



## Social Security and Other Legislation Amendment (Income Support for Students) Bill 2009

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## **Social Security and Other Legislation Amendment (Income Support for Students) Bill 2009**

**Date introduced:** 10 September 2009

**House:** House of Representatives

**Portfolio:** Employment and Workplace Relations

**Commencement:** There are various commencing dates as set out in the table in clause 2.

**Links:** The [relevant links](#) to the Bill, Explanatory Memorandum and second reading speech can be accessed via BillsNet, which is at <http://www.aph.gov.au/bills/>. When Bills have been passed they can be found at ComLaw, which is at <http://www.comlaw.gov.au/>.

### **Purpose**

To reform student income support to make higher education more accessible in response to the Review of Higher Education conducted by Emeritus Professor Denise Bradley.

### **Background**

#### **The Bradley Review**

In Opposition, the Australian Labor Party (ALP) claimed that ‘no policy is more important than Australia’s investment in human capital—the education, skills and training of our workforce and our people’.<sup>1</sup> This emphasis on investing in education as the basis for productivity growth, overcoming individual disadvantage and social inclusion continues in government. However the reforms of the sector and student income support which were promised by the ALP before their election were delayed in Government whilst the Review of Australian Higher Education was undertaken in 2008 with Professor Denise Bradley as

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1. K Rudd and S Smith, *The Australian economy needs an education revolution: new directions paper on the critical link between long term prosperity, productivity growth and human capital investment*, ALP, Canberra, 2007, p. 5, viewed 14 September 2009, [http://parlinfoweb.aph.gov.au/piweb/TranslateWIPILink.aspx?Folder=partypol&Criteria=CI&TATION\\_ID:181M6%3B](http://parlinfoweb.aph.gov.au/piweb/TranslateWIPILink.aspx?Folder=partypol&Criteria=CI&TATION_ID:181M6%3B). See also an earlier white paper: *Australia’s universities: building our future in the world*, issued by Jenny Macklin MP, Australian Labor Party, Canberra, 2006, viewed 14 September 2009, <http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22library%2Fpartypol%2F1LBK6%22>

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chair of the panel. The review—commonly referred to as the Bradley Review—reported in December 2008.<sup>2</sup> Among the 46 recommendations made by the Bradley Review were that the Australian Government should introduce a package of reforms to the student income support system;<sup>3</sup> and undertake a regular process of triennial review to assess the overall effectiveness of the support payments in reducing financial barriers to participation of students in need.<sup>4</sup>

Concerns over the adequacy and equity of student income support had been mounting for some time. In 2005, the Senate Employment, Workplace Relations and Education References Committee tabled the report of its inquiry into student support measures. The Committee was critical of the inadequacy of student income support, the harshness of Youth Allowance eligibility criteria relating to the age of independence and the parental income test threshold.<sup>5</sup> Despite ongoing calls for review and reform of the system governments took no action until the Rudd Government commissioned the Bradley Review in 2008.<sup>6</sup>

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2. Department of Education, Employment and Workplace Relations (DEEWR), *Review of Australian Higher Education: final report*, Canberra, December 2008, viewed 14 September 2009, Chapter 3.3, pp 47-68 discusses financial support issues  
<http://www.deewr.gov.au/HigherEducation/Review/Pages/ReviewofAustralianHigherEducationReport.aspx>
  3. DEEWR, *Review of Australian Higher Education: final report*, recommendation 5.
  4. DEEWR, *Review of Australian Higher Education: final report*, recommendation 6. For a list of the 46 recommendations made by the Bradley review and the Government's response, see: Australian Government, *Transforming Australia's higher education system*, Canberra, 2009, pp. 57–65, viewed 24 September 2009,  
[http://www.deewr.gov.au/HigherEducation/Documents/PDF/Additional%20Report%20-%20Transforming%20Aus%20Higher%20ED\\_webaw.pdf](http://www.deewr.gov.au/HigherEducation/Documents/PDF/Additional%20Report%20-%20Transforming%20Aus%20Higher%20ED_webaw.pdf)
  5. Senate Employment, Workplace Relations and Education References Committee, *Student Income Support*, Commonwealth of Australia, Canberra, June 2005, viewed 14 September 2009, [http://www.aph.gov.au/Senate/committee/eet\\_ctte/completed\\_inquiries/2004-07/studentincome04/report/index.htm](http://www.aph.gov.au/Senate/committee/eet_ctte/completed_inquiries/2004-07/studentincome04/report/index.htm) Note that Government members on the Committee rejected recommendations to review eligibility criteria in recommendation 8.
  6. See for example: Universities Australia, *Australian university student finances 2006*, Universities Australia, August 2007, p. 5, viewed 14 September 2009,  
<http://www.universitiesaustralia.edu.au/documents/publications/policy/survey/AUSF-Final-Report-2006.pdf> Universities Australia promised to 'use the findings of the 2006 student survey to work with all political parties to ensure that Australian university students have appropriate student income support during their time of study'. 'Students under financial stress', Media release, 8 March 2007, viewed 14 September 2009,  
[http://www.universitiesaustralia.edu.au/documents/news/media\\_releases/2007/avcc\\_media\\_03\\_07.pdf](http://www.universitiesaustralia.edu.au/documents/news/media_releases/2007/avcc_media_03_07.pdf) Universities Australia, *Solutions for Building Australia's Human Capital through Universities*, provided to the Commonwealth Government by Universities Australia to inform 2008 Budget deliberations and beyond, Position Paper 1/08, Canberra, February

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Specifically the Bradley Review recommended that the Government should:

- Increase the threshold for the Parental Income Test to \$42 559, consistent with the value used for the Family Tax Benefit.
- Change the Parental Income Test indexation rate to be consistent with the Family Tax Benefit index, a combination of the Consumer Price Index (CPI) and Male Total Average Weekly Earnings (MTAWE).
- Change the Parental Income Test taper rate for reduction in benefits for each child in the family on income support benefits to 20 per cent. Apply the new taper rate only once as is the case for the Family Tax Benefit rather than for every child in the family receiving benefits.
- Increase the personal income threshold for Youth Allowance and Austudy to \$400 per fortnight.
- Change the indexation of the personal income threshold from zero to a wage basis (for example, Male Total Average Weekly Earnings).
- Reduce the age of independence for Austudy from 25 to 22 years.
- Remove the workforce participation criteria for independence of: (a) working part-time for at least 15 hours per week for at least 2 years; and (b) earning a specified amount in an 18-month period since leaving school. Introduce ‘grandfathering’ arrangements for existing students who have already satisfied these criteria for independence.
- Extend eligibility for benefits to students enrolled in all masters by coursework programs.
- Continue and enhance the Commonwealth Scholarships program by providing benefits to all eligible students on Austudy or Youth Allowance for education costs and accommodation costs (for those who need to leave home) and by transferring responsibility for the payment of benefits to Centrelink.<sup>7</sup>

Julia Gillard, the Minister for Education, Employment and Workplace Relations and Social Inclusion responded in broad terms to the Bradley Review in March 2009.<sup>8</sup> The

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2008, p. 3, viewed 14 September 2009,

<http://www.universitiesaustralia.edu.au/documents/publications/discussion/Building-Human-Capital-through-Unis.pdf>,

7. DEEWR, Review of Australian Higher Education: final report, Recommendation 5.

8. J Gillard (Minister for Education), *Speech: Universities Australia Conference*, media release, 4 March 2009, viewed 9 June 2009, [http://www.deewr.gov.au/Ministers/Gillard/Media/Speeches/Pages/Article\\_090304\\_155721.aspx](http://www.deewr.gov.au/Ministers/Gillard/Media/Speeches/Pages/Article_090304_155721.aspx); J Gillard (Minister for Education), *Speech: Australian Financial Review - Higher Education Conference, 9 March 2009*, media release, Canberra, 10 March 2009, viewed 9 June 2009,

