



**Australian Government**

**Department of Family and Community Services**

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**Australian Government Department of  
Family and Community Services**

**Submission to the Senate Inquiry  
into Student Income Support**

**Employment, Workplace Relations and Education  
References Committee**

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Context .....	5
<b>Term of Reference 1: Current Measures for Student Income Support...</b>	<b>8</b>
<b>Youth Allowance .....</b>	<b>9</b>
Qualification Conditions .....	9
Age .....	9
Residency .....	9
Activity Test .....	9
Table: Youth Allowee Full-Time Students * .....	10
Youth Allowees (other) Undertaking Part-Time Study/Short Courses/Other Training .....	10
Youth Allowance Rates post 1 January 2004 .....	11
The ‘Away from Home’ Rate .....	11
Table: At Home or Away from Home Rate by Independent Status * .....	11
Rent Assistance .....	12
<b>Youth Allowance Parental Means Testing .....</b>	<b>12</b>
Exemptions from Parental Means Testing .....	12
The Family Assets Test .....	13
The Parental Income Test .....	13
Sibling Concessions .....	14
Table: 01 January 2004 Income Limits for the Parental Means Test .....	15
The Family Actual Means Test .....	17
Determining Independence for Youth Allowance .....	17
Independent - Youth Allowance Workforce Participation Criteria .....	18
Personal Asset Test .....	20
<b>Austudy Payment .....</b>	<b>21</b>
Qualification Conditions .....	21
Austudy Payment Rates .....	21
Special Rates .....	21
Rent Assistance for Austudy Payment recipients .....	21
Table: Austudy Payment Recipients by year * .....	21
Personal Asset Test .....	22
<b>Additional Measures to Assist Students:.....</b>	<b>23</b>
Higher Income Free Area .....	23
Table: Personal Income Limits for Youth Allowance .....	23
Table: Personal Income Limits for Austudy Payment .....	24
Student Income Bank .....	24
Table: Youth Allowance Recipients with Declared Earnings by Year .....	24
Table: Youth Allowees – Declared Earnings Ranged by Year .....	24
Table: Austudy Payment Recipients with Declared Earnings by Year .....	26
Table: Austudy Payment Recipients - Earnings Ranged by Year .....	26
Advance Payments .....	26

Fares Allowance.....	27
Newstart Allowance .....	28
Table: Education Participation – Newstart Recipients .....	28
Disability Support Pension .....	29
Rates of payment.....	29
Table: DSP rates (from March 2004)— Youth rates include YDS .....	29
Recipient numbers .....	30
Mobility Allowance .....	30
Recipient numbers .....	31
Pensioner Education Supplement (PES) .....	31
Current Rates .....	31
Education Entry Payment.....	31
Parenting Payment.....	32
Qualification Conditions .....	32
Current Rates (for the period 20 March - 30 June 2004).....	32
Family Tax Benefit Part A (FTBA) .....	33
Health Care Card .....	33
<b>Term of Reference 2: The Effect of Income Support Measures on Students and Their Families .....</b>	<b>35</b>
The Student Financial Supplement Scheme.....	36

<b>Term of Reference 3: The Importance of Adequate Income Support Measures in Achieving Equitable Access to Education.....</b>	<b>37</b>
Youth Allowance and Equitable Access.....	37
Rural Students .....	38
At Risk Young People/Students.....	38
Job Placement Employment and Training Program (JPET).....	39
Single Parents.....	40
Indigenous Students .....	40
Working Age Pensioners, Sole Parents and People with Disabilities.....	40
Pensioner Education Supplement .....	40
Mobility Allowance .....	40
Improving Access to Education.....	41
Social Security Income Test Treatment of Scholarships .....	41
Higher Education Review Changes – Legislation passed in December 2003.....	41
Commonwealth Learning Scholarships .....	41
Fee Waive Scholarships.....	41
Fee Exempt Scholarships .....	42
Budget (2004-05) Changes to Income Test Treatment of Scholarships .....	42

## Context

In his 2004 report, '*Australia's Demographic Challenges*'<sup>1</sup>, the Federal Treasurer Peter Costello describes the Government's recognition that "the income support system needs to be modernised to help achieve the goal of increased participation". The Report outlines that the Government's consultation paper '*Building a Simpler System to Help Jobless Families and Individuals*' highlighted broad support for such reform. "The challenge is how to make sure there is an optimal balance between incentives, assistance and obligations that will encourage labour force participation and assist each person to achieve their potential".

Australia's changing demographics create impending pressures for emerging generations of young people as well as for those workers who may need to retrain or upskill for new career paths. The Government's preferred approach is to "...look for ways to increase the size of the economy so that we all have higher incomes and are better able to meet the costs associated with an ageing population".

For young people and students this means:

- harnessing the aspirations and talents of young Australians;
- ensuring policies support young people's equitable participation in education;
- retaining flexibility for the various paths young people take from completing education to career;
- ensuring young people from lower social economic backgrounds have access to opportunities that enable their participation in the economic benefits of our economy;
- provision of support for remedial education for those people with literacy and numeracy difficulties;
- adequate support for older workers to retrain for different occupations that are sustainable and keep them engaged in the workforce for longer periods;
- helping those at greatest risk of long term disengagement to prepare for entry/re-entry to the workforce, participation through incentives for upskilling and education; and
- helping those with disabilities to train for a career that suits their ability and capability to participate.

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<sup>1</sup> Department of Communications, Information Technology and the Arts (2004) *Australia's Demographic Challenges*

The Australian Bureau of Statistics (ABS)<sup>2</sup> reports that most young people (15 – 24 year olds) are in education or training, or are working, with many undertaking both at once. Recent figures indicate that between 1983 and 2003 there has been a major shift from full-time to part-time employment of young people.

Larger proportions of young people are participating in non-compulsory education and there is a growing tendency for young people to combine work with study. By combining the two activities young people are able to develop practical work skills, at the same time as acquiring more specialist knowledge, thereby creating a more educated and skilled workforce. Young women and young people from non-English speaking backgrounds, who were considered previously to be disadvantaged in the education system, now have higher participation rates to Year 12 than the national average.

In June 2000, 34,752 students participated in the Australian Vice Chancellors' Committee's (AVCC) Australian Undergraduate University Student Finances Survey<sup>3</sup>.

The AVCC reported that nearly four in every ten respondents (38.7%) receive some form of government income support. The most common forms of support reported were Youth Allowance (23.3%) and Austudy (10.3%). The majority of recipients are categorised as 'independent' (19.0%) and receive their benefits at the full rate (24.8%).

More than half of all surveyed (53.3%) received no government benefits and had not applied for any government income support. The major reasons for not applying were the level of their own or their parents' income or assets.

Correspondingly, the AVCC found that part-time students (77.2%) were far more likely than full-time students (45.9%) not to have applied for, and not to have received, any form of income support. In keeping with their higher levels of full-time work, and older age profile, part-time students did not apply principally because their own income or assets were too high.

Full-time students (45.4%) were substantially more likely to receive government income support than part-time students (17.0%). Youth Allowance and Austudy Payment are restricted to persons undertaking full-time study, and hence part-time students are far less likely to receive it. Part-time students, however, are more likely to report receipt of a pension (or its equivalent), family allowances, or some other type of government support.

