

Senate Standing Committee on Economics
ANSWERS TO QUESTIONS ON NOTICE
Industry, Innovation, Science, Research and Tertiary Education Portfolio
Additional Estimates Hearing 2011-12
15 February 2012

AGENCY/DEPARTMENT: DEPARTMENT OF INDUSTRY, INNOVATION, SCIENCE, RESEARCH AND TERTIARY EDUCATION

TOPIC: Independent Youth Allowance

REFERENCE: Written Question – Senator Nash

QUESTION No.: AI-56

Refer to QON response from Budget Supplementary estimates in October regarding independent youth allowance. The dept was asked to explain the need for the \$150,000 parental income test for independent youth allowance when the purpose of the criteria is for students to prove they're 'independent'. The dept responded that it ensures the available assistance is directed at those regional families and students who need it the most.

- Can the dept explain how students on independent youth allowance differ in their circumstances if they are all required to work and earn an income (without financial help from their family) to prove their independence. Are they not all in the same boat?
- Why does the dept determine the threshold based on gross salary which, once taxed, the take-home pay is significantly lower?
- Does the dept acknowledge the net salary is more transparent of real living costs and pressures faced by families trying to educate their children?
- Can the dept provide data of eligibility for independent youth allowance for regional students before the \$150K parental income test was introduced and since the income test was introduced. If not, provide an explanation as to why this data doesn't exist.

NOTE: Senator Nash touched on this issue but due time constraints could not ask more detailed questions as above.

ANSWER

All students nationally who have demonstrated they are self-supporting can qualify for independent Youth Allowance (and ABSTUDY) through full-time employment averaging 30 hours per week for at least 18 months in a two year period. As noted in the Report of the Review of Student Income Support Reforms, tightening the self-supporting criterion and increasing the parental income threshold for dependent students is consistent with the policy intent underpinning the reforms to prioritise distribution of available assistance to low- and middle-income families.

Students may also qualify as independent through age (that is, aged 22 years or higher from 1 January 2012), as a parent of a dependant child, as the member of an eligible couple, and a number of other reasons.

In addition to the general self-supporting criterion, concessional arrangements for independent Youth Allowance (and ABSTUDY) apply to regional students under the workforce

participation criterion provided they are required to live away from home to study and their parents' income is less than \$150 000 per year and either:

- have been working part-time for at least 15 hours a week for at least two years since leaving school; or
- have earned, in an 18 month period since leaving school, an amount equivalent to 75 per cent of the maximum rate of pay under the appropriate National Training Wage Award (\$19 532 up to 30 June 2011 and \$21 009 from 1 July 2011) or the rate as varied or replaced by Fair Work Australia.

This is in recognition that regional students are more likely to be required to move away from home to study while maintaining consistency with the policy intent of the reforms as outlined above. These arrangements have applied since 1 January 2011 for students living in Outer Regional, Remote and Very Remote areas of Australia and were extended to Inner Regional students on 1 January 2012.

The Bradley *Review of Australian Higher Education* found that some students from higher-income backgrounds were able to access student income support following a period of at least 18 months' part-time employment since leaving school. For instance, the Bradley Review found that 18 per cent of students who were living at home and were receiving Youth Allowance through having been considered independent were from families with incomes above \$150 000, 10 per cent from families with incomes above \$200 000 and 3 per cent from families with income of above \$300 000.

The calculation of the \$150 000 uses combined parental income consistent with other Youth Allowance provisions. Income components included in calculating combined parental income are:

- combined parental taxable income (where taxable income holds the same meaning as the *Income Tax Assessment Act 1997*);
- adjusted employer provided fringe benefits, including salary sacrifice amounts;
- target foreign income (foreign income that is not taxable income under the *Income Tax Assessment Act 1997* or received in the form of a fringe benefit);
- total net investment losses;
- reportable superannuation contributions; and
- child maintenance payments (maintenance payments made can be deducted).

Using taxable income for eligibility purposes is consistent with a range of Government payments. Youth Allowance commenced on 1 July 1998 and reflected the existing parental means testing arrangements that applied at the time for full-time students aged under 25 years and unemployed young people aged up to 18 years. The parental income test under the previous AUSTUDY scheme was based on gross income less certain business deductions. This was changed to taxable income from 1988 (using taxable income for the 1986-87 financial year).

The following table compares regional students who were granted independent Youth Allowance in the periods January-June 2010 and January-June 2011. To allow a direct comparison of student numbers before and after the introduction of the \$150 000 parental income limit, only students as described below are included:

- those who were granted independent Youth Allowance due to the above two elements of the workforce participation criterion;

- students from Outer Regional, Remote and Very Remote areas of Australia; or
- students who were 22 years of age or younger during the periods January-June 2010 or January-June 2011 – the Government’s reforms have resulted in the age of independence for ABSTUDY and Youth Allowance decreasing from 25 years to 24 years on 1 April 2010, to 23 years on 1 January 2011 and 22 years on 1 January 2012.

Independent Youth Allowance	January-June 2010	January-June 2011
Regional Student Numbers	2219	1270

Note: For data prior to 1 January 2011, remoteness area distribution is based on the recipient’s home postcode as recorded at the date of effect using the Australian Standard Geographical Classification (ASGC) 2006 Postal Areas (POA) to 2006 Remoteness Areas (RA) concordance. A recipient’s home location was not an eligibility criterion prior to 1 January 2011 and therefore it is possible that data on independent Youth Allowance students before this date may not be an accurate reflection of a recipient’s home location.

Source: Centrelink Administrative Data - DEEWR Blue Book Dataset.