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substantial response, accompanied by significant structural change and policy initiatives, was given in the 2009–10 Budget.<sup>9</sup>

The Government has accepted the recommendations of the Bradley Review, with the exception of changing indexation rates to a wage basis. The reforms are regarded as an important part of the goal of improving access to higher education by students from low socio-economic backgrounds, including those from rural backgrounds and Indigenous students. The reforms are aimed at meeting the Government's objectives of 40 per cent of all 25 to 34 year olds attaining a qualification at bachelor level or above by 2025 (the Bradley Review recommended this be attained by 2020) and that 20 per cent of higher education enrolments at undergraduate level should be people from low socio-economic status (SES) backgrounds by 2020.<sup>10</sup>

### **Access and equity issues**

The Hawke Government's higher education equity policy statement *A Fair Chance for All* was released in 1990.<sup>11</sup> It identified six equity groups for targeted assistance: people from low socio-economic backgrounds; people from rural or isolated areas; people with a disability; people from a non-English speaking background; women, especially in non-traditional areas of study and higher degrees; and Aboriginal and Torres Strait Islander people.<sup>12</sup> A 2004 government-commissioned analysis of five of the six equity groups (Indigenous students were not included) concluded that

‘special emphasis should be given within the equity policy framework to people from low socio-economic backgrounds due to the continuing extent of under-representation of this group, with recognition of the particular effects of socio-economic background for people from rural and isolated backgrounds’.

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[http://www.deewr.gov.au/Ministers/Gillard/Media/Speeches/Pages/Article\\_090310\\_141130.aspx](http://www.deewr.gov.au/Ministers/Gillard/Media/Speeches/Pages/Article_090310_141130.aspx)

9. For overview see C Dow, ‘Higher Education’, *Budget review*, Parliamentary Library, Canberra, 2009, pp 124-131, <http://www.aph.gov.au/library/pubs/RP/2008-09/09rp33.pdf> viewed 16 October 2009.
10. DEEWR, *Changes in response to the Bradley review of Australian higher education*, Canberra, 2009, viewed 14 September 2009, [http://www.deewr.gov.au/HigherEducation/Programs/YouthAllowance/Documents/NewYouthAllowanceFactsheet\\_BradleyReviewChanges.pdf](http://www.deewr.gov.au/HigherEducation/Programs/YouthAllowance/Documents/NewYouthAllowanceFactsheet_BradleyReviewChanges.pdf)
11. DEEWR, *A fair chance for all: national and institutional planning for equity in higher education: a discussion paper*, Canberra, AGPS, 1990.
12. DEEWR, *A fair chance for all* pp 2-3.

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Further emphasis for particular attention was given to rural and isolated males ‘due to their low, and dwindling, participation shares’.<sup>13</sup>

Research has shown that low SES is central to ‘multiple’ or ‘compound disadvantage’. Clarke et al described low SES as a ‘common central element’ in the disadvantage experienced by students in other equity categories and affecting the impact of other forms of disadvantage.<sup>14</sup> Dobson et al found that more than 80% of low SES students and 60% of rural and isolated students were also members of other equity groups.<sup>15</sup> James et al studied the attitudes and aspirations of school students towards tertiary education and noted the influence of a complex mix of interacting elements. Rurality and low socio-economic status in particular combined to produce the greatest educational disadvantage.<sup>16</sup>

Studies have also assessed the impact of the Higher Education Contribution Scheme (HECS) since its introduction in 1989 and more generally the role of financial considerations in the decisions of students to take up places in higher education. This has focused on students in the equity groups, particularly those from low socio-economic backgrounds. Overwhelmingly the studies conclude that social and cultural influences and attitudes are more important than financial considerations in low SES students’ participation in higher education and that HECS and fees have had minimal impact.<sup>17</sup>

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13. R James et al, *Analysis of equity groups in higher education 1991-2002*, Canberra, DEST, 2004, pp xiii-xv, viewed 15 September 2009, [http://www.dest.gov.au/NR/rdonlyres/DBDE717B-6367-4847-A091-BD85FC6E0D4A/2391/equity\\_report.pdf](http://www.dest.gov.au/NR/rdonlyres/DBDE717B-6367-4847-A091-BD85FC6E0D4A/2391/equity_report.pdf)
  14. J Clarke, B Zimmer and R Main, ‘Under-Representation in Australian Higher Education by the Socio-Economically Disadvantaged : Review of Trends and Issues, and Implications for University Planning and Practice’, paper presented at the Australasian Association for Institutional Research (AAIR), 8th International Conference, Adelaide, 26-28 November (1997)
  15. I Dobson, R Sharma and E Ramsay, *Designated equity groups in Australian universities: performance of commencing undergraduates in selected course types 1996*, AVCC, Canberra, 1998
  16. R James et al., [\*Rural and Isolated School Students and their Higher Education Choices: A re-examination of student location, socioeconomic background, and educational advantage and disadvantage\*](#) NBEET, Canberra, 1999; J Wyn et al, *Rural and isolated school students and their higher education choices*, NBEET, Canberra, 1999.
  17. For example: S Stevenson et al. [\*Access: Effect of campus proximity and socio-economic status on university participation rates in regions\*](#) Department of Education, Science and Training, Canberra, November 2001; R James, [\*Socioeconomic Background and Higher Education Participation: An Analysis of School Students’ Aspirations and Expectations\*](#), Department of Education, Science and Training, Canberra 2002

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However some research indicates that credit constraints do have an impact on low SES students from rural and remote areas.<sup>18</sup>

The reforms proposed in the Bill aim to ensure that financial barriers to participation are reduced for students from low socio-economic backgrounds, including students from rural areas and Indigenous students, and that the assistance is targeted to those most in need. The opposition and their regional constituents continue to argue that the measures, in particular the changes to the workforce participation criteria, will disadvantage regional and remote students.<sup>19</sup> Their arguments are difficult to assess largely because data on regional and remote access to youth allowance is limited. What we do know is as follows:

- In 2008 there were 552 581 domestic undergraduate students. The higher education equity statistics list 104 647 regional students and 5477 remote students. This represents 19.9 per cent of domestic undergraduate students. If postgraduate students are included the share drops to 18.8 per cent.<sup>20</sup> By comparison, regional and remote residents make up 27.9 per cent of the population. The participation ratio for regional students is 0.71, slightly better than the ratios for low SES (0.60), Indigenous (0.59) and significantly better than remote (0.44).<sup>21</sup>
- At 30 June 2008 117 623 university students received Youth Allowance. The total number of recipients coming from outside major cities is not reported. However 29 per cent of all recipients receiving the 'away from home' rate (both dependent and independent) came from regional or remote areas. This equates to approximately 18 900 students.<sup>22</sup>

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18. B Birrell et al., '[Equity in access to higher education revisited](#)' *People and Place*, vol. 8, no. 1, 2000, pp 50-60; [Participation and Equity: A Review of the Participation in Higher Education of People from Low Socioeconomic Backgrounds and Indigenous People](#), Canberra, Universities Australia, March 2008, p.3.

19. C Pyne, *Gillard backflip does not satisfy the Coalition*, media release, 26 August 2009; 'Pyne plan will cost students dearly', *Campus Review*, 28 September 2009, Campus Review online; for constituent concerns see: Senate Rural and Regional Affairs Committee, Inquiry into Rural and Regional access to Secondary and Tertiary Education Opportunities, submissions [http://www.aph.gov.au/Senate/committee/rrat\\_ctte/rural\\_and\\_regional\\_education/submissions.htm](http://www.aph.gov.au/Senate/committee/rrat_ctte/rural_and_regional_education/submissions.htm) viewed 16 October 2009.

20. DEEWR, *Selected higher education statistics: students*, 2008, Canberra, 2009, appendix 2 equity data

21. DEEWR, *Changes in response to the Bradley review of Australian higher education*, Canberra, Table 4, p. 28. A participation ratio of 1 indicates appropriate representation of the equity group in the student population.

