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7th October 2009

Committee Secretary
Senate Rural & Regional Affairs & Transport Reference Committee
PO Box 6100
Parliament House
CANBERRA ACT 2600

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

In particular the bill:

1. Changes the criteria upon which a youth allowance recipient is considered to be 'independent' by reducing the age at which a person is automatically independent from 25 to 22 years (to be phased in over three years commencing in 2010);
2. Makes major changes to means testing for payments to students and youth from January 2010, and increases the personal income-free area for youth allowance and Austudy students, and Australian Apprentices, from 1 July 2012;
3. Provides new scholarships for students on income support; and
4. Exempts merit and equity based scholarships from the income test under social security and veteran's entitlements legislation.

Submission

Most rural and remote teenagers have no option for further education unless they leave home. Even with the increased number of universities located in regional cities, it is necessary for students to live away from home. Even to attend a TAFE requires them to leave home. It is also necessary for many such young people to leave home in order to try and find employment.

Leaving home as they do, requires living away from the parental home and living independently therefore paying rent/accommodation, paying for utilities, paying for food, etc, not to mention costs associated with the chosen course of study. This is a very costly exercise – as we know it costs a great deal more to live independently than to live within the family home as a dependent. The extra amount paid for the 'away from home' rate plus the rent assistance does not provide adequate income to cover all associated costs.

Students therefore need to then seek part-time employment to assist with the costs of attending university. This can lead to 2 problems:

- a) if they earn 'too much' extra income (currently more than \$236/fortnight) then their support is reduced;
- b) these young people are often not even able to stay with their parents during semester breaks, university holidays, etc as they have to be available to work which, usually being parttime or casual, does not come with annual leave.

Specifically:

1. We welcome the reduction in age at which a youth allowance recipient is considered 'independent' from age 25 to 22. The package of income support reforms claims that progressively lowering the age of independence to 22 years more accurately reflects when individuals become independent of their parents. We maintain that those who by necessity leave home to enroll in a tertiary education course are becoming independent at the time they leave home – usually at age 18 or 19 years.

However, the proposed requirement to '*work for 30 hours per week for at least 18 months during a 2 year period*' to be considered

independent at an earlier age in our view will add considerably to the difficulties already faced by rural and remote students in being able to afford and therefore access a tertiary education.

Firstly, many rural and remote regions have no available employment opportunities that would allow our youth to meet the work test criteria. There is often however various types of seasonal work, some of which involves long hours, over a short number of weeks and is highly paid which could suffice. The bill has not considered or distinguished sufficiently the work availability and types of employment opportunities that vary significantly between rural and large metropolitan environments.

Secondly, we consider that if the work period (*18 months during a 2 year period*) was enacted then the result would be that fewer rural students would seek tertiary education.

Our rural parents report that their children, for financial reasons, are currently compelled to take the option of a gap year between high school and university. In the gap year, they find a job, attempt to earn the minimum amount required, for consideration as an independent student and therefore gain some financial assistance to support their desire of a tertiary education.

From the students' perspective, extending the qualifying period would mean the gap year becoming a 2 year gap. Therefore, a current 4-year journey becomes a 5-year task to complete a normal 3-year tertiary course. Enduring financial hardship and isolation from their families for an extra year will prove a big inhibitor for young people to undertake a tertiary education.

We therefore recommend alternative criteria be determined that take the "work availability" in rural areas into account thereby making it easier for rural students to access much needed support in pursuing a tertiary education..

Furthermore we recommend that rural and remote students are recognised as automatically qualifying as independent if they must leave their family home in order to enroll in a tertiary education course.

This would encourage more rural and remote young people to strive and further their education and provide the outcome for Australia of more educated and skilled workers in rural areas. Our recommendation would also result in more students undertaking tertiary study straight from school rather than having to take a 'gap' year or even 2 years as would happen if this legislation is enacted. In other cases rural students would perhaps even consider tertiary education as a viable pathway.

2. The new parental income cut-off points will make a beneficial difference to the number of students being able to access the dependent rate of youth allowance and the rate of payment they receive.

However, for many rural and remote students it is still likely to be difficult to qualify for an adequate youth allowance payment to cover the costs of living independently from their parents.

Many rural and remote families operate their own businesses (either farming or small town business). This puts them in a different category from wage earners in the way that income and assets are assessed. (There is no indication that the 'Actual Means Test' used for these families is changing.)

In addition, even with the discount applied when assessing rural business assets, the level of assets is still too high to allow students to qualify since these assets usually cannot be sold to provide the funds needed for the child's university education as the assets are required for the business to function.

The increase in personal income-free threshold from \$236 to \$400 per fortnight and indexed according to the CPI is welcomed. This figure has not changed for over 10 years.

Currently a 20 year old on maximum dependant away from home youth allowance currently receives \$371.40 plus \$31.94 rent assistance per fortnight. If the recipient earns \$236 from casual employment they have a total of \$639 per fortnight to cover the cost of rent, utilities, travel, food, clothing, textbooks and other

university costs, etc. Earning more results in a reduced Youth Allowance.

3. The **Student Start-up Scholarship** and **Relocation Scholarship** will provide much needed assistance to rural students as they face the huge costs that come with starting University (such as buying textbooks) and setting up a home away from home whether it be in on-campus accommodation or renting a flat. We are unclear as to whether income support recipients automatically receive them or have to apply for them separately.
4. Exempting merit and equity based scholarships from the income test is a welcome change.

Due to the timeframe, being a volunteer organisation and with the onset of school holidays the NSW Parents Council has not had sufficient opportunity to provide the detail we would like particularly to point 3 and we are continuing to expand this aspect

We thank you for the opportunity to provide a submission to this enquiry and look forward to offering further assistance and information as and where required.

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