



THE HON JULIA GILLARD MP
DEPUTY PRIME MINISTER

Parliament House
Canberra ACT 2600

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

15 SEP 2009

Dear Mrs Irwin

Thank you for your letter of 19 August 2009 referring to a petition from a group of families, students and friends requesting that the proposed changes to the workforce participation criterion to qualify for the independent rate of Youth Allowance and ABSTUDY not be put into effect.

On 12 May 2009 the Australian Government announced a package of reforms to student income support to respond to the recommendations 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.

As part of the changes, the Parental Income Test threshold for maximum payment will be increased from \$32 800 to \$44 165 from 1 January 2010. This means young people will be eligible for Youth Allowance where their families earn much higher incomes than under current arrangements and that parental income cut-out points for part payment will be much higher.

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. This compares with the current cut-out points of around \$79 000 for students living away from home, or \$62 000 for students living at home.

To find out more, students and their parents may find it helpful to refer to the 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 on the proposed changes, can be found at: www.deewr.gov.au/youthallowance.

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. 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 Youth Allowance recipients 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 additional to the Student Start-up Scholarship and will benefit rural and regional students in particular. Importantly, 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 worked part-time or earned more than \$19 532 over 18 months will not.

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 Youth Allowance workforce participation criterion for independence by 30 June 2010 if they completed Year 12 in 2008, took a working gap year in 2009 and need to live away from home to start their chosen university course in 2010. This ensures that young people in this group will have an extra six months to qualify for independence under the current rules.

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 of the transitional arrangements, the Government has taken the difficult decision to postpone the changes to the personal income test threshold until 1 July 2012. Importantly, no changes to other elements of the proposed reforms will be required to meet the Government's fiscal responsibilities.

The Government's announced changes to student income support will ensure we expand access to support and better assist those students who need it most.

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

Yours sincerely

Julia Gillard
Minister for Education