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<sup>2</sup> Australian Bureau of Statistics Australian Social Trends 4102.0 (2004) *Young People in Employment*

<sup>3</sup> Long, M. and M. Hayden (2001) *Paying their way: A survey of Australian Undergraduate University Student Finances, 2000*, Australian Vice-Chancellors' Committee.

"Comparing income support data with ABS data presents definitional problems, and there are differences in the applicable published age cohorts. However, FaCS data<sup>4</sup> suggests Youth Allowance clients represent around 32.2% of the population 'potentially eligible' for Youth Allowance as a full-time student averaged over the past 4 years."

Year	Total F/T Students	YA (Full-time students)	YA (FTS) as % of total
1999/00	947,900	306,055	32.3%
2000/01	977,600	308,663	31.6%
2001/02	997,500	308,192	30.9%
2002/03	952,100	310,009	32.6%
<b>Average</b>	<b>968,775</b>	<b>308,230</b>	<b>32.0%</b>

Family and Community Services (FaCS) data indicates that there were 35,378 Austudy recipients as at April 2004.

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<sup>4</sup> Department of Family and Community Services (2003) *Annual Report 2002-03*

## Term of Reference 1: Current Measures for Student Income Support

The current income support system consists of a number of quite distinct programs with specific eligibility criteria directed at particular groups in the community. The main categories are: unemployed people, students, the aged, people with disabilities and their carers, parents with primary care responsibilities, and people with a short-term illness. Each payment is classified as either a pension or an allowance, and different rates and conditions apply to each class of payment.

Income support for young people highlights the interdependent nature of their financial support. The Government provides income support where necessary, while taking account of continuing parental responsibilities for dependent young people and maintaining incentives for young people to contribute to their own upkeep.

Income support for students is intended to encourage young people themselves and their families to help young people stay in education and training and to enable people in older age groups to return to study. Assistance is targeted primarily towards young people from low-income backgrounds undertaking post-compulsory schooling and tertiary study.

The Australian Government provides specific support for students through a number of programs and payments including Youth Allowance, Austudy Payment, ABSTUDY, Assistance for Isolated Children (AIC) and various Commonwealth scholarships. Supplementary study-related assistance for people on other payments (such as Newstart Allowance, Parenting Payment and Disability Support Pension) includes the Education Entry Payment, Pensioner Education Supplement and Mobility Allowance. Unemployed people can also have part-time and short periods of full-time study recognised in their Preparing for Work Agreements (PFWAs).

Through the Family and Community Services (FaCS) portfolio, the Australian Government provides approximately \$2.3 billion of assistance through Youth Allowance and over \$60 million through Austudy Payment annually, assisting over 380,000 young people and 37,000 older students. Rates of Youth Allowance and Austudy Payment are indexed annually with Consumer Price Index (CPI) to maintain their real value.



## **Youth Allowance**

From 1 July 1998, Youth Allowance replaced Youth Training Allowance, Newstart and Sickness Allowance for under 21 year olds, AUSTUDY for under 25 year olds and the higher rate of Family Allowance for 16-18 year old secondary students.

Youth Allowance was introduced to remove disincentives, present in the earlier system, for unemployed young people to participate in study or training and to recognise the diversity of pathways that young people now take in the school to work transition.

Youth Allowance seeks to:

- ensure eligible young people receive income while studying, looking for, or preparing for, paid employment;
- encourage young people to choose further education or training over job search if they do not have sufficient skills to obtain long-term employment; and
- encourage young people to undertake a range of activities that will promote entry into employment.

### **Qualification Conditions**

Young people must meet age, residency and activity test requirements:

#### **Age**

The minimum age is 16 years, although there are exceptions for some independent 15 year olds. The maximum age is 25 years for full-time students and 21 for other young people. A student receiving Youth Allowance immediately before turning 25 can continue to receive Youth Allowance until their current course ends.

#### **Residency**

A young person must generally be an Australian resident and present in Australia when they claim Youth Allowance. Newly arrived migrants are required to serve a residency qualifying period of 2 years (104 weeks).

#### **Activity Test**

A young person meets the Youth Allowance activity test if they are studying full-time, looking for work or doing a combination of approved activities. A Youth Allowance recipient does not have to meet the activity test if they have for example, a temporary incapacity, a special circumstances exemption or are claiming a Disability Support Pension.

Under 18 year olds who have not completed Year 12 or equivalent are encouraged and expected to be in full-time education or training, although there are some exemptions. Where full-time education or training is not appropriate for a young person's circumstances, they may still qualify for Youth Allowance by entering into an activity agreement that would generally include some form of part-time education or training.

Full-time apprentices or trainees employed under an industrial agreement who have a training agreement with a training authority do not qualify for Youth Allowance.

**Table: Youth Allowee Full-Time Students \***

<b>Age</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
<b>Under 18</b>	124,636	116,428	110,700	108,429
<b>18 to 20</b>	108,504	111,490	104,189	98,852
<b>21 to 24</b>	63,040	69,017	70,243	72,321
<b>25+</b>	6,390	6,710	6,832	6,539
<b>Total</b>	<b>302,570</b>	<b>303,645</b>	<b>291,964</b>	<b>286,141</b>

\* Point in time figures as recorded by Centrelink Youth Allowees as at April each year

While there has been an ongoing decrease in the number of under 18 year old full-time students, there has also been an increase in the number of young people in this age group for whom Family Tax Benefit is payable. Families of dependent young people aged under 21 years and full-time students aged 21 to 24 years can choose either Youth Allowance or Family Tax Benefit.

The decrease in the overall Youth Allowance population can be the result of many factors including the increased participation of parents in the workforce. While the number of Youth Allowee full-time students has decreased from 2001 to 2004, the proportion of potentially eligible full-time students who receive Youth Allowance has remained fairly stable over the same period.

#### **Youth Allowees (other) Undertaking Part-Time Study/Short Courses/Other Training**

Young people are also able to satisfy the Youth Allowance activity test by undertaking one or more of a range of approved activities including short courses or part-time education or training. A different income test and Working Credit, rather than the Student Income Bank apply to those who are not full-time students.

At April 2004 approximately 2,850 youth allowees were recorded as undertaking funded programs, such as language literacy and numeracy training and adult migrant education, short courses or part-time studies. It is likely this number is understated for part-time training, as this information is not always recorded.

## Youth Allowance Rates post 1 January 2004

<b>Youth Allowance Rates post 1 January 2004</b>	<b>Rate per fortnight</b>
Single, 16-17 at home	\$174.30
Single, 18 and over, at home	\$209.70
Single, 16 and over, away from home	\$318.50
Partnered, no children	\$318.50
Partnered, with children	\$349.80
Single, with children	\$417.40
<b>Youth Allowance Special Rates for long-term unemployed or migrant English students 21 or over commencing full-time study</b>	
Single, at home	\$257.50
Single, away from home	\$386.90
Partnered, no children	\$349.80

### The 'Away from Home' Rate

The 'away from home' rate of Youth Allowance is available to:

- dependent young people who need to live away from the parental home for study or job search reasons;
- independent young people living away from the parental home;
- independent young people living in the parental home who have had a child, or who are/were a member of a couple; and
- young people in State care who are not supported by the States/Territories (by payments to themselves or indirect payments to other people or organisations).