22. Senate Education, Employment and Workplace Relations Committee, Answers to Questions on Notice, Budget Estimates, June 2009, Question E352\_10.

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- The breakdown of all recipients by dependent and independent status is 46 009 (39.1%) dependent and 71 614 (60.9%) independent. 82.2% of independent recipients (or 58 000) qualified for Youth Allowance through the workplace participation criteria.<sup>23</sup>
- Of those students who qualified for Youth Allowance through workplace participation, 70 per cent lived in major cities (40 600 students), 21 per cent in inner regional areas, 8 per cent in outer regional areas and 1 per cent in remote areas (a total of 17 400).<sup>24</sup> It is this group that regional lobbyists claim will be unfairly disadvantaged.<sup>25</sup> The Government however expects that under the new parental income test approximately 68 000 new students will be eligible for Youth Allowance.<sup>26</sup> As the average annual household wage and salary income is significantly lower for those living outside the major urban areas we might expect regional and remote students will qualify at a higher rate than urban students.<sup>27</sup> An official from the Department of Education, Employment and Workplace Relations (DEEWR) stated in Senate estimates hearings:

Families in non-urban areas are more likely to have lower household incomes than families in urban areas. That means that families in non urban areas are more likely now to be able to have their dependent child receiving some form of income support

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[http://www.aph.gov.au/Senate/committee/eet\\_ctte/estimates/bud\\_0910/answers/EW0352\\_10.pdf](http://www.aph.gov.au/Senate/committee/eet_ctte/estimates/bud_0910/answers/EW0352_10.pdf)

23. Department of Education, Employment and Workplace Relations, *Annual report 2007-2008*, Canberra, 2008, p.85; The number of YA recipients had risen to 122 103 at 24 April 2009, Senate Education, Employment and Workplace Relations Committee, Answers to Questions on Notice, Budget Estimates, June 2009, Question E353\_10.  
[http://www.aph.gov.au/Senate/committee/eet\\_ctte/estimates/bud\\_0910/answers/EW0353\\_10.pdf](http://www.aph.gov.au/Senate/committee/eet_ctte/estimates/bud_0910/answers/EW0353_10.pdf)
24. Senate Education, Employment and Workplace Relations Committee, Answers to Questions on Notice, Budget Estimates, June 2009, Question E352\_10.  
[http://www.aph.gov.au/Senate/committee/eet\\_ctte/estimates/bud\\_0910/answers/EW0352\\_10.pdf](http://www.aph.gov.au/Senate/committee/eet_ctte/estimates/bud_0910/answers/EW0352_10.pdf) This data is based on home addresses. Centrelink notes that the home address provided by an independent Youth Allowance recipient may not indicate their parents' address in all cases.
25. Senate Rural and Regional Affairs Committee, Inquiry into Rural and Regional access to Secondary and Tertiary Education Opportunities, submissions  
[http://www.aph.gov.au/Senate/committee/rrat\\_ctte/rural\\_and\\_regional\\_education/submissions.htm](http://www.aph.gov.au/Senate/committee/rrat_ctte/rural_and_regional_education/submissions.htm)
26. J Gillard, (Minister for Education, Employment and Workplace Relations and Minister for Social Inclusion) 'Second reading speech: Social Security and Other Legislation Amendment (Income Support for Students) Bill 2009', House of Representatives, *Debates*, 10 September 2009, p. 9203.
27. According to the Household, Income and Labour Dynamics Australia survey release of 2009, the average annual household wage and salary income for 2007 is \$77 734 for major urban and \$54 500 for the balance of the country.

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than used to be the case. It used to be the case that parental income tests meant that any amount of Youth Allowance would cut out, for example, if you had two children 18 years or over living at home; it now cuts out at \$62,000 but it will cut out at \$106,279. If those two children were living away from home, it now cuts out at \$79,117, but under the new rules it would not cut out completely until \$139,388. What that does is include many more families, and it is biased towards families on the lower incomes. As we know, regional and rural families are more likely to be in that category.<sup>28</sup>

- The Government estimates that  
‘by January 2010, about 84 per cent of Australian households will have incomes below \$141 000 and outside of major urban areas, around 90 per cent of households will have an income that will allow their children to qualify for Youth Allowance.’<sup>29</sup>

### A brief history of Youth Allowance for students

Youth Allowance was introduced in July 1998 by the Howard Government. It was the main income support payment for young people. It replaced Youth Training Allowance, Newstart Allowance and Sickness Allowance for 15 to 20 year old unemployed people. It also replaced AUSTUDY for 16 to 24 year old students (and for older students who started a course before turning 25 years of age).

The Government’s main objectives<sup>30</sup> with the introduction of Youth Allowance for students were to:

- simplify income support for young people by providing one payment for all young people rather than the five that then existed
- increase incentives for young people to study rather than go onto unemployment payments by bringing higher rates of income support for the unemployed into line with those for students, and

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28. Dr Morehead, Senate Committee Education, Employment and Workplace Relations, Estimates hearings, *Transcript*, 4 June 2009, p 38, viewed 17 September 2009, <http://www.aph.gov.au/hansard/senate/commttee/S12058.pdf>

29. D Peacock, (Director, Student Strategic Income Support, DEEWR), *Reforms to Student Income Support: Youth Allowance and ABSTUDY for students and young people aged 16-25 years*, Powerpoint presentation to NATSEM, slide 13

30. J Newman (Minister for Social Security) and A Vanstone (Minister for Employment, Education Training and Youth affairs), *Common Youth Allowance*, media release, 17 June 1997, viewed 14 September 2009, <http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22media%2Fpressrel%2F6JF30%22>

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- increase support for students who needed to move away from home to study.

For students, full-time study was required. Rates of payment varied according to the student's age and whether or not the student was living at home or away from home. Rates were indexed annually. Rent Assistance was also available to recipients receiving the away from home rate.

Independent students did not have their parents' income or assets taken into account when their rate of payment was assessed. Independent status applied if recipients had supported themselves through employment for a significant period of time since leaving school. It also applied if recipients were refugees, orphans, homeless, in state care, parents or partnered for over 12 months.

Recipients who were not independent were subject to a Parental Income and Assets test. The assets test discounted the value of family business assets by 50 per cent. This test was supplemented by the Family Actual Means Test which was applied to parents who were self-employed or had significant income from certain sources other than wages or salaries.

A personal income test applied to all recipients. Students were able to receive up to \$230 per fortnight before losing 50 cents for each dollar of private income up to \$310 per fortnight. Income above that amount reduced payment by 70 cents for each dollar of private income. An income bank of \$6 000 per annum allowed students to average income and reduce the impact of the income test during high income periods.

A Fares Allowance and a Student Financial Supplement Scheme that had applied to Austudy recipients continued to be available for Youth Allowees who were students. Fares Allowance assisted with travel costs for students who had to live away from home to study. The Student Financial Supplement Scheme allowed students to trade in one dollar of Youth Allowance and receive two dollars of an interest free but indexed loan. Loans of between \$500 and \$7 000 were available.

### **Changes since 1998**

From January 2001 75 per cent (rather than 50 per cent) of the value of farm or business assets were disregarded under the family assets test for Youth Allowance.<sup>31</sup>

From January 2004 no new loans were made under the Student Financial Supplement Scheme.<sup>32</sup>

From September 2004 scholarships that pay or waive tuition fees were not counted as income under the income test.<sup>33</sup>

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31. Family and Community Services (2000 Budget and Related Measures) Act 2000.

