or guardian is acting as an 'agent' for the young person, but that it is the young person who is the final recipient of the payment and the benefits of YA. Unfortunately, as the report points out, such a system implies that the young person can choose their agent and has the power to insist that the agent act in their interests. The NWRN points out that the most vulnerable young people who have marginal connections with their parents are the least likely to have such a power of negotiation with the parent or guardian. As a result, *'they may not even be aware of how much money the parent is receiving on their behalf, and have no way to compel that parent or guardian to use the money in their interests'* (ibid, 2002, para 3.2).

7.2 Unable to live at home and the young homeless

In August 2001, there were 47,897 YA recipients (12 per cent of the total) who were being paid YA at the independent rate because it was considered unreasonable for them to live at home. Just under half, 47 per cent, were full-time students, accounting for 24 per cent of all independent students. Just over half, 52 per cent, were claiming YA (other) and accounted for 55 per cent of all independent non-students. The most frequently cited reason for not living at home was 'serious family breakdown' (FaCS, 2001, p. 36 and Table 19). Just over 62 per cent were aged between 18 and 20, and of those aged under 18, 62 per cent were in full-time study. This was seen as a *'particularly good outcome for YA (UTLAH) recipients who are usually at greater risk of leaving school early'* (FaCS, 2002).

While many of these young people may have been in secure and stable accommodation, young homeless people, as was indicated in the NWRN research above, had significant difficulties with accessing YA and meeting the activity requirements. These issues were explored in depth in another qualitative research report undertaken by Uniting Care, a church-based charitable organisation that works with vulnerable young people in New South Wales (Urquhart *et al.*, 2002).

In-depth interviews were carried out with a 'small purposive' sample of ten homeless young people, their parents and support workers, in three high unemployment locations. The aim was to explore their awareness and perceptions of recent policy changes to income support and their expectations of parent-child relations regarding private financial support for children. Three standardised measuring instruments were administered to provide a more objective measure of parent-child dependency, stress and emotional health.

According to the report the results of this initial study generated seven points of interest (Urquhart *et al.*, 2002, p. 8):

- All the young people expressed a desire to gain regular work. All but one of the participants were looking for work or training at the time of interview but only two felt confident that they would find a job.
- Almost all participants, whether young people, parents or workers, had something positive to say about Centrelink staff. The comments often reported on the assistance given on a specific occasion when help was most needed. One of the most valued aspects of Centrelink was the existence and availability of YA. There was concern at the level of payment with young people, workers and parents, saying it was inadequate to meet a young person's basic needs.

- The survey participants reported that Centrelink staff lacked an understanding of young people in general and of the circumstances and difficulties faced by the young homeless in particular. Both workers and young people commented that there *'often was no acknowledgment of the daily difficulties faced by homeless young people in meeting Centrelink requirements'* and this was *'exacerbated by a 'stick to the rules' approach and a lack of flexibility for minor administrative breaches'*.
- Participants reported a number of specific problems with Centrelink policies and procedures. These included 'mistakes and errors', frustration with long waiting times, and a lack of basic amenities that posed difficulties in meeting job search requirements for those who were homeless. The young participants reported that often they could not wash their clothes nor afford new clothes, so personal presentation for job interviews was difficult.
- Most young people in the study had been 'breached' at some time with some being breached on more than one occasion. The respondents suggested that breaching *'made life much more difficult'*, especially for those young people who lived independently in rental accommodation. It seemed that breaching made an already uncertain situation still more precarious as landlords tended to threaten eviction as soon as tenants fell behind in their rent payments.
- Young people's access to the independent rate of YA was a major concern. All the workers in the study stressed the difficulties involved in obtaining documentation from parents to verify that a young person could not live at home.
- Although only a small number of parents participated in this study, all felt an obligation to support their children. At the same time, however, they identified various financial, emotional and health costs to themselves when making up shortfalls in YA payments.

The findings from this research also highlight that the absence of secure and stable accommodation itself was *'compounded by the inability to access YA support'* which in its turn was a major impediment to meeting Centrelink requirements. When penalised for failing to meet these requirements, reduced payments simply worsened existing problems. Participants *'expressed frustration and, at times, even incredulity that these penalties were applied with little regard to their housing circumstances and the impact it might have on their already precarious existence'* (ibid, p. 9).

The report concluded with 'some practical and specific measures' that would help improve the delivery of YA to 'at risk' young people that may prove relevant in the UK (Urquhart *et al.*, 2002, p. 10):

- One way to overcome the problems identified by participants with staff would be for Centrelink and other welfare agencies to address a young person's basic needs prior to their being asked to meet training requirements. Only then should obligations extend to other areas such as training courses and job seeking activities.
- A further option would be to introduce *incentives* for compliance with activity test and mutual obligation requirements for young homeless clients. These could include additional access to training opportunities, food vouchers, and better access to guaranteed employment options.
- The accounts provided by many of the participants suggest that if the 'unable to live at home' provision could be verified by community and youth workers and young people themselves, access to the independent rate for this very vulnerable group would be significantly enhanced.
- Extending the role of Centrelink outreach workers to sites where young homeless people are likely to be and also feel comfortable in, such as youth centres and other service sites providing support to homeless young people. This could assist in better communication between Centrelink, young people and support workers and could lessen the incidence of breaching.