**Table: At Home or Away from Home Rate by Independent Status \***

Rate	2001	2002	2003	2004
<b>At Home Rate</b>				
Dependent	174,185	170,321	162,987	158,052
Independent	20,158	23,690	24,060	25,070
Total	194,343	194,011	187,047	183,122
<b>Away From Home Rate</b>				
Dependent	36,517	34,566	31,481	29,117
Independent	71,710	75,068	73,436	73,902
Total	108,227	109,634	104,917	103,019

\*Point in time figures at April each year. There are currently some reporting errors affecting how separated, married, widowed, divorced people and some people aged over 25 years are attributed.

## **Rent Assistance**

Rent Assistance is available for Youth Allowance recipients receiving the 'away from home' rate of payment. Youth Allowance recipients living at home are not entitled to Rent Assistance, nor are they counted as dependent children for the purposes of Rent Assistance paid with Family Tax Benefit A (FTBA) or parental income support.

## **Youth Allowance Parental Means Testing**

Where young people are regarded as dependent on their parents, their rate of YA may be subject to parental means testing. This reflects the Government's and community expectation that parents support their young people to the extent that they can afford to do so. Parental means testing ensures that young people in similar circumstances have similar entitlements.

The vast majority of parents provide financial and material support to young people while they are undertaking study. The Final Report of the Youth Allowance Evaluation 2002 highlighted the broad community support that exists for parental means testing of young people who have not achieved independence.

The parental means test has three elements, the:

- Family Assets Test;
- Parental Income Test; and
- Family Actual Means Test (FAMT).

If a family's assets are under the Family Asset Test Limits, the rate of Youth Allowance is determined by the higher of parental taxable income and family actual means. Personal income of the Youth Allowance recipient can also affect the rate of payment.

## **Exemptions from Parental Means Testing**

If the parent of a young person is receiving an income support payment (through Centrelink or the Department of Veteran's Affairs) the Youth Allowance Parental Income Test and the Family Asset Test are not applied, but the Family Actual Means Test still applies to parents in the relevant categories.

If parents have a low-income Health Care Card, the Youth Allowance Parental Income Test does not apply, but the Parental Assets and the Family Actual Means Tests do still apply.

### **The Family Assets Test**

Where family assets exceed the Youth Allowance family assets value limit, payment of Youth Allowance is precluded. The Youth Allowance Family Asset limit is indexed annually in January, in line with the Consumer Price Index. The value limit is currently \$490,500.

The Youth Allowance family assets test only takes account of the current market value of assets (net of debt) and disregards the principal family home and curtilage. Farm assets are disregarded in total where a family member holds a drought relief exceptional circumstances certificate and the assets test is waived entirely where the young person's parents are receiving a payment under the exceptional circumstances provisions of the Farm Household Support Act. In addition, a 75% discount is applied to business assets (including farms).

### **The Parental Income Test**

The Parental Income Test (PIT) for Youth Allowance assesses income as the combined parental income in the appropriate tax year. The appropriate tax year is generally the base tax year, which is the tax year that ended on 30 June in the previous calendar year from the year of claim. Current year income (base year plus one year) may be used where income in the current year is significantly less than that of the base year or when current year income is over 125% of base year taxable income.

Youth Allowance uses a different method of assessing parental income to that used for FTBA purposes. While both FTBA and YA add back certain non-taxable types of income (including negative gearing losses and target foreign income) the YA parental income test also adds back the value of other net passive business losses.

A net passive business loss is the difference between the total deductions that can be claimed in respect of a passive business in a tax year and the gross income from that business during the same tax year. A passive business is one in which the parent is engaged for less than 17.5 hours a week (on average) and includes primary production, providing professional services, and investments including shares, property etc

The Parental Income Free Area is currently \$28,150 and is indexed each January in line with the CPI. The rate of Youth Allowance payable is reduced by 25c for each dollar over the threshold.

### Sibling Concessions

The parental income and family actual means limits are increased if there are *additional* dependent siblings. Sibling Concessions are not indexed.

The following amounts are added to the parental income limits for additional dependent siblings:

For first additional child under 16 years	\$1,230
For second (and subsequent) additional child under 16 years	\$2,562
For each additional student attracting Assistance for Isolated Children boarding allowance	\$3,792
For each additional dependent child aged over 16 attracting Youth Allowance, Fare Allowance, Veterans Children's Education Scheme VCES or ABSTUDY	\$3,792
For each additional tertiary student getting living away from home rate of Youth Allowance where there are two such children in the family	\$7,585

Youth Allowance is paid at maximum rates where parental income is below the Parental Income Free Area (\$28,150) plus additional sibling concession amounts. YA (for each eligible child) is reduced by 25c for every \$1 of parental income over this amount.

Table: 01 January 2004 Income Limits for the Parental Means Test

01 January 2004 Income Limits for the Parental Means Test (Youth Allowance is payable below these limits)					
Children			Youth Allowance		
Number*	Ages	Circumstances	No Rent Assistance	Full Rent Assistance (single, no children \$95.40 pf)**	Sharer's Rate Rent Assistance (\$63.60pf)**
One	16	At home	\$46,278	N/A	N/A
One	16	Away from home Secondary	\$61,274	\$71,196	\$67,889
One	18	At home	\$49,962	N/A	N/A
One	18	Away from home Secondary	\$61,274	\$71,196	\$67,889
Two	1x16	Both at home	\$50,070	N/A	N/A
	1x18		\$53,754	N/A	N/A
Two	1x16	Both away from home	\$65,066	\$74,988	\$71,681
	1x18	Secondary	\$65,066	\$74,988	\$71,681
Two	1x18	Tertiary Students	\$68,859	\$78,679	\$75,474
	1x19	Both away from home	\$68,859	\$78,781	\$75,474
Three	1x16	At home	\$53,654	N/A	N/A
	1x16	Both away from home	\$68,858	\$78,781	\$75,473
	1x18	Secondary	\$68,858	\$78,781	\$75,473
	1x16	At home	\$61,448	N/A	N/A
Three	1x18	Both tertiary students,	\$72,651	\$82,573	\$79,266
	1x19	away from home	\$72,651	\$82,573	\$79,266

\*Income limits can be higher if there are other additional dependent siblings in the family.

\*\*Rent Assistance is indexed in March and September each year.



### **The Family Actual Means Test**

The Family Actual Means Test (FAMT) was introduced under the former AUSTUDY to alleviate community concerns that some people may be able to minimise their taxable income and therefore access student assistance.

The objective of the FAMT is to ensure that people in different financial circumstances but with the same net financial capacity are treated equally, as far as possible, in assessing their children's entitlement to assistance. While the parental income test is based on parents' combined taxable income for a financial year, the FAMT is based on spending and saving of family members for that financial year.

The FAMT is only applied in certain circumstances, such as if, in the assessable year, the parents of a dependent young person have an interest in a trust, private or unlisted public company, or were self-employed or a partner in a partnership. Parents involved in these circumstances may in some instances be able to legitimately minimise their taxable income because of their financial arrangements, but their actual means may be higher. The FAMT provides a fairer measure of their ability to support their family. It is important to note that any business related expenditure that is tax deductible is not included in a family's actual means.

