

FINANCIAL INDEPENDENCE AND YOUTH ALLOWANCE: Young people's and parents' views

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This paper presents key findings from the first and second phases of the Family Responses to Youth Allowance survey. The survey, part of the broader evaluation of Youth Allowance, sought to examine the impact on the attitudes, expectations, perceptions and behavioural responses of young people and their parents. The survey found that: (1) the majority of parents support the principle of parental means testing, but the government was generally seen as having most responsibility for unsupported young people (2) the impact of the extension of parental means testing does not appear to be significant; (3) generally, the higher the parents income, the less likely they are to support parental means testing, but parents who have the financial capacity are more likely to be providing support and to be more accepting of young people remaining at home until they are financially independent; and (4) the level of support provided was greater for young people aged 16-17, still living at home, full-time students, and with annual parental income between \$40,000 to \$60,000.

Background

Youth Allowance

Youth Allowance was introduced on 1 July 1998 in response to a number of concerns about income support provisions for young people, most notably: the changing labour market; the need for simplicity and flexibility; and the need to minimise financial disincentives for young people to undertake further education.

One of the main changes to income support arrangements under Youth Allowance was the introduction of a parental means test for unemployed 18-20 year olds. Prior to 1 July 1998, dependent young people applying for AUSTUDY or Youth Training Allowance were subject to a parental means test. In contrast, there was no parental means test for Newstart Allowance. Unemployed young people aged 18 years and older received Newstart Allowance at levels determined by their own income/assets situation, regardless of the income and assets of their parents.

The Youth Allowance parental means test aligns income support arrangements for students and other young people and reflected existing arrangements for under 18 year olds receiving Youth Training Allowance. This measure removed a potential disincentive to study and reinforced the Government's philosophy that, where they have the means to do so, families should support young people until they are financially independent.

Youth Allowance Evaluation

Youth Allowance is being evaluated over a three-year period. One of the major evaluation questions seeks to assess the impact of Youth Allowance on young people and their families, including the extent to which Youth Allowance results in parents

accepting greater responsibility for their children until they reach financial independence. The main source of data for this project is the *Family Responses to Youth Allowance Survey*.

The Survey

The Department of Family and Community Services commissioned social research consultants to undertake survey work to assess the impact of Youth Allowance on the attitudes, expectations, perceptions and behavioural responses of young people and their parents. The research sought to explore the perceived roles of family and government in financially supporting young people and to determine any changes in attitudes and behavioural responses over time.

Specifically, the key areas examined were:

- attitudes to responsibility for financial support of young people;
- parental support;
- young people and financial independence; and
- participation in education and the labour market.

Methodology

First phase (1999)

The research consisted of *qualitative* and *quantitative* components.

QUALITATIVE RESEARCH

Six group discussions were conducted: four with young people who were no longer eligible for Youth Allowance or who were on a reduced rate of Youth Allowance because of the parental means test and two with parents of young people in similar circumstances. The focus groups involved young people of varying ages, residency (living away from home or at home), gender, activity status (full-time student, job seeker, employed), and geographic area (Sydney's western suburbs and regional Queensland).

The main purpose of the focus groups was to explore attitudes, motivation and behaviour in order to inform the development of the survey questionnaire. Findings presented from Phase 1 will be generally confined to the results of quantitative research.

QUANTITATIVE RESEARCH

While the qualitative phase focused on young people and parents affected by the extension of parental means testing to unemployed 18-20 year olds, the quantitative phase sought to provide the views of a broader range of young people and parents.

For this phase, a large-scale telephone survey was conducted with 831 young people aged 15-24 and 799 parents of young people aged 16-24. The young people were either: Youth Allowance customers; Newstart Allowance customers aged 18-20 years who had been 'grandfathered'¹; or former Youth Allowance customers².

¹ 'Grandfathered' Newstart Allowance customers are those young people who were receiving Newstart Allowance on 10 June 1997 (the date Youth Allowance was announced) and were in continuous receipt of Newstart Allowance as at 1 July 1998.

It should be noted that Centrelink does not collect contact details for parents of Youth Allowance recipients. For this survey, contact with parents was made through young people. However, in the interests of privacy and family harmony, no attempts were made to contact the parents of Youth Allowance recipients who had been assessed as “unreasonable to live at home”³. Therefore, the survey is unable to present their views.

A small-scale telephone survey of 145 parents (receiving Family Allowance) whose eldest child was aged 13-15 years was also conducted to assess their awareness of Youth Allowance measures, and their reactions to, and plans for, the prospect of providing for their young person until the age of 21 or 25.

After a pilot survey of 160 interviews, the main survey was conducted nationally across metropolitan, rural and regional areas. Interviews lasted for approximately 15 minutes.

