

**Senate Rural and Regional Affairs and Transport References Committee**

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

My Name is Kimberley Hare and I have recently completed a research report that explores the impact of the Federal Government's proposed changes to Youth Allowance on rural and remote students. The report is titled, *The Disadvantage of Distance: Exploring Ways Youth Allowance Legislation Can Address the Financial Challenges Faced by Rural and Remote Students in Accessing and Attending Higher Education*. I completed this report as part of the Australian National Internship Program and I believe my research highlights some important issues with the Federal Government's proposed changes and is therefore relevant to the current Senate Inquiry. As such I have included the report below for your consideration.

Regards

Kimberley Hare

October 13, 2009

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## Key Terms

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**Youth Allowance:** A system of financial support for young people under the age of 25. It includes both job seekers and students. This paper will only be referring to Youth Allowance (students).

**Independent:** A student is considered independent of their parents for the purposes of Youth Allowance through meeting certain criteria such as the workplace participation test, exceptional circumstances such as family violence or through marriage. A student is currently considered independent of their parents for the purposes of Youth Allowance when they turn 25, at which time they will qualify for AUSTUDY. The rate of Youth Allowance received by independent recipients only takes into account their personal finances. It does not take into account their parent's financial situation.

**Workplace Participation Test:** A set of criteria based on participation in the workplace that can be used to qualify for independent Youth Allowance.

**AUSTUDY:** A system of student financial support for eligible students over the age of 25.

**Dependent:** A student is considered dependent upon their parents for the purposes of Youth Allowance unless they meet the criteria for independence. The rate of payment received by a dependent student takes into account both their personal finances and their parent's financial situation.

**Parental Income Test:** The parental income test for the purposes of Youth Allowance examines the gross annual combined parental income of dependent students to determine their rate of payment.

**At home rate of payment:** The lower rate of Youth Allowance given to students who live in the family home.

**Away from home rate of payment:** The higher rate of Youth Allowance given to students who live away from the family home. Students in this category may also be eligible for Rent Assistance.

**Rent Assistance:** A payment given to students in addition to Youth Allowance to assist with the costs of housing.

**Independent-At-Home:** This refers to the category of Youth Allowance recipients who are considered independent of their parents, yet still live in the parental home.

**Independent-Away-From-Home:** This refers to the category of Youth Allowance recipients who are considered independent of their parents and who live away from home.

**Dependent-At-Home:** This refers to the category of Youth Allowance recipients who are considered dependent upon their parents and who live at home.

**Dependent-Away-From-Home:** This refers to the category of Youth Allowance recipients who are considered dependent upon their parents and who live away from home

## List of Abbreviations

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**DAH:** Dependent-At-Home

**DAFH:** Dependent-Away-From-Home

**DEEWR:** The Department of Education, Employment and Workplace Relations

**IAH:** Independent-At-Home

**IAFH:** Independent-Away-From-Home

## **Executive Summary**

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If Australia is to remain competitive in the global market place then it must increase the number of students who receive a higher education. This increase should be achieved in part by lifting the participation levels of groups that are under-represented in higher education. Levels of higher education amongst rural and remote students are low and declining. The Federal Government must address the cause of low levels of higher education amongst regional and remote students to ensure the prosperity not only for regional and remote Australia, but for the nation as a whole.

The Federal Government made a number of significant changes to student Youth Allowance in the 2009-10 Commonwealth Budget. These changes include increasing the parental income test for dependent Youth Allowance recipients and abolishing the two workplace participation criteria most commonly used to qualify for independent Youth Allowance. These proposed changes have resulted in a large outcry from rural and remote students, many of whom believe they will be worse off under the new system. The purpose of this report is to examine what impact the recent Youth Allowance changes will have on rural and remote students, and whether the Youth Allowance system needs to be changed to assist rural and remote students in accessing and attending university.

The report found that students from middle income families, who had previously relied upon independent Youth Allowance to move away from home, will receive less Youth Allowance under the Federal Governments proposed changes. Even when the additional assistance received from the new Start-up and Relocation Scholarships are taken into account, students from middle income families will receive less Youth Allowance than they would have if they had been able to qualify for independence. As the maximum 'away from home' rate of Youth Allowance currently leaves many students living well below the poverty line, any reduction in this amount may make university unattainable for some students. Therefore those students who are reliant gaining independence, and therefore the maximum rate of Youth Allowance, to be able to afford to move away from

home to attend university by no longer be able to do so under the proposed changes to Youth Allowance.

The report examined whether Youth Allowance provided equitable support for students who live away from home compared to their stay at home peers when the additional costs of moving away from home are taken into account. The report found that students who need to move away from home face significant additional costs that are not compensated for in the Federal Government's proposed changes to Youth Allowance. Therefore as rural and remote students are much more likely to need to move away from home to study, they are more likely to face financial barriers to education. If students who need to move away from home to study are to have equitable access to education then the additional costs they face should be addressed through student financial support. The report examined how the additional costs faced by students who need to move away from home to study could be addressed through the Youth Allowance system. However, rural and remote students are a disadvantaged group as a result of their geographical location, not socio-economic status. Therefore is it not appropriate to use a 'welfare' system such as Youth Allowance to address a problem associated with *distance*.

The report proposes that any student who needs to move away from home to study (including metropolitan students who need to move away from home to study their chosen course) should receive a Tertiary Access Allowance and a Tertiary Accommodation Allowance. These allowances should be non-income-tested and the rate of the allowance should compensate for the additional costs students face when they move away from home to study. This report suggests that the Tertiary Access Allowance provides each student with \$4000 per year for the duration of their studies to assist with the start-up costs associated with moving away from home. The Tertiary Accommodation Allowance should provide \$309.50 a fortnight per student for the duration of their studies to assist with the costs associated with living away from home. These allowances should replace the Away-From-Home rate of Youth Allowance, Rent Assistance and Relocation Scholarship for students. Although they may be costly, these allowances are necessary if the Federal Government wants to address the low and declining rates of higher education amongst rural and remote students.

*“Education is an issue dear not only to my heart but to all other parents that I speak to in regional areas. We simply want to make sure that our children have access to the services that sometimes I fear metropolitan families take for granted. From a social justice perspective it is a question of equity, and for the hard-nosed economists of the world it is a question also of productivity.”*

*Comment by Mr Darren Chester MP during debate in The House of Representatives on Monday 23 February 2009.*

## Introduction

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The 2008 Bradley Review of Australian Higher Education (hereafter the Bradley Review) found that if Australia is to remain competitive in the global market place then it must increase the number of students receiving higher education qualifications.<sup>1</sup> Increasing the skills and knowledge of the Australian people is an essential step towards building a productive and competitive nation. There is a strong relationship between tertiary education and the capacity to earn a significantly higher income<sup>2</sup>, which contributes to the overall productivity of the nation.<sup>3</sup> In addition, it is necessary to lift education levels to address skills shortages in areas served by the higher education sector into the future.<sup>4</sup>

The Bradley Review proposed that this increase should be achieved in part by lifting the participation levels of groups that are under-represented in higher education.<sup>5</sup> Such groups include people from low socio-economic backgrounds, students from rural and remote areas and Indigenous Australians.<sup>6</sup> Rural and remote students were of particular concern. The Bradley Review found that higher education levels amongst rural and remote students are low, and have been declining over the past five years.<sup>7</sup> Addressing the low and declining rates of participation in higher education amongst rural and remote Australians is important not only to ensure the future prosperity of the nation, but also to ensure that all Australians have equality in access to education. In 2000 the Australian Human Rights Commission found that the unique conditions associated with living in rural, regional and remote areas of Australia may impact upon a person's right to education.<sup>8</sup> The right to education is an important value that should be accorded to



all Australians. Therefore it is important that all Australians are not only *free* to attend university if they chose, but also able to attend university.

Student income support can play a vital role in making higher education available for students who face financial barriers to education. As such the Bradley Review recommended that changes should be made to the student income support system, especially Youth Allowance<sup>9</sup>, to make university more obtainable for groups under-represented in higher education.<sup>10</sup> The Bradley Review recommended that this should be achieved by changing the independence qualification criteria and parental income test of Youth Allowance so that income support is better targeted to students from low socio-economic backgrounds. This change may assist low socio-economic students from rural and remote areas. However, it does not address the unique financial challenges associated with distance and remoteness faced by young people in rural and remote areas who wish to gain higher education.<sup>11</sup> In fact, the Federal Government's proposed changes to independence eligibility criteria in the 2009-10 budget as a result of the Bradley Review's recommendations has caused a widespread concern amongst rural and remote communities that they will be worse off.<sup>12</sup> The Senate Rural and Regional Affairs and Transport References Committee has subsequently established an inquiry to assess whether students from rural and regional communities, or metropolitan students who wish to gain a higher education in regional areas, have equitable access to secondary and higher education opportunities under the Federal Government's proposed changes to Youth Allowance. This report aims to make an important contribution into the inquiry by identifying ways that the Youth Allowance system can be changed to make higher education more accessible for rural and remote students.

The purpose of this report is to examine the impact of recent Youth Allowance changes on rural and remote students<sup>13</sup> and find ways to amend the Youth Allowance system to make university more accessible for these students. The report will achieve this by first outlining the Federal Government's proposed changes to the workplace participation test to qualify for Independent Youth Allowance, and the reasons behind this change. The report will then explain how the recent changes to Youth Allowance legislation will affect rural and remote students. The report will then assess whether the new proposed Youth Allowance system will provide equitable access to education once the financial

barriers to education faced by rural and remote students are taken into account. Finally the report will identify ways Youth Allowance legislation can be amended to ensure university education is accessible for all rural and remote students. Through this discussion this report will demonstrate that the Youth Allowance system does not *and should not* address the unique financial barriers faced by rural and remote students. Therefore a different system of financial assistance should be established to make accessing and attending higher education more achievable for rural and remote students.

## Endnotes

<sup>1</sup> DEEWR (DEEWR), *Review of Higher Education Final Report* (Commonwealth of Australia: 2008) xi-xvii.

<sup>2</sup> For example over their working life the financial gain generated from income for a university graduate is \$1.5 million, or 70 percent, more than a person whose highest qualification is year 12. This calculation takes into account the foregone earnings of a university student while they study (source: NATSEM University of Canberra, *What Price the Clever Country? AMP NATSEM Income and Wealth Report*, Issue 21 (November 2008) 1.

<sup>3</sup> DEEWR, *the Bradley Review*, 27.

<sup>4</sup> *Ibid.*, 17

<sup>5</sup> *Ibid.*, xi-xvii.

<sup>6</sup> Most Indigenous students receive ABSTUDY instead of Youth Allowance. Indigenous students will therefore not be affected by the Government's changes to Youth Allowance. Unfortunately a discussion of ABSTUDY and the unique circumstances facing Indigenous students is beyond the scope of this report.

<sup>7</sup> *Ibid.*, 31.

<sup>8</sup> "Conditions such as distance and remoteness, climate and weather, and the uncertainties of the rural economy can inhibit the ability of people in regional areas to access goods, services and opportunities. Regional communities require specific assistance and services to overcome these barriers. Specific human rights issues currently faced by people living in rural and regional Australia include...access to, and quality of, education" (source: The Australian Human Rights Commissions, *The Human Rights of Rural Australians*, available at: [http://www.humanrights.gov.au/human\\_rights/rural\\_australians/index.html](http://www.humanrights.gov.au/human_rights/rural_australians/index.html) Accessed 5 October 2009).

<sup>9</sup> This paper will only be referring to student Youth Allowance.

<sup>10</sup> DEEWR, *the Bradley Review*, xviii- xix.

<sup>11</sup> The Victorian Parliament Education and Training Committee agreed with this assessment in their recent *Inquiry into the Geographical Distances in the Rate in which Victorian Students Participate in Higher Education: Final Report*: As the report states, "The Committee welcomes the above announcements as basic measures to improve the level of financial support available to many higher education students. However, the Committee does not believe that these changes will significantly improve access to higher education for those who must live away from home to study" (source: Parliament of Victoria Education and Training Committee, *Inquiry into Geographical Differences in the Rate in which Victorian Students Participate in Higher Education: Final Report* (Parliament of Victoria: 2009) 178).

<sup>12</sup> This has been demonstrated by numerous petitions, town meetings media stories and the large number of submissions into the Senate Inquiry on this issue.

<sup>13</sup> There are many different standards and measurements used to define whether a region is classed as 'rural', 'remote', or terms of a similar meaning. Whether a region is 'rural' or 'remote' depends on many factors including, but not limited to, geographic location, distance from major cities, population density, sociocultural factors, occupation and culture (source: John Western, Julie McMillan, and Denise Durrington, *Differential Access to Higher Education: The Measurement of Socioeconomic Status, Rurality and Isolation* (The University of Queensland: 1998) 43-45). In a higher education context a number of factors are often used to measure whether or a student is classed as 'rural' or 'remote'. These factors include geographical, financial, schooling, cultural, and social barriers to higher education (source: *Ibid.*, 45-48). In light of this the report will not attempt to specifically define which students should be classed as 'rural' or 'remote'. The term 'rural and remote' will be used to refer to students who live outside metropolitan areas and who would generally be classed as 'rural or remote' for the reasons outlined above.

