

Chapter 3

Discussion

Introduction

3.1 The committee's current inquiry into the Social Security and Other Legislation Amendment (Income Support for Students) Bill 2009 (the bill inquiry) is being run concurrently with the committee's inquiry into rural and regional access to secondary and tertiary education opportunities (the Rural Education inquiry).

3.2 As previously mentioned, the committee has decided that submissions and evidence to the Rural and Regional Education inquiry, in as far as they are relevant, will be considered as submissions and evidence to the bill inquiry.

3.3 The committee notes that, in general, submissions welcomed a number of the measures in the bill.¹ However, the vast majority of submissions to both inquiries, and evidence at hearings focussed on the proposed changes to the workforce participation criteria to qualify for Independent Youth Allowance and the impact that these changes would have on rural and regional students. Therefore, the focus of the discussion in this chapter is on that specific issue. In conjunction with this issue, the committee also considered the proposed changes to the Parental Income Test thresholds for Dependent Youth Allowance.

3.4 Other issues raised with the committee and discussed in this chapter include the introduction of the Start-up and Relocation Scholarships and the increasing of the personal income threshold from \$236 to \$400 a fortnight.

3.5 The chapter begins with a brief overview of a breakdown of the distribution of Youth Allowance and a section on the importance of Independent Youth Allowance for rural and regional students and then moves to a discussion of issues raised in relation to the bill.

Who gets Youth Allowance?

3.6 Youth Allowance provides assistance for people aged 16-24 years old who are studying full-time or undertaking a full-time Australian Apprenticeship. Currently, eligibility for Youth Allowance is based on a parental means test, or by applicants meeting criteria that demonstrate their independence.

3.7 Students can demonstrate independence through family or economic (workplace participation) criteria. Family circumstances that qualify a student for the

1 See for example, Council of Catholic School Parents, *Submission 30* (Bill inquiry), pp 1-2 and National Union of Students, *Submission 704* (Rural Education inquiry), p. 7.

Independent Youth Allowance include: being married or living in a marriage-like relationship for at least 12 months; or having a dependent child.

3.8 Currently, for students to demonstrate independence through workplace participation criteria they must:

- (a) have worked full-time (at least 30 hours a week) for at least 18 months in the last two years (30 hours a week for 18 months criterion); or
- (b) have worked part-time (at least 15 hours a week) for at least two years since leaving school (part-time for two years criterion); or
- (c) have been out of school for at least 18 months and have earned at least 75% of the maximum rate of pay under Wage Level A of the Australian Pay and Classification Scale in an 18 month period (fixed amount in 18 months criterion).²

3.9 The amendments in the bill will remove the part-time for two years and the fixed amount in 18 months criteria as a means of establishing independence for Youth Allowance. If the bill is passed, the only workforce participation criterion which will be retained for students to qualify for Independent Youth Allowance is to work for 30 hours per week for 18 months in a two year period.³

3.10 The Review of Australian Higher Education (the Bradley Review) noted that increasing proportions of recipients are in the 'independent' category, and numbers of recipients in the 'dependent' category have declined since 1999. The Bradley Review went on to note that 80 per cent of recipients classified as independent do so through demonstrating financial independence from their parents once they have left school.⁴

3.11 In its submission to the committee's Rural Education inquiry the Department of Education, Employment and Workplace Relations (the Department), noted that based on home addresses recorded, the geographical spread of students who qualified for Independent Youth Allowance was:

- 70 per cent in a major city;
- 21 per cent in inner regional Australia; and
- 8 per cent in outer regional Australia.⁵

2 From October 2007 – September 2008 this amount was \$18,850 and from October 2008 it is \$19, 532.

3 Department of Education, Employment and Workplace Relations (DEEWR), *Submission 24* (Bill inquiry), p. 4.

4 *Review of Australian Higher Education*, December 2008, pp 52-53.

5 *Submission 523* (Rural Education inquiry), p. 19. The remaining 1 per cent had a home address that is remote or very remote Australia, or did not have a postcode recorded.