Second phase (2000)

Having gathered baseline data in the first phase, the second sought to test any changes in attitude and examine particular groups in more depth.

QUESTIONNAIRE PILOTS

Focus groups were conducted with young people and parents to fine-tune the questionnaire. The purpose of the focus groups was to test the overall flow of the questionnaires and respondents’ understanding of the questions. Based on the outcomes of the focus groups, the questionnaire was revised and then pilot tested through telephone interviews with 30 young people and 30 parents.

TELEPHONE SURVEY

The main telephone survey was undertaken with 1,027 young people aged 15-24 and 1,001 parents. As in the first phase, the sample comprised: Youth Allowance customers; grandfathered Newstart Allowance customers aged 18-20 years; former Youth Allowance customers; and parents of young people from these categories. In the second phase, the increased sample size is due to the inclusion of young people and parents from blended families. This was done to further explore issues that had been raised earlier in community consultations.⁴ Also in the second phase, an attempt was made to contact parents of ‘unreasonable to live at home’ customers.

² ‘Former Youth Allowance customers’ includes those who were no longer eligible because of the level of parental income or the young person’s income.

³ ‘Unreasonable to live at home’ means the person cannot live at the home of either or both of his or her parents because: of *extreme family breakdown* or other similar circumstances; or it would be unreasonable to expect the person to do so as there would be a *serious risk to his or her physical or mental well-being* due to violence, sexual abuse or other similar unreasonable circumstances; or parents are unable to provide the person with a suitable home because they lack stable accommodation. In addition, the person is not receiving: continuous support from a parent or guardian; or any payments in the nature of income support from the Commonwealth, a State or Territory. Young people are independent (ie not subject to the parental means test) if they have been assessed as ‘unreasonable to live at home’.

⁴ During community consultations in April-June 1999, most of those consulted were of the view that the extension of parental means testing had a significant impact on step-parent or blended families. In some instances, the young person either did not get along with the step-parent and/or had never lived with the step-parent. Expecting them to financially support the young person was seen as unfair and exacerbating existing family conflict.

As with Phase 1, another survey of 100 parents receiving Family Allowance whose eldest child was aged 13-15 years was conducted. The survey also explored the views of a new group who were entitled to Family Allowance as a result of eligibility changes from 1 October 1999.⁵ Of this group, 120 parents receiving Family Allowance and 80 young people aged 16-24 attracting Family Allowance were interviewed.

CASE STUDIES

A more in-depth look at attitudes to financial support by particular groups was undertaken. These included:

- *Former Youth Allowance customers* – This group includes young people previously receiving income support (Newstart Allowance/Youth Allowance) and have had benefits *cancelled* (or removed) on or after 1 July 1998 or cancelled from Youth Allowance due to the parental means test or the young person's earnings. This also includes young people who lodged a claim for income support but were *rejected* because of high earnings or parental means test reasons. The purpose of these case studies was to understand the impact of the changed arrangements on the household/parent/young person.
- *Step-parent families*
- *Parents of young people assessed as independent on the basis of 'unreasonable to live at home'* – This was confined to parents of young people assessed as 'unreasonable to live at home' due to 'extreme family breakdown'. Case studies did not include parents of young people assessed as 'unreasonable to live at home' due to violence or abuse.

Key Findings

The key findings presented are from the main survey of young people aged 15-24 and parents from Phases 1 and 2. The Phase 2 data on young people and parents receiving Family Allowance and on case studies were not available at the time of writing this paper.

Attitudes to financial support of young people

FINANCIAL RESPONSIBILITY

There were differences in views between young people and parents in terms of responsibility for financial support of young people aged 18 years and over who are unable to support themselves. Views differed depending on the activity of the young person (see Figures 1-4).

⁵ From 1 October 1999, Family Allowance was extended to eligible families with older dependent children aged 18-20 years and students aged 21-24 years who are ineligible for Youth Allowance. From 1 July 2000, Family Allowance has been replaced by Family Tax Benefit Part A. The October 1999 changes to Family Allowance now apply to Family Tax Benefit Part A.