*“...The intention of the policy was to stop those students being able to claim Youth Allowance under the independent criteria; that is exactly how we are making savings to direct towards low SES students.”*

*Comment made by Dr Alison Morehead, during the Budget Estimates for Education, Employment and Workplace Relations Portfolio, 4 June 2009.*

## **Chapter One: The Proposed Changes to Youth Allowance**

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The Youth Allowance system provides income support for full-time students under the age of 25.<sup>1</sup> The rate of payment a student receives depends on a number of factors. If students are deemed ‘dependent’ upon their parents their rate of payment is tapered according to their parental income. If a student is deemed as ‘independent’ their parental income is not assessed and they receive the maximum amount of payment.<sup>2</sup> Students can qualify for independence through fulfilling a number of criteria. The most commonly used criteria is the ‘workplace participation test’ which allows students to prove independence by either earning a specified amount of money or working a certain number of hours in a set period of time.<sup>3</sup> Students may also receive either an ‘at home rate of payment’ when they are living at home, or an ‘away from home’ rate of payment if they live away from the family home. If students live away from home they can also qualify for an additional Rent Assistance payment.<sup>4</sup>

A number of important changes to Youth Allowance legislation were announced in the 2009 budget.<sup>5</sup> The most significant changes for the purpose of this report are the increase to the parental income test for dependent Youth Allowance recipients and abolition of the two workplace participation criteria most commonly used to qualify for independent Youth Allowance (for details of other changes please see appendix three). The Federal Government has proposed that the parental income test threshold for Youth Allowance should be increased from \$32 800 to \$44 165 in line with Family Tax Benefit A. This measure will also include a taper rate of 20 cents per dollar earned over this amount, meaning that the income level at which payments are cut off will be higher.<sup>6</sup> The Federal Government estimates that as a result of this change 67 800 more young people enrolled in higher education will qualify for Youth Allowance and 34 600

students will receive a higher rate of payment.<sup>7</sup> Budget documents estimate this measure will cost \$559.9 million over four years.<sup>8</sup>

To fund this change to the parental income test the Federal Government has proposed the abolition of two of the workplace participation criteria most commonly used to qualify for independent Youth Allowance. Under this measure from 1 July 2010<sup>9</sup> students will no longer be able qualify for Youth Allowance through working part-time for at least 15 hours per week for at least two years or through earning a specific amount over an 18 month period since leaving school. Through removing the two most commonly used tests to gain independence the Federal Government estimated that 30 700<sup>10</sup> students would no longer qualify for Youth Allowance in 2010, and 3600 will have their payments reduced by no longer qualifying for the full independent rate of Youth Allowance.<sup>11</sup> The Federal Government expects to save \$1819.9 million through this measure.<sup>12</sup> These changes reflect the Bradley Review's findings that students from middle to high income families were receiving payments that would be better targeted to students from low socio-economic backgrounds.

The 2008 Bradley Review found that the Independent at Home (IAH) Youth Allowance system was providing financial support to a large percentage of students living at home in middle to high income families. A report by Professor Bruce Chapman and Kiatanantha Lounkaew commissioned for the Bradley Review found that 49% of students receiving the at home rate of Youth Allowance have family incomes above \$80 000, and 36% of recipients have incomes above \$100 000.<sup>13</sup> These findings demonstrate that the parental income of at least half of the students receiving the at home rate of Youth Allowance was above the threshold for qualifying as dependent and they had therefore qualified for Youth Allowance through gaining independence.<sup>14</sup> From these findings Chapman and Lounkaew concluded the high instance of students receiving Youth Allowance from middle to high income families meant that student financial support was not being properly directed to needy students from low socio-economic backgrounds.<sup>15</sup> The Bradley Review accepted these findings and subsequently recommended the abolition of the two workplace criteria tests most often used by students to gain independence.<sup>16</sup>

The remaining criterion (working at least 30 hours a week for 18 months out of a two year period) was left as the only remaining workplace participation criteria for gaining independent Youth Allowance<sup>17</sup>. Although it is stated in the Bradley Review that this remaining criterion would provide a genuine test of independence<sup>18</sup>, this criterion is very difficult for students to fulfill without taking eighteen months to two years off university. Although most universities will allow students to defer for two years on a case by case basis<sup>19</sup>, this criterion is still difficult for many students to fulfill. It is especially challenging for students from rural and remote areas, as consistent work for at least 30 hours a week for an eighteen month period is often not available.<sup>20</sup> Departmental responses during Senate Estimates for the Education, Employment and Workplace Relations Portfolio on Thursday 4 June 2009 suggest that the intention of the policy was to make the criteria difficult to fulfill so that students would be deterred from gaining independent Youth Allowance. For example when questioned on the whether students would have to defer for two years under the new criteria Dr Alison Morehead, Group Manager of the Social Inclusion and Participation Group of the Department of Education, Employment and Workplace Relations (DEEWR), replied;

I am not sure about deferment rules. I understand that the deferment rules are along those lines. *The intention of the policy was to stop those students being able to claim Youth Allowance under the independent criteria; that is exactly how we are making savings to direct towards low SES students.* So, yes, it is the intention of the policy.<sup>21</sup> (Emphasis added)

Therefore the overall aim of the Federal Government's decision to abolish two of the workplace participation tests for independence was to prevent students from middle to high income families who live at home from accessing independent Youth Allowance. This measure was implemented so that these funds could be better targeted to low socio-economic students.

Although this report acknowledges that many of the Federal Government's proposed changes to the parental income test is both timely and welcome, the author is concerned about the impact changes to independence eligibility criteria will have on the ability of students who need to move out of home to attend university. For although this measure

was implemented to address problems identified with the Independent-At-Home (IAH) category of students, it will also have a significant effect on Independent-Away-From-Home (IAFH) students. This is problematic, as the overall impact that this change will have on this category of students was largely unknown when the Federal Government made its decision.

## Endnotes

<sup>1</sup> Centrelink Website, *Youth Allowance*, available at:

[http://www.centrelink.gov.au/internet/internet.nsf/payments/youth\\_allow.htm](http://www.centrelink.gov.au/internet/internet.nsf/payments/youth_allow.htm)

(3 August 2009) Accessed 4 October 2009.

<sup>2</sup> The rate of payment is also affected by a student's *personal* income, for both dependent and independent student.

<sup>3</sup> DEEWR, *the Bradley Review*, 53.

<sup>4</sup> Centrelink Website, *Youth Allowance*.

<sup>5</sup> The 2009-10 Budget: Budget Measures, Budget Paper No. 2 (Barton, Commonwealth of Australia: 2009)153-159.

<sup>6</sup> *Ibid.*, 155

<sup>7</sup> Fact sheet 2 available on the DEEWR Website, *Youth Allowance*, available

at:<http://www.deewr.gov.au/HigherEducation/Programs/YouthAllowance/Pages/default.aspx> Accessed 4 October 2009.

<sup>8</sup> The 2009-10 Budget, *Budget Measures*, 155

<sup>9</sup> The Federal Government initially intended to introduce this change on 1 January 2010 but has subsequently decided to grandfather the changes to workplace participation criteria until July 2010 (with an included 'need to move away from home clause')

<sup>10</sup> It is estimated that Grandfathering the changes for six months will allow an extra 5000 students to qualify for the independence in 2010 (source: The Hon Christopher Pyne MP, "Gillard Backflip Does not Satisfy the Coalition or Students" *Media Release*, 26 August 2009). However, the figure of 30 700 reflects the number of students who would have no longer qualified in 2010 if the measure was introduced at the same as the changes to the Parental Income Test threshold.

<sup>11</sup> Fact sheet nine available on the DEEWR Website, *Youth Allowance*, available at:

<http://www.deewr.gov.au/HigherEducation/Programs/YouthAllowance/Pages/default.aspx> Accessed 4 October 2009.

<sup>12</sup> The 2009-10 Budget, *Budget Measures* 159. This figure will be less in light of the Federal Government's grandfathering provisions, however, it reflects how much the Federal Government would save if the measures were introduced at the same time as the changes to the parental income test.

<sup>13</sup> DEEWR, *the Bradley Review*, 53-54.

<sup>14</sup> *Ibid.*, 53.

<sup>15</sup> B Chapman and K Lounkaew, *Reforming Youth Allowance: The "Independent-at-Home" Category*, (Acton, Australian National University: 2008) 8.

<sup>16</sup> The Bradley Review recommended that the Federal Government 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 (source: DEEWR, *the Bradley Review*, 66).

<sup>17</sup> Students can also be classified as Independent by other criteria including reaching a particular age, by proving it is unreasonable to live at home, by getting married (or living in a de facto relationship for a period of time) or by having a child (source: Centrelink Website, *Youth Allowance*).

<sup>18</sup> DEEWR, *the Bradley Review*, 62.

<sup>19</sup> Submission by Universities Australia into the 2009 Senate Rural and Regional Affairs and Transport Committee Inquiry into Rural and Regional Access to Secondary and Tertiary Education Opportunities, Available at:

<http://www.universitiesaustralia.edu.au/content.asp?page=/publications/policy/submissions/index.htm>

<sup>20</sup> Parliament of Victoria Education and Training Committee, *Inquiry into Geographical Differences*, 178)

<sup>21</sup> Comment made by Dr Alison Morehead, Budget Estimates Hearings for the Education, Employment and Workplace Relations portfolio, Thursday 4 June 2009.



*“While the existing system has had some evidence of rorting (sic), the best means of eradicating this is not to introduce draconian legislation that precludes legitimate applicants from accessing the system.”*

*Comment by Mr Mark Smith in his submission to the 2009 Senate Rural and Regional Affairs Transport Committee Inquiry into Rural and Regional access to Secondary and Tertiary Education Opportunities.*

## **Chapter Two: The Impact of the Proposed Changes**

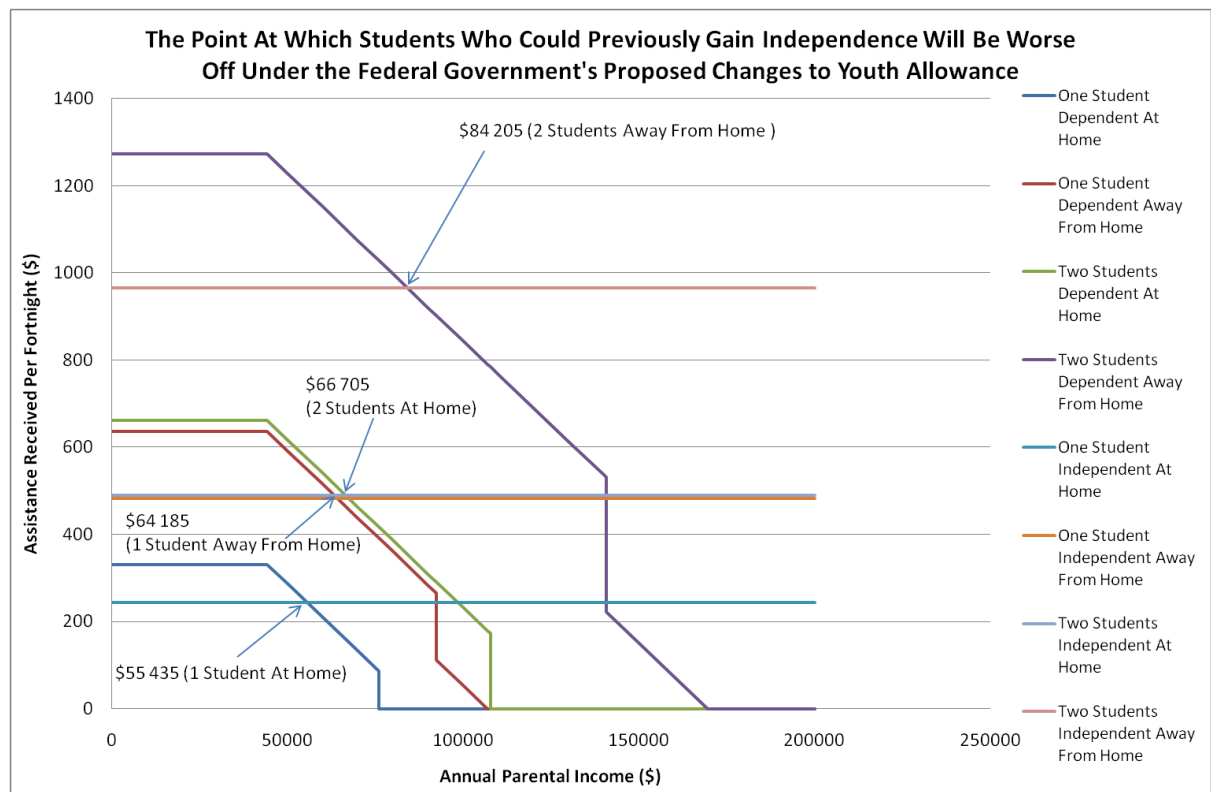
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It is not possible to know the exact impact the Federal Government’s proposed changes to Youth Allowance legislation will have on rural and remote students. To determine whether or not rural and remote students are financially disadvantaged under the Government’s proposed changes it is necessary to determine how many students will gain financial support and how many will lose financial support under the new system. However, the data needed to be able to calculate this is not available. The Bradley Review’s recommended changes to the workplace participation test were made to address problems identified with the IAH Youth Allowance system. However, in doing so they will impact upon students in the IAFH category without any knowledge of whether this was necessary or desirable based on the parental incomes and the financial needs of these Youth Allowance recipients. For although Chapman and Lounkaew’s report found that the IAH category was unnecessary and should be abolished, they did not make a similar finding for the IAFH category.