32. Student Assistance Amendment Act 2003.

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From July 2006 the income test for students was changed so that income above \$316 per fortnight reduced payment by 60 cents for each dollar of income.<sup>34</sup>

## **The main reforms in this Bill**

### **Abolishing two of the workforce participation criterion for early independence**

#### **Description of change**

The most controversial aspect of the Bill is the change to eligibility for independent status under Youth Allowance. From 1 July 2010, applicants for Youth Allowance will no longer be able claim that they are 'independent' based on part-time employment or wages. The attainment of 'independent' status means that applicants for Youth Allowance are exempt from the parental means test that normally applies to that payment.

Under the current work participation requirements for independence, a person must have:

- worked full-time (at least 30 hours a week) for at least 18 months in the previous two years, or
- worked part-time (at least 15 hours a week) for at least two years since leaving school, or
- have been out of school for at least 18 months and earned at least 75 per cent of the maximum rate of pay under Wage Level A of the Australian Pay and Classification Scale (that is, \$19 532 in 2009) in an 18 month period.

Under this measure, announced in the 2009-10 budget, the second and third of the above criteria will be abolished, preventing many young people who previously took a 'gap' year between finishing high school and commencing university studies or who were employed after finishing school, from claiming to be independent and thus escape the parental income test on their payments.

Young people will still be able to claim independent status after working 30 hours a week for at least 18 months in a two year period, or if they meet any of the other non-work related criteria. The Government estimates that around 30 700 of current prospective recipients will be affected by this measure, and that it will save \$1.8 billion over four years.<sup>35</sup> Generally speaking, the measure will result in some prospective recipients

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33. Family and Community Services and Veterans' Affairs Legislation Amendment (2004 Budget Measures) Act 2004.

34. Employment and Workplace Relations Legislation Amendment ) Welfare to Work and Other Measures) Act 2005.

35. DEEWR, *Student income support – workforce participation criterion*, fact sheet, DEEWR, viewed 14 May 2009, <http://www.deewr.gov.au/HigherEducation/Documents/PDF/Pages%20from%20A09->

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receiving Youth Allowance as dependent students rather than as independent students. Being subject to the parental income test may result in less income support than they would have received as independent students. However changes to the parental income test and the introduction of new scholarship payments will mean that many more dependent students qualify for a higher rate of assistance than they would have received under the current arrangements. Other prospective recipients will lose their entitlement to Youth Allowance altogether because they still come from families whose income is too high to allow them to qualify under the much more generous parental income test introduced in this Bill.

The change was originally intended to commence on 1 January 2010. However, on 26 August 2009, Ms Gillard announced that commencement of the change would be delayed by six months for those students who must leave home in order to attend university.<sup>36</sup> This means that students who left school in 2008, have taken a gap year and have to leave home to attend university, may apply for independent status. According to the Minister, this delay was to address the fact that 'some students who had chosen to take a gap year in 2009 would have been disadvantaged during the transition between the two systems'.<sup>37</sup> Ms Gillard also announced that 'to pay for the change' (that is, the delayed start to the change to independence criteria) the measure to increase the amount students may earn before affecting their youth allowance would be deferred by 18 months.<sup>38</sup>

### Rationale

The Government argues that this change will ensure that Youth Allowance is better targeted 'to those who need it'.<sup>39</sup> This addresses the finding of the Bradley Review that student income support was being paid to students living in high income households. For example, it reported that thirty-six per cent of youth allowance recipients who are living at home are living in households with incomes over \$100 000 (see figure below).<sup>40</sup>

### Figure 1: Annual household incomes of Youth Allowance recipients 'living at home' (in 2008 dollars)<sup>41</sup>

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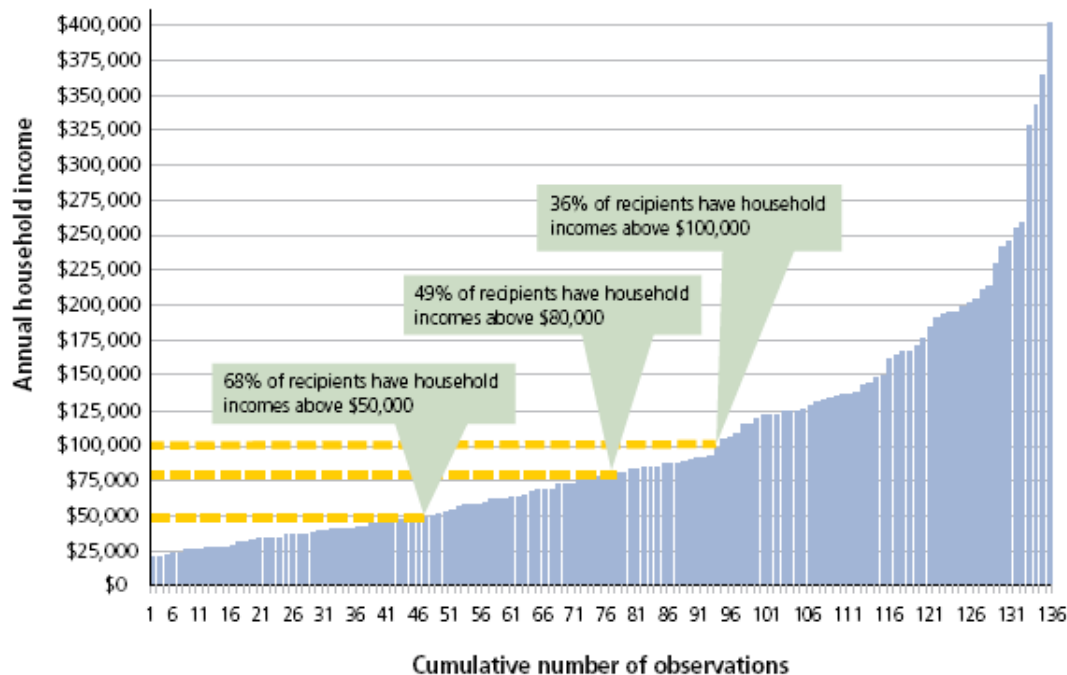
[303%20Budget%20Fact%20Sheets-22\\_webaw.pdf](#); Australian Government, *Budget measures: budget paper no. 2: 2009–10*, p. 159.

36. J Gillard, *Changes to youth allowance to assist gap year students*, media release, 26 August 2009, viewed 14 September 2009.
37. J Gillard, *Changes to youth allowance to assist gap year students*..
38. J Gillard, *Changes to youth allowance to assist gap year students*.
39. Explanatory memorandum, p. 2.
40. DEEWR, *Review of Australia higher education: final report*, p. 53.
41. DEEWR, *Review of Australia higher education: final report*, p. 53. The original source provided for the data contained in the figure is B Chapman and K Lounkaew, *Higher*

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Note: The data are individual observations of students surveyed from 2001-2007 in the Household, Income and Labour Dynamics of Australia (HILDA) survey. The household incomes have been converted to \$2008 with the use of the AWOTE price index. The household incomes do not include monies received for Youth Allowance.

According to the Bradley Review, ‘this provides strong evidence that this aspect of student income support is quite poorly targeted and inequitable’.<sup>42</sup> The Bradley Review further noted that ‘several submissions to the review have raised this matter and suggested that the eligibility criteria for independence be tightened to prevent this type of likely abuse’.<sup>43</sup> The term ‘abuse’ in this context highlights the point that independence criteria effectively functioned as a loophole that allowed high income family students to access Youth Allowance.

Higher Education financing expert, Professor Bruce Chapman, has noted that the extension of the workforce participation criteria in 1998 led to a significant expansion in access to the independent rate:

The number of students receiving the independent at home allowance increased rapidly from 1999 to 2003, from about 1000 in the first year to about 21,500 in the

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*Education Financing Issues in Australia*, report for Department of Education, Employment and Workplace Relations, Crawford School of Economics and Government, Australian National University, 2008 (in process).

42. DEEWR, Review of Australia higher education: final report, p. 53

43. DEEWR, Review of Australia higher education: final report, p. 53.

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last. Since then the figure has remained virtually unchanged and stood at 22,689 in 2007, or about 18 per cent of all recipients of the youth allowance.