3.12 The committee also notes the statistics that the Department provided as answers to questions on notice for Budget estimates in June 2009:

- at 30 June 2008, 117,623 university students received Youth Allowance. The total number of recipients coming from outside major cities is not reported. However 29 per cent of all recipients receiving the 'away from home' rate (both dependent and independent) came from regional or remote areas. This equates to approximately 18,900 students; and
- the breakdown of all recipients by dependent and independent status is 46,009 (39.1%) dependent and 71,614 (60.9%) independent. 82.2% of independent recipients (or 58,000) qualified for Youth Allowance through the workplace participation criteria.⁶

Independent Youth Allowance and rural and regional students

3.13 Submissions and evidence to the inquiry expressed significant concern and anxiety about the impact of the tightening of workforce participation criteria on the participation of rural and regional students in higher education. The committee was informed that many rural and regional students, because they need to move away from home to pursue a tertiary course, take a 'gap' year following secondary school in order to earn the required money to access Independent Youth Allowance. The committee received much evidence that without access to the Independent Youth Allowance many rural and regional students would no longer be able to afford to move away from home to participate in higher education.

3.14 Dr Peter Havel, Principal of Albany Senior High School, told the committee that 80 per cent of students in Albany take a gap year.⁷ Dr Bruce Simons, Principal of the Hamilton and Alexandra College, noted that while all graduating students at that school received a university offer in 2008, 64 per cent of students chose to defer and take a gap year:

The majority of these students have chosen to work in the understanding that the prohibitive cost of relocation for their families once they take up their university placement is exacerbated by the additional need to supplement living expenses.⁸

3.15 As the Department noted in its submission to the Rural Education inquiry, it is accepted that students living away from home for tertiary education face higher costs than students living at home with their families.⁹

6 As cited in L. Buckmaster, D. Daniels and C. Dow, *Social Security and other Legislation Amendment (Income Support for Students) Bill 2009: Bills Digest*, No. 42, 20 October 2009, pp 7-8.

7 *Committee Hansard*, 21 September 2009, p. 2. See also Great Southern TAFE, *Submission 708* (Rural Education inquiry), p. 1.

8 *Submission 68* (Rural Education inquiry), p. 1.

9 *Submission 523* (Rural Education inquiry), p. 9.

3.16 The committee received a large amount of evidence on the costs of relocation in order to pursue a tertiary course. While many submissions provided only general estimates of these costs, some submissions provided detailed information on the specific costs of relocation for tertiary study.¹⁰ Costs varied depending on the location of the course – the costs of attending a regional campus tends to be cheaper than attending a metropolitan one.¹¹

3.17 Evidence to the committee was that it is a well known, almost accepted fact, in regional areas that taking a gap year and qualifying for Independent Youth Allowance is the way in which students will finance their university studies.¹²

3.18 During the course of hearings for the Rural Education inquiry the committee has been told about the inequities in accessing rural education between metropolitan and non-metropolitan students. For example, Mr Kent Spangenberg, Principal of Loxton High School, made the following observation:

...if you look at the inequity between two families on the same income, - one in a metropolitan area and one in a rural area - the rural family, by the mere fact that they are living rural, has to find some significant additional financial income support or whatever for their child to access the same quality of tertiary education as an urban family. There has to be a baseline there or a benchmark around where that increased cost for accessing tertiary education must be addressed in any sort of solution. It does not matter whether you are earning \$50,000 or \$70,000 in an urban or a rural setting, the rural person has to find additional moneys to have their child study in Adelaide.¹³

3.19 The committee notes that it has received a number of submissions suggesting a separate tertiary access allowance (or a 'rural and regional student youth allowance').¹⁴ The committee considers the issue of how to address this inequity to be one of the key issues in relation to rural and regional access to tertiary education. To

10 See for example Mr Kim Pett, *Submission 4* (Bill inquiry). Submissions also referred to the study Naomi Godden (*Regional youth people and youth allowance: access to tertiary education*, Wagga Wagga, Charles Sturt University, 2007) which found that the annual living costs of a rural or regional student studying away from home was \$15,000 to \$20,000 plus relocation and start-up costs of \$3,000 to \$6,000 in 2007. See National Union of Students, *Submission 704* (Rural Education inquiry), p. 4 and Charles Student University, *Submission* (Rural Education inquiry), p. 22.

11 See University of New England, *Submission 558* (Rural Education inquiry), p. 3.

12 See for example Miss Sasha Miles, *Committee Hansard*, 23 September 2009, p. 60 and Miss Danielle Sinclair, Miss Susan Fagan, Mr Cody Searl, and Miss Amelia Haigh, *Committee Hansard*, 13 October 2009, p. 50.

13 *Committee Hansard*, 23 September 2009, p. 70.