The purpose of Chapman and Lounkaew’s report was to determine if, “is it likely that those students receiving YA (Youth Allowance) in the IAH category are in domestic circumstances that should not warrant government support on the basis of social disadvantage”.<sup>1</sup> Although this was found to be the case for IAH students receiving Youth Allowance, this could not be determined for IAFH students as the necessary data to complete such a study is not available.<sup>2</sup> When students apply to receive independent Youth Allowance they are not required to disclose their parents income. Thus data on the parental income of independent Youth Allowance recipients is not available through Centrelink statistics. Chapman and Lounkaew were able to calculate the parental

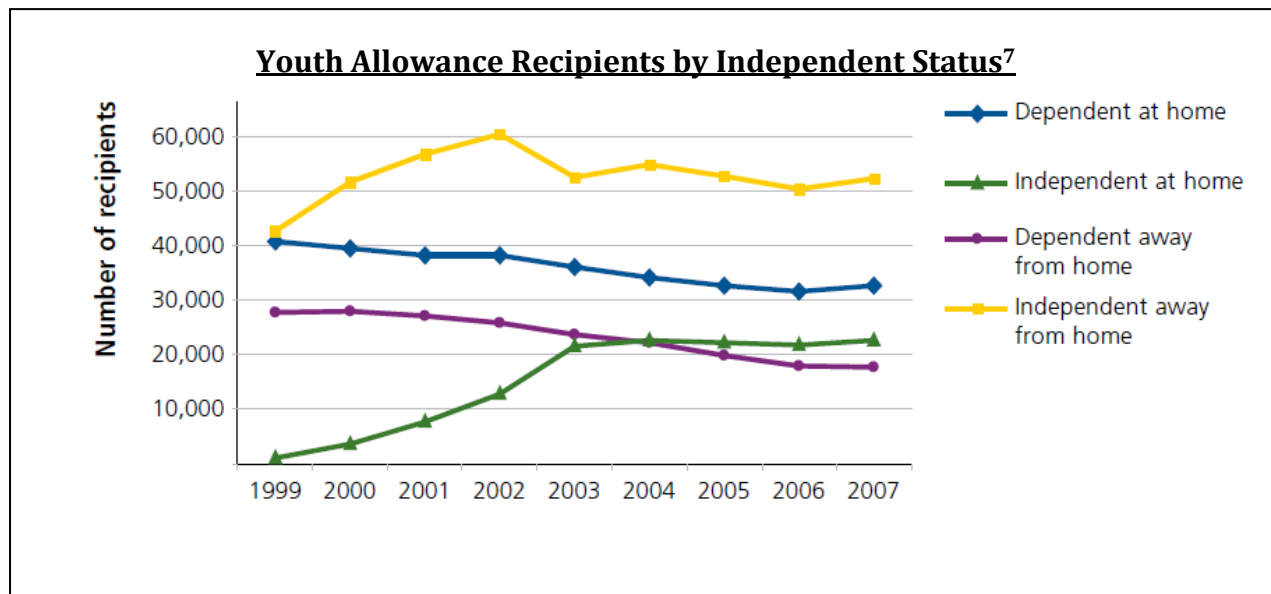
income for IAH Youth Allowance recipients through the use of the Household, Income and Labour Dynamics of Australia survey (HILDA).<sup>3</sup> However, such data is not available for IAFH students. Thus Chapman and Lounkaew's conclusion that, "significant government financial resources have been, and are currently being, used to support students who could have pursued their study without YA"<sup>4</sup>, does not apply to IAFH students, as no study was done in their report to determine whether or not this was the case for this category of students. Therefore the Federal Government cannot know exactly how many of these students will be impacted by changing the independence criteria, or whether this change was even necessary for this group of students.

The large outcry from rural students in response to the Federal Government's proposed changes suggest that the policy will have unintended negative consequences on a significant section of the population. However, The Federal Minister for Education the Hon Julia Gillard MP has assured students that the new Youth Allowance system will see, "More people getting more money than ever before."<sup>5</sup> When it is considered that the new Youth Allowance budget measures are cost neutral<sup>6</sup> this claim is contentious, for although the new system will contain a significant number of students who gain more Youth Allowance, it must also contain a significant number of students who will receive less. This is demonstrated by the fact that although more Away-From-Home students may receive a payment under the Federal Government's proposed new system, many students will no longer be able to receive the maximum rate of payment that was available for students on Independent Youth Allowance. These students will now receive a tapered rate of Youth Allowance, which may be significantly less than the maximum rate. Therefore many Away-From-Home students who would have previously qualified for independent Youth Allowance will now be worse off under the Federal Government's proposed changes. This is shown by the below graph, which shows the level of parental income at which students who would have previously qualified for independence will receive less financial assistance. The graph takes into account the additional financial assistance dependent students will receive through the Start-up and Relocation Scholarships.

**Figure 1**

Please note: The Amounts received by the Start-Up and Relocation Scholarships are taken into account in this graph. The scholarship payments are averaged over four years and then divided into fortnightly payments. The tables of data used to form the graphs in this report are available in appendix one.

As the graph demonstrates, a single student living away from home will be worse off once their parents annual income exceeds \$64 185 if they had previously been able to earn independent Youth Allowance. In addition a student from a two child family living away from home and who can no longer gain independence will be worse off once their parents annual income exceeds \$84 205. This shows that a significant number of middle income students will receive less under the Federal Government's proposed changes. This may well be the purpose of the Federal Government's changes, to ensure that the neediest students receive the most support. However, many middle income students rely upon the independent rate of Youth Allowance to support their move away from home. As the graph below shows, independent students are significantly more likely to live away from home than dependent students.

**Figure 2**

By 2007 approximately 70% of independent students lived away from home, compared with 40% of dependent students who lived away from home. The increased number of students in the IAFH category is the result of the Federal Government decision in 1998 to increase the age of independence for student income support payments from 22 to 25, meaning that many more students were subject to a parental income test.<sup>8</sup> Alongside this change the Federal Government introduced the workplace participation criteria to allow students under the age of 25 to gain 'independent' Youth Allowance based on their personal earnings, and therefore not be subject to a parental income test.<sup>9</sup> Since this change there has been an increase in the number of students who choose to earn independent, rather than dependent, Youth Allowance either because their parental income was too high to receive a payment, or because the tapered rate of Youth Allowance was insufficient. This is demonstrated by the large increase in the number of students qualifying for the IAFH category between 1999 and 2000. It is also demonstrated by the overall increase in the number of IAFH students between 1999 and 2007, in contrast to the decline of almost the same amount of number of students from the Dependent-Away-From-Home (DAFH) category.

It is important to highlight that the *maximum* amount of Youth Allowance and Rent Assistance received by a student living away from home leaves many students living

below the poverty line.<sup>10</sup> As such the proposed changes to independence criteria will leave many students who need to move away from home even further below the poverty line and facing great financial hardship. Therefore, although it is not possible to determine exactly how many rural students will better or worse off under the new system, the evidence suggests that many students who need to move away from home to study will receive significantly less income support under the Federal Government's proposed changes. Therefore it is likely these changes will negatively impact upon the ability of students to attend university if they need to move away from home. In light of this the aim of the remainder of this report is to assess whether the Federal Government's changes the Youth Allowance system will provide sufficient support for rural and remote students who need to move away from home to study to ensure they have equitable access to university when compared to their urban counterparts.

## Endnotes

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<sup>1</sup> Chapman and Lounkaew, *Reforming Youth Allowance*, 1.

<sup>2</sup> *Ibid.*, 3.

<sup>3</sup> *Ibid.*

<sup>4</sup> *Ibid.*, 8.

<sup>5</sup> Q and A, *The Youth Show*, aired on Thursday 6 August 2009, ABC television. Transcript available at: <http://www.abc.net.au/tv/qanda/txt/s2641523.htm>

<sup>6</sup> This is stated in numerous media statements by the Minister for Education as well as Fact Sheet 14 available on the DEEWR Website, *Youth Allowance*, available at:

<http://www.deewr.gov.au/HigherEducation/Programs/YouthAllowance/Pages/default.aspx> Accessed 4 October 2009.

<sup>7</sup> The data for the Graph is sourced from Centrelink administrative data. The Graph is sourced from DEEWR, *the Bradley Review*, 52.

<sup>8</sup> DEEWR, *the Bradley Review*, 53.

<sup>9</sup> *Ibid.*

<sup>10</sup> The June 2009 Henderson Poverty Line is set at \$657.64 per fortnight for a single person not in the workforce. The maximum combined Youth Allowance and Rent Assistance a student living away from home can receive is \$482.60 a fortnight. In addition The Henderson Poverty Line for a single person in the workforce is set at \$811.04 per fortnight. The maximum students can earn before they begin to lose payments is \$236 a fortnight. If this amount is added to maximum Youth Allowance and Rent Assistance it amounts to \$716.60 a fortnight (source: Melbourne Institute of Applied Economic and Social Research, *Poverty Lines: Australia*, Issue 1448-0530, (June Quarter 2009) Available at:

<http://www.melbourneinstitute.com/labour/inequality/poverty/Poverty%20lines%20Australia%20June%202009.pdf> and the Centrelink Website, *Youth Allowance*).

*“The situation is clearly inequitable when families with identical incomes pay disproportionately for their children to attain a tertiary education. This inequity is not linked t(o) (sic) income but to geographical location. Therefore this situation is discriminatory and relegates country students to second class citizens”*

*Comment by Mr Les Evan in his submission to the 2009 Senate Rural and Regional Affairs Transport Committee Inquiry into Rural and Regional access to Secondary and Tertiary Education Opportunities.*

## Chapter Three: Is Youth Allowance Equitable?

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The most important aim of this report is to ensure that the Youth Allowance system provides equitable support for rural and remote students compared to their metropolitan counterparts. The report will achieve this by first identifying the *additional*<sup>1</sup> costs faced by students who must move out of home to attend university. Through identifying these additional costs the report will then ascertain whether the current Youth Allowance system provides this additional support.

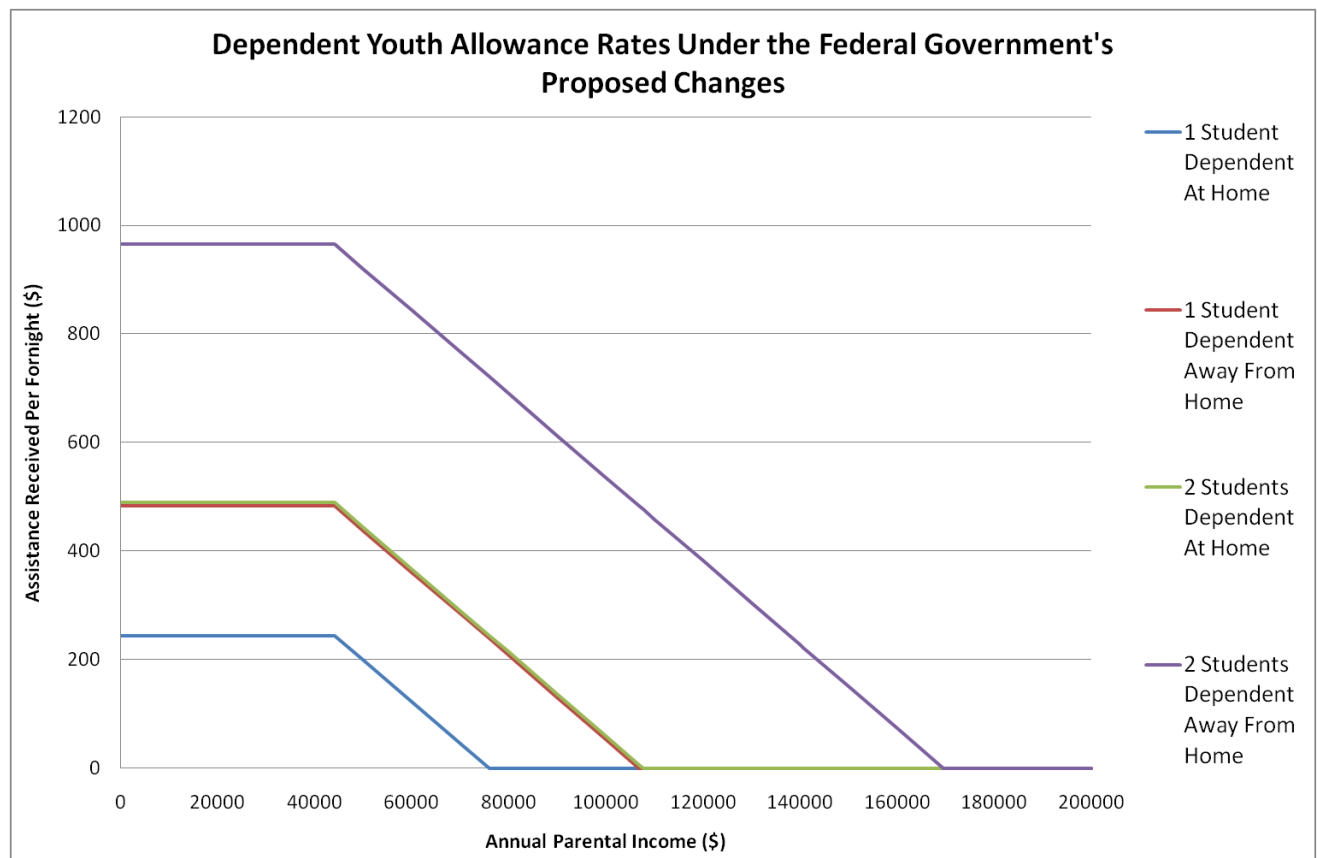
The Victorian Parliament Education and Training Committee's report on their recent *Inquiry into the Geographical Distances in the Rate in which Victorian Students Participate in Higher Education: Final Report* (hereafter known as the Victorian Parliament Report) provides figures on additional expenses faced by students who live away from home. Using the Australian Scholarships Group's 'AGS University Costs Calculator' the Victorian Parliament Report estimates what it would cost for a Victorian journalism student commencing study in 2009 to live in three different arrangements. The report finds that over a three year degree it would cost the student \$46 239 to live at home, \$82 383 to live in share accommodation and \$101 519 to live in a residential college.<sup>2</sup> Based on these figures the Victorian Parliament Report estimates that it would cost an additional \$12 047 a year to live away from home in a share house and an extra

\$18 426 to live away from home in a residential college.<sup>3</sup> In addition to these estimates the 2008 NATSEM report '*What Price the Clever Country?*' estimates that it would cost \$542 a week for a full-time student under 25 living in a share house.<sup>4</sup> This amounts to \$28 184 a year, which is similar to the Victorian Parliament Report's estimate that it would cost approximately \$27 460 a year for a student to live away from home in a share house. Although these figures are only estimates and costs will differ depending on many factors such as location, course studied and lifestyle this report will assume that these figures provide a reasonably accurate representation of the additional costs experienced by a student living away from home to study.