Figure 1: Most responsibility for financial support of job seekers (*Parents*)

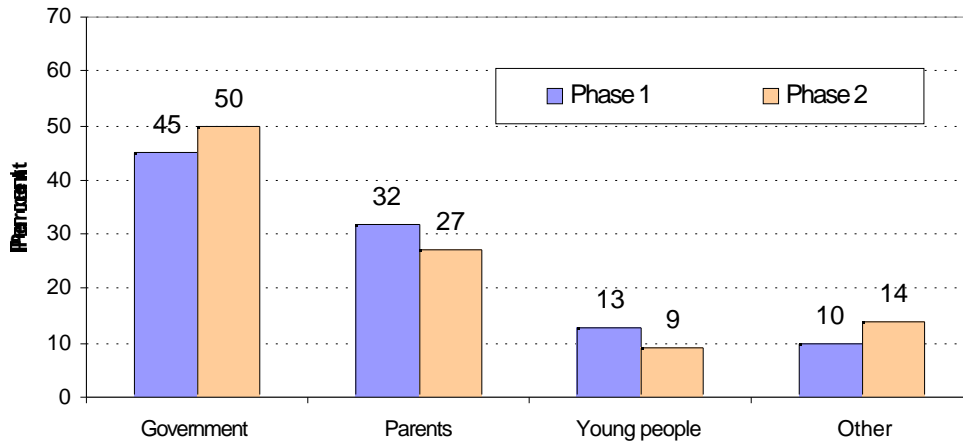


Figure 2: Most responsibility for financial support of job seekers (*Youth*)

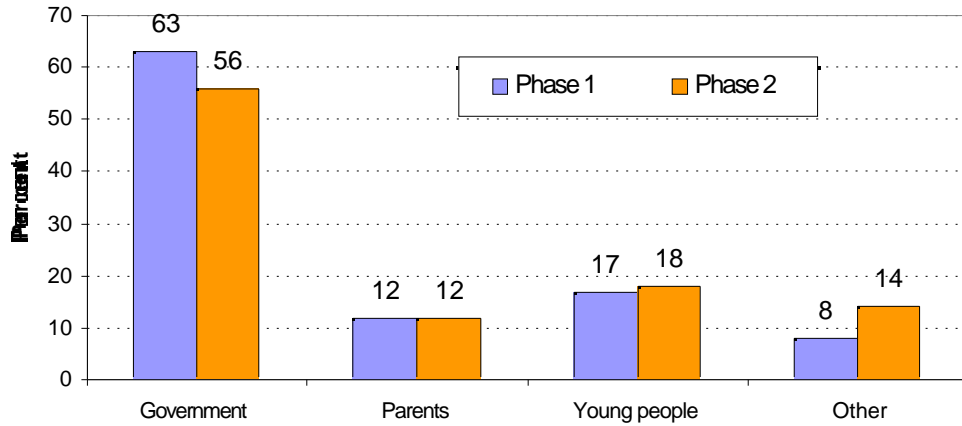


Figure 3: Most responsibility for financial support of students (*Parents*)

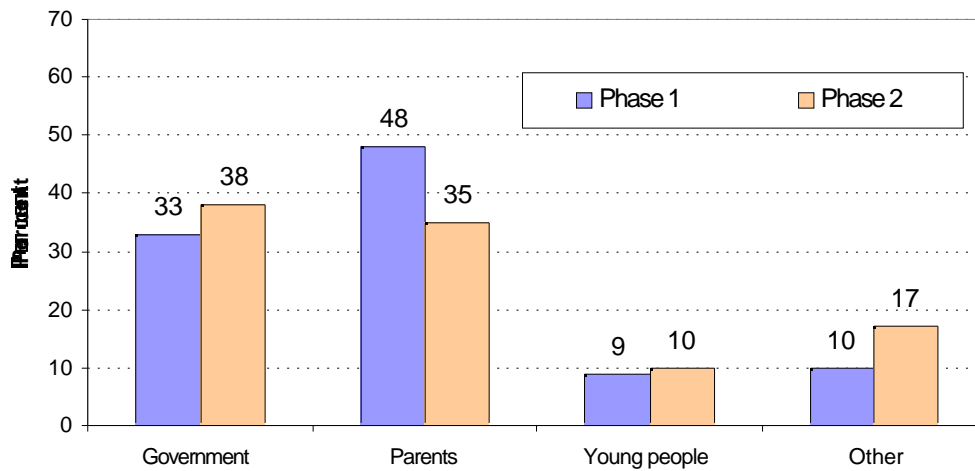
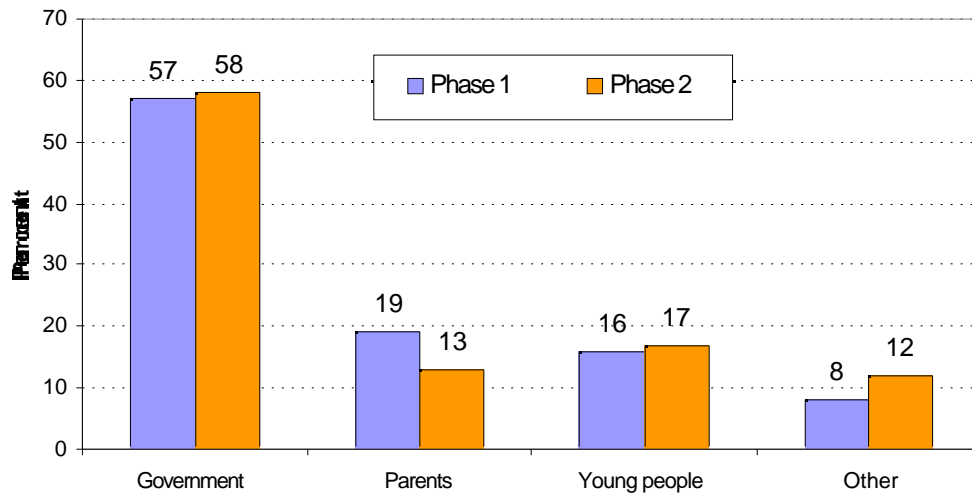


