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INCOME SUPPORT FOR YOUNG PEOPLE

Don Ferguson

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Council

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Appendix 2: Estimates

Bibliography

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FOREWORD

New Zealand has been experiencing unaccustomed levels of unemployment and economic restructuring. This places a heavy burden on young people making the transition from school to work.

An earlier report from the Planning Council, *Young People, Education and Employment*, 1985, drew attention to problems and anomalies in the options available to people in that transition. A report from the Council's National Sectoral Programme, *Towards 1995*, confirms that unemployment and restructuring will continue for some years yet - we cannot expect to overcome quickly the consequences of long-delayed changes.

What happens to young people during such a period of difficulty should be a matter of concern to all members of society. We should ensure that a range of opportunities is available to enable all young people to find positive transition paths from their compulsory schooling to rewarding and productive roles in the community.

It has been recognised that our training and transition schemes need improvement. Some major changes are already being made, and it is important that they fit into a framework consistent with changes yet to be made. We need a system which meets the needs of young people and which has wide community support. We must also ensure that scarce public resources are being used equitably and to good effect.

With the aim of hastening the development of the new system and encouraging discussion of the key issues which will shape it, the Planning Council is publishing this report. Prepared by Don Ferguson, while on secondment to the Council from the Department of Education, the report contains a comprehensive list of training and support schemes for young people, brief discussion of key issues such as equity, dependency and adequacy, and a range of possible systems.

The Planning Council is not recommending any of these options as the ideal answer to present problems, but it hopes that they will focus and sharpen the debate.

The Planning Council wishes to thank Don Ferguson for his work and the Department of Education for releasing him for it; the many individuals in departments, the New Zealand University Students' Association and other organisations who provided information; and those members of the Planning Council secretariat involved in the production of the report.

G. Hawke

Gary Hawke
Chairperson

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1. INTRODUCTION

1.1 Background

The income support arrangements for young people have been the subject of increasing attention in recent years. This paper looks at some of the major issues involved, discusses principles for change and outlines possible future directions.

A number of reports have commented on the complexities and inequalities in the current arrangements.

"Training allowances and income support for young people need to be subjected to critical scrutiny in the light of today's changing economic and social conditions so that conflicting objectives can be reconciled and income support for young people in training can be co-ordinated. On the one hand, it is important that equity be maintained, and that young people be encouraged to undertake training. On the other, public expenditure must be carefully scrutinised and abuse of public funds should be prevented. The issue of a universal training allowance, implied by the concept of a 'youth guarantee', needs to be considered in the context of such a critical scrutiny."

Young People, Education and Employment, New Zealand Planning Council, 1985

"Particular needs of various groups of young people not fully employed have given rise to a series of ad hoc responses which are quite practical and very reasonable measures when considered in isolation. Collectively the end result has given rise to a highly complex situation with many anomalies. It becomes particularly evident in a classroom where the students or trainees, taking an identical course, have a wide variety of allowances all paid at different rates."

Tertiary Training Liaison Group, 1985

"The whole area of training allowances, benefits and grants is beset with inconsistencies and anomalies. The major benchmarks, the unemployment benefit and the tertiary assistance grant, are clearly out of kilter. Significant problems stem from the unemployment benefit often being higher than payments for those on training courses. There is an obvious need for an integrated approach to payments for all those in post-compulsory education."

Government Transition Education Committee, *Interim Report*, 1985

"On the question of training allowances there was both agreement and disagreement. Most people agreed on the need for a uniform set of allowances for young people in post-school education and training while another view was that training allowances should be negotiated by the interested parties. There was disagreement on the levels of allowance. One view was that training allowances should constitute a living wage. The other view was that allowances should not be tied to wage rates, but to the unemployment benefit, say, perhaps at a margin above or below the benefit."

Employment Conference, 1985

These reports all propose that there be some rationalisation of training allowances and study grants.

At present, the government provides cash assistance for young people through a number of income support programmes. The programme under which assistance is payable depends on individual circumstances, including whether the young person is in education, training or unemployed, or for some other reason is not able or not expected to work.

In this paper, the term "young people" refers to people aged from 15 to 24 years inclusive, most of whom are in education, training or employment. The majority of 15 to 17 year olds are in full-time education while from age 18 on the numbers in employment increase sharply.

There is concern that participation rates in education in the post-compulsory years are low, particularly for disadvantaged groups. This is true in comparison with countries such as Japan, the United States of America and Germany. However there has been an improvement over the last few years, with an increase in the numbers staying on at school, a slow but steady increase in the percentage of students studying full-time at university, and a marked increase in numbers who plan to study full-time at a technical institute. Also, the decrease in entry quotas to teachers' colleges over the last few years has now been reversed. (For further discussion on trends in education, retention and participation rates see *Young People, Education and Employment*, New Zealand Planning Council, 1985.)

Despite the recent improvement, many young people enter the labour market with minimal education requirements and little or no training. The Interim Report of the Government Transition Education Committee advocated the setting up of community training centres to co-ordinate training opportunities.

"That a network of community training centres, under regional control, be established to co-ordinate a sufficiently wide variety of training opportunities to ensure that the individual needs of school leavers are met."*

Over the last decade there have been major changes in the labour market that have reduced the number of full-time jobs available to early school-leavers in particular. According to the 1981 census, the latest figures available, the unemployment rate for the 15 to 19 age group was 13.8% or three times that of a decade previously. For the 20 to 24 age group it was 6.5% or two and a half times that of a decade before.

Although there has been a marked increase in part-time work, which has provided the opportunity for work experience for many young people, it has mainly benefited those who are continuing their education. Most teenage part-time workers in 1981 were full-time students (92.8% of the males were students as were 84.0% of the females), although these statistics do not show what proportion of the students were still at school and what proportion attended tertiary institutions.

Moreover, the future labour market outlook for young people is far from certain, given that they will have to adjust to particularly rapid structural and technological changes.

Income support is an important component of policies affecting youth and employment. The purpose of this paper is to identify a number of possible basic principles for income support arrangements, to examine the issues of concern and to present a number of illustrative options.

* This recommendation has been developed into the ACCESS transition education and training package due to commence in April 1987.

1.2 The Range of Allowances

Training and study allowances paid by government departments or government statutory bodies include programmes that provide direct assistance to young people such as the tertiary assistance grants and the unemployment benefit, those that provide assistance to the parents of eligible students such as the family benefit and family care allowance*, and programmes for the unemployed such as the Training Assistance Programme (TAP) and the Job Opportunities Scheme (JOS). Private organisations or businesses also sponsor a large number of trainees through various education and training courses. This report does not include information about these grants.

Young people in post-secondary education receive allowances ranging from \$37 per week to \$124 per week (including accommodation allowances). Those in training receive from \$25 per week to \$115 per week (excluding accommodation and travel allowances which are not fixed).

1.3 Key Issues and Questions

In considering any changes to income support the following key questions should be kept in mind:

- (a) What are the benefits and problems of having a better-trained workforce?
- (b) How can greater participation in post-school education or training be encouraged?
- (c) Should there be a universal youth allowance?
- (d) Should the level of a training allowance be above or below the unemployment benefit?
- (e) Should the unemployment benefit for young people be on a sliding scale according to age?
- (f) Should the unemployment benefit for young people be a living wage?
- (g) Should there be a relationship between the unemployment benefit, the tertiary study grant, and a training allowance?
- (h) In terms of equity, should the tertiary study grant be increased when young people, with this form of training, can expect to earn significantly higher incomes soon after completion of their training and their future incomes are likely to be much higher?
- (i) At what age are young people considered to be independent?
- (j) If a young person is living at home, to whom should an allowance be paid - the young person or the parents?
- (k) How should special groups be catered for?

* To be replaced by the Family Support entitlement from October 1986.

The remainder of this paper considers these questions in more detail.

1.4 Outline

The various income support programmes for young people are outlined in Appendix 1. The background and rationale to each allowance and the criteria for selection are also outlined. Appendix 1 concludes with a summary of the numbers receiving allowances and the costs to the various government departments responsible for the programmes.

Chapter 2 considers some of the pressures for change, including social and economic factors which have affected young people. The various proposals for change, including the need for a uniform set of allowances and the concept of a youth allowance, are discussed.

Chapter 3 looks at key issues, including: participation rates in education, equity, dependency, and who the recipients of the various allowances should be.

Basic principles that could underlie consideration of changes to the income support structure for young people are suggested in Chapter 4. Also discussed is the concern that any changes in income support for young people will need to be placed in the wider context of policies and priorities, including the constraints on the level of additional financial resources that can be directed toward young people.

In Chapter 5 some options are presented. These represent various trade-offs among the principles outlined in Chapter 4. Some of the suggestions would be relatively easy to implement, while others would have major financial and administrative implications or would adversely affect particular groups. These options are costed in Appendix 2.

2. PRESSURES FOR CHANGE

2.1 Changing Circumstances

The New Zealand Planning Council reports, *Young People, Education and Employment, and From Birth to Death* - the first report of the Social Monitoring Group, detail the more recent social and economic changes which have affected young people. There is a growing concern with youth income support, due to the complexities and anomalies in the present regime of payments, the belief that education participation rates should be higher, and changes in the economy which have substantially increased the numbers of young people who are unable to get a job and therefore rely on the unemployment benefit.

In an attempt to improve the opportunities for young people, a number of committees have been established and are working to provide new or improved education and training programmes to cater for the needs of young people, particularly the non-academic, for example:

- National Advisory Committee on Transition from School to Working Life
- Committee to Review the Curriculum in Schools
- Committee of Enquiry into Curriculum, Assessment and Qualifications in Forms 5-7
- Co-ordinating Committee on Student Support
- Inter-departmental Committee on ACCESS Implementation

One of the major concerns about the current income support arrangements is that they promote undesirable choices. It has been argued that the unemployment benefit provides a short-term financial incentive to leave school or not engage in full-time education. A related criticism is that the education allowances are inadequate for low income families trying to maintain young people in education. The present arrangements can also mean that young people from families with essentially similar needs for income support can receive quite different payments.

There is concern, too, that some young people who are legally adults for most purposes are treated as dependants of their parents or guardians because they are students. The trend today is for more young people to live away from home and income support measures need to take account of this.

Young people have themselves voiced concern about their future. Many are pessimistic about their prospects of gaining employment. Others are concerned about unemployment in the family and the problems that this often brings. These perceptions and views must be heeded. How society and their families help young people make the decision whether to undertake further education, training or employment will be of major importance for their future and the future of society.

2.2 Proposals for Change

In responding to the various problems a number of proposals have been put forward by various groups.

2.21 Youth Allowance

Several variants of a youth allowance have been proposed.