It appears from the findings in this report, and in the other qualitative research cited in this review, that front line Centrelink officers were not making effective use of the flexibilities that existed for young homeless people in YA activity agreements. These allow, for example, young people to be given an exemption from the activity test while they resolve their immediate crisis and permit Centrelink officers to include the process of resolving homelessness in an individual activity agreement.

The findings from the Uniting Care study reinforce those arising from others that have investigated the experiences of homeless and severely disadvantaged people of Centrelink, activity requirements and the privatised Job Network (see, for example, Parkinson and Horn, 2002, or Ziguras *et al.*, 2002). These suggest that, in particular, the initial interviewing strategies deployed by Centrelink failed to engage disadvantaged jobseekers in a way that facilitated full disclosure of all relevant circumstances to enable staff to make an informed assessment of the individual's job or activity 'readiness' and their capacity to meet particular requirements and participate in relevant programmes.

7.3 Young carers and care leavers

As in the UK, there is much evidence to show that young carers and young people leaving state care face more difficulties in making the transition to independence. The final FaCS evaluation cited research from 'Carers Australia' that had estimated up to 18,000 young people (aged up to 25) were the primary carers for either a family member or friend with a serious disability. The report acknowledged the 'multiple disadvantages' these young people faced and concluded that 'young primary carers have school and study outcomes on a par with homeless young people and indigenous young people'. There were no other findings or specific initiatives described.

In contrast, specific issues had arisen around the YA and the position of young people leaving state care, another group who face significant disadvantages that militate against successful school completion. Indeed, in the first year after leaving residential care, 'wards' of the state are more likely to experience unemployment, homelessness, drug/alcohol abuse and early pregnancy. Many 'looked after' young people also experience a severely disrupted education and most do not complete Year 10 of school. The introduction of YA had two particular impacts highlighted in the final FaCS evaluation:

- When a 'state ward' reaches the minimum school-leaving age, YA is paid directly into the young person's own bank account. This may cause tension in foster families because it may mean a 'loss' in the family's net total income and cause conflict over what is seen as inappropriate spending by the young person. It could also undermine relationships between the young person and the foster family and possibly jeopardise the benefits to the young person of a stable foster care placement.
- There were problems for those in state care who qualified for YA and who lived in housing provided through a 'Supported Accommodation Assistance Program' (SAAP). Generally, young people who qualify for YA as an 'independent' – other than state wards – retain the independent rate of YA when living in SAAP accommodation. However, as young people in state care frequently receive support from the State Government, they qualify only for the lower, dependent rate of YA.

In response to the 'unique barriers' faced by this group of young people, the Government implemented new measures in March 2003 that provide extra assistance to them and their foster families. The Transition to Independent Living Allowance is a '*highly-targeted one-off payment for young people leaving state-supported care*'. It recognises that lack of family support and resources often makes this transition difficult.

7.4 Delivering the Youth Allowance: the Centrelink Youth Servicing Strategy

The FaCS final evaluation echoed the findings of many of the reports reviewed in this chapter in the suggestion that there could be better linkages between the various programmes and measures aimed at young people. In particular, the evaluation stressed that *'changes to YA administration could potentially deliver better outcomes for young people on YA'*.

Following the introduction of YA, and in response to criticisms directed at Centrelink's treatment of disadvantaged young people, the agency and its 'purchasing' departments have developed a coherent 'Youth Servicing Strategy'.

The objective of the strategy is to deliver a 'whole-of-government' approach that *'supports and empowers young Australians to achieve independence and reach their full potential through engagement in education, training, employment and community life'* (Centrelink, 2002, p. 1). The strategy comprises the following elements that may prove relevant to Jobcentre Plus and related British agencies. The elements of the strategy included:

- undertaking a best practice exercise to identify, examine and implement positive youth servicing activities in Centrelink and provide feedback to stakeholders;
- reviewing processes/tools that identify risk and recommend improvements to ensure alignment of services with needs;
- identifying new sources of data to help support better risk assessment and current processes;
- building on existing relationships that support youth services, identifying gaps and developing new opportunities to meet the needs of young people;
- forming an inter-departmental working group to continuously review and develop the Youth Servicing Strategy;
- reviewing existing information processes to maximize young people's understanding of their choices, responsibilities and rights; and
- implementing a culturally appropriate skills training effort in Centrelink that develops the capacity of Centrelink staff to deliver the required behaviours.

In implementing this strategy, Centrelink areas determine how best to respond to the special needs of their populations. Some Centrelink areas now have, for example, established designated Youth Servicing Officers whose primary role is to work with youth agencies to assist disadvantaged customers. Centrelink has also undertaken several trials and research projects to explore ways to help young people remain engaged and participate in education, training and work. In 2002, some examples included (cited in Jope and Beaumont, 2003, p. 5):

- Youth Participation Advisors (YPAs) who explored the service delivery and intervention strategies required for young jobseekers (at risk of failing to comply with requirements) and students and the support provided by specialist officers and YPAs;
- Centrelink Community Officers and Centrelink Youth Community Officers that target homeless young people to ensure that activities in their PFWAs reflect their personal circumstances amongst other items;
- workers have been seconded from the community sector to make linkages with Centrelink;

- the use of SMS text messages to contact young customers; and
- Centrelink National Partnership Group for Young Jobseekers and At Risk Young People which comprises key national and state service providers/stakeholders with a keen interest in young jobseekers and people at risk.

