

Senate Standing Committee on Education, Employment and Workplace Relations

Inquiry into the Social Security Amendment (Income Support for Regional Students) Bill 2010

Friday, 17 December 2010

Opening Statement

Introduction

Thank you for the opportunity to appear before the Committee. I would like to provide an opening statement which outlines the purpose and main elements of the student income support reforms.

Purpose of Student Income Support

Student income support is intended to provide financial assistance to students from low income backgrounds to support their participation in education and training and assist them to acquire the skills and qualifications essential for sustainable employment.

Since 1998, support for students has been provided through three programs, Youth Allowance, Austudy and ABSTUDY. These programs have a key role in facilitating education and training outcomes, including the achievement of the Government's targets for educational attainment.

These are that:

- 90 per cent of young people in the 20-24 year old age range will have attained Year 12 or equivalent qualifications by the year 2015;
- 40 per cent of 25-34 year olds will have attained a bachelor level qualification by 2025; and
- 20 per cent of undergraduate enrolments in higher education will be students from low socio-economic status backgrounds, including those from rural and regional areas by 2020.

Bradley Review of Australian Higher Education

The Bradley Review of Australian Higher Education which reported in December 2008 found that student income support programs were failing to accurately target those students most in need of assistance to study. By contrast, and as an unintended effect, the Review found that Youth Allowance was being accessed by some students who are living at home in higher income households.

The Review recommended comprehensive reform of student income support programs, including substantial retargeting of support to those students most in need of financial assistance. The Review considered such reform essential to ensuring adequate support for the educational participation of students from low socioeconomic backgrounds.

Reforms to Student Income Support

In the 2009-10 Budget, the Government announced a comprehensive package of reforms to student income support in response to Recommendation 5 of the Bradley Review. In the economic climate, the Government's package of student income support reforms was designed to be budget neutral over the forward estimates.

The *Social Security and Other Legislation Amendment (Income Support for Students) Act 2010* gives effect to the reforms.

The reforms align with Government's education and training participation targets. By improving access to support for students, the reforms provide the assistance essential for encouraging and enabling low socioeconomic status students, including those from rural and regional areas and Indigenous students, to participate in higher education.

Young people can access Youth allowance and ABSTUDY as dependent or independent recipients, depending on their personal circumstances. Access to payments for dependent young people includes and assessment of their parents capacity to contribute to their support through the Parental Income Test.

Changes to the Parental Income Test improve access for dependent young people from low to medium income families. At the same time, the reforms make a number of changes to how young people can access the payment as independent recipients, primarily through lowering the age of independence and tightening the criteria for how young people are assessed as 'self-supporting' through participating in work.

Parental income test

As a key element of the reforms, the parental income test has become the main criterion for students to qualify for Youth Allowance and ABSTUDY. On 1 July 2010, the parental income test threshold was increased from \$33 300 to \$44 165 (increasing to \$45 114 in 2011) and a 20 per cent per family taper was introduced, which replaced a 25 per cent per child taper rate.

Over 100 000 students are expected to benefit from changes to the parental income test because more young people will be eligible for Youth Allowance as dependants, many will receive a higher payment than would previously have applied and many students who previously considered it necessary to gain eligibility as independents will no longer need to do so.

Changes to the criteria for independence under Youth Allowance and ABSTUDY

Changes to the Workforce Participation Criterion

While the Bradley Review found that the parental income test for Youth Allowance was too tightly targeted, so that access to payment had steadily declined since the early 2000s, it also found that young people from higher income families were able to access Youth Allowance by meeting the workforce participation criterion for independence.

The Review identified the need to tighten the rules that govern eligibility for independent status under the workforce participation criterion.

In line with the recommendation of the Review, from 1 July 2010, the workforce participation criterion requires young people to work full-time for an average of 30 hours a week for at least 18 months in a two-year period to demonstrate financial independence. This is to ensure that support is targeted to those genuinely in need of financial assistance and who have demonstrated that they are genuinely self-supporting.

Young people are no longer able to qualify for independent Youth Allowance or ABSTUDY by two of the previous workforce participation criterion elements:

- working part-time for at least 15 hours per week for at least 2 years since leaving school; or
- earning, in an 18-month period since leaving school, an amount equivalent to 75 per cent of the appropriate maximum National Training Wage Award rate (this currently requires earnings of \$19 532).

This reform is complementary to the changes to the parental income test.

There are special arrangements for two categories of students:

- *Outer regional and remote measure for Independence:* To assist young people disadvantaged by the geographic location of their home from educational institutions, students living in Outer Regional Australia, Remote Australia or Very Remote Australia who are required to live away from home to study, will be able to access the former elements of the workforce participation criterion for independence. This is provided their parents' income is less than \$150 000 per annum. This measure commences on 1 January 2011. The Australian Bureau of Statistics' Australian Standard Geographical Classification (ASGC) remoteness structure is used for determining whether a student's family home is in Outer Regional Australia, Remote Australia or Very Remote Australia.
- *Transitional Arrangements for 2009 Gap Year Students:* Transitional arrangements recognise that some young people based their plans for commencing university in 2010 around taking a working gap year in 2009 in order to meet the workforce participation criterion in 2010. Accordingly, young people who completed Year 12 in 2008, took a gap year in 2009 and who needed to live away from home to undertake their chosen university course in 2010, can until 31 December 2010 be assessed under the pre-existing workforce participation criterion for independence.