Families involved in a FAMT category for the appropriate tax year are subject to the family actual means test, parental income and family assets test. If a family is over the cutout point for any of these tests, they are deemed ineligible for Youth Allowance.

Therefore a family may satisfy the parental income and family assets test, however, they may be found ineligible for Youth Allowance under the FAMT if spending and savings are beyond the cutout point.

In some cases, current circumstances can be taken into consideration for families who expect their actual means to decrease for a period of two years due to unforeseen circumstances. The current FAMT assesses spending and savings for the financial year after the base tax year.

### **Determining Independence for Youth Allowance**

Parental means testing does not apply if the young person is assessed as independent. Independence for Youth Allowance purposes can be obtained in a number of ways, including through minimum levels of prior workforce participation, marital status, or where it is unreasonable to live at home. Single, dependent young people receive the 'at home' rate of payment unless they live apart from their parent(s) for approved reasons.

Young people are independent and exempt from the parental means test for Youth Allowance if (they):

- are, or have been, self-supporting through employment (see Independent -Youth Allowance Workforce Participation Criteria); or

- are a refugee;
- are in State care;
- it is unreasonable for them to live at home;
- are 18 years of age or older and have a work history but who experience education or employment disadvantage;
- are, or have been, a member of a couple (conditions apply);
- have, or have had, a dependent child;
- are aged 25 years or over;
- are orphaned; or
- have parents who cannot exercise their responsibilities because they are in prison, a psychiatric hospital or similar.

A young person who is or has been married, or who lives or has lived in a marriage-like (defacto) relationship for at least 12 months on a continuous basis may qualify for Youth Allowance as an independent person and not be subject to parental means testing.

Granting independence status to orphans acknowledges that many young people in this situation have no access to parental support. The same principle applies to other young people; such as those who are wards of the state or whose parents are unable to exercise their responsibilities to that young person (for example, if the parent is imprisoned or in psychiatric care). Youth Allowance is designed to ensure that young people in these situations receive an adequate and appropriate level of support.

At April 2004, around one third of full-time students were assessed as independent.

### **Independent - Youth Allowance Workforce Participation Criteria**

Under Youth Allowance, it is recognised that some young people have established financial independence from their parents through working. To be assessed as independent under these criteria, the young person must have:

- worked full-time for 30 hours a week for at least 18 months in a two year period since leaving school;
- worked part-time for at least 15 hours a week for at least two years since leaving school; or
- earned an amount equivalent to 75 per cent of the Commonwealth Training Award Rate (currently \$ 15 990) in an 18 month period since leaving school.

These criteria reflect a view that 18 months of part-time employment is a sufficiently long period to demonstrate that a young person has established and sustained their financial independence from their parents.

Paid work undertaken overseas may be used to help meet any of the workforce participation independence criteria for Youth Allowance.

At April 2004, 22% of full-time students were assessed as independent through workforce participation.

### Personal Asset Test

A personal assets test applies to *independent* Youth Allowance recipients unless their partner receives income support. Assets of dependent allowees are included in the family assets test.

Personal Assets Value Limit (independent Youth Allowance)  
(indexed on 1 July)

<b>Family Situation</b>	<b>Allowable assets</b>
Single, independent, homeowner	\$149,500
Single, independent, non-homeowner	\$257,500
Partnered, independent, homeowner	\$212,500 (combined)
Partnered, independent, non-homeowner	\$320,500 (combined)

## Austudy Payment

Austudy Payment is payable to people aged 25 and over who are studying or training full-time (and some students who can not study full-time). It was introduced on 1 July 1998.

### Qualification Conditions

A person must be 25 years or over; satisfy the residency requirements and be undertaking qualifying study. Austudy Payment can not be paid to a person who:

- is employed full-time as an apprentice or trainee; or
- has completed a course for a Master's degree or Doctorate (or overseas equivalent).

### Austudy Payment Rates

<b>Standard Rates</b>	
Single	<b>\$318.50pf</b>
Single, with children	<b>\$417.40pf</b>
Partnered, no children	<b>\$318.50pf</b>
Partnered, with children	<b>\$349.80pf</b>

<b>Special Rates</b>	
Special rates for long-term unemployed or migrant English students commencing full-time study	
Single	<b>\$386.90pf</b>
Partnered, no children	<b>\$349.80pf</b>

### Rent Assistance for Austudy Payment recipients

Austudy Payment is the only income support payment that does not attract Rent Assistance. Rent Assistance was not available under the previous AUSTUDY scheme and this has been the case for many years under successive governments. Austudy Payment recipients with dependent children may qualify for Rent Assistance with their Family Tax Benefit. Where an Austudy Payment recipient has a partner in receipt of an income support payment with which Rent Assistance is payable, the partner may receive the full partnered rate of Rent Assistance.

Table: Austudy Payment Recipients by year \*

Calendar Year	Austudy Payment recipients
2001	42,090
2002	40,956
2003	37,968
2004	35,378

\*point in time figures at April

### Personal Asset Test

A personal assets test applies to Austudy Payment recipients unless their partner receives income support. The asset limits are the same as for independent Youth Allowance recipients.

Personal Assets Value Limit independent Austudy Payment (indexed on 1 July)

<b>Family Situation</b>	<b>Allowable assets</b>
Single, independent, homeowner	\$149,500
Single, independent, non-homeowner	\$257,500
Partnered, independent, homeowner	\$212,500 (combined)
Partnered, independent, non-homeowner	\$320,500 (combined)

## Additional Measures to Assist Students:

### Higher Income Free Area

The Youth Allowance and Austudy Payment personal income test allows full-time students to have income of \$236 per fortnight before payments are reduced (this compares with \$62 per fortnight for other people on allowance payments, including Youth Allowance recipients who are not in full-time study). The first \$80 of income over these income free areas reduces fortnightly allowance by 50 cents in the dollar. Any income beyond this reduces fortnightly allowance by 70 cents in the dollar. A partner income test also applies.

Table: Personal Income Limits for Youth Allowance

<b>Personal Income Limits for Youth Allowance (\$pf)</b>		
<b>(No payment if fortnightly income is equal to or more than these figures)</b>		
	<b>Full-time student (\$236 pf free area)</b>	<b>Other YA or Newstart Allowance recipients young people (\$62 pf free area)</b>
<b>Single, 16-17, at home</b>	\$507.86	\$333.86
<b>Single, 18 or over, at home</b>	\$558.43	\$384.43
<b>Single, away from home</b>	\$713.86#	\$539.86#
<b>Partnered, no children</b>		
<b>Partnered with children</b>	\$758.57#	\$584.57#
<b>Single, with children</b>	\$855.14#	\$681.14#
<b>Special rates for long-term unemployed or migrant English students, 21 and over, commencing full-time study</b>		
<b>Living at home</b>	\$626.71	N/a
<b>Living away from home / independent</b>	\$811.57#	N/a
<b>Partnered, no children</b>	\$758.57#	N/a

# These figures may be higher if Rent Assistance or Pharmaceutical Allowance are payable.

**Table: Personal Income Limits for Austudy Payment**

<b>Single</b>	<b>\$713.86</b>
<b>Single, with children</b>	<b>\$855.14</b>
<b>Partnered, with children</b>	<b>\$758.57</b>
<b>Partnered, without children</b>	<b>\$713.86</b>
<b>Long-term unemployed, over 21, commencing full-time study, Single</b>	<b>\$811.57</b>
<b>Long-term unemployed, over 21, commencing full-time study, Partnered - no children</b>	<b>\$758.57</b>

**Student Income Bank**

Full-time students/trainees receiving Youth Allowance or Austudy Payment have access to the student income bank, which allows them to keep more of their income support where they earn income over short periods - like vacation employment. Any unused part of their fortnightly income free area of \$236 per fortnight is accumulated in the income bank, up to a maximum of \$6,000. The student income bank balance is then used to offset the effect of casual earnings over the income free area.