This report will use the lower estimate based on the costs associated with living away from home in a share house to calculate whether or not Youth Allowance sufficiently compensates for the extra costs associated with moving out of home to study. The report will achieve this by calculating whether the away from home rate of Youth Allowance, including additional payments such as the relocation scholarship and rent assistance,<sup>5</sup> are relatively equitable to the at home rates of payment when the costs of living away from home are taken into account.

Below is a graph of parental income versus the amount of payment received under the new budget measures. As expected the graph shows that students who live away from home receive a greater payment than their at home counterparts.



**Figure 3**

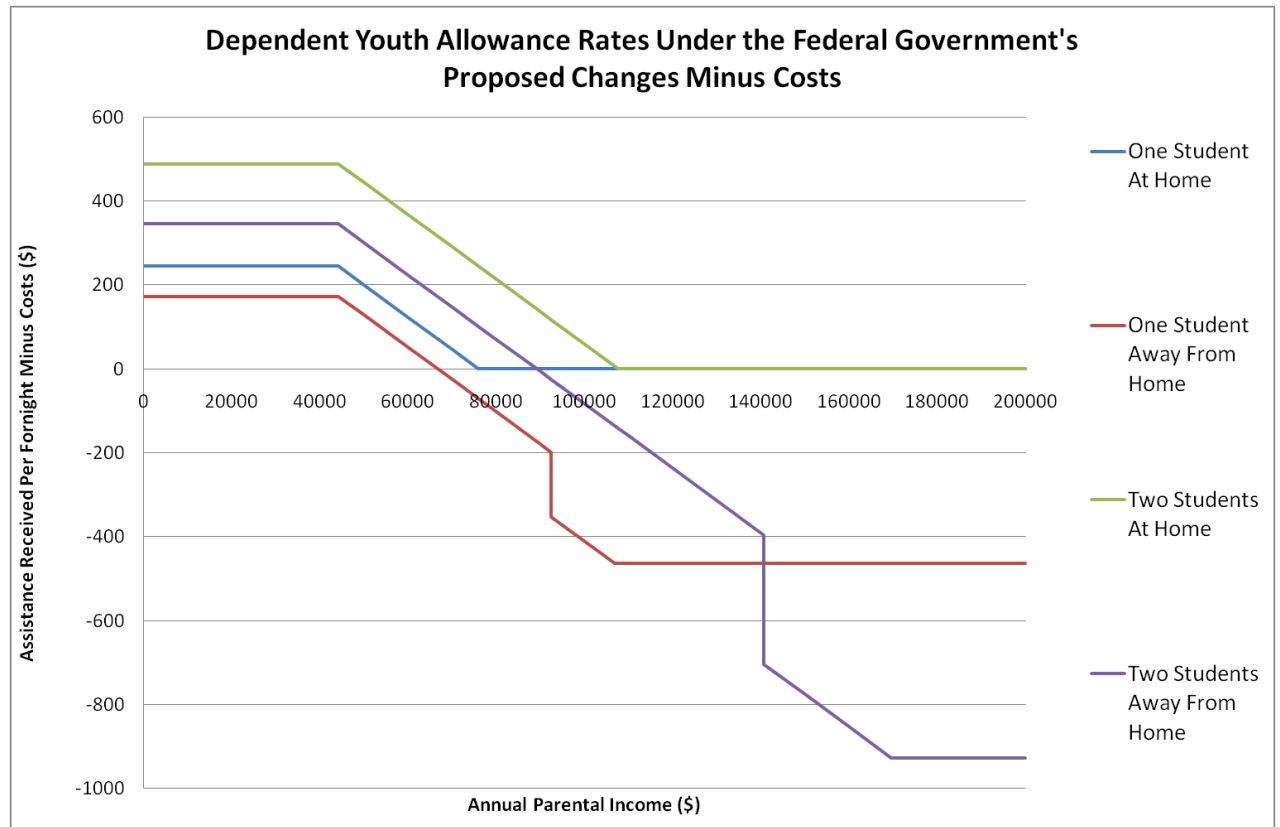
Note: This graph is of Youth Allowance payments and rent assistance only, it does not include scholarships or other available allowances such as fares assistance.

The tables of data used to form the graphs in this report are available in appendix one.

Based on the estimates in the Victorian Parliament Report this report assumes that it costs \$12 047 extra a year for a student to live away from home compared to living at home.<sup>6</sup> It will be assumed that every student on Youth Allowance living away from home receives a \$4000 relocation scholarship.<sup>7</sup> This relocation scholarship is not received by students living at home. Therefore for the Youth Allowance system to provide equitable support once the additional costs of living away from home are taken into account a student living away from home should receive \$8047<sup>8</sup> a year more in payments than their stay at home counterparts (or \$309.5 a fortnight). However, as the graph below shows, when these costs are taken into account students who live away from home are worse off under the system proposed in the new budget measures. The graph also shows the additional expenses faced by families who support their children away from home compared to their stay at home counterparts once they are above the

threshold of Youth Allowance payments. This is the result of having to account for the whole \$12 047 extra required to send their child to university, as they do not receive the \$4000 Relocation Scholarship.

**Figure 4**



The author would like to acknowledge Kim Pett's submission into the 2009 Senate Rural and Regional Affairs and Transport Committee Inquiry into Rural and Regional Access to Secondary and Tertiary Education Opportunities for the inspiration for this graph.

Note: the large sudden drop in the away from home rate is due to the fact the student is no longer receiving the Relocation Scholarship and their parents must cover an extra \$12 047 per student, rather than just the \$8047 required for students on YA.

The tables of data used to form the graphs in this report are available in appendix one.

The above graph is a visual representation of the financial disadvantage associated with geographic location. It is important to note that in the graphed situation students on Youth Allowance receive the entire \$4000 scholarship, and all students are living in the cheapest available accommodation (share housing). If a student was living in a residential college and only receiving the \$1000 relocation scholarship in later years the situation would be much worse. Thus for students who must move out of home to attend university there are extra costs that are not taken into account in the proposed changes to Youth Allowance. As rural and remote students are more likely to need to

move out of home to study, they are the students most likely to be impacted by these extra costs.<sup>9</sup> Numerous reports have pointed out that these costs provide a significant barrier to higher education for those students who must move out of home to study, most notably rural and remote students.<sup>10</sup> The Victorian Report found that:

...travel and relocation impose additional costs on students who live away from home to study. The Committee heard that this is a particular concern for people in rural and regional Victoria. There is widespread view that reducing the financial barriers would therefore be a significant step towards addressing the rate in which Victorian students participate in higher education.”<sup>11</sup>

If the Federal Government is serious about lifting the rates of participation of rural and remote students it must address the current gap in student income support. This report will discuss three possible solutions to this problem. Each is designed to acknowledge the fact that students who must move away from home to study face unique financial challenges that should be addressed through the student income support system.

## Endnotes

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<sup>1</sup> 'By additional', this report does not mean, 'how much does it cost parents to support a child living away from home at university?', but rather, 'how much *extra* does it cost parents to support a student living away from home rather than at home.'

<sup>2</sup> Parliament of Victoria Education and Training Committee, *Inquiry into Geographical Differences*, 171.

<sup>3</sup> At home costs of a student: \$46 239 over three years = \$15 413 per year. Shared house costs of a student: \$82 382 over three years = \$27 460 per year. Residence costs of a student: \$101 519 over three years = \$33 839 per year. Difference in cost living away from home in share house: \$27 460 - \$15 413 = \$12 047. Difference in cost living away from home in Residences: \$33 839 - \$15 413 = \$18 426.

<sup>4</sup> NATSEM University of Canberra, *What Price the Clever Country?*, 15.

<sup>5</sup> The start up scholarship is not included in the calculation as this payment is received by at home and away from home students. As the report is calculating with the payments are relatively equitable, the two scholarships would cancel themselves out in any calculations.

<sup>6</sup> This cost is associated with the costs of living in a share house. The costs of living in residential accommodation can be significantly higher.

<sup>7</sup> This amount is only given in the first year of study and drops to \$1000 for every year after.

<sup>8</sup> As \$12 047 - \$4000 = \$8047

<sup>9</sup> Statistics show that 45% of regional students under 25 are enrolled in metropolitan campuses (SCU) in 2006 and 41% of all regional students are attending metropolitan universities (57 427 students). This is compared with 4% of metropolitan students under 25 years leave home to study, and 8% percent of metropolitan students overall were studying in regional campuses in 2006 (46 821 students)(Source: Submission Eighty One by Southern Cross University into the 2009 Senate Rural and Regional Affairs and Transport Committee Inquiry into Rural and Regional Access to Secondary and Tertiary Education Opportunities).

<sup>10</sup> NATSEM University of Canberra, *What Price the Clever Country?*; Parliament of Victoria Education and Training Committee, *Inquiry into Geographical Differences*; N Godden, *Regional Young People and Youth Allowance: Access to Tertiary Education*, (Wagga Wagga, The Centre for Rural Social Research: 2007).

<sup>11</sup> Parliament of Victoria Education and Training Committee, *Inquiry into Geographical Differences*, 169.

*“... the Committee hold a strong view that a fair system of student income support must give consideration to the substantially different circumstances of those who have little or no option to relocate in order to participate in higher education.”*

*The Victorian Parliamentary Report, 198.*

## **Chapter Four: Making Youth Allowance More Equitable**

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The new Youth Allowance system proposed by the Federal Government can be made more equitable through simply retaining the current workforce participation criteria used to qualify for independent Youth Allowance for those students who must move away from home to study. The Bradley Review found that the system needed reform for independent *at home* recipients of Youth Allowance.<sup>1</sup> If it is only necessary to address the problem with *this* particular area of Youth Allowance, then the solution could have been resolved through the placement of a residency requirement for independent Youth Allowance. This measure has been part of the Federal Government’s recent decision to grandfather the current work place criteria test for six months. Only those students who *need* to move out of home will be able to qualify for independence under these new changes.<sup>2</sup> This has greatly reduced the number of students able to qualify for the payment, with only approximately 5000 of the 30 700 ‘gap year’ students affected by the Federal Government’s changes expected to be able to qualify.<sup>3</sup>

However, the Bradley Review found that two of the current work place criteria tests, especially the criteria of earning 75 percent of the maximum rate of pay under Wage Level A of the Australian Pay and Classification Scale in an 18 month period since leaving school, were too open to abuse.<sup>4</sup> For example The Bradley Review found that some parents would even ‘employ’ their children so that they could gain Independent Youth Allowance.<sup>5</sup> However, the remaining ‘independence’ test of working for at least 30 hours a week for 18 months out of two years is very difficult for students to fulfill. One possible solution, therefore, is the creation of a new gap-year ‘independence’ test that allows students who must move away from home to gain independence. The author considered a number of alternative ways ‘independence’ could be fulfilled through a gap year system, including a possible ‘volunteering scheme.’ However, with any option there

remains an issue with requiring students to take a gap-year to be able to qualify for support.

The Victorian Parliament Report found that students who took a gap year were less likely to eventually take up their university place. The Victorian Parliament Report found that in 2007-08 one in three school leavers from non-metropolitan areas who received a university offer deferred their studies. This is in contrast to metropolitan school leavers of whom only 10 percent defer a university offer, and 13.4% of those from interface areas.<sup>6</sup> The difference in deferment rates has been increasing over the past five years. The disparity between metropolitan and non-metropolitan Victoria has increased from 4.4 percentage points in 2004 to 10.3 percentage points in 2008. This means that a year 12 graduate from non-metropolitan Victoria is now twice as likely to defer a university place then their metropolitan counterparts.<sup>7</sup> The report found that one of the main reasons students deferred was to due to financial considerations. Data from *The On Track Survey 2008: Destinations of School Leavers in Victoria; Statewide Report* found that of the school leavers who deferred in 2007 about four in ten said they were waiting to access Youth Allowance.<sup>8</sup> These figures are very concerning when it is considered that a proportion of students who defer never take up thier place in higher education.<sup>9</sup> As such the high levels of rural and regional deferment could be a contributing factor to their low and declining levels of university enrolment.

In light of this the author would not recommend a gap-year independence qualification scheme. In addition to this, it is important to highlight that making students take a gap-year to qualify for student income support provides no financial benefit for the Federal Government, except that some students might subsequently fail to take up their university place and therefore not claim student income support. It costs the Federal Government the same to support a student for the period of their study whether they take a gap year or not. As such if it is determined that students who need to move away from home to study should receive income support, then it would cost the Federal Government the same amount to simply give students financial support directly after high school (or after a gap year if they choose to take one). This fact brings us to the second possible solution to be discussed in this report.