Despite these positive developments it is important to acknowledge that Centrelink is under constant pressure to reduce costs and implement new programmes and priorities as the Australian Government pushes ahead with radical reform of the welfare system. It is also not in a position to provide the integrated 'transitions' service that was proposed in the Prime Minister's Youth Pathways Task Force and subsequently has been advocated for by a wide range of organisations (DSF and BCA, 2003).

8 The impact of the Youth Allowance on families

The Youth Allowance has impacted on Australian families in a variety of ways. When it was proposed the most controversial aspect of the new benefit was the proposal to extend the original Austudy parental means test for full-time students to all 'dependent' young people under the age of 21. This reflected the Commonwealth Government's policy that '*families, where they have the means to do so, should assume financial responsibility for their children*' (FaCS, 1999, p. ix). This chapter:

- examines the impact of the PMT and the findings from the YA evaluation about the attitudes of parents to this extended responsibility;
- assesses the complex interaction between the YA and other benefits, especially the Family Tax Benefit that was changed significantly in 2001 and has since resulted in a reduction in the number of families claiming YA; and
- considers some of the issues raised in the literature review about both the general adequacy of the YA and more specifically about its relationship with child poverty.

8.1 Extending the parental means test

The impact of the extension of the PMT was considered in detail in the interim evaluation report (FaCS, 1999). The report noted the strong representations that had been made about the extension of PMT and concluded that '*not unexpectedly, qualitative information about the extension of parental means testing to unemployed 18-20 year olds had negative impacts on some young people*'. The qualitative evidence given in correspondence to the Minister showed the extension of the PMT had contributed to '*increased family stress in some circumstances, most notably in blended families*' (FaCS, 1999, p. ix). Community representations also reported criticisms about the levels at which the income test threshold and various 'cut outs' had been set.

The evaluation attempted to quantify the extent and nature of the impact that the extension of the PMT had. This involved an analysis of Centrelink administrative data and qualitative and quantitative interviews with young people and parents. Focus groups were held with young people and parents who were directly affected and larger scale telephone surveys were carried out with a representative sample of over 800 young people and just under 800 parents (ibid, Attachment 5b).

Centrelink administrative data showed that (ibid, p. 63):

- at 1 July 1998, 2,263 young people (2.8 per cent of a cohort population of around 80,000) had their payments stopped because of the extension of the PMT;
- around 6,500 lost their payments because they failed to return their claim forms or supply the required information; and
- 5,649 (7.1 per cent) had their payments reduced because of the PMT.

Feedback from community consultations suggested that many young people who had lost payment under the YA changes had returned to the parental home to obtain financial support, or had left home due to increased family conflict as a result of a reduction in income support. The large-scale survey data, however, revealed a more complex process.

According to parents of 16 to 24 year olds, very few (three per cent) young people returned home because of financial difficulties.

Reasons given by young people for moving out of the parental home since the introduction of YA were diverse. There was no evidence of increased disputes due to income support changes that had resulted in young people moving out of the parental home. Young people negatively affected by the YA changes were slightly less likely to cite disagreements with parents as a reason for moving out than those who regarded the YA changes as either neutral or positive.

Parents of young unemployed people who had been negatively affected by the extension of the PMT were more likely than other parents to report that they (the young people) had remained at home.

Significantly, the survey suggested that there appeared to be a relationship between the level of income support and finding a job. That is, within the survey sample, *'the lower the level of government support, the more likely that young people were in work'*. The report suggested that the qualitative data indicated that the relationship *'could be causal'* and that *'reduced or withdrawn YA (due to parental means testing) led some young people to find and accept jobs they otherwise would not have found or taken'* (FaCS, 1999, p. 65). It also seemed that the parents of unemployed young people who were providing support in the form of accommodation, meals, transport and job search costs were *'more likely to encourage young people to find work that those who (did) not provide this support'* (ibid).

The policy assumption was that the extension of the PMT would have the greatest impact on the existing caseload and that, over time, parents and young people would adjust. By 2002 two cross-sectional surveys of parents had found broad support (60 per cent) for the principle of parental means testing. In addition, 80 per cent of parents thought they played a significant role in influencing their child's study or work plans. Amongst young people in the second wave survey, 61 per cent of YA recipients said the PMT was not a source of tension within the family and 18 per cent said it caused a 'little tension'. For 13 per cent, however, the PMT continued to cause 'considerable' tension (FaCS, 2002).

The final FaCS impact evaluation concluded that perceptions of financial responsibility for young people were quite complex. In part, they depended on the young person's age, activity and their parents' financial capacity. For example, parents with low-incomes and not affected by the PMT were more strongly in favour of parental means testing. By contrast, far fewer parents with incomes from A\$25,000 to A\$40,000 supported the PMT. Parents with incomes of A\$60,000 or more range too were also less likely to agree with the principle.