**Table: Youth Allowance Recipients with Declared Earnings by Year**

Calendar Year	# with earnings*	Average**
1999	145,850	\$2,798.17
2000	170,500	\$3,169.11
2001	186,231	\$3,421.25
2002	206,546	\$3,789.40
2003	206,253	\$4,529.45

\* flow populations

\*\* Averages are for recipients with declared income

**Table: Youth Allowees - Declared Earnings Ranged by Year**

(reliable information about hours worked is not available)

Income Range	1999	2000	2001	2002	2003
\$1000 or less	45,891	46,894	48,912	49,784	44,310
Over \$1000 to \$2000	26,689	29,104	30,520	32,198	29,726
Over \$2000 to \$3000	19,918	22,793	23,873	25,250	24,256
Over \$3000 to \$4000	15,074	18,345	19,621	21,064	19,901
Over \$4000 to \$5000	11,925	15,030	16,334	17,909	17,038
Over \$5000 to \$6000	8,890	11,872	13,316	14,997	14,744
Over \$6000 to \$7000	6,139	8,372	9,787	11,935	12,002
Over \$7000 to \$8000	4,229	6,004	7,392	9,063	9,606
Over \$8000 to \$9000	2,741	4,057	5,374	6,894	7,600
Over \$9000 to \$10000	1,827	2,924	3,741	5,124	5,892
Over \$10000	2,527	5,105	7,361	12,328	21,178



Total	145,850	170,500	186,231	206,546	206,253
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**Table: Austudy Payment Recipients with Declared Earnings by Year**

Calendar Year	# with earnings *	Average **
1999	20,673	\$3,579.09
2000	22,468	\$3,801.41
2001	23,938	\$3,922.14
2002	25,791	\$4,183.93
2003	24,089	\$4,944.21

\* flow populations

\*\* Averages are for recipients with declared income

**Table: Austudy Payment Recipients - Earnings Ranged by Year**

(reliable information about hours worked is not available)

Income Range	1999	2000	2001	2002	2003
\$1000 or less	5,032	5,152	5,319	5,561	4,581
Over \$1000 to \$2000	3,394	3,498	3,617	3,815	3,227
Over \$2000 to \$3000	2,736	2,868	3,022	3,089	2,735
Over \$3000 to \$4000	2,201	2,357	2,505	2,638	2,402
Over \$4000 to \$5000	1,939	2,091	2,166	2,295	2,122
Over \$5000 to \$6000	1,551	1,712	1,893	1,978	1,824
Over \$6000 to \$7000	1,061	1,322	1,456	1,545	1,503
Over \$7000 to \$8000	831	930	1,065	1,206	1,168
Over \$8000 to \$9000	554	756	780	968	939
Over \$9000 to \$10000	414	522	560	714	719
Over \$10000	960	1,260	1,555	1,982	2,869
<b>Total</b>	<b>20,673</b>	<b>22,468</b>	<b>23,938</b>	<b>25,791</b>	<b>24,089</b>

FaCS does not have reliable data regarding the number of *hours* worked by students, however these tables indicate a sustained increase since 1999, in reported earnings of full-time students'. There could be a number of reasons for this including, better availability of part-time and casual employment, increases in rates of pay, better compliance and the introduction of more targeted reviews.

The average earnings for those with declared earnings would be within the income-free area if earned evenly throughout the year. In many cases, those with average earnings who do not work during the academic year, but who undertake employment in the long vacation, would also be able to retain their full entitlement to income support because of the operation of the Student Income Bank.

### Advance Payments

Income support recipients, including those receiving student payments, can get between \$250 and \$500 of their entitlement advanced each 12 months. The advance is recovered by reduced fortnightly payments over the following six months.

Approximately 90,000 Austudy Payment and Youth Allowance students were assisted through advance payments during the 2003 calendar year.

### **Fares Allowance**

Fares Allowance reimburses travel costs incurred by eligible tertiary students receiving Youth Allowance, Austudy Payment and Pensioner Education Supplement (PES) who are required to live away from home while studying. The amount of Fares Allowance paid is normally the cost of the cheapest practicable mode of public transport, usually bus or train. Fares Allowance cannot be paid until Youth Allowance, Austudy Payment or PES becomes payable. Fares Allowance can be claimed up to 31 March of the year following the year of study.

Approximately 4270 students will be assisted through Fares Allowance in 2003-4 at a cost of approximately \$1.5 m.

## Newstart Allowance

Newstart Allowance is a payment which assists unemployed people aged 21 years and over to find employment. Newstart is not intended as a payment for students and recipients are generally not able to undertake full-time study. However, there are some circumstances under which people can study full-time and still receive Newstart Allowance.

Generally a person on Newstart would be expected to test their employability in the labour market for at least 6 months before being given approval to participate in a full-time short course. However, a full-time short course can be approved prior to testing employability in the labour market if participation in the course would clearly improve the recipient's short-term employment prospects. To improve a person's short term employment prospects it would be expected that after completing the course, the person would be able to gain employment in the field in which they studied within 2 months. The course would be included as an activity in the job seeker's Preparing for Work Agreement (PFWA).

Where a student has less than 12 months of their course remaining and is not eligible for Youth Allowance or Austudy Payment because they have exceeded their allowable time, the remainder of their course may be included in a Preparing for Work Agreement under Newstart Allowance. This applies to undergraduate courses and some masters courses. It does not apply to people studying full-time for a PhD.

Any part-time study of less than 20 hours (total) per week does not need approval as long as the job seeker is still able to full satisfy their job search requirement and other obligations.

**Table: Education Participation – Newstart Recipients**

Activity	Numbers
Adult Literacy Course	153
Adult Migrant Education	1,264
Full-time Student	363
Language, Literacy and Numeracy	3,278
Mutual Obligation Education and Training	851
New Enterprise Incentive Scheme pre-training course	846
New Apprenticeship Access Program	179
Short Course	8,389

## Disability Support Pension

Disability Support Pension (DSP) is generally payable to people aged between 16 years and Age Pension age (currently 62½ for women and 65 years for men). To be eligible for DSP, a person must be permanently blind; or have a permanent physical, intellectual or psychiatric impairment of at least 20 points under the impairment tables and be unable to do any work for at least 30 hours a week at award wages, or be re-skilled for any work, for at least the next two years because of that impairment.

Assessment of work capacity for DSP takes into account the likelihood of educational, vocational or on-the-job training enabling the person to work within the next two years. Students engaged in unmodified full-time study are unlikely to qualify for DSP because the activities required are generally comparable to the activities required to undertake full-time work. Students undertaking mainstream education or training with the aid of special equipment or concessions (for example with unscheduled breaks or at a slower pace) would not qualify for DSP if the course would equip them with skills to undertake work of 30 hours or more a week at full award wages within two years. If a person is aged 55 years or over, consideration of whether training is likely to enable the person to work can take into account the likely availability of work in the local labour market.