Figure 4: Most responsibility for financial support of students (Youth)



These charts show:

- there was little change in the parents’ and young people’s views on financial responsibility for young people – the most notable is a slight shift in parental perceptions towards the *government* (rather than parents) being seen as most responsible for all unsupported young people;
- in both phases, the *government* was seen as most responsible for financially supporting job seekers; and
- there were mixed views on supporting students – in Phase 1, the majority of young people saw the government as most responsible for students while *parents perceived themselves as most responsible for students*. In Phase 2, both young people and parents perceived the *government* as most responsible for students. However, it appears parents still see themselves as bearing a *major* responsibility for supporting students.

Both parents and young people agreed that *all three parties (government, parents and young people) have some responsibility* for financially supporting young people aged 18 or over who are unable to support themselves.

The views of parents also varied slightly, depending on the level of their annual income. These are shown in Tables 1 to 4.

Table 1: Phase 1 – Parental views on responsibility for financial support of job seekers by annual income

<i>Most responsible</i>	<i>Annual income</i>		
	<i>\$0–\$23,550 (n=402) per cent</i>	<i>\$23,551–\$39,999 (n=218) per cent</i>	<i>\$40,000–\$60,000 (n=137) per cent</i>
<i>Government</i>	46	49	40
<i>Parents</i>	32	28	40
<i>Young people</i>	12	15	11
<i>Other</i>	10	8	9

Table 2: Phase 2 – Parental views on responsibility for financial support of job seekers by annual income

<i>Most responsible</i>	<i>Annual income</i>		
	<i>\$0–\$23,800 (n=402) per cent</i>	<i>\$23,801–\$39,999 (n=218) per cent</i>	<i>\$40,000–\$59,999 (n=180) per cent</i>
<i>Government</i>	47	58	45
<i>Parents</i>	28	21	32
<i>Young people</i>	9	10	7
<i>Other</i>	16	11	16

Table 3: Phase 1 – Parental views on responsibility for financial support of students by annual income

<i>Most responsible</i>	<i>Annual income</i>		
	<i>\$0–\$23,550 (n=401) per cent</i>	<i>\$23,551–\$39,999 (n=219) per cent</i>	<i>\$40,000–\$60,000 (n=138) per cent</i>
<i>Government</i>	35	37	24
<i>Parents</i>	45	47	58
<i>Young people</i>	9	9	9
<i>Other</i>	11	7	9

Table 4: Phase 2 – Parental views on responsibility for financial support of students by annual income

<i>Most responsible</i>	<i>Annual income</i>		
	<i>\$0–\$23,800 (n=402) per cent</i>	<i>\$23,801–\$39,999 (n=218) per cent</i>	<i>\$40,000–\$59,999 (n=180) per cent</i>
<i>Government</i>	32	45	41
<i>Parents</i>	36	28	39
<i>Young people</i>	12	9	7
<i>Other</i>	20	18	13

Young people’s attitudes to financial support depended on parental income levels and expectations of parental support. Where parental income is low, young people’s expectations of parents were lower and those of government higher. On the other hand, young people with parents who had higher incomes placed more responsibility on their parents for support and less on government.

ATTITUDES TO PARENTAL MEANS TEST

In both phases, parents were asked whether they generally agreed or disagreed with government payments for young people being means tested according to the income and assets of the young person’s parents. As Table 5 shows, there is overall support for the principle of parental means testing.

- In Phase 1, **59 per cent** of parents of those aged 16 or over *agreed* or *strongly agreed*.

- Similarly, **60 per cent** of parents in Phase 2 either *agreed* or *strongly agreed*.
- Those *more likely* to support parental means testing were parents of Dependent Youth Allowance recipients and parents receiving government payments or those on low incomes (ie under \$23,800 per annum).