Different opinions about financial responsibility also depended on the young person's status (that is, whether the young person was a full-time student or jobseeker). Overall, there was a greater sense of financial responsibility among parents if their children were full-time students. By contrast, in the two survey waves both parents and young people saw the Government as 'more responsible' for the financial support of young jobseekers (FaCS, 2002).

On the basis of the case studies reported in the final evaluation, it seemed that the extension of the PMT had not contributed to 'family breakdown'. Most young people did not think that the PMT had caused additional family stress or tension. Around half of the young people surveyed were 'accepting' or 'happy' to be supported by their parents.

Overall there *'was very little difference between the attitudes, behaviours and expectations of blended families and the other families surveyed'* (FaCS, 2002).

One other consequence of the PMT has been the way in which less generous eligibility rules have reduced the levels of support given to students in higher education. The Centre for Population and Urban Research at the University of Monash has estimated that by 2004, the impact of the PMT meant that only one in five Year 12 students entering university would receive YA (cited by contractor, 2003). There also was anecdotal evidence that some young people were deferring their entry to higher education so that they could become 'independent' and, thereby, qualify for the full rate of YA once they entered university.

8.2 Youth Allowance, Family Benefit and marginal tax rates

There are complex interactions between YA and other benefits especially the means-tested Family Benefit payments that can be claimed for young full-time students otherwise ineligible for YA. A revised Family Tax Benefit (FTB) was introduced in 2001 as part of a major reform of the Australian tax and benefit system. This included increased rates of payment, relaxation of the income test and abolition of the assets test (CO, 2003, p.5).

FTB is paid to eligible families with dependent children 'from birth until age 20', including tertiary students and the unemployed, and for full-time students aged 20 to 24. Following its introduction *'a significant number of families... elected to claim FTB for the young person instead of the young person claiming YA'* (FaCS, 2001, p. 13). A FaCS evaluation reported that although some families would be better off claiming YA – because the amount paid is generally higher than FTB – administrative data showed that a 'significant' number of those who might be better off remained on FTB. This was attributed, in part, to the relatively complex YA application process and to the difficulty of establishing entitlement as the amount awarded under each benefit varies according to family circumstances (FaCS, 2004, p. 13).

The interaction between the two benefits also seems to have created significant 'poverty traps'. An independent Government report on welfare reform, for example, cited one estimate that up to 40,000 families faced effective marginal tax rates of between 86.5 and 111.5 per cent on any private income following *'the addition of a YA child'* (McClure, 2000, p. 30).

8.3 The adequacy of the Youth Allowance and child poverty

One final issue concerns the level of financial support offered through the YA and its relationship to child poverty. In much of the literature reviewed for this study, questions were raised about the adequacy of the allowance to encourage and enable low income households to support their children through to Year 12. There was also much comment about the level of income support required to encourage young people to stay in full-time education or training and to enable them to sustain themselves. In Australia, poverty itself is defined in relation to a measure known as the Henderson poverty line. ACOSS has estimated that the gap between YA rates and the Henderson line has increased. This is especially so for single, independent, unemployed YA recipients whose maximum entitlements in 2001 were estimated to be 34 per cent below the poverty line (ACOSS, 2001a).

The relationship between YA and broader child poverty is of equal interest. In 1988, a former Labor Prime Minister made a commitment to end child poverty and since then considerable progress has been made by both Labor and Coalition Governments. Nevertheless, it is estimated that 15 per cent of Australian children still live in poverty with most living in jobless families (Harding, Lloyd and Greenwell, 2001). The increased income given to families to reduce child poverty was targeted at those with children up to 15 years of age (ACOSS, 2003a, p.2). Significantly, however, ACOSS has suggested that child poverty is particularly acute in families with dependents over 15 who are in full-time education, and there are implications too for the younger children within such households.

It seems that child poverty is particularly acute for the over-15 age group because benefit rates for individual children vary little with age, yet the costs of older children are significantly greater. One estimate, that considers both FTB and YA, points out that the amount paid for a 14 year old is just 1.2 times that for a three year old and the amount paid for a 17 year old is just 1.1 times higher than that for a three year old (ACOSS, 2003a, p. 3). Actual expenditures by low-income families, however, found that the cost of a 14 year old was 2.4 times that of a three year old and the cost of an 18 year old was 3.9 times that of a three year old. The report points out that this imbalance in the income support system itself puts pressure on young people to leave school early to obtain jobs that may offer immediate wages but prove *'detrimental to their chances of gaining skilled work and escaping poverty in the long term'* (ACOSS, 2003a, p. 4).

In addition, the literature reviewed for this study contained many detailed criticisms of the complex rules for assessing family income with, for example, the main Government evaluation itself noting that in all its community consultations *'service providers and community groups saw the parental income test thresholds, 'cut-outs' and sibling concessions as 'unrealistically low''* (FaCS. 2002).

9 Conclusion: lessons for the UK

Australia has been the first OECD country to introduce a unitary youth allowance to encourage young people to stay in full-time education and training. In identifying lessons from the Australian experience, and the potential for policy transfer, it is important to acknowledge the major differences that exist with the UK. These differences are particularly significant in the structure of local labour markets and in governance. For example, in the Australian system, one central issue is that, despite the unification of the benefit system, provision for making the transition from school to work remains fragmented with no unified 'transitions' service for young people (Allen Consulting, 2003a). Policy coherence is undermined further by weak connections between Centrelink and the privatised Jobs Network, and the varying responsibilities of different levels of Government. This makes the Australian system more difficult to 'steer' than is the case in the UK. One obvious example is the variations in statutory minimum school leaving age.

