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## Social Security Legislation Amendment (2007 Budget Measures for Students) Bill 2007

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## Social Security Legislation Amendment (2007 Budget Measures for Students) Bill 2007

**Date introduced:** 21 June 2007

**House:** House of Representatives

**Portfolio:** Education, Science and Training

**Commencement:** **Schedule 2, Item 12** from immediately after the commencement of **Schedule 3** of the *Families, Community Services and Indigenous Affairs Legislation Amendment (Further 2007 Budget Measures) Bill 2007*, which is scheduled to commence from 1 January 2008. All other items from the date the Bill receives Royal Assent.

### 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 provide the legislative support for several government assistance measures for students announced in the 2007-08 Budget. These measures feature allowing Austudy payment recipients access to rent assistance and also allowing student income support payments to be provided when the course being studied is a Masters course.

## Background

Schedule 1 – Amendment of the *Student Assistance Act 1973*

### Recovery of amounts from a financial institution

The vast majority of regular income support and supplement payments made by government to individuals are made by way of a direct deposit into the recipient's account via an electronic transfer of funds. The amendments to the *Student Assistance Act 1973* (SAA) presented in **Schedule 1** of the Bill are to provide for the recovery of amounts incorrectly paid to a financial institution. Some of the most common reasons for incorrect payments arise from payment recipients providing the incorrect account details or recipients changing their account and the funds being sent to the out of date account.

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The amendments will introduce provisions that are already existent in the *Social Security Act 1991* (SSA) and the *Veterans' Entitlements Act 1986* (VEA) to recover amounts incorrectly credited from financial institutions.

## Schedule 2 – Amendment of the *Social Security Act 1991*

### Introduction

The amendments to the SSA presented in **Schedule 2** are to essentially modify the qualification requirements for youth allowance and Austudy payment to allow payment to a full time student undertaking a Masters course. This initiative was announced in the 2007-08 Budget.<sup>1</sup>

The provisions in **Schedule 2** also extend access to rent assistance to Austudy payment recipients. This initiative was also announced in the 2007-08 Budget.<sup>2</sup>

### Cost

The Financial Impact Statement in the Explanatory Memorandum details that the cost of expanding access to youth allowance and Austudy payment to Masters students is estimated to be \$5.5 million in 2007-08, \$11.2 million in 2008-09, \$12.5 million in 2009-10 and \$14.1 million in 2010-2011.<sup>3</sup>

The Financial Impact Statement in the Explanatory Memorandum details that the cost of expanding access to rent assistance to Austudy payment recipients is estimated to be \$13.2 million in 2007-08, \$24.0 million in 2008-09, \$24.5 million in 2009-10 and \$25.1 million in 2010-2011.<sup>4</sup>

### Purpose of extending access to youth allowance and Austudy payment for Masters study

The government has said the purpose of extending access to youth allowance and Austudy payment for Masters students is:

This measure ensures that low income students have the financial assistance they require to complete a Masters degree to obtain entry to a profession. It will assist

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1. Department of Treasury, Budget Paper No. 2 - Budget Measures 2007-08, *Realising Our Potential – extending income support to masters students*, Canberra, 8 May 2007, p. 119.  
<http://www.aph.gov.au/budget/2007-08/bp2/html/index.htm>
  2. Department of Treasury, Budget Paper No. 2 - Budget Measures 2007-08, *Realising Our Potential – extending rent assistance to Austudy recipients*, Canberra, 8 May 2007, p. 118.  
<http://www.aph.gov.au/budget/2007-08/bp2/html/index.htm>
  3. Financial Impact Statement, Explanatory Memorandum.
  4. Financial Impact Statement, Explanatory Memorandum.

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students to acquire the skills and training they need for careers which will, in turn, make a significant contribution to the Australian economy. There is an increasing trend to higher qualifications for professional entry. It will also enhance Australia's international competitiveness. It ensures that low income students have the financial assistance they require to complete a professional qualification requiring a Masters degree.