Table 5: Parental views on parental means testing

	<i>Phase 1 (n=783) per cent</i>	<i>Phase 2 (n=1001) per cent</i>
<i>Strongly agree</i>	27	22
<i>Agree</i>	32	38
<i>Disagree</i>	15	19
<i>Strongly disagree</i>	21	17
<i>Don't know</i>	5	4

In Phase 2, parents were asked to state the reasons for agreeing or disagreeing with the parental means test. The most frequently nominated reasons are listed in Table 6.

Table 6: Parents' reasons for agreeing/disagreeing that government payments for young people should be parentally means tested

<i>Agree with parental means test because:</i>	<i>Disagree with parental means test because:</i>
<ul style="list-style-type: none"> • It is parents' responsibility to pay • Parents who can afford/wealthy parents should pay • Lower income families can't afford to pay • Stops rorting/abuse of the system 	<ul style="list-style-type: none"> • Youths are independent after a certain age/ at age 18/ after they have moved out • Should go on the child's income not the parents' • Means test is unfair/ expensive to bring up kids/ high costs of living/ unfair if you have large assets but small income • Everybody should get it regardless

Also in Phase 2, parents were asked to nominate ways (if any) in which the current parental means test could be changed to suit family circumstances. The most frequently mentioned were:

- *Change the income basis* – base it on current, not past income; should not have to predict income; should be based on net income, not gross;
- *Change the asset basis* – base it on income but not assets; assets testing should not include business assets/farms; should not apply to retirement savings/investments;
- *Raise limits at which benefits are reduced;*
- *Make testing tougher for rich people;* and
- *Take into account family circumstances.*

In Phase 2, young people were also asked about their views of parental means testing. In contrast to parents, most young people (**66 per cent**) either *disagreed* or *strongly disagreed* with the parental means test (see Table 7). Those who were more likely to *disagree* were Youth Allowance customers who were assessed as ‘Independent’ because of prior workforce criteria or other reasons (eg in State care, orphan, refugee, etc); or young people aged 18 and over.

Table 7: Young people’s views on parental means testing (Phase 2)

	(n=1027) per cent
<i>Strongly agree</i>	7
<i>Agree</i>	24
<i>Disagree</i>	32
<i>Strongly disagree</i>	34
<i>Don’t know</i>	3

However, when young people aged 18 and over were asked whether the parental means test had been a source of tension within the family, **61 per cent** reported it had not. Where it was reported to have been a source of tension, **57 per cent** said it caused a ‘little’ tension, while **40 per cent** stated it caused ‘considerable’ tension.

Parental support

PARENTAL WILLINGNESS TO PROVIDE AND SUPPORT PROVIDED

The survey canvassed views on parental willingness to provide support and the level of support currently provided. In general, while parents who have higher incomes are less likely to support parental means testing, where they perceive that their young person is in need they were more likely to be willing to provide support, and to be actually providing support if government support is unavailable or limited.

In general, parents who have higher incomes and who perceive that their young person is in need were more likely to be willing to provide, and to be actually providing support if government support is unavailable or limited.

The level of support provided, in financial and other terms, was generally greater for those who:

- were younger (aged 16-17);
- were Youth Allowance recipients or ineligible for Youth Allowance;
- were still living at home;
- were full-time students; and
- with annual parental income in the \$40,000 to \$60,000 range.

Discrepancies in perceptions between willingness to provide support and actual support provided are illustrated in Figures 5-8.

Fig. 5: Phase 1 – Parental views of their willingness to provide support to young people and actual provision of support

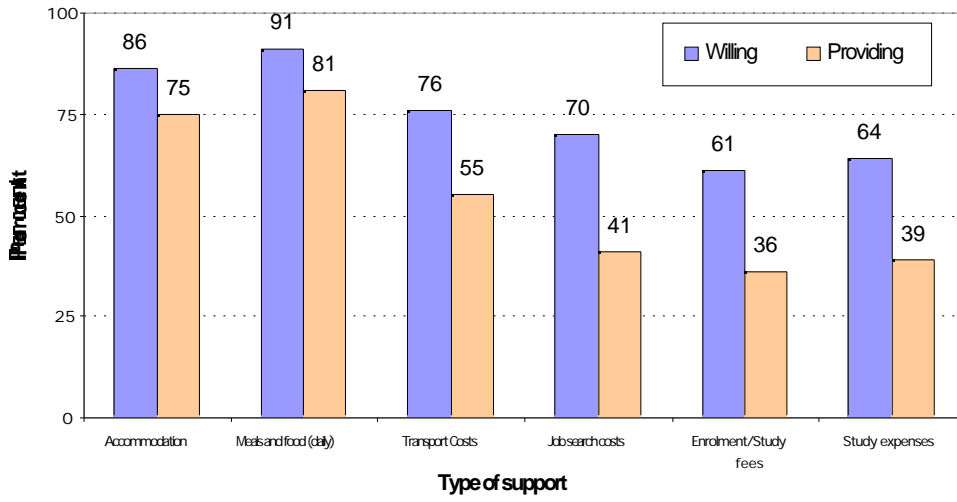


Fig 6: Phase 2 – Parental views of their willingness to provide support to young people and actual provision of support