Participation in education or training programs designed specifically for people with disabilities does not preclude payment of DSP, even if the training could prepare the person for work within two years.

### Rates of payment

DSP is not taxable for recipients under Age Pension age. The maximum single rate of DSP for recipients aged 21 years or over is \$464.20 per fortnight. The maximum rate for couples is \$387.60 each per fortnight.

Rates of payment to people aged under 21 years are not subject to parental means testing, but vary according to age, whether the recipient is living at home or independently and whether the recipient is single or a member of a couple. DSP recipients aged under 21 years receive Youth Disability Supplement (YDS) of \$90.10 per fortnight on top of the base rates of payment. Rates (including YDS) range from \$264.40 per fortnight for single recipients aged under 18 years and living at home to \$408.60 per fortnight for single recipients living independently. Disability Support Pensioners aged under 21 who are single with children or partnered are paid adult rates.

**Table: DSP rates (from March 2004)— Youth rates include YDS**

		Rate per fortnight
Single	aged under 18, at home	\$264.40
	aged under 18, independent	\$408.60
	aged 18-20, at home	\$299.80
	aged 18-20, independent	\$408.60
	aged 21 or over	\$464.20
Member of a	aged under 18	\$387.60 each

<b>couple</b>	aged 18-20	\$387.60 each
	aged 21 or over	\$387.60 each

DSP recipients are also paid Pharmaceutical Allowance of \$5.80 per fortnight (or \$2.90 per fortnight for each eligible member of a couple) and have Pensioner Concession Cards (PCC) which entitle them to concessions on prescription drugs through the Pharmaceutical Benefits Scheme. State, territory and local governments offer various concessions to PCC holders, for example on public transport fares, rates, power bills and car registration charges.

DSP recipients may also be paid:

- Rent Assistance, if paying non-government rent. Rates vary depending on the amount of rent paid, and family or household composition;
- Telephone Allowance of \$19.20 per quarter for telephone subscribers;
- Remote Area Allowance of \$18.20 per fortnight for single people or \$15.60 per fortnight for each member of a couple, plus \$7.30 per fortnight for each dependent;
- Pensioner Education Supplement of either \$31.20 or \$62.40 per fortnight depending on the study load; and
- Education Entry Payment of \$208.00 if they are enrolled in an approved full-time course. Education entry payment is made once in a calendar year.

### **Recipient numbers**

As at June 2003, there were over 670,000 people receiving DSP. Almost 19,000 of these people (2.8%) also received the pensioner education supplement. In June 2003 over 1800 people receiving DSP received an education entry payment.

### **Mobility Allowance**

Mobility Allowance is payable to people aged 16 years or over, who are permanently, or for an extended period, unable to use public transport without substantial assistance due to their disability. Recipients must be undertaking an approved activity and be required to travel to and from their home for the purpose of undertaking that activity. Approved activities must be for at least 32 hours every four weeks and include any combination of employment, voluntary work and vocational training.

Payment is not subject to means testing and the current rate is \$68.00 per fortnight. Mobility Allowance recipients also receive a Health Care Card (unless they already hold either a pensioner concession card or health care card through another social security payment).

### **Recipient numbers**

As at June 2003, about 44,600 people were receiving Mobility Allowance. Around 2,900 of these people (6.5%) had an activity type of tertiary study.

### **Pensioner Education Supplement (PES)**

The Pensioner Education Supplement provides help to certain disadvantaged pensioner groups, such as sole parents and people with disabilities, who are studying. This assistance is available at part-time and full-time study rates.

#### **Current Rates**

\$62.40 per fortnight is payable to:

- approved students who are either disability support pensioners or invalidity service pensioners; or
- approved students with War Widow(er) Pension receiving an invalidity income support supplement who have a dependent child.

\$31.20 per fortnight is paid to:

- approved students, other than those above, with at least a 25% study load.

As at April 2004 there were approximately 53,390 students receiving PES. Of these 48,970 (approximately) receive the full rate payable of \$62.40 per fortnight and 4,390 receive a part rate of \$31.20 per fortnight. In 2003-4 approximately \$74.7 m of assistance will be provided to students through PES.

### **Education Entry Payment**

The Education Entry Payment is a one-off payment which is available to help some allowance or pension recipients when they first start a course of full-time study.

## Parenting Payment

Parenting payment (PP) is the main form of income support available to parents with the primary care of children. The payment is targeted to low-income parents with responsibility for the care of a child aged under 16 years.

There are two categories within the payment:

- PP (single) (PPS) – which is Parenting Payment for sole parents, and is paid under pension conditions with some modifications;
- PP (partnered) (PPP) – which is Parenting Payment for partnered parents, and is paid under allowance conditions with some modifications.

Students on Parenting Payment are able to access a range of additional supports including:

- Personal Advisers who provide extra help to recipients to get a job or to participate as fully as possible in their community. Personal Advisers provide individualised assessment and advice about support and options available;
- The Jobs Education and Training Services (JET), which helps people access education, vocational training, employment, and if required, child care to help them with job seeking or making the transition to work; and
- The Pensioner Education Supplement (PES) and Education Entry Payment (EdEP), which help people with the costs of studying.

## Qualification Conditions

To qualify for Parenting Payment a claimant must have:

- the care of a dependent child/ren aged under 16;
- income and assets under certain amounts (details below);
- been an Australian resident for at least two years, or be a refugee, or have become a sole parent while an Australian resident, or have a qualifying residents exemption.

## Current Rates (for the period 20 March - 30 June 2004)

The rate of PP is indexed in line with the CPI in March and September each year.

In addition, the Government has legislated to maintain the single rate of pension at 25% of Male Total Average Weekly Earnings (MTAWE). This affects pension PP (single).



## **Family Tax Benefit Part A (FTBA)**

FTBA is a per child payment to help families with the cost of children that is:

- payable to all children aged under 16;
- payable between the ages of 21 and 24 only if the child is a full-time student;
- not payable if the child is aged over 16 and the child's income exceeds \$8613 pa;
- not payable if the child is getting a Prescribed Education Scheme payment (eg ABSTUDY); and
- not payable if the child is getting an income support payment (eg Youth Allowance, Disability Support Pension).

The rate for children aged 16-17 is \$42 per fortnight (or \$1095.00 per annum) and the rate for dependent students aged 18-24 is \$56.42 per fortnight (or \$1471 per annum). Following changes announced in the 2004 Budget an additional \$600 is available per child per year at the time the Family's FTBA entitlement is reconciled (thus total entitlement for 2003/2004 financial year is equivalent to approximately \$65 and \$79 per fortnight, respectively).

These rates are subject to an income test that applies once family income reaches \$82,052 plus \$3285 for each Family Tax Benefit child after the first. FTBA decreases by 30 cents for every dollar over that amount until the payment reaches nil.