The critical policy issue concerns whether these income support recipients are in fact financially disadvantaged.<sup>44</sup>

On the basis of research conducted with a colleague, Kiatanantha Lounkaew, (the source for the data used in the table above) Professor Chapman has argued that

‘simply, many advantaged students seem to have been enjoying an excessive generosity from this rule, and its abandonment should be welcomed by those giving weight to basic issues of fairness’.<sup>45</sup>

According to Ms Gillard, money saved through this tightening of workforce participation criteria has been used towards funding of other higher education changes in this Bill.<sup>46</sup> The government estimates that these changes (lowering of parental income tests and the age of independence, offering of new scholarships) will assist 68 000 students who would have previously been excluded from Youth Allowance and 35 000 students who will get higher payments.<sup>47</sup>

### Commentary

This change has attracted a great deal of criticism from student representative groups, the opposition, minor parties and independents. One of the main criticisms has been in relation to the impact on the estimated 30 700 gap year students—that is, people who deferred a place at university in 2009 in order to meet the existing independence criteria extant when the place was offered. For example, the opposition leader, Malcolm Turnbull, has suggested that this is an issue of fairness, arguing that ‘you simply cannot change the rules which people have in good faith relied on’.<sup>48</sup> Similarly, Australian Greens (the Greens) youth affairs spokesperson, Senator Sarah Hanson-Young, has argued in relation to the impact on gap year students that it ‘is absolutely indefensible to bring in legislation that is effectively retrospective’.<sup>49</sup> The opposition and the Greens each foreshadowed amendments that would allow current gap year students to remain eligible for independent

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44. B Chapman, ‘Youth Allowance gets fair go’, *Australian*, 3 June 2009, p. 38.

45. B Chapman, ‘Youth Allowance gets fair go’.

46. J Gillard, ‘Second reading speech: Social Security and Other Legislation Amendment (Income Support for Students) Bill 2009’, p. 9202.

47. J Gillard, Changes to youth allowance to assist gap year students.

48. Quoted in S Ryan and A Trounson, ‘Julia Gillard tipped to give ground on gap-year students’, *Australian*, 25 August 2009, p. 6.

49. S Hanson-Young, ‘Urgency Debate: Changes to Youth Allowance’, Senate, *Debates*, 17 June 2009, p. 3579. See also comments by Family First Senator, Steve Fielding in S. Fielding, *Thousands of students still hung out to dry*, media release, 24 August 2009.

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status in 2010.<sup>50</sup> The opposition estimates that this delay will cost around \$573 million over four years (though it is not clear how it arrived at this figure).<sup>51</sup>

As noted above, the government responded to this criticism by deferring the commencement of this change until 1 July 2010—however, only for those who need to leave home to attend university. The government estimates that this will benefit 5000 prospective students who would have been ineligible for independent status had the changes commenced, as originally planned, in January 2010.<sup>52</sup> The opposition criticised this response on the grounds that it would only assist 5000 of the 30 700 current gap year students—meaning, they argued, that it would still have a retrospective impact on up to 25,000 prospective students.<sup>53</sup> The Greens welcomed the deferral but criticised the fact that it is to be funded through a deferral of the increase in the amount students may earn before affecting their Youth Allowance.<sup>54</sup>

The other main criticism of the change to workforce participation criteria relates to the impact on future students who need to leave home to go to university, particularly those in rural and regional areas.<sup>55</sup> In making this criticism, some have highlighted the difficult nature of the current jobs market and suggested that many students will simply not be able to find the amount of work necessary to satisfy the new, narrowed criteria.<sup>56</sup> In relation to these criticisms, it is important to note that many of these students will still qualify for support as dependents because of the changes to the Parental Income Test. Further, concerns raised about the nature of the jobs market need to be understood in the context of the intended purpose of the independent rate—that is, as a provision for those already working, rather than an alternative method of qualifying for Youth Allowance.

Nevertheless, the government effectively acknowledged that there will be an impact on such students when it targeted the deferred commencement of this change specifically on

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50. C Pyne, Coalition to move amendments to Youth Allowance, media release, 5 June 2009; S Hanson-Young, Greens call on Government to back Greens' Youth Allowance amendments after roundtable, media release, 24 August 2009.
  51. C Pyne, Coalition to move amendments to Youth Allowance.
  52. A Trounson, 'Gap students win new deal from Julia Gillard', *Australian*, 26 August 2009, p. 5.
  53. C Pyne, Gillard backflip does not satisfy the Coalition, media release, 26 August 2009.
  54. S Hanson-Young, Students deserve more support in wake of Govt's belated Youth Allowance backflip, media release, 26 August 2009.
  55. See for example S Fielding, Youth allowance: 6 month delay only defers not fixes problem, media release, 26 August 2009; S Hanson-Young, Students deserve more support in wake of Govt's belated Youth Allowance backflip; C Pyne, Gillard backflip does not satisfy the Coalition.
  56. See for example S Stone, 'Petition: youth allowance', House of Representatives, *Debates*, 24 June 2009, p. 7094.

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those who need to leave home to go to university. The opposition and Greens have each foreshadowed proposals and/or amendments aimed at addressing the impact of the government's changes on rural and regional students.

The opposition has stated that it will propose a 'new, effectively targeted, 'Rural and Regional Scholarship' program that will particularly assist rural and regional students who do not have the luxury of being able to stay home with their parents while pursuing further study'.<sup>57</sup> The Shadow Minister for Education, Apprenticeships and Training has stated that this measure would be 'initially funded at \$120 million over the next four years'.<sup>58</sup> The opposition proposes to fund the delayed start for the new workforce participation criteria (\$573 million) and the new rural and regional scholarships (\$120 million) by reducing the new student start-up scholarships from \$2 254 to \$1 000 per year, which it estimates will save \$696 million over four years.

The Greens' amendment, would if passed, create a new independence eligibility criterion to 'accommodate geographically disadvantaged students, who can adequately prove to Centrelink that they have had to move out of their family home to go to university or TAFE'.<sup>59</sup> It is difficult to measure the cost of implementing this measure because there are no details available about the specific nature of the changes the Greens propose to make.

As discussed above, the government has noted in response to such concerns that the savings realised by this change are to be used to fund other changes designed to increase participation in higher education. It also makes the point that, in seeking to realise these savings through better targeting of youth allowance, it is simply redirecting support to those who need it most. Nevertheless, there is no *inherent* reason why increased expenditure in one area of student support should be funded through savings in another. Further, those concerned with the impact on students from rural and regional areas, would be likely to argue that the changes have not been sufficiently targeted to avoid a detrimental impact on this group.

However, this criticism needs to be seen within the context of the increased access to the dependent rate of Youth Allowance provided for in this Bill. Under the changes to the parental income test, a family where two children have had to move to attend university will be able to receive some Youth Allowance up to a parental income of almost \$141 000.<sup>60</sup> DEEWR estimates that around 84 per cent of Australian households have income below this level and that 'outside of major urban areas, around 90 per cent of

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57. C Pyne, Coalition to move amendments to Youth Allowance.

58. C Pyne, Coalition to move amendments to Youth Allowance.

59. S Hanson-Young, Greens call on Government to back Greens' Youth Allowance amendments after roundtable.

60. D Peacock, *Reforms to student income support: Youth Allowance and ABSTUDY*, Department of Education, Employment and Workplace Relations.