The second possible solution to making the new Youth Allowance system more equitable is that any student who needs to move out home to study should automatically qualify for Youth Allowance. There is already a provision in the system through which this could be introduced. Currently one can gain independent Youth Allowance if it is *unreasonable* for them to live at home due to extreme family breakdown, violence in the home or threat to health and wellbeing.<sup>10</sup> As Naomi Godden highlights in her 2007 Report *Regional Young People and Youth Allowance: Access to Tertiary Education*, that many students felt that it should be considered ‘unreasonable’ for them to live at home if they need to move away from home to study as a result of their geographic location.<sup>11</sup> Such a provision already exists for dependent Youth Allowance recipients. Youth Allowance legislation states that dependent Youth Allowance recipients can qualify for the Away-From-Home rate of Youth Allowance if they face ‘unreasonable’ travel time from their place of residence to university. This criterion of ‘unreasonable’ is set at one and half hours on public transport in one direction.<sup>12</sup> Therefore if students can currently gain independent Youth Allowance if it is *unreasonable* for them to live at home, and the Youth Allowance system deems it *unreasonable* for a dependent student to live at home and travel more than one and half hours each way to their place of study, then there is already a provision within the Youth Allowance system to introduce a system that allows any student who meets the required travel time criteria to instantly qualify for independent Youth Allowance.

The proposal that all students who must move away from home instantly qualify for Youth Allowance is supported by a number of major research reports into this area, including Godden’s 2007 Report<sup>13</sup> and the 2009 Victorian Parliament Report.<sup>14</sup> However there is an issue of equity with this proposal. Under the current new proposal it is assumed that it is the responsibility of parents to support their children throughout their studies until they reach the age of independence (which will be gradually reduced to 22 years old) except in exceptional circumstances. If all students who move out of home received independent Youth Allowance the implication is that rural and remote families no longer have to support their child once they attend university, where as families with stay at home children do have to support their children. This can be overcome by the fact that the IAFH rate of Youth Allowance is only just enough to cover the *additional* costs students face in moving out of home<sup>15</sup>, and most still require some

parental assistance to support themselves. Thus it is actually *inequitable* if students who need to move out of home are not able to access Youth Allowance, as they need this support to simply be in a similar financial situation to their stay at home peers.

The other significant problem with this proposal is that the parental incomes of the students who instantly qualify will be not income tested. This means that some students from wealthy families who need to move away from home can access student income support when they may not need it. However, as the Victorian Parliament Report argues, although this may occur in a number of cases it is justified given the overall benefits of the policy:

The Committee therefore recommends that all young people who are required to relocate for their studies be eligible to receive Youth Allowance. The Committee acknowledges that this policy may see some relatively wealthy eligible to receive income support, however, believes that the overall benefits of the policy far outweigh any political disadvantages.<sup>16</sup>

This author finds this solution appealing as it would be simple to implement (through simply including a criteria that it is unreasonable for *all students* to live at home if you have to travel more than 90 minutes a day) and it addresses the disadvantaged faced by rural and remote students without giving them a significant financial advantage over their stay at home peers. However, the potential for middle to upper-class welfare may make the solution politically undesirable. In addition there is an issue of equity when it is considered that independent students from low income families who have to move away from home to study will receive the same amount of financial support as independent students from middle to upper income families who need to move away from home to study.

These issues demonstrate that 'Youth Allowance' may not in fact be the best system through which the financial disadvantage of rural and remote students should be addressed. Youth Allowance is a welfare payment designed to address low socio-economic status. However, the extra financial costs associated with needing to move away from home are not necessarily linked with low-socio economic status. The Bradley



Review recognised this when it identified rural and remote students as a disadvantaged group as a result of their geographical status. Therefore this author proposes a new system of payments, separate from Youth Allowance, which addresses the financial disadvantage associated with *distance*, rather than socio-economic status. Youth Allowance can still be available for rural and remote students based on parental income, as it is for the remainder of the population. However, any student who needs to move away from home to study (including metropolitan students who need to move away from home to study their chosen course) should receive an allowance that compensates for the disadvantage of distance.

The solution to this problem created by this author is designed to compensate for the additional costs faced by rural and remote students. The solution aims to give every student who must move away from home enough financial support to cover the *additional* costs they face when moving away from home. Under this new system the ‘away from home’ rate of Youth Allowance, Rent Assistance for students is abolished. Instead every student who qualifies for Youth Allowance based on the current parental income test provision receives the associated ‘at home’ dependent rate. In addition to this *every* student who must move away from home to study receives a \$4000 start up payment known as a ‘Tertiary Access Allowance’ for *every* year they study. This would replace the proposed ‘Relocation Scholarship of \$4000 in the first year and \$1000 in each subsequent year. This payment is an important measure to assist student access tertiary education. The start-up costs of setting up a second home can place a massive burden on families, and if students cannot afford these start-up costs then it makes university education unattainable.

In addition to this *every* student who must move away from home to study would receive a ‘Rent Assistance’ type payment, known as a ‘Tertiary Accommodation Allowance’ that makes up for the additional costs of moving away from home to study after the Tertiary Access Allowance is taken into account. If it is assumed that it costs \$12 047 a year extra to live away from home the payment would be as follows:

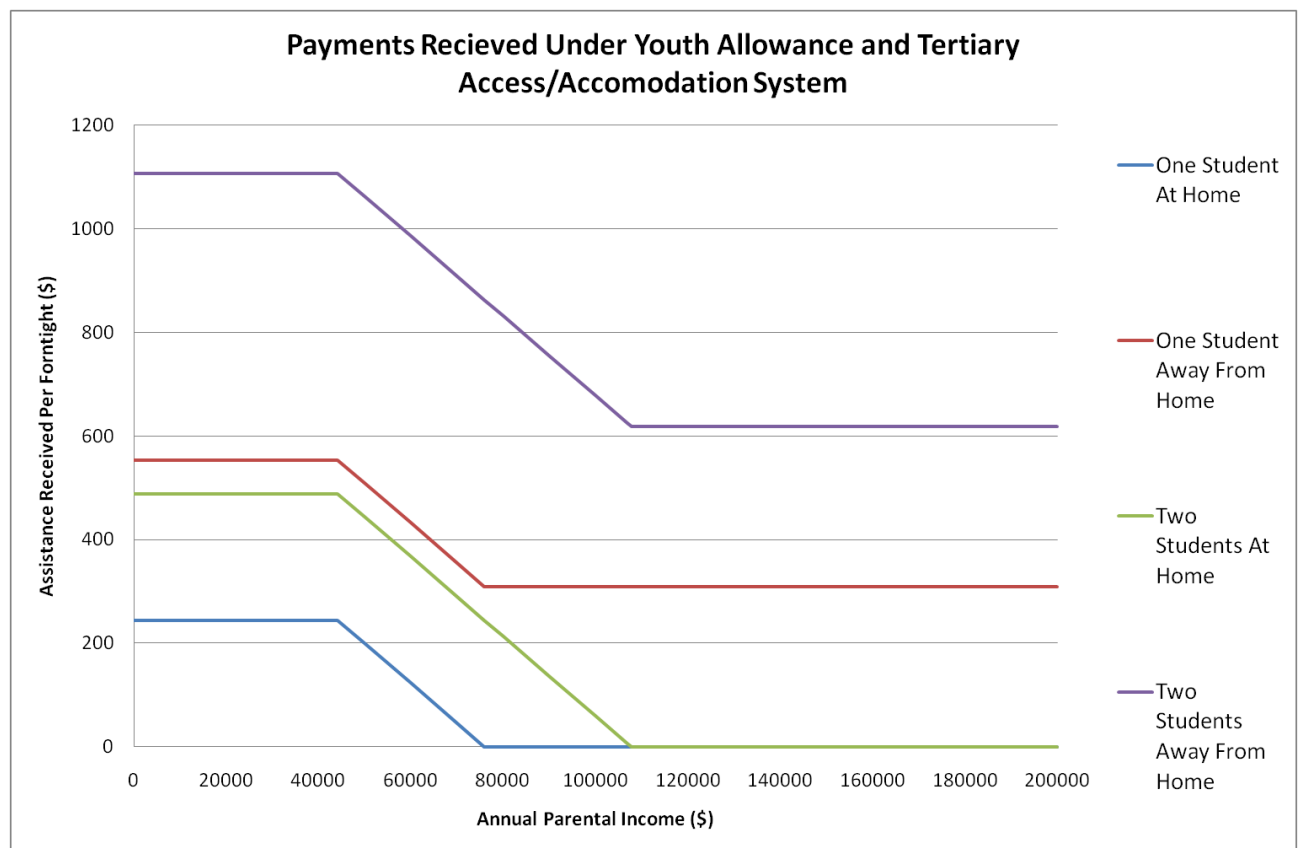
$\$12\,047 - \$4000 \text{ relocation scholarship} = \$8\,047 \text{ additional to live away from home}$

$\$8047 / 26 = \$309.5 \text{ fortnight in ‘rent assistance’ type payment.}$

This allowance will assist rural and remote students in meeting the significant living costs associated with attending university.

The purpose of this system is to make the financial support given to students who move away from home equitable with the support given to students who live at home when costs are taken into to consideration. The below graph demonstrates the parental income versus amount of Youth Allowance and Tertiary Access/Accommodation Allowance received under this proposed scheme.

**Figure 5**



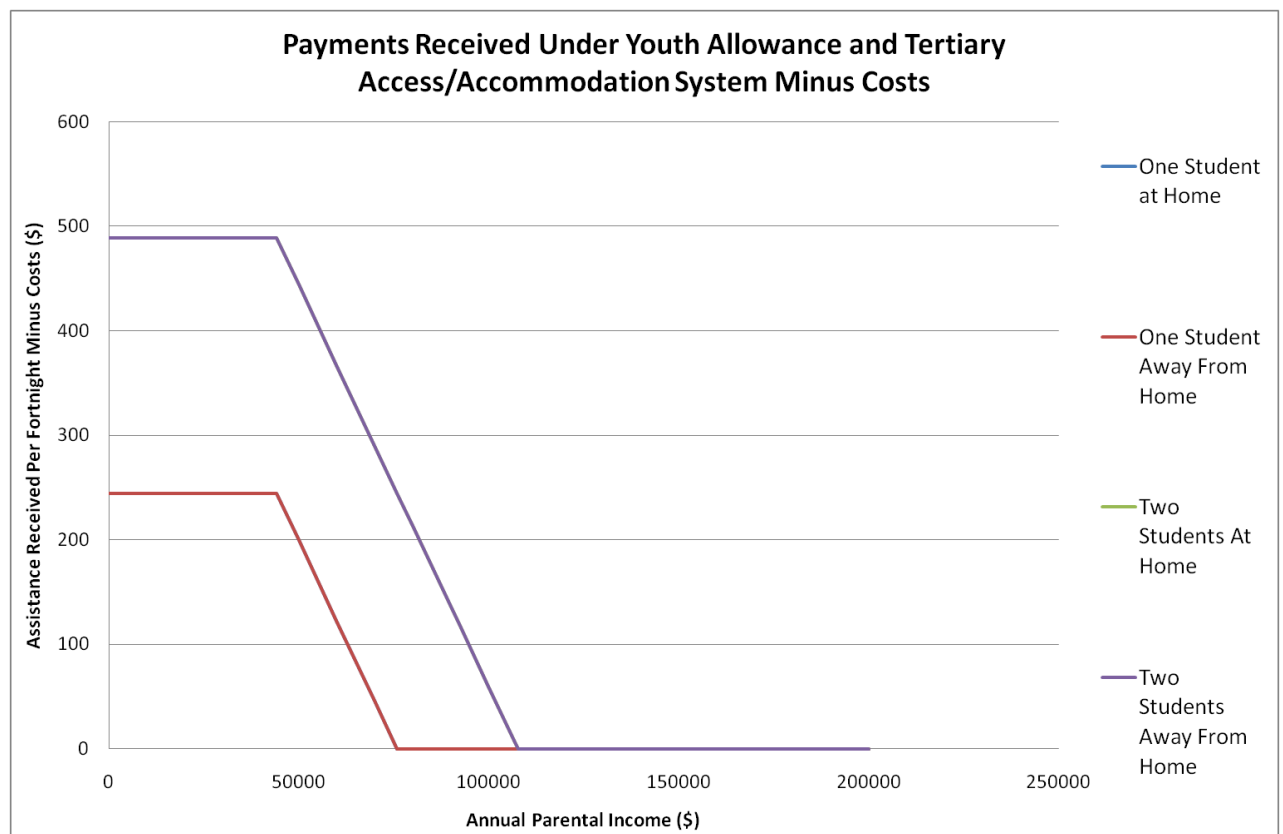
Note: this graph only shows the Tertiary Access Allowance and Youth Allowance payments. Scholarships are not included in the amount of payments received.

The tables of data used to form the graphs in this report are available in appendix one.

The most important aspect of this new policy is that it compensates for the additional costs faced by students who must live away from home to study. If the additional cost of studying is assumed to be \$12 047 a year, and we also assume that every student on

Youth Allowance receives a \$4000 scholarship, than for the system to be equitable than the extra money received through income support should account for the remaining \$8047 a year in additional costs (or \$309.5 a fortnight). The below graph shows that the new system is equitable between at home and away from home students when these costs are taken into account.

**Figure 6**



Note: It is not possible to differentiate between the away from home and at home lines as they exactly the same amount.