- (a) It would be payable to all young people aged 15-19 not in full-time employment. In effect it would provide a guaranteed minimum income. A variation suggested is that the allowance should commence at age 16. Such an allowance would replace the existing family assistance arrangements for these young people.
- (b) It would be paid to all young people pursuing post-school education or training or who are actually seeking work. A variation would be that the allowance would increase with age.
- (c) It would be paid to young people in training or education, or who are actually seeking work, on an income-tested basis. This would take the form of a parental income test applying up to the age of independence and then a personal income test would apply.

The figure that has been most frequently mentioned for a youth allowance is \$20 per week payable over the whole year.

"The argument in favour of such an allowance is partly one of equity, in that education becomes more accessible to all when the cost burden on families is reduced, and partly one of economics in that investment in education pays off in terms of increased productivity. The payment of a living allowance provides an incentive to young people to invest in themselves when they might otherwise seek independence through unskilled employment."

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Proposal (a) is costly and while proposal (b) is less costly, both these alternatives would involve a proportion of the assistance going to those young people who may in any event have continued in education or training. There is also the question in proposal (a) of the public acceptability of providing equal assistance to those not expected to work and those who are expected and able to work but choose not to. If parental income testing was applied (proposal c), this might overcome the problems outlined above, but does not take account of the fact that parents, while able to support their children financially, may not choose to do so.

Consideration would also have to be given to continuing this allowance to young people aged 20 or more who were still in training, if such a system were to replace the tertiary assistance grants.

2.22 A Training Allowance

(a) Associated with a Youth Allowance

Proponents of a youth allowance advocate that all young people in any recognised form of post-school training should receive an amount of \$15 to \$20 a week for the duration of their training in addition to the youth allowance. Entitlement to the training allowance would be for four or five years, depending on the time spent at secondary school. The entitlement could be taken at any time after leaving school, either in a single block or in a number of separate blocks.

An early discussion paper from the government committee studying payments to young people in education, training or unemployment suggested that a package made up of the youth allowance, training allowance and training allowance supplement could replace the present tertiary assistance grants and the training allowances paid by the Departments of Labour and Maori Affairs.

(b) Independent of a Youth Allowance

A more recent discussion paper, *Skills for Young People* (July 1985), from the Ministers of Education, Employment and Maori Affairs, stressed the need to explore the relationship between any proposed training allowance structure and the unemployment benefit for people under 20.

"The mere existence of the benefit may induce some people either not to bother training for a job or not to seek one. A training allowance will help to lessen this disincentive. The level of this allowance relative to the unemployment benefit is likely to be crucial in determining people's responses."

There seem to be two broad alternatives, either:

- the training allowance in all cases (that is, whether supplementary payments are made or not) could exceed the unemployment benefit. This implies that the level of benefit for school leavers would be lower than it is now, but that the current (higher) rate would become payable after a period in work or training; or
- the standard training allowance could be lower than the unemployment benefit, although those who qualified for supplementary payments could receive an amount higher than the benefit.

The New Zealand University Students' Association, in their publication *The Student Support Package*, wish to retain the present tertiary study grant structure but free up the scheme in a number of ways. Their position at the time this paper was written was:

- Accept current three-tier structure of:
 - (1) basic grant (tertiary study grant)*;
 - (2) accommodation grant*;
 - (3) income-tested hardship grant.
- Widen eligibility to include:
 - (1) all students from their first year;
 - (2) students on short courses.
- Raise the income level restrictions.
- Review eligibility for overseas students and students dependent on a spouse.
- Keep bursary if pass half a full-time course (currently more than half).
- Students failing should have second chance by keeping the bursary for a second year.
- Students should be able to receive the bursary for as many years as they need it, i.e. unlimited tenure.
- All grants inflation-adjusted according to the Consumer Price Index.

* Set at a fixed level - not income-tested.

2.23 Accommodation Grant

Most study grants or training allowances have some form of accommodation component. This is available for young people who, for purposes of their training, are required to live away from home.

The New Zealand University Students' Association's position is that the accommodation grant should be:

- available to all students living away from parents' home regardless of age - not income-tested;
- increased to compensate for rent and power increases.

2.24 Income Support Supplement - Hardship Grant

A recent in-house government working paper suggested that there be:

"... an income support supplement available on the basis of demonstrated need, covering such things as accommodation expenses, travel expenses, other hardship, and positive action initiatives. A decision would be needed on the point at which parental means would cease to be taken into account in assessing need."

A New Zealand Planning Council in-house discussion paper had the following proposals:

For young people in education/training

- (a) if required to live away from home due to the type of training there be a 'training allowance supplement' of \$30 per week for the period of training
- (b) if living at home where parents' income is below \$x there be a training allowance supplement of \$20 per week for the period of training.

For young people in education /training/unemployment

where a case of further need is shown for economic or social reasons there be a 'supplementary grant' of up to \$40 per week.

The New Zealand University Students' Association is of the view that a hardship grant should:

- be made available to more students than currently
- include a mechanism to target assistance
- be made available to students with:
 - (1) low income due to low summer earnings or lack of parental support
 - (2) high expenditure, e.g. accommodation, travel or course costs
 - (3) special circumstances, e.g. having dependants or being disabled.

Almost all advocates of this type of grant propose that some form of income testing be used to determine an applicant's eligibility.

2.25 Unemployment Benefits

At present there is an "adult" rate of unemployment benefit and a "youth" rate; however, not all groups support this concept and some say there should be no distinction between the rates. The unemployment benefit is not paid to 15 year olds and, although there is little pressure for any change with respect to this group, social workers and others involved in assisting unemployed young people are concerned about 15 year olds who, because of family circumstances, do not live at home.

As previously mentioned, it has been suggested that the level of the unemployment benefit for 16-19 year olds (\$95.25 gross) is a disincentive to work or further study, although there is little evidence to demonstrate that this is the case. There have been proposals that the unemployment benefit could be lowered for young people in the 16-19 age bracket and that the amount available should increase with age. This arrangement occurs in several countries. It has also been suggested that, if such a scheme were in operation, young people between the ages of 15 and 19 who become involuntarily unemployed after a minimum of one year in work should be paid the adult rate of the unemployment benefit.

There could be undesirable social consequences, however, of paying a lower rate of unemployment benefit to young people than is paid at present. Many of the unemployed already come from the lower socio-economic groups. Families in this bracket would have difficulty if a young person living away from home was forced to return home because the unemployment benefit was not a living wage. Also, many young people of this age leave home because of difficulties they have in getting along with other family members. A major reduction in the unemployment benefit might lead to a rise in the number of "street kids" and to increased teenage crime.

As to the level of the unemployment benefit, the Employment Conference working group studying this topic had the following to say:

"The majority agreed that the income provided must be at a level at which housing, clothing, medical care, food, education and community participation can be maintained. As a guide to determining at what level income maintenance should be struck, the majority considered that the present level of unemployment benefit is too low.

"The group agreed that entitlement to income maintenance should be based on the individual as the unit of concern. This recognises that the traditional concept of the nuclear family is no longer universal. At the same time, the income maintenance payments should continue to recognise dependents in relationships and take into account cultural differences and sensitivities concerning family structures. The group considered that the tax system should deal with any inequitable household income effects created by this recommendation.

"The majority agreed that income maintenance should be available to all who are not in paid employment. Those who favoured this believed that such a system would provide a genuine choice between the various options available, i.e. school, tertiary education, vocational training, unemployment, household activities and community work."

Report of Working Group C

Almost without exception, groups discussing the level of the unemployment benefit recommend that it should be a living wage. Whether young people in the 15-19 age

bracket can live on a reduced benefit would vary according to the circumstances of the individual. There is general agreement that a new name for the unemployment benefit is needed to overcome the present stigma associated with it. Suggestions have included "living allowance", "living wage", and "living income".

"The majority considered that this new name for social welfare benefits should incorporate the concept of a social/living income and that this would replace the present categories of benefits. Taken in its widest sense, this new provision could change the basis on which people may qualify for income maintenance."

Employment Conference Report (Working Group C)

There are two main points of view with regard to any changes to be made in income support for young people. On the one hand, some groups have advocated reform based on a perception of students between the ages of 15 and 20 inclusive as being partially or totally dependent on parents. They have in essence suggested the phasing-in of independent status.

On the other hand, it has been argued that income support should be made available primarily on the basis of need arising from a particular contingency and that age should not be a factor.

The major difficulty in an income support policy is striking the right balance within a limited budget between providing assistance to the most needy and ensuring adequate incentives for young people to engage in desired activities.

3. ISSUES

3.1 The Need to Encourage Education Participation

The definition of post-secondary education used in New Zealand is somewhat different from that employed in most other OECD countries, where the term refers to a specific educational level (e.g. colleges and universities) rather than a temporal stage in an individual's educational career. The participation rates of 15-19 year olds in full-time education in New Zealand (44.8%) are similar to those in the United Kingdom (44.6%), Australia (44%) and Greece (45.4%), but a good deal lower than the rates typical of the United States (75%), Canada (64.9%), or Sweden (56.3%). The proportion of 19-20 year olds still receiving full-time education (14% of males and 14.3% of females) is also comparable to a number of other OECD countries, but there are rather more part-time students in this category than is customary elsewhere (20.5% of males and 12.8% of females).

However, it is clear that participation in education of 15, 16 and 17 year olds has been increasing steadily over the last five years.

"Marked growth has occurred in full-time enrolment at secondary school. Fifteen year olds, for instance, increased their participation at school from 87.9% in 1979 to 92.2% in 1983. An even bigger increase in the rate of 16 year olds was recorded between 1979 and 1983, from 65.7% to 71.3%. There has not been the same dramatic increase in participation in tertiary education, although there is a slight increase evident at each age level when 1983 participation rates are compared with 1979 rates."

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International comparisons nevertheless suggest that there is considerable room to improve New Zealand's participation rate in education and several recent reports have pointed out the social and economic advantages.

"There would be benefits for young people and the community if the length of time spent in education could be increased. An increase in the numbers being educated or trained full-time will reduce the numbers of young people entering the workforce and will therefore alleviate the pressures which result in youth unemployment. Further, a well-educated population will achieve a greater degree of life satisfaction. Finally, a better educated and trained workforce is more employable and better able to transfer skills learnt in one occupation to another in the future. Occupational flexibility is likely to become increasingly important for the next generation."

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"The Committee is also hopeful that, in the longer term, if students are provided with appropriate educational programmes they will choose to remain at school for a longer time.

"In the longer term it is also hoped that the participation rate of young New Zealanders in conventional forms of further education and training, which is very low by the standards of the developed world, will increase."

Government Committee on Transition Education, 1985

A recent survey of some 2,000 young people by Australian Nationwide Opinion Polls (ANOP) suggests that the decision to continue in education or to join the workforce is made at the age of 13 or 14 by about one-third of young people. The ages of 15 and 16 are important decision-making ages for about half of the young people surveyed. It is anticipated that similar results would be obtained in New Zealand if such a survey were undertaken. Thus by the time students have reached the fifth form they have generally decided whether to continue or leave school. Areas of specialised study for those continuing are usually selected prior to the sixth form. Many of those who have chosen to enter an apprenticeship or join the labour force do so during or before the fifth form.