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households will have an income that will allow their children to qualify for Youth Allowance'.<sup>61</sup>

## Income testing

The Bill proposes major reforms to the income tests that apply to Youth Allowance which have attracted much less attention than the changes to the independence criteria. They are, however, probably of greater significance in the longer term. The Parental Income Test, the Family Actual Means Test and the Personal Income Test will all be retained along with the Family and personal Assets Tests. However the Parental Income Test will be fairly dramatically liberalised as follows:

- The annual income test free income threshold will increase from \$32 800 to \$44 165. This will be done by using the same income free threshold for Youth Allowance as applies to Family Tax Benefit part A.
- The taper rate at which income above the free area reduces payment will be reduced from 25 per cent to 20 per cent.
- The new 20 per cent taper rate will also be apportioned between students in families where there are more than one Youth Allowance students, rather than applying to each student as occurs at present.

The Government estimates that 67 800 extra people will qualify for youth allowance due to these changes and 34 600 students will have their payment rate increased.<sup>62</sup>

The Personal Income Test will also be liberalised by increasing from 2012 the income test free threshold from \$236 per fortnight to \$400 per fortnight and indexing the threshold to movements in the Consumer Price Index.

The Government estimates that 61 480 students will receive higher rates of payment due to this change when introduced in 2012.<sup>63</sup> The introduction date for this change was delayed from the original 2010 start up date announced in the Budget. This was done to accommodate the additional costs incurred for the savings provisions announced after the Budget for those affected by the proposed changes to independence criteria.

A further loosening of the income testing arrangements will come about due to the proposal to change the way that the income tests interact. At present, the income test is applied in two stages. In the first stage the Parental Income Test and the Family Actual Means Test are applied to work out which test will result in the lower rate of payment. The second stage is to apply the personal Income Test to that lower rate. The Bill seeks to

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61. D Peacock, Reforms to student income support: Youth Allowance and ABSTUDY.

62. Explanatory Memorandum, p. 2

63. Explanatory Memorandum, p. 3

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change this two stage process so that only the single test producing the lower rate is applied. This means that a student's rate of payment will only be reduced by one test rather than two as at present. It will result in higher rates of payment for many students.

## Scholarships

The third significant measure in the Bill is the provision for new scholarships for students on income support. Two scholarships, the student start-up scholarship and the relocation scholarship, will replace the existing Commonwealth Education Costs Scholarship (CECS), Commonwealth Accommodation Scholarship (CAS) and National Accommodation Scholarship. These equity-based Commonwealth scholarships will be phased out. In 2010 33 978 students on the scholarships will continue to receive them through 'grandfathering' arrangements funded by appropriations under the *Higher Education Support Amendment (2009 Budget Measures) Act 2009*.<sup>64</sup>

The Bill proposes a student start-up scholarship be awarded to all students receiving Youth Allowance or AUSTUDY while undertaking an approved higher education course. In 2010, the scholarship will total \$2 254 for the year with payments made at the beginning of each semester. An estimated 146 600 students will receive a student start-up scholarship in 2010.

In addition to the student start-up scholarship some students receiving student income support will also be eligible for a relocation scholarship—namely dependent students who are judged to have to live away from home as well as independent students who are disadvantaged by personal circumstances. The relocation scholarship will provide \$4 000 for students in their first year at university and \$1 000 in each year thereafter and will be indexed. An estimated 14 200 students will receive a relocation scholarship payment in 2010.

The value of the start-up scholarship is similar to the existing CECS which is \$2 207 in 2009. The significant change is the automatic entitlement to the start-up scholarship compared to the CECS which currently goes to only 17 per cent of all students on income support.<sup>65</sup> The Government argues that 'the student start-up scholarship payment will effectively increase the value of student income support by \$86.77 per fortnight.'<sup>66</sup> This may counter disappointment that the rates of Youth Allowance and the indexation rate will

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64. The provisions dealing with scholarships were referred to the Senate Education, Employment and Workplace Relations Legislation Committee. The Committee reported in August 2009, see:

[http://www.aph.gov.au/Senate/committee/eet\\_ctte/higher\\_ed\\_amend/index.htm](http://www.aph.gov.au/Senate/committee/eet_ctte/higher_ed_amend/index.htm)

65. Dr Morehead, evidence to Senate Education, Employment and Workplace Relations Committee, 4 June 2009, p. 39, viewed 17 September 2009, <http://www.aph.gov.au/hansard/senate/commtee/S12058.pdf>

66. Explanatory Memorandum, p. 3.

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not be increased. The opposition is proposing a new scholarship for rural and regional students who are ineligible for youth allowance and 'whose families wouldn't have enough disposable income to pay for their relocation'.<sup>67</sup> To pay for these scholarships (and a proposed delay in the introduction of the workforce participation changes) the Coalition are reported to be seeking to 'reduce the start-up scholarships from \$2 254 to \$1 000 a year, saving \$696 million over four years'.<sup>68</sup>

Criticism on the changes to the scholarships is centred on the value of the new relocation scholarship. The reduction to \$1 000 per year after the first year reduces its value in comparison to the abolished CAS even after the start-up scholarship is added. Furthermore for those students who were awarded both a CECS and a CAS the combined value was significantly higher than the combined value of the proposed start-up and relocation scholarships.<sup>69</sup>

The Commonwealth scholarships were awarded and administered by universities under Commonwealth guidelines.<sup>70</sup> This created uncertainty for students when applying for courses and making decisions. The certainty of eligibility and the administration and payment through Centrelink of the proposed scholarships should be welcomed.

The Bill also proposes to exempt merit and equity based scholarships from the income test up to a threshold of \$6 762 per annum. The threshold would be indexed. These scholarships are provided by individual universities and should not be confused with other Government scholarships.

### **Committee consideration**

The Bill has been referred to the Senate Standing Committee on Rural and Regional Affairs and Transport for inquiry and report by 26 October 2009.<sup>71</sup>

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67. 'Pyne plan will cost students dearly', *Campus Review*, 28 September 2009, Campus Review online.

68. Appropriation for the Coalition's proposed rural scholarships, being unrelated to Youth Allowance eligibility, would most likely be required under the *Higher Education Support Act 2003*.

69. CAS over four years valued at \$17 660 compared to combined \$16 016 for start-up over four years (\$9 016) and relocation over four years (\$7 000).

70. Commonwealth of Australia *Higher Education Support Act 2003* Guidelines for Commonwealth Scholarships  
[http://www.comlaw.gov.au/ComLaw/Legislation/LegislativeInstrument1.nsf/0/4DE676A15864A26ACA2573750021EA1C/\\$file/INSTRUMENTAmendmentNo4totheCommonwealthScholarshipsG.pdf](http://www.comlaw.gov.au/ComLaw/Legislation/LegislativeInstrument1.nsf/0/4DE676A15864A26ACA2573750021EA1C/$file/INSTRUMENTAmendmentNo4totheCommonwealthScholarshipsG.pdf)

71. Details of the inquiry are at  
[http://www.aph.gov.au/Senate/committee/rrat\\_ctte/income\\_support/index.htm](http://www.aph.gov.au/Senate/committee/rrat_ctte/income_support/index.htm)

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## Financial implications

The Government has structured the reform package to ensure that the enhancements to student income support are offset by savings. In her ministerial statement accompanying the 2009 Budget, Ms Gillard said:

The cost of these reforms is \$3.1 billion over four years. This will be offset by improved targeting of Youth Allowance, ABSTUDY and other measures.<sup>72</sup>

The financial impact table in the Explanatory Memorandum to the Bill indicates a saving over four years from the measures in the Bill of \$106.5 million. However it notes that a further \$72.7 million will be spent on extending Youth Allowance and Austudy Payment eligibility to students in masters by coursework programs. That measure will be implemented by legislative instrument. An additional \$41.1 million will be spent on administrative costs associated with the implementation of these reforms.

It should be noted that the table also takes account of savings from the abolition of Commonwealth Education Costs Scholarships, Commonwealth Accommodation Costs Scholarships and Commonwealth Scholarships for Associate Degrees. These scholarships were dealt with in the Higher Education Support Amendment (2009 Budget Measures) Bill 2009 rather than in this Bill.