The most recent comparative OECD data on the participation and employment rates of young people in Australia and the UK, highlights other differences (see Table 9.1). The data shows that there are more young Australians aged 15 to 19 in education, despite the lower school leaving age that then applied across all of Australia. Significantly, however, fewer Australians aged between 20 and 24 years were in education. Another notable difference is that many more of the young Australians in the 15 to 19 year age group reported some participation in employment during the survey week (29 per cent as against 20 per cent), and more of this age group were in education but unemployed and actively seeking work.

Table 9.1 Percentage of the Australian and British youth population in education and not in education, by age group and work status: 2001

| | In education | | | | Not in education | | | | |
|---------------------|-----------------------------------|----------------|------------|-------------------------|------------------|----------|------------|-------------------------|-----------|
| | Students in work-study programmes | Other employed | Unemployed | Not in the labour force | Sub-total | Employed | Unemployed | Not in the labour force | Sub-total |
| Australia | | | | | | | | | |
| Age 15 -19 | 7.3 | 29.0 | 8.4 | 36.7 | 79.5 | 13.0 | 4.3 | 3.3 | 20.5 |
| Age 20-24 | 5.1 | 18.8 | 2.3 | 10.2 | 36.5 | 49.6 | 6.9 | 7.0 | 63.5 |
| United Kingdom | | | | | | | | | |
| Age 15 -19 | 4.8 | 20.4 | 2.2 | 48.7 | 76.1 | 15.7 | 4.4 | 3.7 | 23.9 |
| Age 20-24 | 3.8 | 13.2 | 1.2 | 15.3 | 33.5 | 51.7 | 5.0 | 9.7 | 66.5 |
| OECD country (mean) | | | | | | | | | |
| Age 15 -19 | 5.3 | 12.1 | 3.5 | 58.9 | 79.8 | 11.6 | 2.9 | 5.7 | 20.2 |
| Age 20-24 | 2.4 | 10.2 | 1.7 | 22.8 | 37.1 | 46.6 | 6.9 | .4 | 62.9 |

Source: Education at a Glance – OECD Indicators, Organisation for Economic Cooperation and Development, 2003, Table C4.1.

Another important contrast at this time is in the range of young people that a unified benefit system would serve. In Australia, the goals of the YA are to:

- encourage participation in further and higher education by providing a unified income support system for all low-income full-time students up to the age of 25 years;
- encourage all young people aged under 21 years to choose further education or training over unskilled employment;
- encourage and enable unemployed young people to undertake a wide range of appropriate activities that will promote entry to employment for those for whom it is the most appropriate route; and
- ensure that families, where they have the means to do so, assume financial responsibility for their children up to the age of 21 years.

By contrast, the proposals in the UK Government's strategy for 'supporting young people to achieve' are currently restricted to 16 to 19 year olds. The aim is to introduce a simplified financial system that will facilitate young people to continue in learning either in school, college or the workplace by supporting young people's post-16 choices and transitions; delivering decent minimum income levels to young people and their families; and providing an accessible system of support (HMT *et al.*, 2004, p. 9). Eligible dependent young people will be paid a financial incentive and financial support will be paid direct to a parent or carer. Eligible independent young people will be paid both a financial incentive and financial support.

The immediate challenge for British policy makers is to clarify the objectives of 'radical simplification' and to combine the overhaul of the benefit system for 16 to 19 year old young people and their families, whilst retaining the individual incentives that are available through EMAs. A longer-term consideration may be whether the drive to 'simplification' should extend to the complex means-tested income and student financial support system that is now emerging in the UK for the older age groups covered by the Australian YA.

In developing a simplified system for 16 to 19 year olds, there are valuable lessons to be learned from the Australian research literature reviewed in this study.

The evidence from Australia suggests that there has been broad public support for the principle of the YA and significant change, with more young people receiving income support, participating in some form of education and training. There is, however, little research into the effectiveness of this increased participation and whether some young people remain in the education system only to retain benefit entitlement. Future data collected through the 'Longitudinal Surveys of Australian Youth' on the destination of these cohorts of young people, should shed more light on any changes in their outcomes that might be associated with increased retention in education and training. There is also a lack of evidence about the impacts of increased participation in part-time education and training by unemployed YA recipients who take this route to meet their 'mutual obligation' requirements. It may be that young unemployed people opt for this activity rather than participate in the last resort 'Work for the Dole' option, and there is no rigorous programme connection with monitoring the effectiveness or impacts of these part-time education and training activities.

The review of literature on the YA highlights the difficulty of distilling the impact of the YA from the many other factors that influence participation in education and training. Indeed, the YA was only a single component in a wider Australian strategy to encourage young people to stay in full-time education and training. The new benefit was implemented alongside other initiatives aimed at

making schools more attractive to those 'at risk' of early leaving (FSS) and targeted at re-engaging the most marginalized young people (such as JPET). There also have been State and Territory Government policies that have further enhanced participation, especially in those jurisdictions where the school leaving age itself has been increased. The cumulative evidence from these multiple interventions demonstrates, according to the BCA, that (2003, p. 9):

'The key to success in increasing the number of young people who complete twelve years of education and training is the existence of well-organised and flexible options that connect initial education with work or further study or training.'