These findings suggest that all students should be involved in career education programmes in the third and fourth forms as well as in later forms.

The main reason cited by young people for leaving school in the fifth and sixth forms is that they want a job and their own money. Having an income and gaining independence as a result is important to young people whether they are in education or employment. Overseas and local studies also highlight the influence of parents in these decisions and the fact that they tend to encourage their children to seek employment (ANOP, 1984). Therefore, if it is a national goal to increase, through higher participation rates in education, the employability of young people in order to meet the future needs of New Zealand, then policy-makers must take into account the desire and need for adequate income.

Measures to increase the level of education of young people are not necessarily appropriate for all early school-leavers, however. Some may benefit from more informal education or training opportunities, or on-the-job training, and some may benefit more from returning to further education at a later stage.

There is evidence that more and more people are returning to universities and other forms of education after some years in the workforce.

3.2 Adequacy

While wage relativities point to a case for lower unemployment benefit payments for young people than for adults, there is concern that those who rely on the unemployment benefit as a principal source of income are increasingly in financial difficulties. Similarly, students who have no income other than the tertiary assistance grants and live away from home often have financial problems. Secondary students who have no parental support face additional problems with the cost of living independently.

Research has pointed to the importance of access to housing in determining the living standards of people with low incomes. A recent study undertaken on behalf of the Australian Housing Research Council (Hancock et al, 1983) examined the demand for, and supply of, housing and support services for young people. The study found that youth unemployment is the single factor most frequently associated with homelessness and is strongly inter-related with two other major contributing factors, family conflict and young people's lack of income.

In 1985 the New Zealand University Students' Association undertook a survey of the average expenditure of students. The results are shown in the following tables. The total costs per year can be compared with the actual allowances as shown in Table V, page 41.

Table I(a)

Students living in the parents' home

Living costs: (per week)	Food	\$ 9
	Rent	\$ 8
	Transport	\$ 11
	Heating	\$ 1
	Entertainment	\$ 12
	Laundry	\$ 1
	Other	\$ 5
	TOTAL	\$ 47
Costs per year:	Living costs \$47 at 52 weeks	\$ 2,444
	Course costs (average)	\$ 733
	Other costs	\$ 438
	TOTAL	\$ 3,615

Table I(b)

Students living in shared rental accommodation all year

Living costs: (per week)	Food	\$ 18
	Rent	\$ 26
	Transport	\$ 7
	Heating	\$ 8
	Entertainment	\$ 13
	Laundry	\$ 1
	Other	\$ 5
	TOTAL	\$ 78
Costs per year:	Living costs \$78 at 52 weeks	\$ 4,056
	Course costs (average)	\$ 733
	Other costs	\$ 434
	TOTAL	\$ 5,223

Table I(c)

Students living in hostels during term and in their parents' home during vacation

Living costs during term:	Food	\$	10
	Rent	\$	51
	Transport	\$	5
	Heating	\$	2
	Entertainment	\$	12
	Laundry	\$	1
	Other	\$	5
	TOTAL	\$	86
Living costs during vacation: (as for students in parents' home)		\$	47
Costs per year:	Living costs \$86 at 37 weeks	\$	3,182
	\$47 at 15 weeks	\$	705
	Course costs (average)	\$	733
	Other costs	\$	326
	TOTAL	\$	4,946

(Information from NZUSA)

Other young people, including the unemployed, can be expected to have similar living costs. With recent increases in food, electricity and rent, the adequacy of the present range of benefits is open to question. For example, rental accommodation costs rose approximately 25% in the year ended 30 June 1985, resulting in financial problems for both students and unemployed.

While young people living at home are generally better off than those living independently, it has been pointed out that living at home is not an option for some young people, including some secondary students. There is a small but significant group of young people who do not live at home because of inadequate family income or support, family breakdown, or the need to move away from the family home for employment reasons. Many of these young people face substantial problems because of their need for special personal and financial support and for adequate but low cost accommodation. Any changes to allowances would need to take account of the needs of this particular group.

Those living away from home therefore face special hardship, but it must also be noted that the regional and socio-economic concentration of unemployment means that unemployed young people will often live with unemployed parents who are also on the unemployment benefit and with little capacity to provide support.

These issues are complex, and point to the fact that any income support proposals need to take account of both social and economic factors with respect to young people and their families.

3.3 Equity

The preceding chapters point out inequalities in the current system of income support. The equity issues include the relative levels of the student tertiary study grant and the unemployment benefit, income tests and other eligibility considerations, and the question of who the recipient of the payment should be.

Students and unemployed young people can be expected to have much the same living costs. The question raised is whether the two groups should attract the same income support.

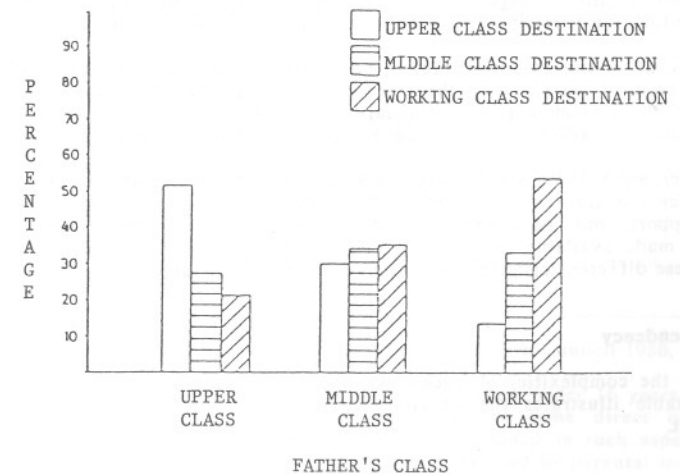
Those in education receive a substantial share of society's resources through "free" education and other assistance. In addition, tertiary students as a whole, and particularly university students, have higher prospective incomes than other young people.

Studies show that the upper income groups are significantly over-represented in education. A recent report from the University of Canterbury, *Education, Class and Inequality in New Zealand*, commented:

"While our children legally enjoy equality of access to education and cannot be barred from any educational institution because of their race, religion, ethnic origin, etc., the preliminary findings of a large-scale study we are undertaking suggest that little genuine equality of opportunity exists. Our results clearly show the existence of inequality associated with class background.

"The general relationship between school leavers' class origins and class destinations can be seen from the following graph.

PERCENTAGE OF SCHOOL LEAVERS ENTERING THE UPPER, MIDDLE AND WORKING CLASS BY FATHER'S CLASS



"Clearly there is considerable inequality. For example, while only 13% with a working class background enter the upper class, 51% of those with an upper class background do so."

(Technical Note from the authors of the report)

The data on social origins and destinations were originally classified according to the Elley-Irving six-point scale. We have labelled categories 1 and 2 "upper class". This comprises managerial and professional occupations. Category 3 is labelled "middle class" and comprises technical and clerical occupations, while categories 4, 5 and 6 have been labelled "working class" and comprise skilled, semi-skilled and unskilled manual occupations. We have made the assumption that university as a first destination is equivalent to entry to the upper class, while polytechnic as a first destination is equivalent to entry into the middle class. Given the number of trades courses offered by polytechnics this will serve to exaggerate the number of working class leavers entering the middle class.)

Apparent here is a conflict between the objective of promoting equality of opportunity in education on the one hand and reducing lifetime inequalities in income on the other, since students from low income families are less likely to enter tertiary education.

Education is also an investment in human resources and hence leads to wider social and economic benefits. The extent of society's investment in education of young people, therefore, is not only an equity issue.

Summary

Equity considerations point to conflicting interests between high and low income parents, between parents and young people, and between young people who are students and those who are unemployed.

Clearly, fundamental issues are involved. On the one hand, many parents are able and willing to maintain their dependent children in education, and extra assistance for these students could be regarded as inappropriate. It is also an inefficient way of promoting education participation if most recipients would have continued in any case.

Further, education conveys advantages (and significant subsidies) on those who are able to benefit from it, particularly the children of the better-off. It can be argued that, at the most, the maximum rate of assistance should not exceed the costs of maintaining a young adult in a family (or away from home, where that is necessary).

On the other hand, those young people who are already in or entering the labour force and who seek but are unable to find work to support themselves, or are students without parental support, could be regarded as independent and might reasonably ask that income support be made available on the basis of their own low income and not their parents' income. These different criteria give rise to quite different rate structures.

3.4 Dependency

Underlying the complexities of adequacy and equity is the concept of dependency. The following table illustrates the varying ages at which young people are regarded as independent.

Table II

The Legal Path Towards Independent Status

No legal age for -	Owning land bought under the land transfer system (Land Transfer Act 1952 s. 67) (excludes Crown Land) Owning moveable property Can open a bank account
7 years -	Can open a bank account
10 years -	Can hold a Government or local body stock
10 years -	Can become criminally responsible for actions if aware act or omission was wrong or contrary to law (Crimes Act 1961, ss. 21 and 22)
14 years -	Become criminally responsible for actions
15 years -	Can leave the education system
15 years -	Can attain a driving licence (Transport Act 1962, s. 26(4))
16 years -	Have right to consent to operations on themselves (Guardianship Act 1908)
16 years -	The age of sexual consent for a female (Crimes Act 1961, s. 134) N.B. there is no age of sexual consent for males
16 years -	The age of marriage provided guardian's consent is obtained (Marriage Act 1955 s. 18(17)). Marriage conveys certain additional rights not granted to single people until later; e.g. the right to enter into contracts and the right to make a will
17 years -	Can hold Crown Land (Land Act 1948, s. 70)
18 years -	Can vote in an election (Electoral Act 1956, ss. 2 and 39)
18 years -	Can become a member of the House of Representatives (Electoral Act 1956, s. 25(1))
18 years -	Can make a will
18 years -	Can drink legally on licensed premises provided he/she is accompanied by spouse who is 20 or over or by parents (Amendment to Sale of Liquor Act 1902, s. 216c)
18 years -	Navy or Air Force personnel can be sent overseas on active service (Defence Act 1971) if no objection from parents
20 years -	The age at which full adult status is obtained (Age of Majority Act 1970, s. 4(1))
	This means:
	(a) the right to enter into contracts
	(b) the ending of any guardianship provisions entered into previously (Guardianship Act 1908, s. 7)
	(c) the right to be called for Jury Service (Juries Act 1908, s. 3)
	(d) can be sent overseas on active service without parental consent if serving in the Army (Defence Act 1971)
	(e) can drink liquor in a public place (Policy Offences Act 1927, s. 3E)
	(f) can drink on licensed premises (Sale of Liquor Act 1902, s. 216c)

(Adapted from *Youth in Perspective*, National Youth Council 1980, pp. 305-6.)