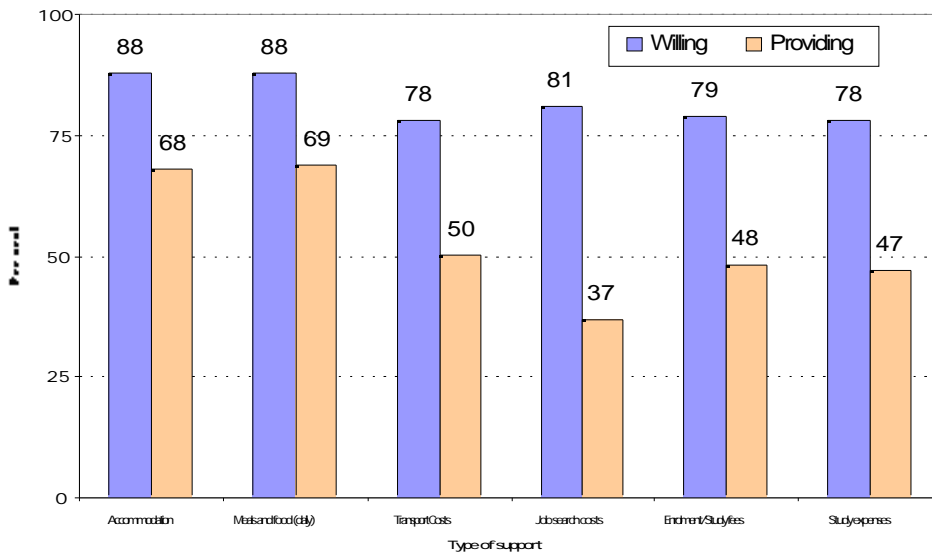


Fig. 7: Phase 1 – Young people’s views of parental willingness to provide support to young people and actual provision of support

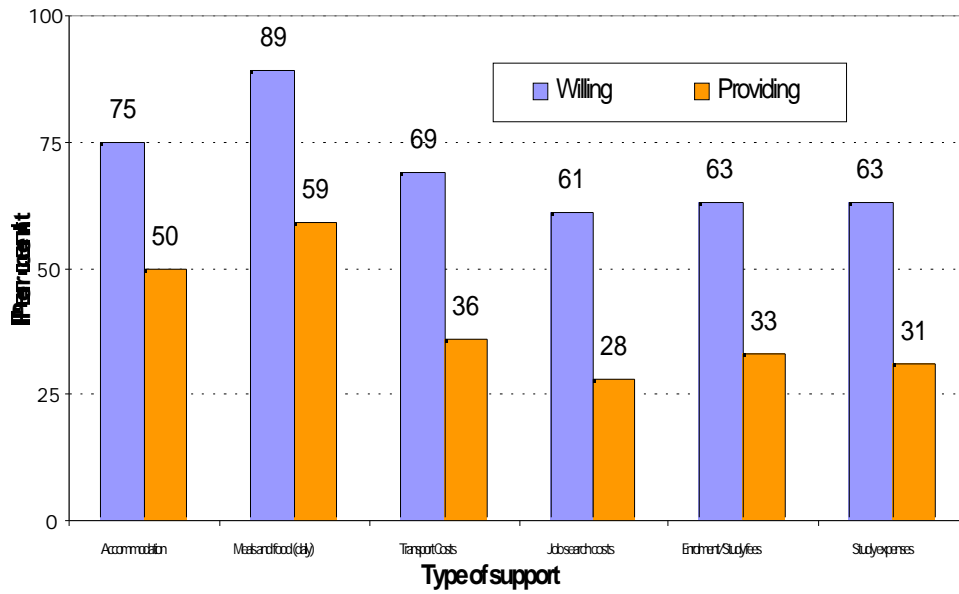
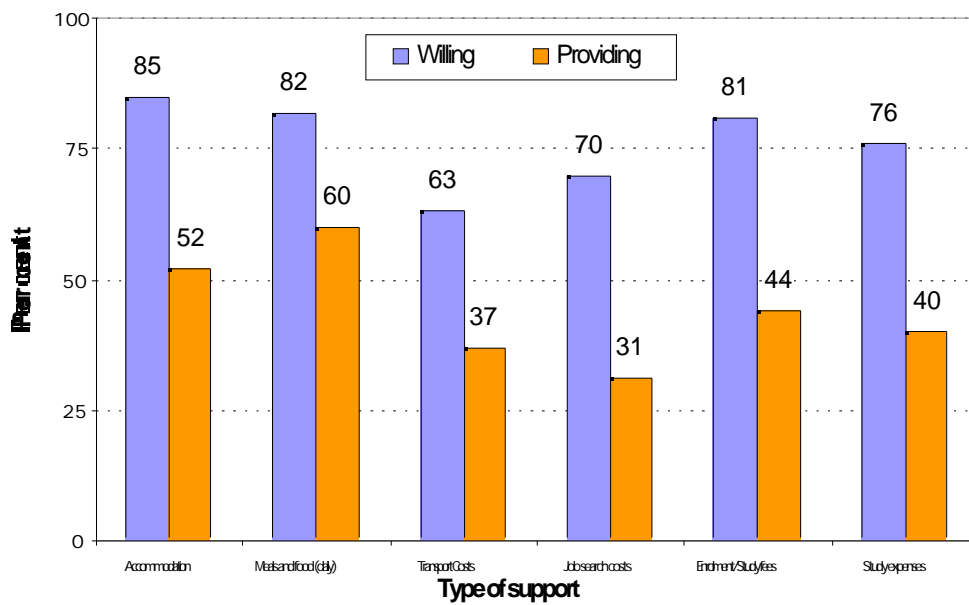