The BCA warned, however, that many of the efforts identified were short-term pilot or transition programmes and there was little indication of how the lessons learned would be sustained and integrated into mainstream programmes. In the UK, there is an equivalent challenge to develop relevant curricula, services and programmes that immediately capitalise on the introduction of EMAs and later capitalise on the possibilities created through a more radical simplification of the benefit system. It may prove useful to conduct further systematic research into the 'best practice' from Australian and other international provision into 'what works' in improving outcomes for those at risk of early leaving.

The YA has greatly simplified the Australian benefit system, reduced any perverse incentive to opt for unemployment, and introduced a more flexible 'activity test' to enhance participation. There have, however, been controversies concerning the level of financial support available, the introduction of a parental means test, and the inflexible implementation of the activity test and sanctions, especially in relation to their application to the most disadvantaged. This experience raises some core issues that must be addressed in the development of a simplified youth benefit.

The first is the design and implementation of an appropriate activity test and individual activity agreement that simplifies the existing rules and regulations for different benefits, especially between Jobseeker's Allowance (JSA), Income Support and Sickness Benefit for 18 year olds, and that allows for combinations of appropriate activities and for transitions between activities. A broader activity test would be of particular benefit to many disadvantaged young people, such as the young homeless, who could, as in Australia, be allowed to resolve their accommodation or other related issues as part of their agreed activities. There are other pertinent questions concerning the extension of an activity requirement. For example, would 18 year-old lone parents or carers be expected to combine caring with at least part-time education?

The second issue concerns the interactions between a unified youth allowance, family circumstances and composition, and effective marginal tax rates. There is already complexity in the British system of Income Support, Tax Credits, Housing Benefit and Child Benefit, and care must be taken with the technical design of any new benefit so that it does not create perverse incentives for either parents not to work or for young people not to engage in appropriate activities. The Australian experience has demonstrated the high marginal tax rates created for lone parents in particular. There have also been problems in poor families with younger siblings and teenagers where levels of child poverty are highest and where young people have continued to experience pressure to enter employment as soon as possible.

A third issue involves the clarification of the relative responsibilities of the parent and young person (and of their respective entitlements to confidentiality about their financial circumstances). One important dimension is where responsibility lies for declaring relevant changes in the income or circumstances of either the parent or the young person. In Australia, there continues to be significant problems with benefit overpayments because dependent YA recipients are legally responsible for

declaring, for example, changes in their parent's financial circumstances even though the YA may actually be paid direct to the parent. Another dimension concerns the future for the independent status of unemployed 18 to 20 year olds who currently are eligible for JSA, especially for 18 year olds who may work from 16 years of age and be eligible for contribution-based JSA. There are related issues about the rate of benefit that will apply to young people who do not live at home and about the nature of any test to be applied to those unable to live at the parental home either because none exists or because they are estranged from their parents.

A fourth issue concerns the design and implementation of any personal, parental and partner means tests. The Australian system has a detailed set of rules that require YA recipients to declare any income, either from work or assets that may affect their entitlement. The rules are designed to maintain work incentives and, in particular, recognise through an 'income bank' that full-time students are more likely to earn income during vacation time. The rules on earned income and EMAs currently are based on tax credit regulations. These are unlikely to be adequate when dealing with the complexity of a broader unified youth benefit.

A fifth issue relates to the lessons that can be derived from the Centrelink experience by the British agency that will be required to deliver a new unified benefit for young people and implement and police any related activity tests. There are different constitutional arrangements and Departmental structures across the UK but in England the Department for Education and Skills (DfES) and the Department for Work and Pensions (DWP) are 'jointly' responsible for developing '*guidance on financial support for young people by 2006*' (HMT *et al.*, 2004, p. 24). They, respectively, are responsible for the front line Connexions and Jobcentre Plus services that are being encouraged to develop more joint working. DWP is likely to be responsible for the accuracy and policing of financial payments throughout the UK, and this is most likely to be administered through Jobcentre Plus.

The UK Government's 'Strategy for supporting young people to achieve' has identified many operational issues in the interaction between Jobcentre Plus and disadvantaged young people that echo the problems experienced by Centrelink in Australia (*ibid*, p. 26). In the context of the delivery of the YA, this included poor initial assessment and inappropriate activity agreements; inaccurate overpayments that had to be recovered; and an overly punitive system of sanctions that appeared to thwart financial independence and contribute to, rather than alleviate, hardship. These problems were exacerbated by the staffing cuts experienced by Centrelink for whom the YA was a relatively minor part of business. There may now be much to learn from subsequent reforms and local practice in Australia where Centrelink has worked in partnership with agencies to improve its procedures and practices. In this context, DfES and Jobcentre Plus could review the detailed recommendations made in the relevant reports reviewed in Chapters 5 and 6 in this study, and explore the material in the cited websites, alongside their proposed joint review of innovative local best practice to be undertaken to inform the next steps for promoting 'joint working' (*ibid*, p. 25).