Income support arrangements generally assume that those aged under 16 years and those aged 16 to 20 years and in full-time education receive some direct or indirect financial support from their parents. This approach is reflected in such aspects of the programmes as who receives assistance and whether it is affected by parental income.

On the other hand, young people aged 16 or more who are in the labour force are generally regarded as being financially independent. Unemployed young people aged 16 to 19, while receiving a lower rate of benefit than adults (\$95.25 as compared with \$117.71), can also be regarded as independent. Indeed, enforced dependence of these young people on their parents could have adverse effects on family relationships, although it should also be noted that the alternative of dependence on government assistance may adversely affect the young people themselves.

So, the fundamental question is whether it is the type of activity undertaken by young single people that should primarily dictate the nature and conditions of the income support they receive, or whether their age should be the primary consideration.

Over the past twenty years there has been a change in attitudes about the age at which adolescents should be seen as independent adults. As a consequence, several countries have revised the way in which financial assistance is provided to young people. There has been a tendency to reduce the age at which students are assumed to be independent (OECD, 1978).

In summarising the situation in several countries, the Office of Youth Affairs in Australia had the following to say:

"Overseas schemes, nevertheless, differ considerably in the conditions they impose on granting independence. Sweden is at one extreme. In Sweden conditions for 'independence' are not really an area of dispute since there is no parental income test once a student turns 18 years or is undertaking a post-secondary course. In Denmark, there is no parental income test once a student turns age 21. In Germany the philosophy is in striking contrast. Parents are legally required to pay for their children's education if they are financially able to do so, and a parental means test can apply up to the age of 35. Canada, following much criticism about independent status, has avoided the problem of the appropriate age of independence by defining independent status only in terms of employment status. Students need to have been in the labour force for 24 months, including a consecutive period at least 12 months. New Zealand pays education allowances to students based only on a personal income test from the age of 20.

"The current income support arrangements in Australia generally assume that those aged under 16 years, and those aged 16-24 years and in full-time education receive some direct or indirect financial support from parents."

Income Support for Young People

The major area for debate in regard to the question of independence has been the issue of parental income testing. Some of the proposals for a youth allowance include this form of testing.

In New Zealand young people are generally regarded as independent of their parents by 20 years of age. Where there are difficult home circumstances or where parents refuse to support children during tertiary study, students may have no other avenue of support and thus have to discontinue (or be unable to commence) study. Evidence suggests that women in particular are disadvantaged because some parents do not encourage daughters to enter tertiary education. Further, expectation of prolonged dependency on parents and the perceived lack of recognition of a student's adult status may affect rates of tertiary participation.

Criteria for independence, it should also be pointed out, cannot be determined in isolation from economic factors. Any substantial relaxation of criteria for independence would greatly add to costs. It would be expensive to introduce a youth allowance based only on an individual income test.

3.5 Income Testing

Income testing has attracted much criticism, particularly from those in the upper classes. Income tests are designed to direct available assistance to the lower income groups.

Beswick et al (1981) and Maglen (1979) have argued that parental income is not a good indicator of students' need for financial assistance because it shows the ability of parents to support students but not their willingness to do so. As mentioned, Beswick et al found that women in particular suffer in this respect.

The New Zealand University Students' Association argues that the basic tertiary study grant and the accommodation grant should be available to all as of right with no income testing.

The main argument with regard to income testing is whether it is those acting in a parental capacity or the young person who should be the subject of testing. Again, it comes down to whether the young person is to be regarded as independent or not. The exclusion of the unemployment benefit from parental income testing reflects the long-standing and widespread view that a young person becomes independent of his or her parents on entering the labour force. Also, family allowances cease to be payable to the parent at this point.

It has been claimed that to disregard parental income tests would be to sacrifice equity to the extent that students from higher income families, for example, do share family resources. Recent research carried out by the New Zealand University Students' Association, however, indicates that there is no correlation between parental income and the degree of support provided. (*The 1984-85 Survey of Tertiary Students' and Teacher Trainees' Income and Expenditure Patterns.*)

At present, most education and social security payments to young people or their families are made, in part or total, free of any income test. Exceptions include the family care allowance (and the family support scheme which is to replace it), and the hardship grant for tertiary students.

3.6 Recipient of Income Support

Under the present arrangement, where young people are at secondary school, it is their parents who receive assistance. Otherwise, the grant is paid to the young people themselves.

The question of who receives assistance depends on the objective of the payment and the age group concerned.

To the extent that a "youth allowance" is intended to alter participation rates, there is a case for making this allowance payable to the person primarily responsible for this decision. At present there is no firm evidence as to who ultimately makes the decision - the parents or the child - and it is to be expected that there would be

considerable differences between families. It should be noted, too, that the removal of assistance from parents could affect family budget decision-making in an unpredictable way with possibly adverse consequences.

3.7 Student Loans

A method of financing tertiary study which applies in some countries, notably the United States and Canada, and which has been periodically considered in New Zealand, is a student loan system. An international study conducted by OECD suggests that loans are more acceptable in the following circumstances:

- when combined with grants or allowances;
- if the loan is long-term;
- if there is an 'insurance' element built in to cover, for example, serious illness or default;
- where repayment is automatically postponed if income falls below a fixed minimum;
- where special provision is made for women later having children.

A loan system based on the above criteria, and available to all students irrespective of background, would satisfy many of the equity considerations outlined earlier. At the same time, the prospect of paying back a loan could act as a disincentive for young people from poorer backgrounds to participate in tertiary study, whereas their more affluent peers could have some expectation of repayment assistance, or, indeed, may not need to take out a loan at all.

Another potential drawback is that students intending to move into better-paid employment would be relatively advantaged under a loan system. A student doctor would later be in a better position to make repayments than a student nurse, for example.

One of the major arguments for student loans is that they lead to savings in public expenditure. Studies in several countries, however, reveal that this may be too optimistic a view. In practice, it has been difficult to obtain repayment of loans, for such reasons as: a 'negative dowry' effect, bankruptcy, emigration, unemployment.*

There are a number of alternatives as to the manner and source of loans, for example:

- loans directly from government funds;
- low-interest, government-guaranteed loans from trading banks;
- loans in the normal manner from trading banks.

Generally, banks have been more successful at operating loan systems than government bodies, primarily because banks have been better-equipped, or more prepared, to enforce repayment.

In conclusion, it can be said that the main advantage of any loan system for students is that, in theory at least, it is able to take account of equity and equal opportunity considerations. Its main disadvantage seems to be the practical difficulty of obtaining repayments.

* For more detail, see *Financial Assistance for Post-school Study*, Department of Education, Wellington, 1977.

3.8 Needs of Special Groups

This paper does not address in any detail the present range of payments made to special groups such as the disabled, orphans, solo parents, or to wider age groups with special needs. However, any programme aimed at minimising the present complexity of income support programmes would need to take account of the circumstances in which special needs deserve recognition in the income support structure.

There are some groups who face particular difficulties in participating in education and training opportunities. They include:

- Maori people
- those from Pacific Island communities
- people from rural areas
- the disabled
- people from economically deprived backgrounds.

Some concerns have also been expressed in relation to young women and income support:

- there is, on average, less parental support given for the education of young women;
- there is a comparative lack of linked part-time work and part-time training opportunities for young women;
- where young women have children, their continuing primary responsibility for child care requires either the availability of low cost care at education and training institutions or the provision of a supplementary child care allowance;
- young women are concentrated in a narrower range of education and training which often results in a lack of marketable skills.

The first concern in part relates to the adequacy of the basic levels of assistance, whereas the second relates more to the structure of education and training opportunities. The last two points raise much broader issues which, although very important, cannot be adequately covered in this paper.

3.9 Relative Wage Rates

An argument which several studies have put forward is that the wages of young people relative to adults have influenced employment levels. A recent OECD publication has surveyed eight countries and reviewed the evidence on the relationship between relative wage levels and youth employment. The conclusion cited is as follows:

"Although exact magnitudes are not known, it is apparent that, in terms of the employment and unemployment of young people, the level of youth wages relative to those of other groups does matter. Increases in relative youth rates appear to have reduced their employment in a number of countries, and downward inflexibility in youth wage levels relative to adults has meant changes in adult female and youth labour supply have probably resulted in the disemployment of young people."

It is not yet clear whether the introduction of a "free market" approach to youth wages would improve the employment position of young people. It does seem, however, that

allowing youth wages to adjust downwards in relation to adult wage rates may well improve the employment position of young people generally, though it may well displace adult workers.

"There are conundrums in adopting a policy position on the overall price signals given to young people. If young people recognise that they are being paid less for being trained, then they are likely to go elsewhere to obtain a better income. Employers, however, perceive that young people with fewer skills should be paid less because they are less productive. Trade unions argue that people should be paid the going rate for a particular job, and that it is the type of work which should determine the wage rate. It appears that policies on youth rates, by themselves, are not a simple solution to the problems of employment faced by young people."

Young People, Education and Employment

What is generally agreed is that it is in the interests of all that young people be trained, and that any training allowances paid should provide incentives to young people to undertake training while preserving equity of treatment amongst the various groups affected.

4. PRINCIPLES OF AN INCOME SUPPORT POLICY

4.1 Government Policy

In *Skills for Young People*, the Ministers of Education, Employment and Maori Affairs made the Labour Government's position clear.

"The Government is committed to making the labour market perform better. It is also committed to improving access to further education and training opportunities. There are large gaps in the existing arrangements which limit the scope for achieving these goals. Those gaps must be filled. We need a strategy which is solidly based on training and skill development. We reject the passive approach of paying people welfare benefits and placing them on schemes to keep them occupied. We want to see a major shift in direction which will significantly improve the labour market and further education opportunities for all New Zealanders."

The paper proposed "a bold initiative" to improve the education and training opportunities available to school leavers, featuring:

- the development of improved transition education policies for secondary schools;
- the provision of financial support through the tax/benefit system to allow low-income families to keep their children at school beyond the age of 15;
- the introduction of ACCESS vocational education and training, developed around clusters of related skills, as a comprehensive framework of opportunities to take the place of existing Department of Labour training schemes;
- the establishment of locally-based ACCESS committees to facilitate ACCESS programmes within their areas;
- the development of an ACCESS liaison service to help young people moving from school to training, further education, and work;
- the retargeting of resources to support the needs and efforts of Maori communities and Pacific Island communities;
- the introduction of a comprehensive structure of allowances covering all ACCESS trainees below the age of 20.

As this paper goes to print (July 1986), there are clear signs of these intentions being acted upon. The Training Assistance Programme and the Job Opportunities Scheme currently being implemented indicate an increased emphasis on training and job creation. The substitution of Family Support for Family Care in October will increase the assistance provided to low-income families. And the ACCESS scheme itself, with its focus on community control and Maori development, is to be introduced next year. It will be some time, however, before the effectiveness of these measures can be gauged.