## Main provisions

### Schedule 1—Youth Allowance

#### Criteria for independence

**Items 1–4** amend the *Social Security Act 1991* (the Social Security Act) in relation to the independence criteria.

**Item 1** repeals existing subsection 1067A(4) and substitutes a new subsection. At present Youth Allowance students become independent from their parents at 25 years of age. **Proposed subsection 1067A(4)** introduces a staged reduction to 24 years in 2010, 23 years in 2011 and 22 years in the years after 2011.

At present very few Youth Allowance students become independent by reaching the age 25 years, because eligibility for Youth Allowance only extends to age 24 years. Students aged 25 years or more can only receive Youth Allowance if they were receiving it prior to turning 25 years of age and they continued in the same course of study.

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72. J Gillard (Minister for Education, Employment and Workplace Relations), *Jobs Productivity and Fairness – A Foundation for Recovery*, Ministerial Statement, 12 May 2009.

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**Item 2** inserts **new subsections 1067A(10A)–1067A(10C)**. Existing subsection 1067A(10) sets out the following criteria for independent status for people who are self-supporting through employment:

- (10) A person is independent if the person has supported himself or herself through paid work consisting of:
- (a) full-time employment of at least 30 hours per week for at least 18 months during any period of 2 years; or
  - (b) part-time employment of at least 15 hours per week for at least 2 years since the person last left secondary school; or
  - (c) a period or periods of employment over an 18 month period since the person last left secondary school, earning the person at least the equivalent of 75% of:
    - (i) the maximum rate of pay under Wage Level A of a transitional Australian Pay and Classification Scale or modern award generally applicable to trainees; or
    - (ii) that maximum rate as varied or replaced from time to time by Fair Work Australia; that applied at the start of the period of employment.

**New subsection 1067A(10A)** provides that paragraphs 1067A(1)(b) and (c) will only apply if:

- **new subsection 1067A(10B)** applies—this allows students who qualified under these paragraphs before 1 January 2010 to continue to be independent, or
- **new subsection 1067A(10C)** applies—this allows a clearly defined group of potential students to qualify under these paragraphs until 30 June 2010.

Those who can qualify under **new subsection 1067A(10C)** are those who:

- completed secondary school in 2008
- did not study full-time in higher education in 2009
- intended to study full-time in higher education in 2010<sup>73</sup> start full-time study in higher education between 1 January and 30 June 2010, and
- Are required to live away from home to study full-time.

The test to determine if a student is required to *'live away from home'* is set out in existing subsection 1067D(1) as follows:

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73. According to the explanatory memorandum, this does not require a formal deferral of study: a person will still fall within this provision by taking a year off study and then accepting a place to commence university early in 2010—Explanatory Memorandum, p. 7.

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- (1) A person is taken to be required to live away from home for the purposes of this Part if, and only if:
- (a) the person is not independent; and
  - (b) the person does not live at the home of either or both his or her parents; and
  - (c) the Secretary determines that:
    - (i) the person needs to live away from home for the purpose of education, training, searching for employment or doing anything else in preparation for getting employment; or
    - (ii) the likelihood of the person's getting employment will be significantly increased if the person lives away from home; or
    - (iii) the person needs to live away from home because the person is a new apprentice.

This subsection is usually applied to dependent students who wish to access the away from home rate of Youth Allowance. For the purposes of **new subsection 1067A(10C)** paragraph 1067D(1)(a) and subparagraphs 1067D(1)(c) (ii) and (iii) are disregarded.

The actual detail of how the need to live away from home is determined is only found in the Guide to the Social Security Law as follows:

There are separate conditions that apply **ONLY** to full-time tertiary students. They can be approved for the away from home rate if:

- travelling time is excessive ,OR
- they choose to study at an institution away from the parental home, OR
- there is a compulsory requirement to reside at the institution while studying, OR
- they are undertaking part of their Australian approved course at an overseas institution.<sup>74</sup>

So if the student chooses a course that is at a distant institution they would qualify. However the test for how distant that institution needs to be is provided in the Guide to Social Security Law :

For the purposes of YA, excessive travelling time is where the time it takes for the young person to travel by public transport from their parent's home to an approved activity, exceeds 90 minutes including walking and waiting times. Restrictions due to lack of, or deficiencies in public transport should also be taken into account.

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74. Department of Families, Housing, Community Services and Indigenous Affairs, 'Guide to the Social Security Law', (3,2,6,20), viewed 19 October 2009, [http://www.facs.gov.au/guides\\_acts/ssg/ssguide-3/ssguide-3.2/ssguide-3.2.6/ssguide-3.2.6.20.html](http://www.facs.gov.au/guides_acts/ssg/ssguide-3/ssguide-3.2/ssguide-3.2.6/ssguide-3.2.6.20.html)

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Example: If the only available transport is by bus, with departure and arrival times too early and too late at 6.00am and 10.00pm.<sup>75</sup>

### **Income Tests**

**Items 5–9** amend the method statement in the Youth Allowance Rate Calculator contained in section 1067G–A1 of the Social Security Act so that the requirement to apply three separate income tests is removed.

**Item 9** inserts a **new step 13** into the method statement in subsection 1067G-A1. The effect of the amendment is that a student's rate of payment will only be reduced by one of three possible tests rather than two as at present. It will result in higher rates of payment for many students.

**Item 12** repeals existing points 1067G-F22–F25 of the Youth Allowance Rate Calculator which currently apply the Parental Income Test. **Item 12** substitutes new point **1067-G22** so that there is a significant increase to the income test free threshold for the Parental Income Test. The income test free threshold that applies to Family Tax Benefit part A from July of each year will be used for the purposes of the Youth Allowance Parental Income Test from the following January. That will result in an increase in the income test free threshold from the present \$32 800 per annum to \$42 559 per annum in January 2010.

**Item 13** repeals the present provisions of the Youth Allowance Rate Calculator which set the method for calculating the rate of payment taking account of parental income.

Presently Youth Allowance rates for dependent students are determined by the following method:

- The family's income test free area is decided by adding set amounts for other dependant children and students in the family to the basic income test free area of \$32 800.
- The maximum payment for *each* Youth Allowance student in the family individually is then reduced by 25 per cent of the family income in excess of the income test free area.

**Item 13** inserts **new points 1067-F26–F30** to substitute the following method:

- The family's income test free area will be \$44 165.

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75. Department of Families, Housing, Community Services and Indigenous Affairs, 'Guide to the Social Security Law', (1,1,E,150), viewed 19 October 2009, [http://www.facs.gov.au/guides\\_acts/ssg/ssguide-1/ssguide-1.1/ssguide-1.1.e/ssguide-1.1.e.150.html](http://www.facs.gov.au/guides_acts/ssg/ssguide-1/ssguide-1.1/ssguide-1.1.e/ssguide-1.1.e.150.html)

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- The maximum payment for *all* Youth Allowance students in the family combined is then reduced by 20 per cent of the income in excess of the income test free area.

Under the present method the 25 percent taper rate is applied for each student, so if there were two students the combined payment rate for the two students would be reduced by 50 percent of the excess family income. The new method means that in families with more than one student the combined payment of all students is only reduced by 20 per cent of the excess family income.

**Item 14** repeals existing point 1067-G15 and substitutes **new points 1067-G15–G19** to apply the same changes to the Family Actual Means Test as item 13 applies to the Parental Income Test.

**Items 18–19** amend paragraphs 1067G-H29(a) and (aa) and point 1067L-D28 respectively to increase the income test free area for the Youth Allowance and AUSTUDY personal income tests from \$236 per fortnight to \$400 per fortnight. At present income above \$236 reduces payment by 50 per cent for the first \$80 and 60 per cent for income above that amount. This income test taper ‘boundary amount’ will still apply so that the first \$80 above the new \$400 free area will reduce payments by 50 per cent.