A final issue concerns the findings from the more general literature review undertaken within this study. There is a vast amount of literature on school to work transitions, education participation rates, employment programmes for young people, and related issues. What was notable by their absence, however, were any systematic studies into the particular incentive effects of income support systems for young people aged between 15 and 19 years. Indeed, there was also very little accessible information on the detailed income support systems for young people in many OECD countries and on the rules that govern entitlement. Further systematic research into these detailed income support arrangements in European countries, and how they support and facilitate participation in education and training, especially for the most disadvantaged, could provide a valuable additional resource as the UK redesigns its benefit system for young people.

Appendix

Comparison benefits identified in the research brief

Ireland: Back to Education Allowance

There has been an emphasis in recent years on helping school leavers in Ireland with the return to education. The unemployment rate among early school leavers aged 18-24 was almost 17 per cent in 2002. Overall unemployment in the Republic of Ireland is currently 4.7 per cent. (CSO Ireland, 2003a and 2003b).

The Irish Government first piloted the Back to Education Programme in 1990, and made it a scheme in its own right in 1996. The programme is part of a range of what are called 'second chance' education programmes, administered by the Department of Social and Family Affairs in Ireland. The Back to Education Allowance (BTEA) is targeted at unemployed people, lone parents and people with disabilities, enabling this group to return to full second or third level education, while continuing to receive income support.

The BTEA is an allowance payable to people who are already receiving certain payments from the Department of Social and Family Affairs, and who decide to participate in the Back to Education Programme. BTEA is not an unemployment payment, but an allowance intended to meet the additional needs of a 'motivated student' in higher education. It is paid at a standard personal rate and not affected by part-time employment, secondary benefits or maintenance grants. The payments are made against confirmation of registration, commencement and attendance at the course, but a standard rate of payment made to individuals who agree to participate in one of two options:

Second level option

Participants can attend a second level course of education at any community, comprehensive, secondary or vocational school. The course must be full-time and lead to a certificate recognised by the Department of Education and Science or approved by the Further Education and Training Awards Council (FETAC), e.g. Junior Certificate, Leaving Certificate, Post Leaving Certificate, or a City and Guilds Certificate.

Third level option

Participants can attend a third level course of education at any university, third level college or institution provided that the course is a full-time day course of study and is approved by the Department of Education and Science for Higher Education Grant Scheme, the Vocational Education Committee's Scholarship Scheme or the Third Level Maintenance Grant Scheme for Trainees or has HETAC recognition.

Eligibility criteria

The eligibility criteria are designed to provide higher educational opportunities exclusively to the most disadvantaged persons historically least likely to break a perpetuating poverty cycle. In this case, receiving social welfare payments is the indicator of 'most disadvantaged' status.

To qualify for a BTEA, participants must be:

- at least age 21 and receiving one of the following social welfare payments:
 - Unemployment Assistance or Unemployment Benefit;
 - Farm Assistance;
 - One-Parent Family Payment or Carer's Allowance;
 - Deserted Wife's Allowance, Deserted Wife's Benefit, Widow's/Widower's Non-Contributory Pension, Widow's/Widower's Contributory Pension or Prisoner's Wife's Allowance; or
- at least age 18 or over and receiving one of the following social welfare payments:
 - Blind Pension;
 - Disability Allowance;
 - Invalidity Pension;
 - Unemployability Supplement; or
- at least age between 18 and 20 years and out of formal education for two years and getting one of the following Social Welfare payments for at least six months:
 - Unemployment Assistance or Unemployment Benefit;
 - One-Parent Family Payment;
 - Disability Benefit for three years or more.

If the participant is the Qualified Adult Dependant of a person who is eligible for BTEA, they can qualify for BTEA in their own right. Qualified Adult Dependents will receive an allowance equivalent to the maximum standard personal rate of the relevant social welfare payment their spouse/partner receives. The participant will also receive the cost of Education Allowance. It is possible in these circumstances for both partners to receive BTEA while pursuing an approved course.

Application procedure

The BTEA scheme requires a high degree of initiative, self-organisation and motivation on behalf of the applicant. It is the applicant's responsibility to contact local second or third level schools or colleges to obtain details of the courses available and, subsequently, obtain a place on the desired course. The department does not assist applicants in this regard.

BTEA is not an unemployment payment, therefore participants are not required to 'sign on'. However, participants will not receive two payments. The allowance replaces the social welfare payment that entitles people to participate in the BTEA scheme. In addition, participants are also entitled to an annual allowance towards the cost of their studies. This allowance is payable at the start of each academic year and is currently €254.00.

If participants are currently getting a reduced rate of payment (because of the means assessed against them, or because they only qualify for a reduced rate of benefit), the participant will be entitled to a higher weekly rate of BTEA. The allowance will include increases for a qualified adult and children where applicable. The rate of payment is affected only by budgetary changes and changes in qualified adult or child dependency status.

If participants are receiving Unemployment Assistance, Unemployment Benefit or Farm Assistance, they will be paid a BTEA equivalent to the maximum standard rate of Unemployment Benefit.