4.2 Some Principles for Income Support

The following statements outline some broad principles which could be used as a guide in the development of a system of income support for young people. They have been

adapted from *Income Support for Young People*, Australian Government Publishing Service, 1984.

1. The arrangements for young people should be simple and provide a consistent and equitable structure.
2. Adequate financial support should be available for all young people in need, including those unable to engage in employment, education or training.
3. The income support structure should reflect and support the broader objectives and programmes for young people, including attention to the needs of disadvantaged groups. It should provide incentives for young people to participate in a comprehensive range of improved opportunities in education, training and employment.
4. While recognising the major responsibility of parents for the support of young people, the levels of income support and method of payment should also recognise the growth in independence and self-determination of young people as they move into adulthood and employment.

Any consideration of changes in income support will need to be placed in the context of wider policies and priorities including the level of financial resources available to assist young people.

The above principles assume the following:

- any system of payments needs to be simple and understandable;
- young people in similar circumstances undertaking essentially similar studies should receive similar treatment;
- youth unemployment may remain for some years;
- the provision of improved opportunities in education, training or employment will take some time and there will be some for whom such opportunities will not be appropriate;
- all young people should be encouraged to take part in education, training or work experience;
- no young person should be prevented from taking part in post-compulsory education or training due to inadequate financial support;
- for young people between the ages of 15 and 19 years, the family usually continues to provide care and support, but it is also during this period that the young person becomes progressively more independent.

5. OPTIONS

5.1 Introduction

This chapter presents a range of alternatives. They represent various trade-offs among the principles outlined earlier.

The major allowances under consideration are the

- (1) unemployment benefit
- (2) training allowances
- (3) tertiary study grants.

There are two supplementary grants to be considered also: an accommodation allowance and a hardship allowance.

(1) Unemployment Benefit

The three major questions to be addressed by policy-makers are:

- (i) Is it to be regarded as a "living wage"?
- (ii) Is it set at a level in relation to the minimum wage where it does not constitute an incentive to be unemployed?
- (iii) Should there be an age differential? At present there is a two step differential. Those under the age of 20 receive 20.5% less than the adult rate. A further question to be addressed is: should there be more than two steps in the scale as is the case in several other countries?

(2) Training Allowances

The major questions to be considered are:

- (i) Should the level of training allowance be related to the unemployment benefit?
- (ii) Should the level of training allowance be greater than the unemployment benefit, or less, as is the case with university students at present? This is partly an equity question and was discussed in Chapter 3.
- (iii) Should supplementary benefits be payable or not, and if so, what should be the criteria for their payment?

(3) Tertiary Study Grant

In terms of the equity and dependency issues discussed in Chapter 3, this grant poses a number of problems. Questions to be answered are:

- (i) Should the basic study grant be related to the unemployment benefit and/or the training allowances?

- (ii) Do the present and proposed structures provide adequate support and incentive for students from all socio-economic levels?
- (iii) In terms of equity, should a student (low cost) loan system replace the present structure?

Supplementary Grants

Questions to be answered are:

- (i) What should be the level(s) of these allowances?
- (ii) On what grounds should they be paid?
e.g. - unusually high travel/accommodation costs
- dependent children
- other.
- (iii) On what basis should they be paid?
- income testing of parents
- income testing of students
- a combination of both.

The major issue here is one of dependency.

Option A

In this option a universal youth allowance and a training allowance supplement are considered.

1. Youth Allowance

For all young people aged 16-19 who are at school, in training, or unemployed

There be a youth allowance of \$x per week payable over the full year.

- (a) This allowance would be paid
 - (i) to parents of young people at secondary school;
 - (ii) to the young person once they leave school.
- (b) Those in training would have to submit evidence of training courses.
- (c) Those unemployed would need to register.

Note: This could be paid in lieu of existing family entitlements.

2. Training Allowance

For all young people in post-secondary school education and training

There be a training allowance of \$y per week increased to \$y + y per week at age 20.

- (a) This allowance would be paid only for the actual period of the course.
- (b) Entitlement would be as follows:
 - (i) those who complete 5th form before leaving school - 4 years;
 - (ii) those who complete more than four years' secondary education - 5 years;
 - (iii) those whose course structure requires more than 4/5 years' training.

(In each case, the entitlement could be exercised at any time after leaving school and could be taken in a single block or in a number of separate blocks.)
- (c) There be a loan support scheme for those who exhaust their entitlement and wish to continue a study or training programme.
- (d) In special circumstances, e.g. following redundancy, people could undertake retraining without any debits being recorded against their general entitlement.

3. Living Allowance - Unemployment Benefit

For all young people who are unemployed or in any form of training (e.g. Access programme, Maori Affairs' Courses)

Ages	16 and 17	\$z less 40%	per week
	18 and 19	\$z less 20%	per week
	20 and over	\$z	per week

Young people between the ages of 15 and 19 who become involuntarily unemployed after a year or more in work, or who complete a post-school education/training programme of at least one year and who are unsuccessful in finding work, would be eligible for the rate of living allowance one step above their normal entitlement.

4. Supplementary Allowances

- (i) *For young people in education/training*
 - (a) If required to live away from home due to the type of training there be a "training allowance supplement", paid weekly, for the period of training.

eligible for the rate of living allowance one step above their normal entitlement.

4. Young people in education or training who are required to live away from home, due to the type of training or for family reasons, or are 20 years or older, would be entitled to an accommodation supplement.

The extent to which the principles for income support are satisfied depends largely on the level at which each allowance is set.

Care would be needed with this option to arrive at an equitable and consistent structure. Any age-related structure is certain to be criticised by some sections of the community, as the living costs of young people of all ages can be expected to be approximately the same. Any age-related structure is dependent on the young people being partially supported by their parents. For some young people this would not occur.

Option C

In this option the various allowances are related to the unemployment benefit. An age differential is suggested. Unemployment benefit = \$X (adult rate)

- (1) *For young people in tertiary education*

Age 15	\$X less 75% per week
16, 17	\$X less 70% per week
18, 19	\$X less 65% per week
20+	\$X less 60% per week

- (2) *For young people in training*

Age 15	\$X less 40% per week
16, 17	\$X less 20% per week
18, 19	\$X per week
20 +	\$X plus 20% per week

- (3) *For young people who are unemployed*

Age 15	\$X less 50% per week
16, 17	\$X less 40% per week
18, 19 (Present situation)	\$X less 20% per week
20 +	\$X per week

Notes: (as for Option B)

The main advantage of this scheme is that the allowances are all related. This allows for a simple and understandable structure.

The structure is equitable to the extent that students going into training receive more than those going into post-school education, given that the future earning potential of the latter is considerably higher. However, the unemployed may not see the scheme as being equitable in terms of income they receive from the unemployment benefit.

Again, consideration needs to be given to whether the age-related structure would provide sufficient support for those in the 15-17 age bracket. This would depend on

their particular circumstances.

This sort of structure provides incentives for young people to participate in post-school education and training as well as recognising their growth in independence.

Option D

In this option, the various allowances are related to the unemployment benefit, but the age scale for young people under 20 years is eliminated. Unemployment benefit = \$X (adult rate).

- (1) *For young people in tertiary education*

Tertiary study grant	\$X less 65% per week
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- (2) *For young people in training*

Age under 20	\$X per week
over 20	\$X plus 20% per week

- (3) *For young people who are unemployed*

Age under 20	\$X less 20% per week
20 and over	\$X per week

Notes: (as for Options B and C)

The idea of young people in training receiving less than the unemployment benefit is also possible under this option. This would take care of the equity question discussed in Option C, but would not provide an incentive for young people to engage in post-school training.

Option E

A further option could be that all young people on leaving primary school have an entitlement to 8-9 years post-primary education/training, six years of which could be taken at any point in a lifetime. (The present school leaving age would still apply.)

For this option the study grant/training allowance payable would be related to the age of the person.

People who had exhausted their entitlement and become involuntarily unemployed would be eligible for a further entitlement, the length of which would relate to the nature of the training course.

There are many different ways of costing this option. One suggestion follows.

Year

Entitlement (per week)

Year	Age	Age
	-19	20+
	\$	\$
1	X - 70%	*
2	X - 70%	
3	X - 70%	
4	X - 60%	X + 25%
5	X - 50%	X + 25%
6	X - 25%	X + 25%
7	X	X + 25%
8	X + 25%	X + 25%
9	X + 25%	X + 25%

* The first three years of education/training would have to be taken immediately following primary school.

Young people would still be eligible for hardship grants and unemployed young people would still be able to claim the unemployment benefit. The hardship grant would be paid as in the other options and the unemployment benefit could be paid at a rate of say 10% below the 'entitlement allowance'. Current family assistance programmes would not apply.

This structure is equitable to the extent that no matter what type of training is undertaken the allowance is the same. Because the entitlement allowance would be 10% above the unemployment benefit, young people should be encouraged to undertake some form of training.

Again the question of whether the income support structure should be age-related is open to debate.

5.3 Final Comments

The options presented endeavour to address some of the concerns and issues raised in earlier chapters and to promote greater consistency and equity in the income support structure.

Many of the measures which would be needed to reduce the present complexities and encourage further education participation could involve significant costs or major structural changes. Discussion of the options must, if it is to be useful, focus not only on which options are feasible and desirable from the points of view of young people and New Zealanders generally, but also on the priorities to be accorded income support for young people compared with other areas where there have been urgent calls for government action.

APPENDIX 1 - CURRENT PROGRAMMES

1. Department of Education

1.1 Tertiary Study Grant

This is a grant-in-aid to students of \$37 per week. It is payable to all students accepted for a recognised course of full-time study at a technical institute, community college or teachers' college. It is also paid to university students who have gained one of the following:

- (i) UE and Higher School Certificate;
- (ii) UE and Sixth Form Certificate with an aggregate grade total of 12 or less in the four best subjects for that certificate. These grades may be aggregated over more than one year;
- (iii) UE gained while at secondary school, provided the student is enrolling at a tertiary institution after a period of at least two years since gaining the qualification;
- (iv) Having been credited with passes in courses equivalent to two thirds of a full-time university programme in any one year of study at a tertiary institution either in New Zealand or overseas.

The tertiary study grant is paid for:

37 weeks to university students	\$1369 per year
43 weeks to technical institute students	\$1591 per year
45 weeks to teachers' college students	\$1665 per year

1.2 Fees Grant

The fees grant covers 75% of the consolidated tuition fees at a university or 75% of class fees at other tertiary institutions. All students accepted for study in a recognised course at any tertiary institution qualify for a fees grant provided they are taking one-third or more of a full-time programme.