The tables of data used to form the graphs in this report are available in appendix one.

Through this new allowance system the funding gap in student income support between students who have to move away from home and students who live at home is closed. In addition an income-tested based criterion is still retained for Youth Allowance payments to ensure the neediest students gain the most support. It is important to note that the actual figure that represents the difference between living at home and away from home may be different, and this is open to interpretation. The purpose of this

exercise is to demonstrate in principle how introducing a new Tertiary Access/ Accommodation allowance system can address the challenges faced by rural and remote students as a result of their distance from education, whilst an income tested Youth Allowance system is retained to address the disadvantage faced by students from a low socio-economic background. One final important aspect of this policy is whether the current criteria used to determine whether a student ‘needs to move away from home’ is appropriate. How the ‘need to move away from home’ is measured is important, as it will determine who receives the additional income support payments.

After consideration of a number of options including a number of ‘distance’ based criteria<sup>17</sup> this author found that the current time based provision is the best way to assess whether a student needs to move away from home. Through the current time based provision issues such as lack of public transportation can be taken into account and overcome. A student who does not have access to public transport would instantly qualify for the away from home rate, for would be unable to travel to university on public transport in under 90 minutes if no such transport was available. In addition under the current time based provision all students who do *not* qualify for the away from home rate of Youth Allowance are able to travel to and from university on public transport under 90 minutes each way. The costs incurred by this travel on public transportation should not be significantly more than the costs incurred by student travelling on public transport within a closer radius and therefore this should not place a significant financial burden on these students.

## Endnotes

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<sup>1</sup> DEEWR, *the Bradley Review*, 53.

<sup>2</sup> DEWER Website, *Youth Allowance*.

<sup>3</sup> The Hon Christopher Pyne MP, "Gillard Backflip Does not Satisfy the Coalition or Students".

<sup>4</sup> DEEWR, *the Bradley Review*, 53.

<sup>5</sup> *Ibid.*

<sup>6</sup> Parliament of Victoria Education and Training Committee, *Inquiry into Geographical Differences*, 29.

<sup>7</sup> *Ibid.*, 30

<sup>8</sup> *Ibid.*, 198

<sup>9</sup> *Ibid.*, 199

<sup>10</sup> Fact Sheet 9 available at DEEWR Website, *Youth Allowance*.

<sup>11</sup> N Godden, *Regional Young People and Youth Allowance*, 11-12.

<sup>12</sup> Questions on notice from Budget Estimates Hearings for the Education, Employment and Workplace Relations portfolio, Thursday 4 June 2009, DEEWR Question No. EW0365\_10.

<sup>13</sup> N Godden, *Regional Young People and Youth Allowance*, 13

<sup>14</sup> Parliament of Victoria Education and Training Committee, *Inquiry into Geographical Differences*, 179

<sup>15</sup> A student on the full rate payments for independent away from home Youth Allowance (\$371.40 a fortnight) and full rent assistance (\$111.2) will receive \$12 547.6 a year (source: Centrelink Website, *Youth Allowance*), plus an annual start-up scholarship of \$2254. As this report demonstrated earlier, it costs a student approximately extra \$12 047 a year extra to live away from home in group housing and approximately \$18 426 to live away from home in residential colleges. As such Youth Allowance may not even be sufficient to cover the *additional* costs of moving away from home in many cases.

<sup>16</sup> Parliament of Victoria Education and Training Committee, *Inquiry into Geographical Differences*, 179.

<sup>17</sup> For example a criteria of 100km from a student's place of study is used for the National Accommodation Scholarship (source: Department of Employment, Education and Workplace Relations Website, Commonwealth Scholarships Program, available at:

[http://webct.anu.edu.au/SCRIPT/POLS2031\\_Sem\\_1\\_2009/scripts/serve\\_home](http://webct.anu.edu.au/SCRIPT/POLS2031_Sem_1_2009/scripts/serve_home)

Accessed 4 October 2009).

## Chapter Five: How Much Will the New System Cost?

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It is very difficult to determine how much the new system of payments proposed in this paper will cost. The main difficulty lies in the fact that it is not possible to know exactly how many students will qualify for the new payment. Nonetheless estimates can be made based on available statistical data. Statistics show that 57 427 regional students (41%) were attending metropolitan universities in 2006. In addition to this 46 821 metropolitan students (8%) were studying in regional campuses in 2006.<sup>1</sup> If every one of these students received a Tertiary Access Allowance (\$4000 a year) as well as Tertiary Accommodation Allowance (equals a total of \$8 047 a year) over four years the total cost would equal \$5 023.5 million. This figure does not take into account the behavioral change that would occur as a result of the allowance. For example more students who need to move away from home to study may decide to attend university as a result of the allowance. Although this would be a positive outcome it is also an expense that must be taken into account. In addition more students may chose to move away from to study if that option is made available. It is not possible to know how many would make this choice.

It is important to remember that the new system also results in a significant reduction in the cost of Youth Allowance. By abolishing the away from home rate of Youth Allowance, Rent Assistance and the Relocation Scholarship (as it is replaced by the Tertiary Access Allowance) significant savings will be made that can be directed towards the Tertiary Access/Accommodation Allowance system. It is again difficult to know exactly how many students will qualify for the away from home rate of payment under the Federal Governments proposed changes to Youth Allowance. However based on available statistical data and figures provided by DEEWR this paper estimates that approximately 87 716 students<sup>2</sup> would qualify for the away from home rate of payment under the Federal Governments proposed changes to the Youth Allowance system. It is important to highlight that this figure of 87 716 is significantly higher than DEEWR

estimates.<sup>3</sup> However, for the following cost calculations the figure of 87 716 will be used as the author believes it more accurately reflects the number of students who would qualify for the away from home rate of payment under the new scheme.

By abolishing the away from home rate of Youth Allowance and Rent Assistance for Youth Allowance recipients there will be a saving of \$238.2 a student per fortnight, or \$6 193.2 a year. This equals a saving of \$543.2 million a year or a saving of \$2 172.97 million over four years. In addition to this savings can be made through a reduction in the start-up scholarship. The scholarship currently provides every student on Youth Allowance with \$2254 a year for each year they study.<sup>4</sup> This appears to be a fairly high amount for students living at home to pay for 'start up costs' such as text books. The Victorian Parliament Report estimates the cost of course materials over three years to be \$3154.<sup>5</sup> The author believes this is a more realistic indication of the 'start-up' costs of university. The cost of this scholarship is \$1 259.6 million over four years.<sup>6</sup> As such halving the amount of the scholarship to approximately \$1100 a year would save \$629.8 million over four years. It was also suggested that the cost of the university materials could also be paid for through a loans type scheme.<sup>7</sup> Although it is not in the scope of this paper to explore this proposal in depth, such a scheme may be a most cost effective measure through which the Federal Government can ensure all students can afford the cost of essential study materials.

Finally as the Relocation Scholarship would be replaced by the Tertiary Access Scholarship the cost of this scholarship can be removed. This equals a saving of \$193.2 million over four years.<sup>8</sup> These changes to the system create an overall estimated saving of \$2 995.97 million over four years assuming that 87 716 away from home students would qualify for Youth Allowance under the Federal Government's new Youth Allowance system. When this is deducted from the estimated costs of the policy the introduction of a Tertiary Access/Allowance system would cost approximately \$2 027.5 million over four years. However, as the figures on the number of students who will qualify for the away from home rate of payments are significantly different to estimates from DEEWR the *additional* costs of the policy measures proposed in this paper may be less than calculated, as the Federal Government may have under-budgeted the cost of their new Youth Allowance measures. Nonetheless it is clear that the introduction of a

Tertiary Access Allowance and Tertiary Accommodation Allowance system will require significant additional funding in student financial support. However, if the Federal Government is serious about lifting the participation levels of rural and remote students then it must direct additional funding towards into addressing the financial barriers to education they face.



## Endnotes

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<sup>1</sup> Submission Eighty One by Southern Cross University into the 2009 Senate Rural and Regional Affairs and Transport Committee Inquiry

<sup>2</sup> Please see appendix 2 for the calculation of this figure.

<sup>3</sup> Please see appendix two for further information.

<sup>4</sup> The 2009-10 Budget, *Budget Measures*, 158.

<sup>5</sup> Parliament of Victoria Education and Training Committee, *Inquiry into Geographical Differences*, 171.

<sup>6</sup> The 2009-10 Budget, *Budget Measures*, 158.

<sup>7</sup> Personal Communication with Senator Sarah Hanson-Young, in person, Parliament House, 17 September 2009.

<sup>8</sup> The 2009-10 Budget, *Budget Measures*, 157.

## Conclusion

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The Federal Government's proposed changes to the Youth Allowance system will negatively affect rural and remote students. Students have previously relied upon receiving the full 'away from home' rate of Youth Allowance through gaining independence. The tapered rate of Youth Allowance, based on parental income, is often significantly lower than the full rate and often inadequate to support a student living away from home. Through the Federal Government's removal of the ability of students to earn independence, and therefore the full rate of away from home Youth Allowance, university may now be unaffordable for many students who must move away from home to study.

The report has shown that students who need to move away from home to attend university face significant additional extra costs. As rural and remote student are much more likely to need to move away from home, they face financial barriers to higher education as result of their location. The payment system proposed in this report is designed to address this 'disadvantage of distance'. For just as Youth Allowance can address socio-economic disadvantage through welfare payments, the new system can address the disadvantage of distance associated with living in a regional or remote location. If the Federal Government wants to increase the numbers of rural and remote students attending university then it must create a system which addresses the challenges associated with coming from a rural and remote region. As this report has argued, these challenges arise from the significant costs that arise as a result of moving and living away from home. To address the financial challenges of students who need to move away from home they should receive both a Tertiary Access Allowance and a Tertiary Accommodation to compensate for the additional costs incurred through moving away from home. The Tertiary start-up scholarship is important to address the high costs students face when they begin university. This will make university more *accessible* for many students. In addition they need a payment to address the costs that

arise from living away from home during university. This will help rural and remote students to address the cost associated with *attending* university.

Although this measure may be costly, investing in higher education is an investment into the future prosperity of the nation. In addition the right to education is an important value. Changes to student income support can play an important role in ensuring students from rural and remote areas are not only 'free' but also 'able' to attend university. As such the findings of this report make an important contribution to addressing the financial barriers faced by rural and remote students as a result of their location and subsequently improve their access to university education. However, it is important to highlight that this report only addresses one aspect of a much larger issue. There are many other factors that prevent rural and remote students from seeking higher education, such as cultural expectations and educational resources in earlier schooling. These factors must also be taken into account when addressing the low levels of higher education attainment amongst rural and remote students. Therefore the solutions put forth in this report are only one step towards addressing the low and declining levels of higher education attainment amongst rural and remote students. This is an important area that requires further investigation and resolution. Failure to do so will have significant ramifications for the prosperity not only of regional and remote Australia, but for the nation as a whole.

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## Bibliography

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### **Major Reports and Other Texts (some may be available online)**

**The 2009-10 Budget: Budget Measures, Budget Paper No. 2 (Barton, Commonwealth of Australia: 2009).**

The Budget outlines how much the Federal Government's proposed changes to Youth Allowance are expected to cost.

**Department of Education, Employment and Workplace Relations, *Annual Report 2007-08 Volume 1* (Commonwealth of Australia: 2008). Available online at: <http://www.annualreport.deewr.gov.au/>**

This annual report outlines how many students received Youth Allowance in 2007-08 in the different categories.

**Department of Education, Employment and Workplace Relations, *Review of Higher Education Final Report* (Commonwealth of Australia: 2008).**

This report is the result of a major review of the higher education sector led by Dr Denise Bradley (Therefore referred to as 'the Bradley Review' throughout this report). The Bradley Review identifies numerous issues with the higher education system and recommends changes to be made by the Federal Government. As many of the Federal Government's changes to the Youth Allowance system are the result of Bradley Review recommendations, it is an invaluable resource in understanding the reasons behind the proposed changes.

**Godden, N., *Regional Young People and Youth Allowance: Access to Tertiary Education*, (Wagga Wagga, The Centre for Rural Social Research: 2007).**

This report outlines the difficulties faced by rural and remote students in accessing education and the inadequacies of the current Youth Allowance system in addressing this.

**Jones, Roger G, *Identifying Higher Education Students from Low Socio-Economic Status Backgrounds and Regional and Remote Areas*, (2001). Available online at [http://www.dest.gov.au/archive/highered/eippubs/eip02\\_4/exe\\_summary.htm](http://www.dest.gov.au/archive/highered/eippubs/eip02_4/exe_summary.htm)**

This report assesses alternate ways of identifying higher education students from rural and isolated areas. The criteria assessed include a geographic based classification (such as the Accessibility/Remoteness Index of Australia), a postcode based classification and the use of a 'distance to campus' based measurement of university accessibility.

**Melbourne Institute of Applied Economic and Social Research, *Poverty Lines: Australia*, Issue 1448-0530, (June Quarter 2009). Available at: <http://www.melbourneinstitute.com/labour/inequality/poverty/Poverty%20lines%20Australia%20June%202009.pdf>**

This quarterly newsletter sets the Henderson Poverty line. This benchmark provides an important measure through which the adequacy of income support can be measured.

**NATSEM University of Canberra , *What Price the Clever Country? AMP NATSEM Income and Wealth Report*, Issue 21 (November 2008).**

This report examines the economic benefits of higher education and the current financial situation of Australian students.