If participants are getting One-Parent Family Payment, Deserted Wife's Allowance, Deserted Wife's Benefit, Widow's/Widower's Non-Contributory Pension, Widow's/Widower's Contributory Pension, Prisoners Wife's Allowance, Disability Allowance, Blind Person's Pension or Carer's Allowance, they will be paid BTEA at a rate equivalent to the maximum rate of their current social welfare payment.

If participants are getting Invalidity Pension or Unemployability Supplement, the amount of their payment will remain unchanged.

Impact

Currently, the Department of Social and Family Affairs is carrying out an evaluation called 'The Back to Education Allowance Expenditure Review', which will be published by the end of this year. The department is also awaiting the results of a telephone survey of 500 current and former BTEA participants (DSFA, 2003a and 2003b).

Canada: Ontario Works

Ontario Works is a welfare-to-work programme that helps people in financial need become employed and achieve self-reliance through mutual responsibilities of the participant and the delivery agent:

- participants have a responsibility to participate in employment assistance activities as a condition of eligibility for financial assistance; and
- delivery agents have a responsibility to offer employment assistance activities to participants.

Income assistance eligibility

The eligibility rules for the financial assistance provided through Ontario Works are designed to ensure that working is the first resort for people in financial need, and that people turn to Ontario Works only when all other resources and opportunities have been used.

A recipient and any prescribed dependants may be required as a condition of eligibility for basic financial assistance to:

- satisfy community participation requirements;
- participate in employment measures;

- accept and undertake basic education and job specific skills training; and
- accept and maintain employment.

(MCSS, 2001)

Basic education and training

For some participants, the most appropriate action is to participate in a basic education or job-specific skills training program. For receipt of assistance under Ontario Works, basic education includes any programmes designed to offer people opportunities to:

- complete secondary school education (Grade 12 or equivalent);
- improve language skills; and
- upgrade literacy and numeracy skills.

The financial assistance provided is not paid directly to young people under the age of 18. Under exceptional circumstances, and only if the young person is attending school or an approved alternative learning programme, financial assistance may be provided on their behalf to a trustee, guardian or agency.

Financial assistance may be paid to persons age 18 and over who live with their parents, only if they meet the test for financial independence.

Single applicants or participants attending post-secondary institutions become ineligible for financial assistance upon receiving a student loan from the Ontario Student Assistance Program (OSAP). Employable adults in intact families and sole-support parents who want to attend full-time, post-secondary education, must access student loans from OSAP to cover direct school costs and personal living costs for themselves and their families. These individuals are only eligible for a top-up of assistance under Ontario Works where the monthly personal living allowance from OSAP falls short of what they would receive as assistance.

All participants in Ontario Works have a mandatory requirement to participate in employment assistance activities. A deferral of participation requirements may be appropriate where assistance is received only on behalf of a child in temporary care, to a participant who is a sole-support parent and whose youngest child is not old enough to attend school, or where the personal circumstances of the person are such that any degree of participation is impractical (MCSS 2001).

France: Youth Employment Contracts (Contres Jeunes)

In France, as in the UK, a young person's route into employment is strongly determined by levels of education and qualification. According to a recent survey, young people leaving school in France without any qualifications or with no more than a CAP (City and Guilds or basic vocational certificate) or BEP (GCSE or 16 year olds' leaving certificate), were unemployed for more than half of the first three years of their working lives.

At the same time, employers maintain that the cost of unskilled labour, despite the recent reduction in the cost to employers of hiring unskilled workers, is still too high to act as an incentive to business to take on young people without qualifications. The French Government has pledged to reduce the unemployment rate by two per cent by 2007, implying that over 500,000 people will move into employment in the next three years. One of the key elements of the Government's strategy is the

introduction of new ‘time limits’ on unemployment insurance and assistance. A large number of those affected are likely to be young people – particularly those who are single parents.

The Government has, therefore, proposed the creation of a scheme to support the employment of young people in the private sector. Much like the StepUP programme in the UK, the Contres Jeunes programme enables private companies to take on young people between 16 and 23 years of age into permanent jobs. These contracts are designed for young people without qualifications or whose level of education is below Baccalaureate (GCE A level or 18 year-old leavers’ high school diploma).

Contres Jeunes does not provide a form of income support or financial assistance, nor does it provide an incentive for young people to return to education. Instead, Contres Jeunes is modelled on the traditional employment subsidy programmes of Western Europe, in which young people participate in salaried employment with private employers who provide placements for which the participant is paid at least the minimum wage. A subsidy is paid directly to employers in the market sector and organisations making unemployment contributions for part-time and full-time positions. Subsidies are paid in monthly instalments which, when added to existing exemptions, are meant to offset all or some of the employers’ costs. In return for lower wage costs, businesses offer ‘real jobs’ to Contres Jeunes participants.

Participation and impact

Contres Jeunes has been strongly promoted by Government Ministers, which may account for the overwhelming interest in the programme over just a few years. Contres Jeunes began in 2002 with 18,000 participants and is expected to have 250,000 young people participating in the programme in 2005.

One impact evaluation found that for this group, subsidised contracts that are closest to ordinary employment have the greatest success rates. Over 60 per cent of young people having completed a ‘contrat de qualification’, were permanently employed two years later. (Impact Evaluation of the European Employment Strategy: Technical Analysis, 2002, p. 117.)

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