1.3 Accommodation Grant

An accommodation grant of \$33 per week is available to students receiving payments under a tertiary study grant who are:

- (i) Under 20 years as at 31 January in the year of study and who must live away from home because their major subject is not available at an institution within the approved accommodation boundary;
- (ii) Under 20 years as at 31 January in the year of study and are widowed, or have been married and are now legally divorced or separated, and are not living at the home of a parent;
- (iii) 20 years or over as at 31 January in the year of study and who choose to live away from home (including students who own their own homes).

The accommodation grant is available for the academic year of the institution at which a student is enrolled:

e.g. universities	37 weeks @ \$33 = \$1221 per year
technical institutes	43 weeks @ \$33 = \$1419 " "
teachers' colleges	45 weeks @ \$33 = \$1485 " "

1.4 Hardship Grant

The value of a hardship grant is up to \$54 per week for the academic year.

A hardship grant is available only to students who have abnormally high costs in certain specified areas and who, in addition, are able to demonstrate severe hardship. The following are the areas under which an application for a hardship grant must fall:

- (i) Exceptionally high accommodation costs (over \$75 per week, principally for students living in hostels);
- (ii) Exceptionally high travel costs (above \$185 per return trip by cheapest means possible between the town where the student is studying and parents' home);
- (iii) Field trip and material costs over \$350 per annum;
- (iv) Parents' exceptional circumstances, e.g. parents who are beneficiaries or who have low incomes;
- (v) Other special circumstances, e.g. students with severe physical disabilities.

1.5 Special Hardship Grant

There is provision for a student with dependants, or students in some exceptional circumstances, to receive a special hardship grant of up to \$54 per week. This is paid in addition to the study grant and, if applicable, the accommodation grant (but not in addition to the hardship grant). This grant is payable for the academic year of the institution at which a student is enrolled.

1.6 A and B Bursaries

An 'A' bursary of \$200 per annum may be awarded to a student who has obtained an 'A' pass in the University Bursaries Examination or who has attained sufficient grades at a tertiary institution.

A 'B' bursary of \$100 per annum may be awarded to a student who has attained a 'B' pass in the University Bursaries Examination or who has attained sufficient grades at a tertiary institution.

2. Department of Labour

2.1 Training Allowance

The formula used by the Department of Labour to determine the allowance paid to trainees engaged in the Training Assistance Programme (TAP) is tied to the appropriate rate of net unemployment benefit plus 10%, rounded up to the nearest dollar. Since 15 year olds are not eligible for the unemployment benefit, trainees in this age group are paid a fixed allowance of \$25 a week to cover their out of pocket expenses.

As at July 1986, the training allowance for a single person amounts to \$93 per week if under 20, and \$115 per week if 20 or over.

Not all TAP trainees are paid the training allowance, however. Those engaged in the *Training in Employment* option receive the relevant award rate from their employer who in turn receives a subsidy from the Department of Labour of \$95 per week.

For trainees involved in the *Training in Employment* and *Supervisor Operator Training* options, the duration of training is up to 20 weeks. Other options, such as courses offered under *Institute Based Training*, may vary in length.

2.2 Accommodation/Travel Allowances

Trainees may also receive an accommodation allowance and/or travel allowances where these are necessary. In the case of a trainee obliged to live away from home the amount of accommodation allowance will be virtually equivalent to the trainee's actual weekly board. In the case of a trainee obliged to commute, he or she will qualify for a travel allowance if the cost of travelling by public transport exceeds \$5 per week (the full cost incurred will be paid if this is the case), or, if the trainee is obliged to use private transport, he or she may be reimbursed by a travelling allowance which does not exceed \$20 per week for use of a car or similar vehicle, or \$10 per week for use of a motor cycle.

2.3 Other Programmes

The programmes offered under the Job Opportunities Scheme (JOS) are geared more to employment creation, including self and group employment, than they are to training. As such, they resemble the Project Employment Programme (PEP) and the Employment Incentive Scheme (EIS) which are now no longer operative.

Through JOS, the Department of Labour provides wage subsidies ranging from \$75 to \$250 per week, depending in most cases on the length of time the job-seeker has been unemployed. The scheme includes specific assistance for disadvantaged groups and disabled people.

3. Department of Maori Affairs

3.1 Training Allowances

The Maori Affairs Department sponsors a number of vocational pre-apprentice training courses throughout the country:

PRE-VOCATIONAL COURSES

<u>Name of Course</u>	<u>Numbers</u>	<u>District</u>	<u>Length</u>
Auto Diesel Engineers	14	Rotorua	1 academic year
Carpentry	24	Auckland	2 academic years
	14	Hamilton	2 " "
	24	Wellington	2 " "
Coachbuilding & Panel-beating	14	Wiri	1 academic year
Electrical Wiring	14	Auckland	1 " "
	14	Hamilton	1 " "
Fitting & Turning	14	Hamilton	1 " "
	14	New Plymouth	1 " "
	14	Christchurch	1 " "
Fitting & Welding	14	Hamilton	1 " "
	14	New Plymouth	1 " "
Hairdressing	16	Wiri	1 " "
	14	Christchurch	1 " "
Joinery	14	New Plymouth	1 " "
Meat Retailing	28	Wiri	1 " "
	14	Wellington	1 " "
Metal Trades	14	Christchurch	1 " "
Motor Mechanics	14	Tauranga	1 " "
	14	Hamilton	1 " "
Painting & Decorating	14	New Plymouth	1 " "
	14	Christchurch	1 " "
Plumbing & Gasfitting	14	Auckland	1 " "
Sheetmetal	14	Wiri	1 " "

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VOCATIONAL COURSES

<u>Name of Course</u>	<u>Numbers</u>	<u>District</u>	<u>Length</u>
Chef Cooking & Catering	16	Auckland	1 academic year
	16	Hamilton	1 " "
	14	Christchurch	1 " "
Carving	12	Wellington	2 academic years
Fishing	4	Nelson	20 weeks
General Merchandising (2 courses)	28	Wiri	18 weeks
Hotel Receptionists	16	Rotorua	1 academic year
Journalism	12	Rotorua	6 months
Office & Clerical Studies	20	Auckland	1 academic year
	14	Gisborne	20 weeks
Secretarial & Typing	20	Wiri	1 academic year
	14	Rotorua	1 " "
	20	Whakatane	1 " "
	20	Turangi	1 " "
Technicians' Course in Engineering	12	Auckland	1 " "

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HORTICULTURAL & AGRICULTURAL COURSES

Horticulture	12	Auckland	12 weeks
	14	Tauranga	42 weeks

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Each of the people on these courses receives a training allowance of \$71.57 per week (gross). This is under review at the time of writing.

3.2 Accommodation and Travel

Maori Affairs has approval to pay up to \$12 per week accommodation allowance when rental accommodation exceeds \$28 a week.

Maori Affairs pays travel for the trainee from his or her home to the training centre three times a year and travel from home to work each day.

3.3 Farm Courses

The Department has provision to place six young Maori people per year into Telford Farm Training Institute in Balclutha. This is a practical course for young people wanting to go farming.

The Department pays for the following:

- Board and tuition fees (45 weeks)
- Students' association fee
- Text books and sundry
- Work clothes and wet weather gear
- Living allowance
- Travel to and from Balclutha at the beginning and end of the year.

Parents or guardians of students at Telford may continue to receive the family benefit for students until the end of the year in which they turn 18 years of age.

3.4 University Courses

The Department of Maori Affairs has two specific programmes running at Massey and Waikato Universities. They are respectively the Tu Tangata Business Course and Te Ngaki Scheme. Both these schemes encourage young people to study business at university. Tu Tangata students each receive \$300 per year, and those who are not receiving the tertiary assistance grant receive an extra \$1000. Assistance is also given in finding suitable accommodation for these students. Te Ngaki students receive \$200-\$500 each, depending on circumstances, and assistance is given with finding suitable accommodation in Hamilton.

The Department of Maori Affairs also encourages young Maori people to do the Bachelor of Forestry Science degree at Canterbury University. These students receive a sponsorship of either \$500 or \$1000 depending on whether they live in the North or the South Island.

Students are also sponsored at other universities. The grants vary between \$300 and \$1000. These grants are also under review at the time of writing.

3.5 Joint Venture Training Courses

The Department of Maori Affairs also enters into joint venture training agreements whereby an organisation takes on a trainee for one year, after which he or she joins that organisation's full-time staff. With this agreement, the Department pays the training allowance (\$71.57) to the employing agency, who then pays the balance of the award rate. Joint venture training agreements are set up with a wide variety of organisations, ranging from horticultural training to museum and library training.

Most joint ventures are set up when an employing body approaches the Department of Maori Affairs with a specific scheme and a trainee in mind.

3.6 Introductory Courses

The Department of Maori Affairs runs introductory courses in journalism, radio announcing, and nursing for 1-2 weeks during the year. These are aimed at more mature people rather than at school-leavers. Costs of travel and reasonable accommodation (i.e. hostel) are met by the Department.

Note: With all polytechnic, community college and Telford sponsorships, course fees are paid in addition to the training allowance.

4. Department of Social Welfare

4.1 Unemployment Benefit

This benefit is not paid to unemployed 15 year olds. Unemployment benefit is taxable where there is no supplement being paid for dependent children. The rates are currently under review. Additional income of up to \$25 a week can be earned without the benefit being affected; thereafter, the benefit is progressively reduced.

Table III: Rates of Unemployment Benefit

	Gross \$	Weekly 'A'Tax \$	Net \$
<u>Unmarried -</u>			
20 years or over	117.71	13.56	104.15
Under 20 years	95.25	10.83	84.42
<u>Married</u>			
Spouse included	196.18	39.35	156.83

4.2 Family Benefit

The family benefit of \$6 per week per child is paid to the parents of children under the age of fifteen who are living at home. Family benefit stops for a child over 15 years unless he or she continues with education or cannot earn a living. However, payments in these cases only continue until the end of the year the child turns 18.

4.3 Family Care/Support

Family care is payment to families of wage or salary earners or self-employed persons whose total income is below certain limits. It is available to both single-parent and two-parent families and is to help in caring for the children. Family care is \$10 a week for each child if the family's income is less than \$394 a week. For every dollar of income the family receives over \$394 a week, the family care payment reduces by 25 cents.

