



THE HON JULIA GILLARD MP
DEPUTY PRIME MINISTER

Parliament House
Canberra ACT 2600

Mrs Julia Irwin MP
Chair
Standing Committee on Petitions
Parliament House
CANBERRA ACT 2600

13 AUG 2009

Dear Mrs Irwin

Thank you for your letter of 9 June 2009 referring to a petition from Gippsland residents requesting that the second and third elements of the workforce participation criterion to qualify for the independent rate of Youth Allowance and ABSTUDY be retained. I apologise for the delay in responding.

On 12 May 2009 the Australian Government announced a package of reforms to student income support to respond to the recommendations and findings of the Bradley Review of Australian Higher Education. The proposed reforms will increase access to, and better target, income support for students who need it most, through a fairer and more equitable allocation of existing resources.

More students will be eligible to receive Youth Allowance as a result of the changes the Government plans to make to student income support arrangements. Around 68 000 more young people will be able to access Youth Allowance in 2010 and almost 35 000 existing recipients will benefit from an increase to their payment as a result of an increase to the Parental Income Test threshold for maximum payment from \$32 800 to \$44 165 from 1 January 2010.

Many students who previously considered themselves forced to gain eligibility through the former workforce participation criterion for independence will now be eligible to receive Youth Allowance as a result of the increases to the Parental Income Test. They will not need to take a 'gap year' to do so.

Under the changes announced in the Budget, students from families with two children aged 18 years and over living away from home and a combined income of almost \$141 000 may now be eligible to receive Youth Allowance, compared with around \$107 000 for families with two students aged 18 years and over living at home. Previously, students in this age range and living away from home were not eligible for Youth Allowance through the Parental Income Test once their family income reached around \$79 000, or \$62 000 if at home.

In addition, the Government has proposed a new annual Student Start-up Scholarship of \$2254 in 2010, and indexed in following years, which will be paid to each university student each year they are receiving income support. This is equivalent to around \$43 per week. The full value of the scholarship will be provided to all university students receiving student income support, whether they receive a part-rate or full payment. These changes will benefit 146 600 students in 2010 and 172 600 students by 2013.

University students who need to move away from home to study may also be eligible for the new Relocation Scholarship of \$4000 in the first year of study and \$1000 each year following. This scholarship will be provided to dependent students on Youth Allowance and is in addition to the Student Start-Up Scholarship. Unlike the limited number of Commonwealth Accommodation Scholarships currently available, the Relocation Scholarship will be an entitlement for qualifying students and of particular benefit to those students from rural and regional areas. Importantly, many students will also qualify for Rent Assistance.

To fund these measures, the workforce participation criterion for independence under Youth Allowance will be tightened in line with the recommendation of the Bradley Review and funding redirected to students who need it most. The Bradley Review found that student income support was poorly targeted. It found that 36 per cent of independent students living at home and accessing student income support were from families with incomes above \$100 000. The same survey estimated that 18 per cent of students in this situation came from families earning incomes above \$150 000 and 10 per cent came from families earning above \$200 000.

Students who have worked full-time for a minimum of 30 hours a week for at least 18 months in a two-year period since leaving school will still be considered independent but students who have undertaken part-time work or earned more than \$19 532 over 18 months will not. Instead, many students who are no longer eligible through the workforce participation criterion for independence will become automatically eligible through the changes to the Parental Income Test.

To find out more, students and their parents may find it helpful to refer to a new online Student Assistance Estimator which allows prospective students to enter their parents' income level and family type to gain an indication of the level of support they might expect to receive under the Government's proposed changes to Youth Allowance. The estimator, together with a number of fact sheets providing more information on the proposed changes, can be found at: www.deewr.gov.au/youthallowance. Centrelink will also be able to provide further advice on the new arrangements after the enabling legislation has been enacted.

I trust my comments are of assistance to the Standing Committee on Petitions and the petitioners of Gippsland.

Yours sincerely

Julia Gillard
Minister for Education