

Economics Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE
Industry, Innovation, Science, Research and Tertiary Education Portfolio
Budget Estimates Hearing 2012-13
28 and 29 May 2012

AGENCY/DEPARTMENT: DEPARTMENT OF INDUSTRY, INNOVATION, SCIENCE, RESEARCH AND TERTIARY EDUCATION

TOPIC: Independent Youth Allowance – Parental Cap

REFERENCE: Question on Notice (Hansard, Monday 28 May 2012, pages 82-83)

QUESTION No.: BI-37

Senator NASH: Thank you for providing the figures in question on notice response AI-56, to do with the \$150,000 parental cap on the independent youth allowance. I understand it was done in such a way that we could do it comparatively. To be able to get a proper comparison you used outer regional, remote and very remote areas and then from January to June 2010 there were 2,219 students accessing independent youth allowance. Following the implementation of the \$150,000 cap from what was supposed to be January to June 2011, it had dropped to 1,270. On first reading of that—and it was a direct comparison before and after the introduction of the cap—is that not alarming? Did that not ring alarm bells that there was such a significant drop in the amount of students accessing independent youth allowance after the introduction of the parental \$150,000 cap?

Mr Griew: Can I just check—the \$150,000 cap was introduced with the extension of the exemption which allowed at first outer regional—

Senator NASH: No, it existed from 2010. It came in with the suite of measures, as I understand it.

Mr Griew: It is an issue. We need to be able to monitor it, but for every data point we have got, because there have been so many changes, there is never a point where there is only one thing happening. You have a massive increase in the number of dependent students and we have these changes, which are much smaller in the number of independent students, so it is very hard to determine what has caused what.

Senator NASH: It is, but to me almost halving sends off serious alarm bells. Taking what you have said into account, can you then provide for me in the corresponding periods—January to June 2010, and then January to June 2011—how many students were accessing dependent youth allowance at the full rate? Because, as you are saying, there might be, in that second set of statistics, that 1,270, but I want the comparative of the two.

Mr Griew: We will take that on notice. That is the right comparison, yes.

Senator NASH: That would be great. How was the \$150,000 figure determined? Why was that arrived at as the cut-off point?

Mr Griew: This goes back to a negotiation that was done while the bill was originally in the Senate. The \$150,000 was taken, as I understand it, by agreement as a measure to ensure that the families that most needed it were the families that would benefit from the exemption.

Senator NASH: I understand that. The Minister has explained that previously. But why \$150,000?

Mr Griew: It was a figure used in a number of other benefits. That is my understanding.

Senator NASH: So, it was just a standard reference point that related to other matters? **Mr Griew:** It was a reference point arrived at.

Senator NASH: Could you take on notice for me then to provide for me the other benefits that that \$150,000 relates to and why the \$150,000 was determined initially as the appropriate amount across all of those areas as well?

Mr Griew: I want to stress that my explanation that I am providing that follow-up answer to—and we are happy to do it—was that it was not set in government. It was a negotiation that took place while the bill was in the Senate.

Senator NASH: I am not that interested in how it got through and what happened. I am trying to figure out—if that is the explanation that you need to take on notice, that for whatever reasons that was agreed to, that that be appropriate, that is all fine. I am just trying to drill down into that.....

ANSWER

The following table compares those dependent students that received a maximum Youth Allowance payment based on the parental income test in the periods January-June 2010 and January-June 2011. To allow a direct comparison of student numbers before and after the Australian Government's reforms to the parental income test arrangements that occurred on 1 July 2010, only students with the following characteristics are included:

- Dependent students who received at least one fortnightly maximum Youth Allowance payment based on the parental income test only;
- Students receiving both the 'at home' and 'away from home' rates;
- Students who were 22 years of age or younger during the periods January-June 2010 or January-June 2011. The Government's reforms have resulted in the age of independence for Youth Allowance (and ABSTUDY) decreasing from 25 years to 24 years on 1 April 2010, to 23 years on 1 January 2011 and 22 years on 1 January 2012.

Dependent Youth Allowance	January-June 2010	January-June 2011
Student Numbers	148,142	185,728

Source: Department of Human Services (Centrelink) data.

Other benefits that also use a \$150,000 annual income limit include:

- Family Tax Benefit Part B (primary income limit);
- Baby Bonus (\$75,000 for the six months after the birth or adoption of a child – equivalent to \$150,000 per year);
- Parental Leave (income of the primary carer);
- Dependent Spouse Tax Offset.

The Department of Families, Housing, Community Services and Indigenous Affairs developed the \$150,000 limit to address community concerns with very high income families being eligible for taxpayer funded assistance and to provide a more targeted family assistance.

The limit of \$150,000 per year was considered to be a fair and reasonable limit, as it was around two and a half times the earnings of the average Australian based on average weekly earnings. It was considered that a \$150,000 limit would not disadvantage any middle-income families.