From October 1986, the family care arrangements will be supplanted by Family Support. This will operate on a similarly graduated scale, but rather than payments being made directly by Social Welfare, assistance will be determined by Inland Revenue and provided, wherever possible, through a reduction in income tax. Social Welfare will, however, continue to pay non-earners, beneficiaries and those workers whose tax deductions are not sufficient to cover their entitlement. In two-parent families, the entitlement will be divided equally between both parents. The following table demonstrates how the entitlement will be calculated:

Table IV: Family Support Payable (Weekly)

Total Weekly Family Income	1 child	2 children	3 children	4 children
	\$	\$	\$	\$
<u>Less than</u> \$269	36	52	68	84
\$298	30	46	62	78
\$326	24	40	56	72
\$355	20	36	52	68
\$394	12	28	44	60
\$432	6	22	38	54
\$471	Nil	14	30	46
\$509	Nil	8	24	40
\$557	Nil	Nil	16	32
\$605	Nil	Nil	6	22
\$653	Nil	Nil	Nil	14

NB: Those earning less than \$269 per week may be entitled to further assistance.

4.4 Emergency Unemployment Benefit

Full-time students who cannot find work in the long vacation may also receive the emergency unemployment benefit, being the net rate of the standard unemployment benefit. This benefit is not taxed.

4.5 Training Incentive Allowance

This allowance was introduced on 1 November 1983 and is available to those in receipt of a domestic purposes, widows' or related emergency benefit who attend an occupationally-related training course. The allowance is aimed at encouraging these beneficiaries to develop work skills and self-confidence that will assist them to obtain or regain employment. The rate is \$15 per week.

4.6 Other Benefits

The Social Welfare Department administers a range of other benefits including the following:

- Invalids' Benefit
- Widows' Benefit

- Domestic Purposes Benefit
- Sickness Benefit
- Miners' Benefit
- Orphans' Benefit.

Accommodation Benefits

An accommodation benefit is available to beneficiaries with limited income and assets to assist them with accommodation costs.

Emergency Benefits

According to circumstances.

AMOUNT AND DURATION OF ALLOWANCES

The following table summarises the amount and duration of the payments. For comparative purposes, a further table is provided which lists a range of wage rates paid to young people in other occupations or circumstances.

Table V

Name of Allowance	Amount/week	Duration (Weeks)	Total/Year
<u>Education</u>			
Tertiary Study Grant	\$37	university	37
		technical	43
		teaching	45
			\$1369
			\$1591
			\$1665
Fees Grant	75%	as above	variable
Accommodation	\$33	as above	\$1221
			\$1419
			\$1485
Hardship	up to \$54	as above	variable
Special Hardship	up to \$54	as above	variable
A & B Bursaries	A \$200/yr	as above	
	B \$100/yr		

<u>Name of Allowance</u>	<u>Amount/week</u>	<u>Duration (weeks)</u>	<u>Total/Year</u>
<u>Labour</u>			
TAP	\$25 (15 year olds) or up to \$115 or award	up to 20	\$500-2300 variable
JOS- General	award	up to 26	variable
- Disabled people	award or special low rate	up to 2 years	variable
- Self-employment	\$75 or \$120*	up to 26	\$2535 (max)
- Group employment	\$100	up to 2 years	\$5200 (max)
<u>Maori Affairs (Currently under review)</u>			
Vocational 1st year	\$71.57	42	\$3005
2nd year	\$88	42	\$3696
Accommodation	up to \$12	42	\$ 504 (max)
Travel	cost beyond \$5		\$ 210+
University	\$300-1000/year	42	
<u>Social Welfare (Currently under review)</u>			
Unemployment Benefit (single)	\$ 84.42 (net) under 20 years \$104.15 (net) 20 years & older	as long as unemployed	\$4390 (net) \$5416 (net)
Child Benefit	\$ 6	52	\$ 312
Family Care** (under \$394 per week)	\$10/child reduces to 0 on income over \$394	52	\$ 520 (max) per child
<u>QEII Arts Council</u>			
Drama/Ballet Grants (under review)	\$62.50	40	\$2500

* Depending on the length of time unemployed, the higher rate may apply for 13 weeks.
** Family Support from October 1986 (see table on page 39).

Table VI: Comparison With Some Wage Rates (gross figures)

<u>Occupation</u>	<u>Amount/Week (\$)</u>	<u>Total/Year (\$)</u>
Minimum wage	170	8,840
Average wage (Feb. 1986)		
- males	382	19,864
- females	295	15,340
- combined	346	17,992
Carpenter*		
- apprentice (first year)	143	7,436
- qualified (award)	291	15,132
Mechanic*		
- apprentice (first year)	140	7,280
- qualified (award)	291	15,132
Electrician*		
- apprentice (first year)	150	7,800
- qualified (award)	300	15,600
Hairdresser*		
- apprentice (first year)	123	6,396
- qualified (award)	280	14,560
Police		
- first six months	413	21,476
- after six months	602	31,304

* Also eligible for overtime rates and other allowances.

BACKGROUND AND RATIONALE

1. Education Department Allowances

1.1 Student Aid Programmes and their Sponsors

In New Zealand it is primarily the students' own responsibility to finance their tertiary study. The state provides a grant-in-aid (in the form of tertiary assistance grants).

The traditional sources of student finance are:

- (i) Grants from current or prospective employers;
- (ii) Long term savings and realisable assets, e.g. bequests, motor vehicles, shares, etc.;
- (iii) Vacation savings;
- (iv) Financial support from families;
- (v) Grant-in-aid from the state.

By far the largest source of assistance for students who are studying at tertiary institutions is the state - in the form of the tertiary study grant. Government departments and agencies also provide assistance, usually in the form of study awards, bursaries and scholarships. The private sector is the smallest source of assistance for students. Although there are numerous awards, scholarships and prizes offered by this sector, the value of these awards is usually quite small.

1.2 The Tertiary Assistance Grants Scheme

All matters relating to the provision of assistance to tertiary students by the state fall under the Tertiary Assistance Grants Regulations 1982 and are administered by the Department of Education in the first instance. The regulations and the associated guidelines for the administration of the regulations cover in detail matters relating to:

fees grants, study grants, accommodation grants, hardship and special hardship grants, A and B bursaries, changes of courses, appeals and general matters.

The regulations have evolved over a number of years to meet the changing needs of tertiary students and the community at large, and have, as a basic precept, the idea that all students have an equal opportunity to attend a tertiary institution and to receive assistance during the course of their study, whilst at the same time ensuring the taxpayers' money is effectively administered. The Education Department reviews grant levels annually and accepts for consideration recommendations from a wide range of interested groups.

2. Department of Labour Allowances

Allowances are paid to trainees in order that they have some income during training, being precluded by the Department of Social Welfare from receiving their unemployment benefit while unable to take up work offered to them.

Originally, training allowances were paid at a rate equivalent to the appropriate net unemployment benefit. However, trainees incurred costs in the course of training - costs for travel, lunch, clothing - which they might not have incurred had they not been on the training schemes. In November 1980 an extra \$5 a week was approved as a payment to help cover these expenses. A fixed sum, however, suffered erosion of value. So, in January 1984 the \$5 was changed to 10% of the net allowance rounded up to the nearest dollar.

3. Department of Social Welfare

The Department of Social Welfare administers and pays a wide range of benefits as outlined earlier. Most young people without jobs are eligible for the unemployment benefit. This is payable to young people who are at least 16 years of age and have been unable to find work. They are required to register with the Department of Labour and they can get the unemployment benefit as long as they continue to seek work.

As many young people earn less than adults do - for instance, apprentices and students - it is also thought appropriate to have youth rates for benefits. Youth rates of unemployment and other social security benefits were set on the recommendation of the 1969/72 Royal Commission of Inquiry into Social Security.

4. Department of Maori Affairs

The Department of Maori Affairs administers a range of training allowances and study grants. Through provision of these grants, young Maori people are encouraged to enter some form of training. These schemes enable many young people from disadvantaged situations to undertake training which would not have been possible otherwise.

SELECTION CRITERIA FOR ALLOWANCES

1. Department of Education Grants

The criteria for the tertiary assistance grants are outlined at the beginning of this appendix.

2. Department of Labour Training Allowances

The aim of the Training Assistance Programme (TAP) is to enhance the prospects of job-seekers by training or retraining. The intention is not only to provide skills that relate directly to a particular job, but also to develop life skills in general. Training providers include employers, community organisations, local authorities and technical institutes. The decision to refer an unemployed person to a training provider is made by staff of the Employment and Vocational Guidance Service.

Those who receive the training allowance are selected in the first instance according to their eligibility to participate in a training scheme (that is, they are registered as unemployed with the Employment and Vocational Guidance Service); and secondly according to the assessment that training would enhance their job prospects.

Because TAP is a very recent development, an idea of the background of young people involved in training programmes can only be obtained by analysing the programmes that preceded it, such as the Young Persons' Training Programme (YPTP) and the School Leavers' Training and Employment Preparation Scheme (STEPS).

A survey of YPTP trainees conducted in 1984 showed: that the proportion of male and female trainees was roughly equal; that 80% of trainees were under 20 years of age; and that a little under half the trainees had no academic qualifications. There is no ethnic breakdown for YPTP.

A survey of STEPS trainees conducted last year showed: that the proportion of male and female trainees was roughly equal; that almost half of the STEPS trainees regarded themselves as Maoris or Pacific Islanders; and that 89% of trainees had no educational qualifications.

Note: with the introduction of ACCESS in 1987, the eligibility of job-seekers for training schemes will no longer be restricted to those registered as unemployed with the Department of Labour.

3. Social Welfare Department

Selection criteria for most Social Welfare benefits have already been covered. The under-age employment benefit is paid to young people between 16 and 20 inclusive who are able and willing to undertake suitable work, and have taken reasonable steps to

find it, or are engaged in an employment-related training programme approved by the Social Security Commission, and who are not out of work because of strike action.

4. Department of Maori Affairs

School leavers fill the majority of the vacancies and are selected on merit by a panel representing the teaching institution involved, the Department of Maori Affairs and the actual trade or vocation for which the applicant is applying.