This Australian Government Budget initiative will extend Youth Allowance and Austudy to students enrolled in an approved Masters by course-work programme, which is required for entry to a profession, or is the fastest pathway to professional entry. This provision will also extend to students enrolled in a Masters course-work programme where a university has diversified by restructuring its course delivery.<sup>5</sup>

### Purpose of extending access to rent assistance for Austudy payment recipients

The government has said the purpose of extending access to rent assistance to Austudy payment recipients is it:

will bring Austudy recipients into line with other income support recipients, such as those receiving Youth Allowance and Newstart. In a tightening rental market, accommodation costs can discourage people from moving to centres where there are greater education and training opportunities. This measure will assist students from low income backgrounds, and those from rural and regional areas, to overcome that barrier to acquiring much needed skills.<sup>6</sup>

### Origins of youth allowance and Austudy payment

Youth allowance and Austudy payment for full time students were introduced by the government in 1998 with their then rationalisation of income support arrangements for students and young people.<sup>7</sup> Youth allowance and Austudy payment replaced several preceding payments for students being:

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5. The Hon. Julie Bishop, MP, Minister for Education, Science and Training, *Extension of allowances for professional Masters studies*, media release, Canberra, Australia, 8 May 2007.

[http://www.dest.gov.au/ministers/bishop/budget07/bud08\\_07.htm](http://www.dest.gov.au/ministers/bishop/budget07/bud08_07.htm)

6. The Hon. Julie Bishop, MP, Minister for Education, Science and Training, *Rent assistance for mature age students*, media release, Canberra, Australia, 8 May 2007.

[http://www.dest.gov.au/ministers/bishop/budget07/bud07\\_07.htm](http://www.dest.gov.au/ministers/bishop/budget07/bud07_07.htm)

7. James Prest, Peter Yeend and Susan McDonald, Social Security Legislation Amendment (Youth Allowance) Bill 1997, *Bills Digest No. 76 1997-98*, Parliamentary Library, Canberra, Australia, 29 October 1997. <http://www.aph.gov.au/library/pubs/bd/1997-98/98bd076.htm>

James Prest and Peter Yeend, Social Security Legislation Amendment (Youth Allowance Consequential and Related Measures) Bill 1998, *Bills Digest No. 156 1997-98*, Parliamentary Library, Canberra, Australia, 12 March 1998. <http://www.aph.gov.au/library/pubs/bd/1997-98/98bd156.htm#Contact>

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- Youth training allowance (YTA), newstart allowance, and sickness allowance for 16 to 20 year olds and most 15 year olds,
- AUSTUDY Scheme payments for students aged 16-24 inclusive, and older if the student commences a course prior to turning 25 years, and 15 year olds receiving Austudy, and
- More than minimum Family Payment for secondary students aged 16-18 not receiving AUSTUDY Scheme payments.

### **AUSTUDY Scheme compared to the current Austudy payment**

One of the main changes with the 1998 rationalisation was the scrapping of the old AUSTUDY Scheme. This program provided income support under the SAA to virtually anyone who was a full time student. There was then no limit on the amount or type of study undertaken. Thus tertiary students undertaking their second, third or fourth degree or doing a Masters or a PhD study could qualify for payment from the AUSTUDY Scheme, so long as they were a full time student. With the introduction of the Austudy payment in 1998, this changed. Austudy payment is currently only paid for the first undergraduate degree and there are study progress requirements.

### **Masters courses**

There is basically no fetter on an educational institution as to what it chooses to call a course. Generally Masters courses describe post graduate study but in some cases the masters component of a course could be a later part of a four year undergraduate degree course. Also, as referred to in the Minister's press release announcing the initiative in the 2007-08 Budget, there is an increasing trend to higher qualifications for professional entry.<sup>8</sup> For some professions, the acquiring of an undergraduate degree is not sufficient to be recognised and registered to practice.