**Items 20–22** amend the tables in sections 1190 and 1191 of the Social Security Act respectively to provide for the indexation of the income test free area and ‘boundary amount’ to movements in the CPI in January each year starting in January 2013.

**Items 24 and 26** increase the maximum amount that can be accumulated in a student’s Income Bank under the Youth Allowance and AUSTUDY personal income tests from \$6000 to \$10 000. Students can accumulate credits for unused parts of the income test free area from fortnight to fortnight until the maximum amount is reached. This ‘banked’ amount can then be used in later fortnights when income earned exceeds the \$400 income test free area. Income peaks from holiday employment for example can be averaged out over periods when income is low.

**Items 28–30** amend the tables in sections 1190–1192 of the Social Security Act to provide for the indexation of the maximum amount that can be accumulated to movements in the CPI in January of each year starting in January 2013.

These changes to the personal income test take effect from 1 July 2012.

## Schedule 2—Scholarship payments for students

**Item 4** inserts **new part 2.11B (proposed sections 592F–592N)** into the Social Security Act to provide for the new Student Start-up Scholarship and the new Relocation Scholarship. These payments will replace the existing Commonwealth Education Costs Scholarship and the Commonwealth Accommodation Scholarship for new claimants.

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**New section 592F** sets out the qualification conditions for the start-up scholarship for Youth Allowance and AUSTUDY recipients. To qualify a student must be:

- both qualified for and receiving Youth Allowance or AUSTUDY
- receiving Youth Allowance or AUSTUDY not just rent assistance or pharmaceutical allowance<sup>76</sup>
- undertaking full-time study in a course approved for scholarship payment
- intending to start or continue the course within 35 days, and
- unlikely to receive a Commonwealth Education Costs Scholarship.

**New section 592G** sets out when a student is not qualified for the scholarship. Proposed subsections 592G(1)–(2) provide that if a student has received, within the last six months, a student start-up scholarship or one of a range of similar scholarships they will not qualify for the Student Start-up Scholarship. This provision allows the payment of the scholarship every six months to qualified students. There is some discretion to pay scholarships closer together than six months where this would bring the payments into line with the beginning of semesters of study. This could occur where a student commences to receive Youth Allowance or AUSTUDY part way through a semester of study. Their first scholarship payment would then be paid closer than six months to the commencement of the next semester when they would receive another scholarship payment.

**New section 592H** specifies that the amount of the start-up scholarship is \$1 127. Students would receive two such payments per annum.

**New section 592J** sets out the qualification conditions for the Relocation Scholarship for Youth Allowance. They are the same as apply for the Start-up Scholarship but with the following differences:

- only Youth Allowance recipients are eligible
- only some independent students are eligible: specifically those who have a dependent child, are orphans, have parents who are unable to exercise parental responsibilities, are refugees, are in State care, find it is unreasonable for them to live at home or are specially disadvantaged, and
- only dependent students who are required to live away from home to study are eligible.

**New section 592K** sets out when a student is not qualified for the relocation scholarship. **Proposed subsections 592K(1)–(2)** provide that if a student has received, within the last twelve months, a relocation scholarship or one of a range of similar scholarships they will not qualify. This provision allows the payment of the scholarship every twelve months to

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76. Under the income test excess income reduces Youth Allowance or AUSTUDY first and then additional payments such as rent assistance or pharmaceutical allowance.

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qualified students. There is some discretion to pay scholarships closer together than twelve months where this would bring the payments into line with 1 January. This could occur where a student commences to receive Youth Allowance part way through a year of study. Their first scholarship payment would then be paid closer than twelve months to the commencement of the next year when they would receive another scholarship payment.

**Subsection 592K(5)** provides that a student does not qualify for the Relocation Scholarship if they have reached the age of independence for Youth Allowance and had not received a Relocation Scholarship or similar payment before reaching the age of independence.

**New section 592L** specifies the amount of the Relocation Scholarship is \$4 000 for a student who has not received a Relocation Scholarship already except where the student has already relocated and commenced study. This means that students relocating to start study will be paid \$4 000 in their first year of study. In subsequent years of study they will receive a \$1 000 payment. These rates will be indexed annually to movements in the Consumer Price Index.

**New sections 592M** and **592N** provide for approved scholarship courses to be identified by ministerial determination. Approved scholarship courses would be those courses of study that students need to be engaged in to be paid the Start-up and Relocation Scholarships.

**Items 5–9** amend the *Higher Education Support Act 2003* to facilitate the provision of information about a person's receipt of Commonwealth scholarships to Centrelink. This information will be used to assess the person's entitlement to social security and veterans' entitlements scholarships.<sup>77</sup>

**Item 10** inserts **Proposed paragraph 258(3)(aa)** into the *Military Rehabilitation and Compensation Act 2004* so that student Start-up Scholarship payments and Relocation Scholarship payments can be made under the Military Rehabilitation and Compensation Act Education and Training Scheme.

**Item 13** inserts **new paragraph 8(8)(zjd)** in the Social Security Act to exempt merit and equity based scholarships up to a threshold amount from the definition of income under that Act.

**Item 14** inserts **new subsection 8(8AA)** into the Social Security Act. It will provide for certain specific scholarships to be excluded payments for income test purposes in addition to the scholarships exempted under **proposed paragraph 8(8)(zjc)**. The item also inserts **new subsection 8(8AB)** which specifies the threshold amount up to which scholarships under **proposed paragraph 8(8)(zjd)** would be exempt. It would initially be \$6 762 per annum and would then be indexed in line with the CPI from 2011.

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77. Explanatory Memorandum, p. 26.

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**Item 23** inserts **new section 1223ABE** into the Social Security Act so that where a person has received a Start-up Scholarship or Relocation Scholarship payment because the person is proposing to undertake an approved scholarship course the amount of the payment will be a debt due to the Commonwealth if the person does not actually undertake the course. However, there is an exception to this rule where the person does not take up the course due to exceptional circumstances beyond the person's control.

Similarly **proposed subsections 1223ABE(2)–(3)** provide for the creation of debts where a person has received a Start-up Scholarship or Relocation Scholarship payment because the person is undertaking an approved scholarship course but ceases to undertake that course within 35 days after the date that the course commenced.

**Items 24–31** amend the *Social Security (Administration) Act 1999*.

In particular, **item 27** inserts **new section 47D** so that where a portion of a person's Youth Allowance is being paid to the person's parent, the same portion of Start-up Scholarship or Relocation Scholarship, where payable, will be paid to the person's parent.

**Item 28** inserts **new sections 123XPE–123XPF** which will ensure that where a person is subject to the income management regime, any Start-up Scholarship or Relocation Scholarship payable to the person will be placed in the person's income management account.

**Items 32–33** insert consequential amendments into the *Veteran's Entitlement Act 1986*.

### Schedule 3—Training supplement for parenting payment

**Item 1** corrects an oversight created by the *Social Security Amendment (Training Incentives) Act 2009* which prevented the payment of a training supplement to certain recipients of Parenting Payment (Partnered).

## Concluding comments

This bill seeks to make a number of changes to student income support in order to increase the accessibility of higher education. These changes form part of the government response to the Review of Higher Education conducted by Emeritus Professor Denise Bradley. The measures are wide ranging and include changes to income tests and criteria for establishing independence for Youth Allowance and AUSTUDY and expansion of the Commonwealth Scholarships program.

The most controversial aspect of the Bill is the tightening of eligibility for independent status under Youth Allowance. This has attracted criticism from student representative groups, the opposition, minor parties and independents concerned about the impact on students who will no longer be eligible for Youth Allowance (particularly those who had

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taken a gap year in anticipation of being eligible in 2010). Nevertheless, as noted above, this change effectively closes a loophole under which students from higher income families have been able to access Youth Allowance—an issue highlighted by the Bradley Review. Further, changes to eligibility for independent status need to be seen within the context of the increased access to the dependent rate of Youth Allowance provided for in this Bill.

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