Table VII Number of Persons Receiving Allowances (1985)

Name of Allowance	Cost/Individual/Year	Numbers Involved		
		Total	15-19	
<u>Education</u>				
Tertiary Assistance:	university	\$1369	26198	na
	technical	\$1591	7383	
	teaching	\$1665	1840	
Fees Grant	varies	university	28940	
		technical	7370	na
Accommodation		university	16567	
		technical	3111	na
		teaching	1103	
Hardship	varies	as above	90	
			4	na
			5	
Special Hardship	varies	as above	187	
			51	na
			25	
A & B Bursaries	A \$200/yr B \$100/yr	as above	'A' 'B'	
			9668/5896	
			585/931	na
		569/768		
<u>Labour</u>				
STEPS	\$250-910		7659	7659
YPTP	\$546-1001		15580	12465
ARP	na			few
WSDP	variable		7300	5300
PEP	variable		13000	1950
VOTP	variable		1500	300

Name of Allowance	Cost/Individual/Year	Numbers Involved		
		Total	15-19	
Other Subsidised Schemes, EIS, etc	variable	18000	na	
<u>Maori Affairs</u>				
Vocational	1st year	\$3005	564	564
	2nd year	\$3696	74	74
Accommodation	up to \$504			
Travel	\$210+	na	na	
University	\$300-1000	71	71	
<u>Social Welfare</u>				
Unemployment Benefit	\$4390-5416	see monthly figures	see monthly figures av=16,000	
Child Benefit	\$312	933910 @31/3/84	110116 @31/3/84	
Family Care	up to \$520 (per child)	163638 families	362162 children	

na = not available

Table VIII Costs of Allowances (1984/85 financial year)

	Costs of Benefits/ Allowances (\$000)	Costs of Overheads but not Administration (\$000)	Estimated \$ Spent on 15-19 Age Group (\$000)	Total Department Costs (\$000)
<u>Education</u>				
Tertiary Study Grant:		none		
university	28,782			
technical	9,386			
teaching	2,452			
Fees Grant	4,284 .150 .229	"		
Accommodation Grant	15,123 3,352 1,249	"		
Hardship Grant	.028 .010 .002	"		
Special Hardship Grant	.181 .027 .056	"		
A & B Bursaries	2.550 .251 .192	"		
			38,900	68,304
<u>Labour</u>				
STEPS	5,175	9,461	14,636	
YPTP	4,420	10,270	11,752	
ARP	.030	.058	.030	
WSDP		85,094	62,119	
PEP		139,599	20,940	
VOTP		15,931	3,186	
Other Subsidised Schemes, EIS, etc		52,321	4.120	322,271

	Costs of Benefits/ Allowances (\$000)	Costs of Overheads but not Administration (\$000)	Estimated \$ Spent on 15-19 Age Group (\$000)	Total Department Costs (\$000)
<u>Maori Affairs</u>				
Vocational 1st year	1,695	none		
2nd year	274	"		
Accommodation Grant	na	na		
Travel Grant	na	na		
University Grants	na	na	2,000	2,443
<u>Social Welfare</u>				
Unemployment Benefit	274,700		67,700	
Child Benefit	284,000		34,356	
Family Care	60,500 1/12/84 - 21/3/85		13,500	
				619,260 (738,760)*
<u>TOTAL</u> (all departments)			269,093 (296,593)*	1,012,278 (1,131,778)*

* The figures in brackets are an estimate for the 1984-85 financial year if the Family Care programme had been in place for a full year. It commenced in December 1984.

na = not available

Note: In some cases, it was difficult to obtain accurate figures for this table; it was therefore necessary to settle on the best estimates available.

APPENDIX 2 - ESTIMATES OF COSTS OF OPTIONS

Because the selection of any option will be partly determined by the level of financial measures available for income support, an estimate has been made of the cost of each option.

A number of difficulties were encountered in costing. These are listed below.

- There are no figures for the number of young people who are unemployed and not registered.
- The number of young people on the various allowances varies from month to month.
- There is no age group breakdown for the number of young people employed on the various work schemes.
- The number of young people who would opt to go on a training scheme as opposed to the unemployment benefit is unknown.
- Only an estimate can be made of the number of young people who would be eligible for hardship grants.

In view of these difficulties, the costs which follow must be considered as rough estimates.

Notes

1. The number of young people eligible for each grant is the same for each option.
2. The figures used as a basis for costing the tertiary study grant are the 1984 figures from the Department of Education.
3. The estimate of the number of young people on training allowances or unemployed has been arrived at by considering that in 1984 there were approximately 32,000 young people in this age group either unemployed or on various work schemes. For the purposes of costing it was assumed 60% of these would opt for employment in some form of training scheme and 40% would remain unemployed.
4. The number of young people who would be eligible for a hardship grant is unknown so an estimate of the likely cost has been made. This estimate is almost double the amount spent by the Department of Education on hardship grants in 1984. This difference arises because, at present, hardship grants are only paid to tertiary students. It is assumed in some options that it would be paid to those on training schemes or even those unemployed.
5. In all options the tertiary study grant is paid to:
university students for 37 weeks;
teachers' college students for 45 weeks;
continuing education students for 43 weeks.
6. The training allowance and unemployment benefit are paid for the full year (52 weeks).

7. The entitlement for the tertiary study grant and training allowances would be 4-5 years depending on the course.

Key for Options (refer option A)

1. Estimated unemployed at 31 August 1984 = unemployed plus those not registered.
2. Estimate of number in subsidised employment likely to attend a training scheme.
3. Estimate. Education currently funds 20,781 accommodation grants at a cost of \$19,724,000.
4. Estimate. Education currently funds 362 hardship grants at a cost of \$304,000.
5. Estimated number of unemployed likely to go on a training scheme. 60% uptake.
6. There were approximately 32,000 either unemployed or in subsidised schemes on average in 1984. An estimate has been made of the numbers in each age bracket.
7. This could be reduced by not paying the allowance to high income families (10%).

SS = secondary school students
 U = university students
 TC = teachers' college students
 CE = continuing education students

Table IX - Option A

Name of Grant	Amount per Week (\$)	Numbers	Estimated Cost (\$000)
Youth Allowance	20	67,093 SS 13,805 U & TC 5,622 CE 20,000 (1) 12,000 (2)	123,261 (7)
		118,520	
Training Allowance	20	19,434 U, TC, CE 19,200 (5)	35,192
Training Allowance Supplement	up to 30	30,000 (3)	30,000
Supplementary Grant	up to 30	1,000 (4)	5,000
Living Allowance			
Age 16-17	20	19,200 (6)	19,968
18-19	40	12,800	26,624
20-	80		
		32,000	
TOTAL			240,045

Table X - Option B

Name of Grant	Amount per Week (\$)	Numbers			Estimated Cost (\$000)
		CE	TC	U	
Tertiary Study Grant					
Age 15	}	7			28,926
16, 17	} 38	2,291	113	681	
18, 19	}	3,331	935	12,076	
		<u>5,629</u>	<u>1,048</u>	<u>12,757</u>	
Training Allowance					
Age 15	53 (Y - 40%Y)	752			2,073
16, 17	70 (Y - 20%Y)	6,654			24,221
18, 19	88 (Y)	11,794			53,969
		<u>19,200</u>			
Unemployment Benefit (Living Allowance)					
Age 15	54 (Z - 40%Z)	502			1,410
16, 17	71 (Z - 20%Z)	4,436			16,378
18, 19	89 (Z)	7,862			36,385
		<u>12,800</u>			
Hardship Grant	up to 54				35,000
TOTAL					<u>198,362</u>

The tertiary study grant, training allowance and unemployment benefit have been calculated by adding 15.5% to the rate as at 31 July 1985 and rounding to the nearest dollar.

Table XI - Option C

Name of Grant	Amount per Week (\$)	Number			Estimated Cost (\$000)
		CE	TC	U	
Tertiary Study Grant					
Age 15	29 (x - 75%x)	7			29,801
16, 17	35 (x - 70%x)	2,291	113	681	
18, 19	40 (x - 65%x)	3,331	935	12,076	
		<u>5,629</u>	<u>1,048</u>	<u>12,757</u>	
Training Allowance					
Age 15	69 (x - 40%x)	752			2,698
16, 17	92 (x - 20%x)	6,654			31,833
18, 19	115 (x)	11,794			70,528
		<u>19,200</u>			
Unemployment Benefit (Living Allowance)					
Age 15	46 (x - 60%x)	502			1,201
16, 17	69 (x - 40%x)	4,436			15,916
18, 19	92 (x - 20%x)	7,862			37,612
		<u>12,800</u>			
Hardship Grant	Up to 54				35,000
TOTAL					<u>224,589</u>

The figure for 'x' is the adult unemployment benefit as at 31 July 1985 plus 15.5% rounded to the nearest dollar.

In this option the tertiary study grant would not be taxed but both the training allowance and unemployment benefit would be taxed.

The various allowances have all been rounded to the nearest dollar.

Table XII - Option D

Name of Grant	Amount per Week (\$)	Numbers			Estimated Cost (\$000)
Tertiary Study Grant		CE	TC	U	
	40 (x - 65%x)	5,629	1,048	12,757	30,448
Training Allowance					
Age 15 - 19	115 (x)	19,200			114,816
Unemployment Benefit (Living Allowance)	92 (x - 20%)	12,800			61,235
Hardship Grant	up to 54				35,000
TOTAL					241,499

As in previous option 'x' is the adult unemployment benefit as at 31 July 1985 plus 15.5% rounded to the nearest dollar.

The tertiary study grant would not be taxed, but the training allowance and unemployment benefit would be taxed.

Table XIII - Option E

Name of Grant	Amount per Week (\$)	Numbers	Estimated Cost (\$000)
Entitlement Allowance			
Year 1 Age 13	20	62,310	64,802
2 14	20	63,100	65,624
3 15	20	56,550	58,812
4 16	30	44,460	69,358
5 17	40	23,039	46,790
6 18	65	17,590	45,502
7 19	90	15,337	55,689
8 20	115	not estimated	
9 21	115	not estimated	
			406,577
Unemployment Benefit (Living Allowance)			
Age 15	18	500	468
16	27	1,420	1,994
17	36	3,020	5,653
18	59	3,830	11,750
19	81	4,030	16,974
			36,839
Hardship Grant	up to 54		35,000
TOTAL			478,416

This option is difficult to cost as there is no way of knowing the numbers in each age bracket/entitlement year. A number of assumptions have had to be made.

1. The estimate of numbers for each entitlement year has been obtained by adding together the numbers of young people at school, in tertiary training, and likely to engage in some form of training or work scheme.
2. These estimates have been arrived at by considering that of a possible 32,000 unemployed or on work/training schemes, 60% would elect to go on a training scheme and 40% on the unemployment benefit. The age breakdown is obtained by multiplying 40% of 32,000 by the percentage of young people in each age group who are not in any form of post primary education.

The financial costs of young people deciding to delay training until sometime after age 20 would also need to be considered.

Table XIV - Summary of Net Costs of Options

Option	Cost (\$000)	Savings on Family Benefit/ Childcare (\$000)	Tax Saving (\$000)	Net Cost (\$000)
A	240,045	36,813	5,279	197,953
B	198,362	-	5,978	192,384
C	224,589	-	18,104	206,485
D	241,499	-	19,947	221,552
E	478,416	75,000	4,174	399,242

The summary of net costs of options indicates that Option E, the 'entitlement' option, would be the most costly to implement; and that Option B, where allowances are not related but where there is an age structure related to the training allowance and the unemployment benefit, would seem to be the least expensive.

Option D which does not have an age structure is also likely to be a more costly option.

Option A, 'the universal youth allowance' option is a possibility only if it was decided to eliminate the family benefit and family support provisions for young people of secondary school age.

The options as they are presented, it should finally be noted, do not include the administrative costs of operating them. On the other hand, nor do they take into account the savings in social costs that might ultimately result from a more equitable and adequate system of allowing young people to engage in education or training.

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