The Age of Independence

The age of independence for Youth Allowance and ABSTUDY had been set at 25 years since 1996. Under the reforms, the age of independence is being progressively phased down: to 24 years on 1 April 2010, to 23 years from 1 January 2011 and 22 years from 1 January 2012.

New Scholarships for University Students receiving Student Income Support

From 1 April 2010, two new scholarships were introduced for university students receiving eligible student payments. These scholarships both replaced and extended the Commonwealth Scholarships Program (except for Indigenous students, who continue to receive Commonwealth Indigenous Scholarships). However, existing Commonwealth Scholarship recipients were 'grandfathered'.

Eligible students receive the full value of the scholarships irrespective of whether they are receiving the maximum rate of student payment or a part payment.

The ***Student Start-up Scholarship*** for all university students receiving Youth Allowance, Austudy or ABSTUDY, except for those already receiving a Commonwealth Education Costs Scholarship (CECS), assists with the costs of textbooks and specialised equipment even a part-rate of student income support. The Student Start-up Scholarship is \$650 in each half year in 2010. In 2011, eligible students will receive \$2,194 (\$1,097 in each half year). This amount will be indexed annually. By the end of August 2010, around 174,000 students had received at least one payment of the Student Start-up Scholarship.

For students who need to move away from home for study, the ***Relocation Scholarship*** provides assistance with the costs of relocating. It is valued at \$4,000 (\$4,124 in 2011) in the first year a student is required to move away from home to study and \$1,000 (\$1,031 in 2011) in later years. The Relocation Scholarship is also indexed each year. The Scholarship replaced the Commonwealth Accommodation Scholarship and, except for those already receiving a Commonwealth Accommodation Scholarship, is provided as an entitlement to dependent university students who are eligible for Youth Allowance and ABSTUDY and have to move away from the family home for study.

The Relocation Scholarship is also available to independent students disadvantaged by personal circumstances that primarily relate to an inability to live in the parental home. At the end of August 2010, over 22,000 students had received a Relocation Scholarship.

Rural Tertiary Hardship Fund

On 1 December 2009, the Government announced the establishment of a \$20 million Rural Tertiary Hardship Fund to operate from 1 January 2011 to 30 June 2013 to help address the barriers preventing disadvantaged rural and regional students from attending university.

A Rural and Regional Taskforce was established to consider and advise on criteria for assistance under the Rural Tertiary Hardship Fund and the Government has just announced that it has accepted the Taskforce's recommendations.

The assistance to be provided by the Fund is intended to be additional to the benefits that rural and regional students have available to them under the students' income support reform package.

Other Reforms to Student Income Support

From 1 July 2012 the amount that students can earn before it affects their student income support payments will increase from \$236 to \$400 per fortnight. This new ***personal income test*** threshold for Youth Allowance, Austudy and ABSTUDY will be indexed to the CPI. In addition, the student income bank maximum amount will increase from \$6,000 to \$10,000 on that date and be indexed annually.

From 1 January 2012, student income support provided through Youth Allowance and Austudy will be extended to ***all masters by coursework programs***. This builds on the current situation where students enrolled in approved professionally-oriented coursework masters programs may be eligible for payment and ensures equitable treatment of students enrolled in all masters by coursework programs.

Means testing of equity and merit-based scholarships provided by universities and philanthropic organisations, was relaxed from 1 April 2010, up to \$6,762 (\$6,870 in 2011) and indexed in following years.

Combined Benefits for university students

The combined benefits of the relaxation of the Parental Income Test and the provision of the Student Start-up Scholarship and Relocation Scholarship significantly increase the assistance available for young people and their families, particularly those who need to move away from home for study at university.

The increased access to Youth Allowance or ABSTUDY due to the changes to the parental income test threshold also affords access to a range of other benefits, including Pharmaceutical Allowance. In addition, students living away from home may be eligible for Rent Assistance, Remote Area Allowance and Fares Allowance.

Information

To ensure that the community was informed of the Government's student income support reforms, the Department placed notices in major metropolitan and primary regional newspapers in January 2010. Google advertising was undertaken over a three month period in early 2010. The Department's website, which already contained an online Student Assistance Estimator and a number of fact sheets, was continually updated during this period. This was in addition to the substantial coverage of the reforms in the media.

Information on the changes to student payment is readily accessible on the websites of the Department and Centrelink.

Review

A comprehensive review is to be undertaken of the impact of the student income support reforms, with a particular focus on the impact of rural and regional students. The review is provided for in the social security law and, under the agreement with the Independents, it must be completed by 30 June 2012. Arrangements for the review are expected to commence in 2011.

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