Fig 8: Phase 2 – Young people’s views of parental willingness to provide support to young people and actual provision of support



FINANCIAL SUPPORT

Parents and young people were asked whether or not young people were given financial support in the form of cash.

- Most young people (**68 per cent** in Phase 1 and **52 per cent** in Phase 2) reported that their parents did not give them any money. In Phase 2, 32 per cent reported that they received less than \$50 while 6 per cent reported they received between \$50 and \$99.
- In Phase 1, only **45 per cent** of parents reported that they gave money while in Phase 2, **60 per cent** of parents reported they did. Of the 60 per cent, 16 per cent gave regular payments and 80 per cent only gave occasionally (when urgently needed). Of those who gave cash *regularly*, 72 per cent gave less than \$50 and 16 per cent gave between \$50-\$99. Of those who gave cash *occasionally*, 64 per cent gave under \$50 while 21 per cent gave between \$50-\$99.
- In both phases, young people who were likely to receive cash from parents were: those aged 16-17; full-time students; and dependent young people.

Young people and financial independence

FEELINGS ABOUT PARENTAL SUPPORT

Young people reported their 'main' sources of income as:

- government payments;
- parents;
- casual work;
- full-time work; and
- part-time work.

However, a slightly larger proportion of young people in Phase 2 nominated 'parents' as a 'main' source of income.

Given that parents were either a 'main' or 'other' source of income, young people were asked how they felt about this parental support. Half were positive about this. This is detailed in Table 8.

Table 8: Young people's feelings about support from parents

	<i>Parents are Main Source n=97 per cent</i>	<i>Parents are One source of income n=66 per cent</i>
<i>Strongly dislike</i>	4	14
<i>Dislike</i>	18	11
<i>Accepting</i>	23	32
<i>Happy</i>	27	43
<i>Don't know</i>	28	0

These young people were also asked about their perception of the 'burden' this placed on their parents. Around half of the young people saw this support as 'a heavy financial burden' or 'something of a financial burden' on their parents (Table 9).

Table 9: Young people's perceptions of parental support

	<i>Parents are Main Source n=97 per cent</i>	<i>Parents are One source of income n=66 per cent</i>
<i>A heavy financial burden on my parents, relative to their means</i>	21	10
<i>Something of a burden on my parents, relative to their means</i>	34	48
<i>Not really a financial burden as my parents have the means</i>	15	38
<i>Can't say</i>	2	4
<i>Don't know</i>	28	0

STEPS TOWARDS FINANCIAL INDEPENDENCE

In Phase 1, the majority (82%) of young people reported taking steps towards financial independence between June 1998 and 1999. The activity most commonly nominated by young people who did take steps towards financial independence was seeking casual work (28%).

In Phase 2, young people were asked whether they felt 'more' or 'less' financially independent in the last 12 months. *Fifty-two per cent* of young people reported that they felt 'more' financially independent, 8 per cent reported they felt 'less' financially independent, and 39 per cent reported they felt 'about the same'.

For those who reported feeling 'more' financially independent, the most frequently nominated steps taken to be more financially independent were:

- sought/took work;
- planned a budget;
- got Youth Allowance;
- moved out of home; and
- supported myself.

The most frequently cited reasons for feeling 'less' financially independent were:

- lost or reduced Youth Allowance or income support;
- lost work;
- now studying/going to colleges of technical and further education;
- have more expenses; and
- moved back home.