Because Youth Allowance is a targeted income support payment that typically cuts out an income lower than the threshold for FTBA, the parents of many dependent full-time students receive FTBA for their student children. The decision over which payment will provide the greater entitlement is not simple and requires a parent to work out the point at which the rate of FTBA (and for some families also Family Tax Benefit Part B (FTBB)) for a particular child would be greater than their Youth Allowance rate. This depends on the rate the child is entitled to; whether there are other siblings and the payment they receive; and whether or not the parent would be eligible for FTBB if the child received FTBA and not income support.

## **Health Care Card**

Students who are receiving payments other than pensions or student payments are entitled to a Health Care Card and receive one for themselves and their dependents automatically. Health Care Cards are also provided automatically to people receiving Mobility Allowance and Carer Allowance for a child under the age of 16.

Full-time students receiving Youth Allowance and Austudy Payment recipients do not receive a Health Care Card automatically but most would have incomes low enough to receive such a card under the Low Income Card scheme. The current weekly income

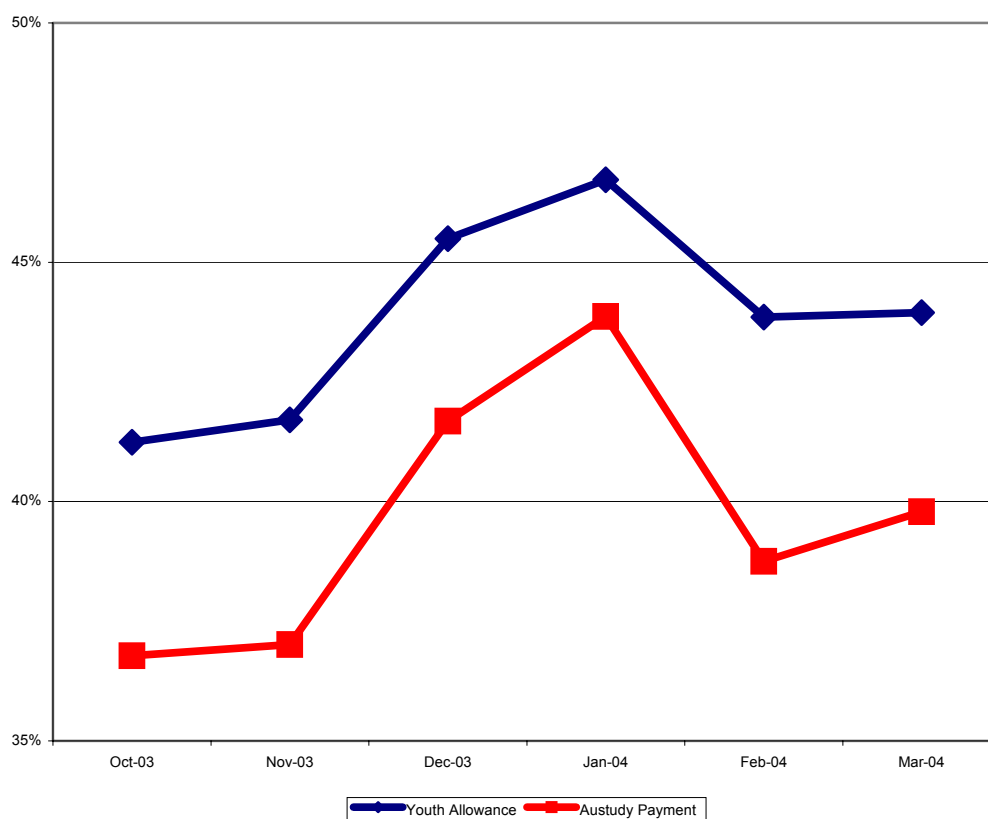
limits under this scheme are \$336 for a single person, \$559 for a couple and \$593 for a one or two-parent family with one child, plus \$34 for each additional child.

## Term of Reference 2: The Effect of Income Support Measures on Students and Their Families

Student Income Bank assists Youth Allowance and Austudy full-time students to undertake vacation employment while retaining a greater proportion of their income support. This table shows the increase in proportion of Youth Allowance and Austudy students with declared earnings over the long vacation period. It indicates that many are making good use of the Student Income Bank.

FaCS does not have reliable data on the number of hours worked by Youth Allowance or Austudy Payment recipients.

**% of Youth Allowance and Austudy Payment full-time students reporting earnings - by month over the long vacation period 2003/04**



## **The Student Financial Supplement Scheme**

The Student Financial Supplement Scheme (SFSS) was introduced in 1993 in a time of high interest rates, high levels of youth unemployment and when there were few commercial loan packages available to tertiary students. The SFSS allowed tertiary students receiving Youth Allowance (YA), Austudy Payment, ABSTUDY or Pensioner Education Supplement (PES) the option of trading in all or part of their income support allowance for a loan to assist with expenses while studying. Since 1993, SFSS loans have been provided with a value of more than \$2.3 billion.

The scheme was voluntary and required students to trade-in \$1 of income support or PES for \$2 of loan. For example a student, entitled to the maximum rate, could trade in up to \$3,500 for a supplement loan of up to \$7,000. This student then had a debt of \$7,000 to be repaid.

A five-year moratorium applies before compulsory repayment is made through the tax system when taxable income reaches the \$34,494 (2003) threshold. The Australian Taxation Office buys back outstanding loans after the moratorium period and manages loan repayments. While it is only 10 years since implementation of the Scheme, the Australian Government Actuary has calculated an estimated doubtful debt amount of over \$1B, i.e. 84 per cent for DEST student assistance programs and 56 per cent for FaCS income support programs.

Take-up of the loan continued to decrease each year from 1998 as students recognised its flawed structure, particularly where income support entitlement became a repayable loan. The greatest decrease in take-up was in the Youth Allowance population where take-up declined by more than one third.

The SFSS closed on 1 January 2004.

## Term of Reference 3: The Importance of Adequate Income Support Measures in Achieving Equitable Access to Education

### Youth Allowance and Equitable Access

Youth Allowance was designed with an activity test that allows young people to qualify for income support by undertaking a combination of activities such as part-time study, part-time work, job seeking or voluntary work among others. This flexibility allows any barriers to participation that the young person may have to be addressed prior to participation in the employment market or further education or training.

Youth Allowance has successfully encouraged young people to participate in full-time education or training rather than remain unemployed, due to incentives such as the higher fortnightly income-free area and the Student Income Bank. These initiatives enable those young people who can, to remain engaged in part-time or casual employment while undertaking full-time study.

The Youth Allowance Evaluation report released in 2002 utilised a range of data sources including three rounds of community consultations, Centrelink administrative data and a number of major surveys of Youth Allowance recipients, including a longitudinal survey of Youth Allowance recipients. The report confirmed that Youth Allowance has been extremely successful in supporting young Australians and encouraging more young people to stay in education and training. The key findings from the three-year study indicated:

- more students were receiving income support since the introduction of Youth Allowance;
- a greater proportion of all income support recipients were full-time students (rather than jobseekers);
- there was a significant and sustained increase of under 18 year-old income support recipients in full-time education or training under Youth Allowance;
- there was a sustained decrease in the number and proportion of under 18 year-old income support recipients who were unemployed and not in full-time study under Youth Allowance;
- young people who receive income support are more likely to be engaged in education and training than under previous income support arrangements;
- Youth Allowance supports young people from more disadvantaged backgrounds to stay at school;
- Youth Allowance played a role in reducing the number of unemployed early school leavers by encouraging and providing support to study. Youth Allowance also supported early school leavers to return to study;
- an increase in participation in post-school education and training was linked to the introduction of Youth Allowance;

- two-thirds of students receiving Rent Assistance rated it as important to their decision to study;
- among those students who had previously received Rent Assistance as jobseekers, just under a third indicated they would not have been able to study without Rent Assistance;
- over three-quarters of survey respondents who had moved from rural and remote areas nominated Rent Assistance as a factor in their decision to study; and
- of students who had moved from a remote location in the year before the survey, nearly 40 per cent said they would not have been able to study without Rent Assistance.