**The Parliament of the Commonwealth of Australia, *Social Security and Other Legislation Amendment (Income Support for Students) Bill 2009*, introduced to the House of Representatives on Thursday 10 September 2009.**

This Bill outlines the Federal Government's proposed changes to legislation and is useful in providing greater detail or clarity on the finer details of the policy.

**The Parliament of Victoria Education and Training Committee, *Inquiry into Geographical Differences in the Rate in which Victorian Students Participate in Higher Education: Final Report* (Parliament of Victoria: 2009).**

This comprehensive report found that there are significant geographical differences in higher education participation across Victoria. The Victorian Report discusses in length the factors that may be the cause of this difference and provide recommendations to address them. The Victorian Report argues that the Federal Government's proposed changes to Youth Allowance will have a significant negative impact on rural and remote students.

**Western, John, McMillan, Julie and Durrington, Denise, *Differential Access to Higher Education: The Measurement of Socioeconomic Status, Rurality and Isolation* (The University of Queensland: 1998). Available online at:**

**<http://www.dest.gov.au/archive/highered/eippubs/eip98-14/eip98-14.pdf>**

The report evaluates different methods of identifying students from low socioeconomic, rural and isolated groups. The report argues that measuring access to university campuses is the most appropriate way to identify students who are experiencing 'locational disadvantage' in relation to higher education.

## **Media Resources**

**Chapman, Bruce, "Youth Allowance Gets a Fair Go", *The Australian*, 2 June 2009.**

In this article Bruce Chapman explains that the proposed changes to Youth Allowance were necessary as the current Parental Income Test is too low, and the workplace participation test is too open to abuse.

**Ellis, The Hon Kate MP, "Budget 2009-10: More Support for Students", *Media Release*, 12 May 2009.**

This media release outlines the Federal Government's proposed changes to Youth Allowance and the number of students who are expected to be affected by the changes.

**Pyne, The Hon Christopher MP, “Gillard Backflip Does not Satisfy the Coalition or Students” *Media Release*, 26 August 2009.**

This media release was created in response to the Federal Government’s decision to grandfather the changes to the workplace participation criteria for students who must move away from home study until July 2010. It provides figures on how many students will be affected by this change.

**Ryan, Siobhain and Trounson, Andrew, “Julia Gillard Tipped to Give Ground on Gap-Year Students”, *The Australia*, 25 August 2009.**

This article outlines how much it would cost the Federal Government to grandfather the changes to the workplace criteria until July 2010.

### **Online Resources**

**The Australian Human Rights Commissions, *The Human Rights of Rural Australians*, available at:**

**[http://www.humanrights.gov.au/human\\_rights/rural\\_australians/index.html](http://www.humanrights.gov.au/human_rights/rural_australians/index.html)**

**Accessed 5 October 2009.**

This site explains that the right to education is a human rights issue for rural and remote Australians. This is often a result of their distance from educational facilities and resources.

**Centrelink Website, *Youth Allowance*, available at:**

**[http://www.centrelink.gov.au/internet/internet.nsf/payments/youth\\_allow.htm](http://www.centrelink.gov.au/internet/internet.nsf/payments/youth_allow.htm)**

**(3 August 2009) Accessed 4 October 2009.**

This site provides general information on the current Youth Allowance system including eligibility and payment rates.

**Department of Education, Employment and Workplace Relations Website, *Youth Allowance*, available at:**

**<http://www.deewr.gov.au/HigherEducation/Programs/YouthAllowance/Pages/default.aspx> Accessed 4 October 2009.**

This site provides an overview of the Federal Government's proposed changes to Youth Allowance. The site also contains links to 'Fact Sheets' on the Youth Allowance changes. These Fact Sheets provide further detail on the changes and outline how the Youth Allowance changes will affect students.

**Department of Employment, Education and Workplace Relations Website, *Commonwealth Scholarships Program*, available at:**

**[http://webct.anu.edu.au/SCRIPT/POLS2031\\_Sem\\_1\\_2009/scripts/serve\\_home](http://webct.anu.edu.au/SCRIPT/POLS2031_Sem_1_2009/scripts/serve_home)  
Accessed 4 October 2009.**

This site provides information on the Commonwealth Scholarships, including those the Federal Government plans to abolish under its proposed changes.

**National Centre for Social Applications of Geographic Information Systems, *About ARIA+ (Accessibility/Remoteness Index of Australia)* available at:**

**[http://www.gisca.adelaide.edu.au/products\\_services/ariav2\\_about.html](http://www.gisca.adelaide.edu.au/products_services/ariav2_about.html)  
Accessed 11/09/2009.**

This site provides a brief description of how remoteness is calculated according to the Accessibility/Remoteness Index of Australia produced by the Australian Bureau of Statistics.

## **Senate Inquiry Submissions**

The following submissions were used in the report. The submissions were made into the 2009 Senate Rural and Regional Affairs and Transport Committee Inquiry into Rural and Regional Access to Secondary and Tertiary Education Opportunities. The Submissions are available at:

**[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)**



**Submission One by Mr Les Evans**

This submission argues that the Federal Government's changes to Youth Allowance do not address the disadvantages rural and remote students face in accessing higher education and that the changes will leave many middle income families worse off.

**Submission Nine by Mark Smith**

This submission argues that the Federal Government's changes to the workplace participation criteria will disadvantage a large group of students who rely upon gaining independence to be able to afford to move away from home to attend university.

**Submission Ten by Mr Kim Pett**

This submission was useful in demonstrating how the financial disadvantage of rural and remote students could be shown through the use of graphs.

**Submission Eighty One by Southern Cross University**

This submission was useful in providing figures of the number of students who move away from home to attend university. The submission recommends that the Federal Government should look at making more courses available in regional universities to reduce the need for rural students to move away from home to study.

**Submission by Universities Australia** available at:

<http://www.universitiesaustralia.edu.au/content.asp?page=/publications/policy/submissions/index.htm>

Universities Australia is a peak body that represents thirty eight universities from across Australia. The submission provided feedback on the Federal Government's proposed changes to the Higher Education sector. The submission was useful in clarifying whether or not Australian universities would allow students to defer for two years.

## **Hansard and Questions on Notice**

**Chester, Darren MP, speech in the House of Representatives during Private Members Business: Education Services in Isolated Regions, Monday 23 February 2009.**

In this speech Mr Chester outlines the financial barriers rural and remote students face in accessing higher education and the need to address this issue for both economic prosperity and social equality.

**Hansard Transcript of the Budget Estimates Hearings for the Education, Employment and Workplace Relations portfolio, Thursday 4 June 2009 (EEWR 36-74). This is available at:**

**<http://www.aph.gov.au/hansard/senate/commttee/S12058.pdf>**

This transcript records the questions asked of the Department of Education Employment and Workplace Relations in regards to the proposed changes to Youth Allowance policy during budget estimates. It is very useful in clarifying a number of issues with the new changes and outlining how many students will be affected by the changes.

The following questions were taken on notice during budget estimates and their answers were used in the report.

- **DEEWR Question No. EW0352\_10**

This provides the geographic distribution (based on the Accessibility/Remoteness Index of Australia) of Youth Allowance recipients who established their independence through the workplace participation criteria.

- **DEEWR Question No. EW0353\_10**

This answer provides statistics on how many students receiving Youth Allowance receive the away from home rate of payment.

- **DEEWR Question No. EW0354\_10**

This answer provides the geographic distribution of students (based on the Accessibility/Remoteness Index of Australia) living away from home and receiving Youth Allowance.

- **DEEWR Question No. EW0365\_10**

This answer outlines how the 'need to live away from home' is calculated for Youth Allowance purposes.

## **Multimedia**

**Q and A, *The Youth Show*, aired on Thursday 6 August 2009, ABC television. Transcript available at: <http://www.abc.net.au/tv/qanda/txt/s2641523.htm>**

This program featured Minister for Education The Hon Julia Gillard MP answering questions on Youth Allowance as part of a discussion panel featuring Leader of The Opposition the Hon Malcolm Turnbull and a number of prominent young political actors. Despite receiving a significant amount of negative feedback on the policy from both the panel and the audience Gillard remained adamant the changes would leave most students in a better financial position.

## **Personal Communication**

**Mrs Diane Peacock from the Department of Education, Employment and Workplace Relations , via telephone, 11 September 2009.**

Mrs Peacock provided clarification of a number of issues associated with the proposed changes to Youth Allowance.

**Mrs Roxanne Morrissey Federal President of the Isolated Children's Parents' Association (ICPA) via telephone, 17 September 2009.**

Mrs Morrissey highlighted that there is an important difference between students 'accessing' and 'attending' university. She also provided valuable feedback on ways in which the current Youth Allowance system could be changed to address the financial challenges rural and remote students face in accessing and attending higher education.

**Senator Fiona Nash and Mr Darren Chester MP, in person, Parliament House, 8 September 2009.**

Senator Nash and Mr Chester provided feedback on my proposed policy solution and provided suggestions on ways it could be refined and improved.

**Senator Sarah Hanson-Young, in person, Parliament House, 17 September 2009.**

Senator Hanson-Young outlined her position on the Federal Government's changes to Youth Allowance and provided suggestions on how the system could be improved.

### **Unpublished Resources**

**Chapman, B and Lounkaew, K, *Reforming Youth Allowance: The "Independent-at-Home" Category*, (Acton, Australian National University: 2008). Provided by Professor Bruce Chapman.**

This paper was commissioned for the Bradley Review to examine the parental incomes of students who had earned independence through the workplace participation criteria. Their results were used by the Bradley Review to justify the abolition of the workplace participation test.

**Peacock, Diane, *"Reforms to Student Income Support: Youth Allowance and ABSTUDY, for students and young people aged 16-25 years"*, Hardcopy of PowerPoint Presentation (Department of Education, Employment and Workplace Relations). Provided by Coral Dow of the Parliamentary Library.**

This PowerPoint presentation outlines many of the proposed changes to Youth Allowance and the reasons behind the changes. This presentation was useful as it provided figures on how the number of students who will qualify for the away from home rate of the payments under the new system was calculated.

**Cover Image**

This Image of Gunbarrel Highway during the wet season was downloaded from the site “photobucket” on 4 October 2009. The image captures the remoteness and isolation of outback Australia and provides a visual representation of the ‘disadvantage of distance’. The person who took the photo is known on the site as ‘FarceurFarceur’. The image can be accessed at:

<http://media.photobucket.com/image/outback%20road%20australia/FarceurFarceur/GE/GBH.jpg>

## Appendix

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### Appendix One

This appendix shows the graphical data used to create a number of the graphs throughout the report.

Data for tables and graphs sourced from: Fact Sheet 11 available on the Department of Education, Employment and Workplace Relations Website, *Youth Allowance*, available at:

<http://www.deewr.gov.au/HigherEducation/Programs/YouthAllowance/Pages/default.aspx> Accessed 4 October 2009.

DAH = Dependent-At-Home category of Youth Allowance

DAFH = Dependent-Away-From-Home category of Youth Allowance

IAH = Independent-At-Home category of Youth Allowance

IAFH = Independent-Away-From-Home category of Youth Allowance

Table of Data for Figure 1

Annual Combined Parental Income	One Student DAH	One Student DAFH	Two Students DAH	Two Students DAFH	One Student IAH	One Student IAFH	Two Students IAH	Two Students IAFH
0	331.1	636.56	661.8	1273.11	244.4	482.6	488.8	965.2
44165	331.1	636.56	661.8	1273.11	244.4	482.6	488.8	965.2
50000	286.22	591.68	616.92	1228.23	244.4	482.6	488.8	965.2
60000	209.29	514.75	539.99	1151.3	244.4	482.6	488.8	965.2
70000	132.37	437.82	463.07	1074.38	244.4	482.6	488.8	965.2
75936	86.71	392.17	417.41	1028.72	244.4	482.6	488.8	965.2
75937	0	392.16	417.4	1028.71	244.4	482.6	488.8	965.2
80000	0	360.91	386.15	997.46	244.4	482.6	488.8	965.2
90000	0	283.98	309.22	920.53	244.4	482.6	488.8	965.2
92446	0	265	290.41	901.72	244.4	482.6	488.8	965.2
92447	0	111.2	290.4	901.71	244.4	482.6	488.8	965.2
100000	0	53.1	232.3	843.61	244.4	482.6	488.8	965.2
106903	0	0	179.2	790.51	244.4	482.6	488.8	965.2
107708	0	0	173	784.32	244.4	482.6	488.8	965.2
107709	0	0	0	784.31	244.4	482.6	488.8	965.2
110000	0	0	0	766.69	244.4	482.6	488.8	965.2
120000	0	0	0	689.76	244.4	482.6	488.8	965.2
130000	0	0	0	612.84	244.4	482.6	488.8	965.2
140000	0	0	0	535.92	244.4	482.6	488.8	965.2
140728	0	0	0	530.3	244.4	482.6	488.8	965.2
140729	0	0	0	222.4	244.4	482.6	488.8	965.2
150000	0	0	0	151.08	244.4	482.6	488.8	965.2
160000	0	0	0	74.16	244.4	482.6	488.8	965.2
169641	0	0	0	0	244.4	482.6	488.8	965.2
170000	0	0	0	0	244.4	482.6	488.8	965.2
180000	0	0	0	0	244.4	482.6	488.8	965.2
190000	0	0	0	0	244.4	482.6	488.8	965.2
200000	0	0	0	0	244.4	482.6	488.8	965.2