### **Extension of access to rent assistance for Austudy payment recipients**

Currently, rent assistance is not payable in addition to Austudy payment. This is largely a carryover from the preceding AUSTUDY Scheme, which also did not provide access to rent assistance. One of the selling points for the rationalisation of the student assistance arrangements introduced in 1998 and the provision of the then new youth allowance to many young full time students was that they were going to be able access rent assistance.<sup>9</sup>

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8. The Hon. Julie Bishop, MP, Minister for Education, Science and Training, Extension of allowances for professional Masters studies, op. cit.

9. James Prest, Peter Yeend and Susan McDonald, Social Security Legislation Amendment (Youth Allowance) Bill 1997, *Bills Digest No. 76 1997-98*, op. cit.

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The government has said in the past about the non payment of rent assistance to Austudy recipients that:

Austudy recipients have never been entitled to rent assistance. Austudy is the only income support payment that does not attract rent assistance. While Austudy recipients cannot get rent assistance, the Government has included a generous personal income free area of \$236 per fortnight using any credit accumulated to offset high income in other fortnights. This enables full time students on Austudy to continue to be engaged in the workforce and keep most of the money they earn from casual or part time employment. There is also a higher rate of Austudy for long-term income support recipients commencing full-time study or a New Apprenticeship.<sup>10</sup>

### Non payment of rent assistance to Austudy recipients - a long standing issue of concern

The non payment of rent assistance to Austudy recipients has been a long standing issue of concern. This was manifest in the fact that the Senate Employment, Workplace Relations and Education References Committee's 2005 inquiry into student income support had as one of its terms of reference an examination of the ineligibility of Austudy payment recipients to rent assistance. The Committee did recommend that rent assistance be provided to Austudy payment recipients.

#### Recommendation 9

The committee recommends that Rent Assistance be made available for all recipients of Austudy, but not before a costing is undertaken by the Department of Education, Science and Training. The committee recommends that the costing be completed before the end of 2005 and reported to the Parliament.<sup>11</sup>

## Financial implications

See the details of the cost implications in the Background above.

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James Prest and Peter Yeend, *Social Security Legislation Amendment (Youth Allowance Consequential and Related Measures) Bill 1998, Bills Digest No. 156 1997-98*, op. cit.

10. The Hon. Mal Brough, MP, Minister for Families, Community Services and Indigenous Affairs, Answer to question on notice No. 3186, question asked by Mr Steve Georganas, MP, on 27 March 2006, House of Representatives, *Hansard*, 11 May 2006, p. 179.
11. Employment, Workplace Relations and Education References Committee, *Student income support*, Canberra, Australia, June 2005, p. v.  
[http://www.aph.gov.au/Senate/committee/eet\\_ctte/studentincome04/report/index.htm](http://www.aph.gov.au/Senate/committee/eet_ctte/studentincome04/report/index.htm)

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## Main provisions

### Schedule 1 – Amendment of the *Student Assistance Act 1973*

**Item 2** inserts a new section 42A in the SAA to provide for the recovery of amounts of Abstudy and Assistance for Isolated Children (AIC) from financial institutions. These are the two financial assistance payments paid direct to individuals under the SAA. The other student assistance payments, being youth allowance and Austudy payment, are provided under the SSA and this Act already has these payment recovery provisions.

### Schedule 2 – Amendment of the *Social Security Act 1991*

**Item 2** removes the word Master from subsection 569(2) of the SSA, which otherwise lists classes of persons who do not satisfy the activity test for Austudy payment. This will enable persons undertaking Masters study to potentially qualify for Austudy payment.

**Items 13 to 16** inserts provisions into the Austudy rate calculation provisions to include amounts of rent assistance.

**Item 18** inserts provisions to apply the rent assistance parts of the Austudy rate calculator provisions from 1 January 2008.

## Conclusion

The amendments to the SSA to potentially provide for the payment of rent assistance to Austudy recipients and also to allow payment of student income support payments (youth allowance and Austudy payment) to persons doing a Masters course are beneficial. The provision of rent assistance to Austudy payment recipients addresses a long standing criticism of the government's income support arrangements for students.

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