## **Rural Students**

Rural students now have greater access to education than ever before, the Government has made significant progress in removing barriers often faced by rural students, including:

- extending Rent Assistance to eligible students under Youth Allowance, allowing more young people from rural areas are able to live away from home to study or look for work;
- increasing the Youth Allowance family assets test discount for farm and business assets from 50% to 75%;
- disregarding farm assets in the Youth Allowance family asset test where a family member holds a drought relief exceptional circumstances certificate;
- waiving the asset test where the young person's parents are receiving a payment under the exceptional circumstances provisions of Farm Household Support Act; and
- all full-time students receiving Youth Allowance have access to generous income free area of \$236 per fortnight, as well as the student income bank. This offsets the impact of income earned on Youth Allowance and ensures that students are able to balance work and study.

Further assistance is available under the Assistance for Isolated Children Scheme which is managed by the Department of Education, Science and Training.

## **At Risk Young People/Students**

The Government provides income and support for young people and students with additional assistance for those at risk. Youth Allowance assists young people to study or look for work and also assists those temporarily unable to study or look for work because of illness or personal crisis. Young people are required to meet an Activity Test through activities such as study, job search, voluntary employment, participating in assistance programs and other approved activities.

The Government is aware that young people at risk may require specialised assistance. They may be exempted from the Activity Test while they access specialist assistance to address their issues. Centrelink develops individual Preparing for Work Agreements specifically for young people in consultation with customers, service providers and community organisations.

In certain circumstances where young people may face extreme hardship and are unable to live at home they may be eligible to receive the independent rate of Youth Allowance on the basis that it is unreasonable for them to live at home. The Unreasonable to Live at Home (UTLAH) independent rate can be granted to young people where they cannot live in the home of either or both of their parents because:

- of extreme family breakdown or other exceptional circumstances; or
- it would be unreasonable to expect the young person to do so as there would be a serious risk to their physical or mental well-being due to violence, sexual abuse or other similar unreasonable circumstances; or
- their parents are unable to provide the young person with a home because they lack suitable accommodation.

#### **Job Placement Employment and Training Program (JPET)**

JPET assists young people aged 15 to 21 who are homeless or at risk of homelessness, to overcome personal and social barriers and engage more fully in the life of their communities to achieve greater social and economic participation, including participation in education or vocational training.

## **Single Parents**

Single parents in receipt of the Parenting Payment are able to access a range of support mechanisms such as:

- Personal Advisers who provide extra help to recipients to get a job or to participate as fully as possible in their community. Personal Advisers provide individualised assessment and advice about support and options available;
- The Jobs Education and Training Services (JET), which helps people access education, vocational training, employment, and if required, child care to help them with job seeking or making the transition to work; and
- The Pensioner Education Supplement (PES) and Education Entry Payment (EdEP), which help people with the costs of studying.

## **Indigenous Students**

The Department of Education, Science and Training manages the ABSTUDY Scheme which is a package of assistance for eligible Indigenous students, including: ABSTUDY Living Allowance; Rent Assistance; Remote Area Allowance and Pharmaceutical Allowance.

## **Working Age Pensioners, Sole Parents and People with Disabilities**

### **Pensioner Education Supplement**

The Pensioner Education Supplement provides help to most working-age pensioners including sole parents and people with disabilities who are studying, in the expectation that in the future this study may lead to commencing paid work. It is hoped that they will then be in a much better position to support themselves and their families through employment and as a result, will need to rely less on income support.

### **Mobility Allowance**

Mobility Allowance helps people over 16 years of age with a disability who cannot use public transport without substantial assistance and undertaking a combination of activities that can include vocational training.



## **Improving Access to Education**

### **Social Security Income Test Treatment of Scholarships**

While the *Social Security Act 1991* (the Act) does not define a specific income test treatment of scholarships, as a general rule, scholarships paid in Australia come under the definition of income that includes 'valuable consideration' and so are generally assessed under the Act.

Specific exemptions exist for:

- scholarships covered by the Higher Education Reform Package (discussed below);
- approved scholarships that are awarded for overseas study and have no living allowance component. Approved scholarships are defined under s24A of the *Social Security Act 1991* (only 3 have ever been approved);
- scholarships covered by the 2004-05 Budget changes.

Where a scholarship provides a student with a HECS-exempt place it is not 'valuable consideration' and no income is assessed. This is because the student never incurs a liability and therefore legally there is nothing to value.

### **Higher Education Review Changes – Legislation passed in December 2003.**

#### **Commonwealth Learning Scholarships**

Introduced in January 2004 to assist rural, regional, low income and indigenous students. Commonwealth learning scholarships were exempted from the income test under social security law, that is, they are NOT income for social security purposes.

These scholarships comprise:

- Commonwealth Education Costs Scholarship of \$2,000 a year for up to 4 years
- Commonwealth Accommodation Scholarship of \$4,000 a year for up to 4 years

#### **Fee Waive Scholarships**

In addition, transitional and consequential legislation was passed to allow for similar treatment (that is, an exemption from the income test) for scholarships that waive fees in 2004. This measure only applied to scholarships in the higher education sector that fully waived fees. It will allow higher education institutions time to make the necessary administrative arrangements to comply with the 'fee-exempt' rules (discussed below) without disadvantaging students.

### **Fee Exempt Scholarships**

Prior to the passage of the Higher Education Reform legislation, the (Higher Education) law did not allow institutions to provide 'fee-exempt' scholarships. Following passage of the legislation, higher education institutions can create 'fee-exempt' scholarships. These scholarships will not be counted as income under social security law. Creation of 'fee exempt' scholarships is scheduled to come into effect from 1 January 2005.

### **Budget (2004-05) Changes to Income Test Treatment of Scholarships**

Legislation will be amended so that non-discretionary scholarships that waive or pay a student's tuition fees or course charges will not be subject to the Social Security (and Veterans' Entitlement) income tests. The measure applies to scholarships offered in the secondary, vocational education and training and higher education sectors.

Fee-waiver scholarships are where all or part of the cost of fees and/or charges associated with the course of study are waived.

Fee-pay scholarships are where the institution or other entity pays fees on behalf of the student and the student has no discretion over the use of the funds.

The new arrangements became effective from Budget night. Additional Social Security and Veterans' outlays will be made on an ex-gratia basis until legislation is passed.

The measure will immediately benefit up to 1 550 students, with numbers building to 2 200 by 2008. Some students, who could not previously receive income support as their scholarships were previously counted as income, will now be eligible for assistance.

Discretionary cash scholarships will continue to be assessed as income under the Social Security (and Veterans' Entitlement) income test.