LIVING ARRANGEMENTS

The survey also examined living arrangements of young people in a 12-month period. In both phases, most young people (around 75 per cent) were reported to be living at home with parents. Other frequently cited living arrangements were: with friends; with other relatives; in a group house; with boyfriend/girlfriend; or in student accommodation.

In the first phase, a substantial proportion of young people (**43 per cent**) reported that they had moved in the 12-month period. In the second phase around **30 per cent** of young people were reported to have moved. Of those who moved, 25 per cent did so to live with/move with parents, around 25 per cent with friends, 14 per cent with other relatives and around 20 per cent in a group house.

The main reasons for moving were varied. The most common, especially in Phase 2, were: to be closer to study/work; disagreement with parents; and to be more independent. These are detailed in Table 10.

Table 10: Main reasons for young people moving

<i>Main Reasons</i>	<i>Parents</i>		<i>Young people</i>	
	<i>Phase 1 n=213 per cent</i>	<i>Phase 2 n=326 per cent</i>	<i>Phase 1 n=406 per cent</i>	<i>Phase 2 n=342 per cent</i>
<i>Disagreement w/parents</i>	11	10	21	13
<i>Be more independent</i>	20	11	10	5
<i>Closer to study/work</i>	10	32	9	26
<i>Financial difficulties</i>	3	8	5	7
<i>Lease expired</i>	1	2	5	3
<i>Moved with parent</i>	5	1	4	9
<i>Disagreed w/housemates</i>	2	3	4	3
<i>Found job/changed job</i>	3	1	3	1
<i>Cheaper rent</i>	4	1	2	1
<i>Ended relationship</i>	3	2	2	1
<i>Moved in with parent</i>	5	0	0	1
<i>Other</i>	33	29	35	30
<i>Total</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>

MOVING OUT OF HOME

Parents and young people were asked when young people should move out. In both phases, parents of young people *still living at home* stated that they *would like young people to move out* when they: are financially independent; have a full-time job/are employed; are ready/want to; can afford their own place; or are in a relationship/married.

However, most parents realise that *young people are likely to move out* when they: are financially independent; have finished their studies; have a full-time job; or can afford it. The average age that these young people were likely to leave home was **21** years.

Most parents whose young person had *already moved out* of the family home would have liked their young person to move out when they: had finished their studies; were financially independent; had a full-time job; were in a relationship/married; and were ready/wanted to. The average age that these young people had left home was **17.6** years.

The factors found to influence parental acceptance of young people staying at home until they reached financial independence were the *level of parental income* and the *age, type and level of income support received by the young person*. That is, parents who were more accepting were those: on higher annual incomes (ie \$40,000 - \$60,000); living in urban areas; whose young person was aged 16-17 years, assessed as “dependent” under Youth Allowance or receiving minimal or no income support.

Young people *still living at home* perceived that their parents *would like them to move out* when they: had finished studying; were financially independent; had a full-time job/were employed; in a relationship/married; can afford their own place; and were ready/wanted to.

Young people still living at home thought they would *actually move out* when they: had a full-time job/ were employed; had finished their studies; were financially independent; and can afford their own place. The average age at which this was likely to occur, according to young people, was **20.7** years.

Young people who *had moved out of home* reported that *parents would have liked them to move* when they (the young people): wanted to; moved away to study; at a specific age; or at a particular time. A few young people reported they did not want to leave at all. The average age at which these young people had left home was **17.5** years.

In general, young people perceived that parents were more likely to accept them staying at home until they achieved financial independence if they were Dependent Youth Allowance recipients or they were receiving minimal or low government payments. It also appears that the expected age of leaving home is increasing, consistent with ABS data which shows an increasing proportion of young adults in their twenties living in the parental home.

Summary of findings

In summary:

- perceptions of financial responsibility for young people are quite complex and varied – perceptions depend in part on the young person’s age, activity, and the financial capacity of parents;
- the majority of parents support the principle of parental means testing (59 per cent in Phase 1 and 60 per cent in Phase 2);
- although the Government, parents, and young people were seen as having *some* responsibility for unsupported young people, there was a shift in perceptions between the two phases. In the second phase the Government was generally seen as *most* responsible for all young people who are unable to support themselves;
- the impact of the extension of parental means testing does not appear to be significant:
 - most parents supported parental means testing, particularly those on lower incomes. Those on higher income levels were more likely to disagree but were more likely to be providing support to young people and were more likely to accept young people staying at home until they achieved financial independence;
 - only one in three young people supported parental means testing – those more likely to strongly disagree were young people assessed as Independent due to workforce criteria or other reasons and young people aged 18 or over;
 - although few young people supported parental means testing, most young people reported it had not been a source of family stress/tension;
 - around half of the young people were ‘accepting’ or ‘happy’ about receiving support from their parents.