14 See for example Ms Sue Dolling, *Submission 38* (Rural Education inquiry), p. 1, Isolated Children's Parents' Association, *Submission 264* (Rural Education inquiry), p. 4, Narelle and Paige Riley, *Submission 412* (Rural Education inquiry), p. 3 and Mrs Merry Dickins, *Submission 431* (Rural Education inquiry), pp 1-2.

this end, the committee intends to pursue this issue further in the course of its Rural Education inquiry.

Concerns raised about the changes to Independent Youth Allowance

3.20 The majority of submissions to both of the committee's inquiries were in relation to the changes to the workforce participation criteria for Independent Youth Allowance. In particular, the removal of the workforce participation criterion which enables a student to qualify for independence through earning a fixed amount in an 18 month period after leaving school, was the subject of much of the evidence to the committee.¹⁵

3.21 The next section of the report discusses the issues that were raised with the committee in relation to the abolition of the fixed amount in 18 months criterion.

Transition Provisions for Current Gap Year Students.

3.22 The committee received hundreds of submissions to the Rural Education inquiry. Many of those submissions focussed on the changes proposed in the bill. More particularly, a large number of the submissions to the Rural Education inquiry related to the impact that the proposed changes to the Independent Youth Allowance criteria would have on students who are currently on their gap year working to become eligible for Independent Youth Allowance in the first six months of 2010.

3.23 It was clear from submissions to the committee that this issue caused enormous stress and anxiety to current gap year students and their families. The committee received submissions to the effect that students felt their gap year had been a 'total waste of time'¹⁶ and that the rules had been changed in the 'middle of the game'¹⁷. The committee also heard of many students questioning how they would now support themselves through tertiary courses into which they have been accepted.¹⁸

3.24 The committee welcomes the Minister's announcement of 26 August 2009, that students who have taken a gap year and must move to attend university will be entitled claim independent status for Youth Allowance under the existing system until

15 Currently, section 1067A(10(c)) of the *Social Security Act 1991* (the Act) enables a student to qualify for independent youth allowance by earning, in an 18-month period since leaving school, an amount equivalent to 75 per cent of the maximum rate of pay under Wage Level A of the Australian Pay and Classification Scale generally applicable to trainees. In 2009, this amount was \$19,532.

16 Peut Family, *Submission 205* (Rural Education inquiry), p. 1 and Bryanna Hollaron, *Submission 154*, p. 1.

17 See for example Mr Phil Whiteman, *Submission 178* (Rural Education inquiry), p. 1. See also Ms Renee Thomson, *Submission 55* (Rural Education inquiry), p. 1.

18 See for example Mrs Dawn Adams, *Submission 143* (Rural Education inquiry), Ms Therese Francis, *Submission 158* (Rural Education inquiry), p. 1 and Mr Rob and Ms Teresa Parsons, *Submission 390* (Rural Education inquiry), p. 1.

30 June 2010.¹⁹ The committee notes that this commitment is reflected in proposed subsection 1067A(10C).

3.25 The committee notes that the provisions of 1067A(10C) will not cover all students who had planned on applying for Independent Youth Allowance before 30 June 2010. Mrs Debbie Ryan provided the committee with this example of her children who would not qualify for Independent Youth Allowance under the transition provisions:

I am the mother of twin children, aged 19, current 1st Year (2009) Monash University, Melbourne students, residing on campus at Clayton...

Our children will get some Youth Allowance under proposed new arrangements based on our taxable income 2008-09, but they also fall into the 'Gap Year 2008' category....

Proposed exemptions for 'Gap Year 2008' students announced by Julia Gillard on August 26 were very welcome and very public. However...it is now stated students who fall in the '2008 Gap Year' category 'Must commence University in 2010'. My twin children have chosen, with our support to commence University in 2009 AND earn the 19532 dollars. So it has been an extremely hard year for us all, as we undertook to support them during their 1st year of living in Melbourne, until they qualified for Youth Allowance. I am now looking to increase my time in the workforce, as we have exhausted our financial reserves and if the Youth Allowance changes go through, they will not receive enough to support themselves to live and eat in Melbourne.

The 'Gap Year 2008' amendments were made to allow those who had made plans to continue to achieve these plans. We also made plans and to be now excluded from the proposed amendments is extremely unfair, as my children have actually done double the workload of the traditional 'Gap Year' students.²⁰

Attaining independence through working 30 hours a week for 18 months

3.26 The committee notes that the bill does provide that students can still establish independence through the remaining workforce participation criterion, that is, through a period of employment of 30 hours a week for 18 months in a two year period.