**Table of Data for Figure 3**

<b>Annual Parental income</b>	<b>1 Student DAH</b>	<b>1 Student DAFH</b>	<b>2 Students DAH</b>	<b>2 Students DAFH</b>
0	244.4	482.6	488.8	965.2
44165	244.4	482.6	488.8	965.2
50000	199.52	437.72	443.92	920.32
60000	122.59	360.79	366.99	843.39
70000	45.67	283.8692	290.07	766.47
75937	0	238.2	244.4	720.8
80000	0	206.95	213.15	689.55
90000	0	130.02	136.22	612.62
92447	0	111.2	117.4	593.8
100000	0	53.1	59.3	535.7
106903	0	0	6.2	482.6
107709	0	0	0	476.4
110000	0	0	0	458.78
120000	0	0	0	381.85
130000	0	0	0	304.93
140000	0	0	0	228.01
140729	0	0	0	222.4
150000	0	0	0	151.08
160000	0	0	0	74.16
169641	0	0	0	0
170000	0	0	0	0
180000	0	0	0	0
190000	0	0	0	0
200000	0	0	0	0



**Table of Data for Figure 4**

<b>Annual Parental</b>	<b>One Student At Home</b>	<b>One Student Away From</b>	<b>Two Students At Home</b>	<b>Two Students Away From</b>
0	244.4	173.1	488.8	346.2
44165	244.4	173.1	488.8	346.2
50000	199.52	128.22	443.92	301.32
60000	122.59	51.29	366.99	224.39
70000	45.67	-25.63	290.07	147.47
75937	0	-71.3	244.4	101.8
80000	0	-102.55	213.15	70.55
90000	0	-179.48	136.22	-6.38
92446	0	-198.1	117.2	-25
92447	0	-352.15	117.4	-25.2
100000	0	-410.2	59.3	-83.3
106903	0	-463.3	6.2	-136.4
107709	0	-463.3	0	-142.6
110000	0	-463.3	0	-160.22
120000	0	-463.3	0	-237.15
130000	0	-463.3	0	-314.07
140000	0	-463.3	0	-390.99
140728	0	-463.3	0	-396.8
140729	0	-463.3	0	-704.29
150000	0	-463.3	0	-775.6
160000	0	-463.3	0	-852.53
169641	0	-463.3	0	-926.69
170000	0	-463.3	0	-926.69
180000	0	-463.3	0	-926.69
190000	0	-463.3	0	-926.69
200000	0	-463.3	0	-926.69

**Table of Data for Figure 5**

<b>Annual Parental Income</b>	<b>1 Student DAH</b>	<b>1 Student DAFH</b>	<b>2 Students DAH</b>	<b>2 Students DAFH</b>
0	244.4	553.9	488.8	1107.8
44165	244.4	553.9	488.8	1107.8
50000	199.52	509.02	443.92	1062.92
60000	122.59	432.09	366.99	985.99
70000	45.67	355.17	290.07	909.07
75937	0	309.5	244.4	863.4
80000	0	309.5	213.15	832.15
90000	0	309.5	136.22	755.22
92447	0	309.5	117.4	736.4
100000	0	309.5	59.3	678.3
106903	0	309.5	6.2	625.2
107709	0	309.5	0	619
110000	0	309.5	0	619
120000	0	309.5	0	619
130000	0	309.5	0	619
140000	0	309.5	0	619
140729	0	309.5	0	619
150000	0	309.5	0	619
160000	0	309.5	0	619
169641	0	309.5	0	619
170000	0	309.5	0	619
180000	0	309.5	0	619
190000	0	309.5	0	619
200000	0	309.5	0	619

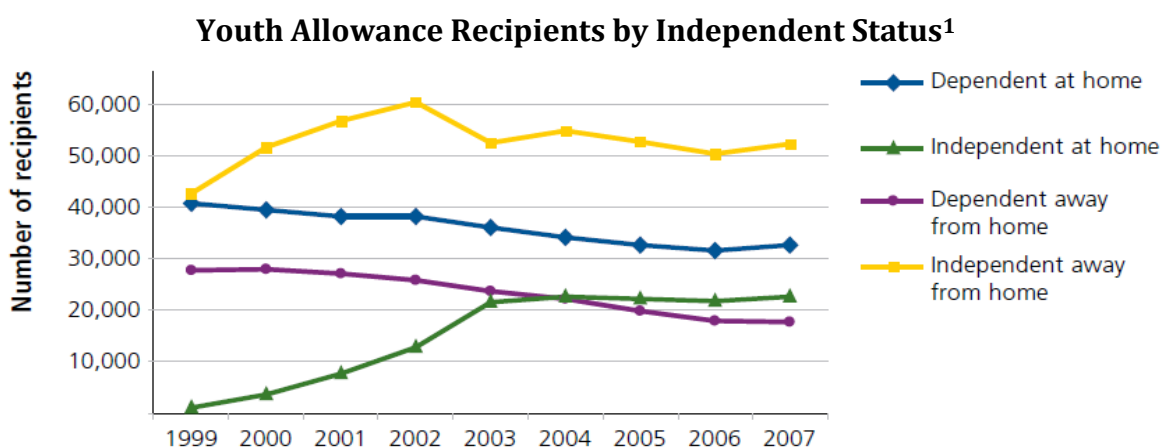
**Table of Data for Figure 6**

<b>Annual Parental Income</b>	<b>1 Student DAH</b>	<b>1 Student DAFH</b>	<b>2 Students DAH</b>	<b>2 Students DAFH</b>
0	244.4	244.4	488.8	488.8
44165	244.4	244.4	488.8	488.8
50000	199.52	199.52	443.92	443.92
60000	122.59	122.59	366.99	366.99
70000	45.67	45.67	290.07	290.07
75937	0	0	244.4	244.4
80000	0	0	213.15	213.15
90000	0	0	136.22	136.22
92447	0	0	117.4	117.4
100000	0	0	59.3	59.3
106903	0	0	6.2	6.2
107709	0	0	0	0
110000	0	0	0	0
120000	0	0	0	0
130000	0	0	0	0
140000	0	0	0	0
140729	0	0	0	0
150000	0	0	0	0
160000	0	0	0	0
169641	0	0	0	0
170000	0	0	0	0
180000	0	0	0	0
190000	0	0	0	0
200000	0	0	0	0

## Appendix Two

The purpose of this appendix is to show how the estimate of 87 716 students qualifying for the away from home rate of Youth Allowance under the Federal Government's proposed changes was calculated. The below graph shows that approximately 19 000 of the 50 000 dependent Youth Allowance recipients lived away from home. This means that 38% of dependent Youth Allowance recipients received the away from home rate of payment. The graph also shows that in 2007 approximately 70% of all independent Youth Allowance recipients received the away from home rate of payment.

**Figure 7**



From these percentages and figures from the DEEWR annual report 2007-08 it is possible to estimate the number of students who will qualify for the away from home rate under the Federal Government's proposed changes. The DEEWR 2007-08 annual report shows that in June 2008 approximately 71 614 students (60.9%) of the 117 623 higher education students on Youth Allowance were independent. Of these 71 614 students approximately 58 866 (82.2 %) had gained independence through the workplace participation criteria.<sup>2</sup> This means that in 2008 approximately 50% of all students on Youth Allowance were on the independent rate of Youth Allowance gained through the workplace participation criteria. The remaining 12 748 (17.7%) of students must have gained independence through proving that it was unreasonable for them to live at home, marriage or having a child as students who achieve independence based

on age receive AUSTUDY.<sup>3</sup> As such it is reasonable to assume this group of students received Independent-Away-From-Home Youth Allowance.

The annual report does not have a break-down of figures on how many independent Youth Allowance recipients lived at home and away from home. As the graph above shows in 2007 approximately 70% of students on independent Youth Allowance lived away from home, compared with approximately 30% who were independent at home. If these percentages are applied to the 2007-2008 figures then of the 71 614 independent students 50 130 students would live away from home. If the 12 748 students who live away from home (see above) are removed this means that 37 382 students live away from home and gained Youth Allowance through the work place participation criteria.

From these figures we know that of all independent Youth Allowance recipients approximately 37 383 (64%) students lived away from home and earned independence through the workplace participation criteria. The Federal Government estimates that if they remove the workplace participation criteria for earning Youth Allowance then 30 700 students would no longer be eligible for Youth Allowance.<sup>4</sup> From the above figures it can be estimated that 64% of those students affected live away from home. This amounts to 19 648 students. The Government also states that under their new parental means test approximately 67 800 new students will be eligible for Youth Allowance.<sup>5</sup> In the past 40% of dependent students qualified for living away from home Youth Allowance (based on the above graph). This amounts to 27 120 students. As of 24 April 2009 63 464 students (52%) qualified for Youth Allowance and lived away from home. If 33 900 new away from home students will qualify for a payment and 19 648 away from home students will no longer qualify for a payment this means that 87 716 students will live away from home receive Youth Allowance under the Government's new proposed system.

Given that the Government expects a significant increase in the number of students on Youth Allowance, this figure is reasonably consistent with the previous number of students receiving the away from home rate of Youth Allowance. As the above graph shows in 1999 total number of students living away from home and on Youth Allowance was approximately 69 000 (63.3%). In 2007 the number had increased to

approximately 71 000 (57%). In decreased percentage in the latter was mainly due to the significant increase in the independent at home category of students, from approximately 40 000 in 1999 to 52 000 in 2007, as the workplace participation criteria introduced by the Federal Government in 1999 was increasingly used by students living at home to receive income support. The Federal Government estimates that approximately the 37 100 *additional* students will receive Youth Allowance under their proposed new system.<sup>6</sup> As of April 24 2009 there were 122 103 higher education students on Youth Allowance.<sup>7</sup> Therefore 159 203 students should qualify Youth Allowance under the proposed changes. If 87 716 students qualify for the away from home rate of Youth Allowance under the new system this equals approximately 55% of all higher education Youth Allowance recipients. This is consistent with previous figures

The above figures are significantly different from DEEWR estimates. The DEEWR has estimated that by 2013, when presumably most students would be on the new Youth Allowance system, that 28 700 students will qualify for the Relocation Scholarship.<sup>8</sup> Given that the eligibility for the Relocation Scholarship is the same as the qualification for the away from home rate of Youth Allowance<sup>9</sup>, it is reasonable to assume that the Department estimates that 28 700 students will be on Youth Allowance and live away from home in 2013. This figure is based on estimates that 20% of dependent students will live away from home.<sup>10</sup> However, as this report has shown, significantly more than 20% of Youth Allowance recipients currently live away from home, and it is reasonable to expect they will continue to do so in the future. Therefore it is likely the actual number of students who will qualify for the way from home rate of payment will fall somewhere between the Department's estimate of 28 700 and this reports estimate of 87 716 students.

## Endnotes

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<sup>1</sup> The data for the Graph is sourced from Centrelink administrative data. The Graph is sourced from DEEWR, the Bradley Review, 52.

<sup>2</sup> DEEWR, *Annual Report 2007-08 Volume 1* (Commonwealth of Australia: 2008) 85.

<sup>3</sup> Centrelink Website, *Youth Allowance*.

<sup>4</sup> Fact sheet nine available on the DEEWR Website, *Youth Allowance*.

<sup>5</sup> Fact sheet 2 available on the DEEWR Website, *Youth Allowance*.

<sup>6</sup> As 67 800 new students will qualify, and 30 700 students will no longer qualify.

<sup>7</sup> Questions on notice form Budget Estimates Hearings for the Education, Employment and Workplace Relations portfolio, Thursday 4 June 2009, DEEWR Question No. EW0353\_10.

<sup>8</sup> Diane Peacock, *Reforms to Student Income Support: Youth Allowance and ABSTUDY, for students and young people aged 16-25 years*, Hardcopy of PowerPoint Presentation (Department of Education, Employment and Workplace Relations). Provided to the author by Ms Coral Dow from the Parliamentary Library.

<sup>9</sup> Ms Shannon, Transcript of the Budget Estimates Hearings for the Education, Employment and Workplace Relations portfolio, Thursday 4 June 2009 (EEWR 36-74) EEWR 67. This is available at: <http://www.aph.gov.au/hansard/senate/commtee/S12058.pdf>

<sup>10</sup> Diane Peacock, *Reforms to Student Income Support*.

## **Appendix Three**

The purpose of this appendix is to provide greater detail on the Federal Government's proposed changes to the Youth Allowance system. The changes to the workplace participation test and the parental income test are not listed as they are discussed in the main body of the report.

- The Federal Government has proposed the introduction of a start-up scholarship of \$2254 for all students receiving Youth Allowance to begin in January 2010. This payment will replace the Commonwealth Education Costs Scholarship, which was valued at \$2,162 per annum and only available to a limited number of students.
- The Federal Government has also introduced a 'Relocation Scholarship' of \$4000 the first year and \$1000 in later years for dependent students living away from home<sup>1</sup> as well as independent students who are disadvantaged by personal circumstances. This scholarship will replace the Commonwealth Accommodation Scholarship of \$4415 per year for up to 4 years for students who had to move more than 100km to study a course not available in their home university.
- The age of independence will be changed from 25 years to 22 years, meaning more students will be eligible for Youth Allowance. This will be phased in through the following increments; 24 years 2010, 23 years in 2011 and 22 years 2012.
- The Personal income for students on Youth Allowance will be raised from \$236 to \$400 per fortnight in July 2012. Once this measure is introduced students will be able to earn more money without having their payments reduced.<sup>1</sup>
- 1 January 2012 Masters students will be eligible for Youth Allowance.
- 1 January 2012 merit and equity scholarships will not count as income for Youth Allowance purposes.<sup>1</sup>

## **Endnotes**

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<sup>1</sup> These changes can be found in the 2009-10 Budget: *Budget Measures*, 153-159.