



THE HON JULIA GILLARD MP
DEPUTY PRIME MINISTER

Parliament House
Canberra ACT 2600

29 SEP 2009

Mrs Julia Irwin MP
Member for Fowler
Parliament House
CANBERRA ACT 2600

Dear Mrs Irwin

Thank you for your letter of 12 August 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 receive a higher 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.

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. Currently, two students in this age range living away from home are not eligible for payment once their family income reaches around \$79 000, or \$62 000 if living 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 are dependent recipients of Youth Allowance and 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. The Relocation Scholarship is in addition to the Student Start-up Scholarship and will benefit rural and regional students in particular. Many students will also qualify for Rent Assistance.

Currently, the number of Commonwealth Accommodation Scholarships is capped, which means that many rural and regional students miss out on this much-needed support.

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. Students who have worked full-time for a minimum of 30 hours a week for at least 18 months in a two-year period will still be considered independent but students who have undertaken part-time work or earned more than \$19 532 over 18 months will not.

As a result of the changes to the Parental Income Test, many students who previously considered themselves forced to gain eligibility through the workforce participation criterion for independence will be eligible to receive Youth Allowance as dependent recipients. They will not need to take a 'gap year' to do so.

However, on 26 August, 2009 the Government announced a set of transitional arrangements for current gap year students who will have to move away from home to study in 2010. Under new transitional arrangements, young people will still be able to meet the existing workforce independence criterion by 30 June 2010 if they completed Year 12 in 2008, took a working gap year in 2009 and need to live more than 90 minutes away from home to do their chosen university course in 2010. This ensures that young people in this group, many of whom took a gap year in order to qualify for Youth Allowance in 2010, will have an extra six months to qualify for independent status under the current workforce participation rules.

These arrangements recognise that some 2008 Year 12 completers from rural and regional Australia, in particular, have based their plans for going to university on accessing Youth Allowance by taking a working gap year through 2009.

In the current economic climate, the Government's proposed package of student income support reforms is designed to be budget-neutral. To meet the additional costs associated with the transitional arrangements, the Government has taken the difficult decision to postpone the changes to the personal income test threshold until 1 July 2012.

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