3.27 However, the committee heard a significant amount of evidence that this was not a viable solution for many rural and regional students. Particularly, it was cited that there was a lack of work at 30 hours a week in many rural and regional areas. In

19 The Hon. Julia Gillard, MP, Minister for Education, 'Changes to youth allowance to assist gap year students', Media Release, 26 August 2009. Available at: http://www.deewr.gov.au/Ministers/Gillard/Media/Releases/Pages/Article_090826_083254.aspx.

20 *Submission 9* (Bill inquiry), p. 1.

addition, it was noted that in order to fulfil the 30 hours a week in 18 months criterion, students would need to defer studies for two years at the end of secondary school.

Availability of work in rural and regional areas

3.28 The committee heard evidence from a number of students that the fixed amount in 18 months criterion was attainable. The following is an example of the type of experiences that students shared with the committee:

Last year I deferred a place at Flinders University, a bachelor of Psychology, with Honours...Next year it will be necessary to move up to Adelaide, [approximately] a five hour journey, for six years in order to complete this course...

A gap year seemed the most appropriate option as I would be eligible for the full benefit of \$9,600 when I leave home next year. So, just a few weeks after completing my final year twelve exams I began working. This has included working long hours in a coffee shop for minimal wage and working twelve hour shifts within a potato factory. I have few leisure days.²¹

3.29 However, students did note that finding and maintaining employment throughout their gap year could be difficult. The following is an example of the challenges that gap year students faced in fulfilling the fixed amount in 18 months criterion for independence:

Due to the combined factors of my rural location and the current economic crisis I found it extremely hard to obtain a job for the first three months of my gap year. The local IGA supermarket, the biggest employer in the town closest to me, were uninterested in training someone who would shortly be leaving to attend uni. Other employers either shared the same opinion or offered only cash in hand jobs to an inexperienced young person such as myself...In desperation I then turned to milking jobs, a less attractive option but one that offered 'on the books' employment and an attractive pay rate...

However due to the slump in milk prices following the economic downturn, I found myself out of a job and once again desperate for work. Currently in my search for employment I have distributed 17 resumes, 8 to towns 30 and 75 km away...and have two part time jobs that total approx 22 hours a week and net me roughly 230 dollars. I am still looking for a third job as well as undertaking work training at a local pub once a week. Meeting the requirements for the Independent Youth Allowance was difficult as a rural student, but not impossible.²²

3.30 In contrast with the fixed amount in 18 months criterion, evidence to the committee from a number of sources was that the 30 hours a week in 18 month

21 Miss Sasha Miles, *Submission 200* (Rural Education inquiry), p. 1.

22 Ms Alexis Killoran, *Submission 199* (Rural Education inquiry), p. 1.

criterion would be impossible for many students in some rural and regional areas due to the lack of work, or the inconsistent nature of work that was available for gap year students. Members of the committee questioned the Department regarding why the criterion is inflexible, requiring 'full-time employment of at least 30 hours per week for at least 18 months...', rather than an average of 30 hours a week:

That is one of the existing elements of the workforce independence criteria. The legislation suggests that that is a test of whether the young person is self-supporting through full-time work, and 30 hours is suggested as the measure of full-time work. In that regard it is not a 37-hour or a 35-hour week; it is a 30-hour week.²³

3.31 The committee notes that it did receive submissions from a number of students who had obtained full time work for their gap year.²⁴ However, other evidence to the committee was that it would be difficult for students to obtain a single full time job at 30 hours a week. For example, Ms Danielle Sinclair, told the committee:

I collected papers over the last two months to see what jobs we could apply for. I come from Orange...I circled nine jobs in four weeks that I could apply for and that gave me 30 hours a week. There are another 300 kids graduating. There are just not enough jobs.²⁵

3.32 The committee was told that many gap year students take on seasonal, part-time and casual work in order to establish independence under the fixed amount in 18 months criterion. However, this work was unlikely to satisfy the 30 hours a week for 18 months criterion because the work that was available for gap year students was inconsistent and infrequent. Mr Jonathan Hoskin, Principal of Mount Barker Community College, described the nature of the seasonal work available in his area:

As well as seeding in Mount Barker, they would work in places like abattoirs, vineyards and so on, all of which is seasonal. A combination of those over a period of a year will get you to the total that you are looking for. With the 30 hours, though, if there are a few weeks or perhaps a month or two during that time when they do not do that 30 hours, that is going to significantly impact.²⁶

3.33 Another example given to the committee was that students who relied on casual or part time work did not have guaranteed hours of work:

... I am employed at my local McDonald's [restaurant], which I have been working at since I was fifteen years of age. I decided to enter full time employment at McDonald's as it gave me great work experience and insight

23 Ms Robyn Shannon, *Committee Hansard*, 13 October 2009, p. 24.

24 See for example Mr Lachlan Plunkett, *Submission 191* (Rural Education inquiry), p. 1 and Mr Aidan Kirkbright, *Submission 228* (Rural Education inquiry), p. 1.

25 *Committee Hansard*, 13 October 2009, p. 53.

26 Mr Jonathan Hoskin, *Committee Hansard*, 21 September 2009, p. 9.

into the working industry, but mostly because I had the full backing of the management team that they would help me achieve my goal of \$19,500, so I may be eligible for youth allowance...However...McDonald's does not give me a set number of hours a week. Sometimes I work 38 hour weeks, or sometimes I only work 25 hour weeks. Therefore, it is difficult to achieve a set 30 hours a week. Not to mention if I become ill and have to miss work. It is not my decision or in my power to dictate the number of hours I am given. And in the current economic crisis, finding a second job to ensure I met the maximum 30 hour week plan, is proving difficult, as my local businesses are not employing.²⁷

3.34 A number of submissions also raised the drought as a significant factor impacting on students ability to find work to satisfy the 30 hours a week for 18 months criterion. For example, Ms Amelia Haigh, a HSC student from Orange indicated that her preference is not to be dependent on her parents, but finding work during a time of drought could prove difficult. In evidence, Ms Haigh told the committee:

... I really need to be independent. I am going to take a year off and have seasonal jobs lined up for the first three months. All these jobs are elsewhere. I am willing to pay for the transport and accommodation costs associated with them, but job security—getting a definite 30 hours a week—is a major concern for me because around my area there is not much on offer. Because of the drought people are not taking on workers.²⁸

3.35 A further issue raised with the committee, was the difficulty that gap year students had in finding work when they needed to compete with younger, 'cheaper', workers.²⁹

3.36 The committee recognises that if a student were to choose to qualify for the Independent Youth Allowance through the 30 hours a week for 18 months criterion they could move away from home to find work. The committee received submissions for parents of current gap year students who had left home to pursue employment opportunities for the gap year.³⁰ Witnesses also noted that metropolitan or mining areas might offer the opportunity of 30 hours of work a week.³¹

27 Ms Jessica Hardy, *Submission 51* (Rural Education inquiry), p. 1.

28 Ms Amelia Haigh, *Committee Hansard*, 13 October 2009, p. 48

29 Ms Tessa Caramia, *Committee Hansard*, 21 September 2009, pp 29 and 34 and Mrs Julie-Anne Hywood, *Submission 30* (Rural Education inquiry), p. 1.

30 See for example, Ms Jacinta Duncan, *Submission 138* (Rural Education inquiry), p. 1, David and Judy Pink, *Submission 163* (Rural Education inquiry), p. 1 and Ms Andrea Cooper, *Submission 211* (Rural Education inquiry), p. 1.

31 See for example Ms Amelia Haigh, *Committee Hansard*, 13 October 2009, p. 55, Dr Peter Havel, Albany Senior High School, *Committee Hansard*, 21 September 2009, p. 9 and Mrs K. Parker, *Submission 24* (Rural Education inquiry) p. 1.

3.37 The committee also notes the evidence of Mrs Roxanne Morrissey of the Isolated Children's Parents' Association (ICPA) in relation to the problem students from small regional areas have in finding sufficient work to satisfy the fixed amount in 18 months criterion, and needing to relocate. Mrs Morrissey told the committee that the ICPA had concerns about those students who are keen to go on to a tertiary institution, but are required to relocate to find work:

If they need to rely on becoming independent for youth allowance purposes, what do they then do? There are no other avenues, because there is only that one criterion. Our communities are so small now that to be able to work 30 hours per week for 18 months is not going to happen. From what our members are telling us, they will have to relocate. Where do you get the funds to relocate? If you could not relocate for university studies, how do you relocate for work purposes? So you come back to the same old, same old, and you are still relying on parental support to do that.

...

We have two concerns. One is that they cannot access anything in their hometown and have to move. The second one is: what happens with those kids that cannot get any work in their hometown? What do they do? What are they faced with? We are talking about students disengaging; these kids do not even have the chance to engage, because they perceive that is the only means of gaining independence.³²

3.38 In its submission to the bill inquiry, the Department noted the concern that has been expressed in relation to the changes to the workforce participation criteria. In response, the Department stated:

Under the proposed changes students will no longer feel 'compelled' to take a gap year in order to become eligible for income support. Instead, many students will be able to access income support immediately as a result of the changes to the Parental Income Test.³³

3.39 At the hearing in Canberra, a representative of the Department provided the committee with the following explanation of that statement:

I guess the thinking behind that statement is that about 30 per cent of the students who currently take a gap year and defer their studies do not return to study. What this is saying is that there is an advantage in that if they do not need to take 12 months off as a gap year under the current rules to become eligible for the independent rate then under the much more reasonable rules for, particularly, parental income testing of dependent students there is an opportunity for these people to go straight into university and still receive income support. The reason they would receive

32 Mrs Roxanne Morrissey, *Committee Hansard*, 22 September 2009, p. 23.

33 *Submission 24* (Bill inquiry), p. 4.

income support is that they would receive it on the basis of the dependent rate rather than the independent rate...³⁴

3.40 The changes to the Parental Income Test thresholds are discussed further below.

Impact of deferrals

3.41 Submissions and evidence to the committee's inquiry expressed concerns that in trying to establish independence through the 30 hours a week for 18 months criterion, students would be required to defer university studies for two years.

3.42 In particular, students and their parents were concerned that in deferring commencing university study for two years, there was an increased chance that students would not continue to higher education. Witnesses and submissions described a loss of motivation, and an unwillingness to return to a student lifestyle, as factors that may influence a person's decision to remain in the workforce after two years. By way of example, Mrs Roxanne Morrissey of the Isolated Children's Parents Association described the attraction of the mining industry for students in Western Australia:

If they are on the money that some can earn, and have been earning within the mining industry...we know that there are kids who are saying, 'Why would I want to go back to living below the poverty line by going back to doing education?'

... They feel that they are progressing and they are doing well within their chosen field, and so that is what is currently happening. We have seen that in some instances already students are just saying - well, they are not students, but they were prospective students - that they are not going to go back.³⁵

3.43 The committee did receive evidence that two year deferrals may benefit students:

We believe that, generally, for students who take an opportunity, a break away from school for 12 months or, as you are suggesting, even longer, it can work to their benefit in the long term. They tend to mature a bit in those years after leaving high school, before entering university. I think it gives them a better foundation in life. It could have some effect.³⁶

3.44 In its submission, the Department stated that around 30 per cent of students who formally defer a university offer to take a gap year never return to study.³⁷ The

34 Mr Graham Carters, *Committee Hansard*, 13 October 2009, p. 4.

35 *Committee Hansard*, 22 September 2009, p. 30.

36 Mr Robert Fry, *Committee Hansard*, 22 September 2009, p. 52.

37 *Submission 24*, p. 4.

Department has not done any work to determine the rate of students who may not return to study following a two-year deferral.³⁸

3.45 Another concern raised with the committee in relation to two year deferrals was that many universities would only allow courses to be deferred for one year.³⁹ The committee heard from a number of universities and from Universities Australia that they would be willing to consider 2 year deferrals.⁴⁰ Professor David Battersby, representing Universities Australia, told the committee in his opening statement:

...on the issue of deferment, Universities Australia has surveyed its 38 universities and found that a substantial majority of universities - indeed, over 80 per cent - have existing policies that can permit deferment of enrolment for up to two years, and occasionally more in the case a couple of universities. Universities with current one-year deferment policies are also reviewing these policies with a view to enhancing flexibility. However, extended deferral is noted by Universities Australia as not necessarily being an ideal situation as it creates planning problems for universities and there are risks of substantial numbers of students not taking up their places owing to the two-year delay in relation to their deferment.⁴¹

3.46 The committee was reminded that a two year deferral would put students two years behind their cohorts. Mr Cory Searl, an HSC student from Orange, outlined his specific concerns during the committee's Canberra hearing:

My other main concern is that I would love to go to uni to be a doctor; I would love to study medicine. I have applied to UNSW and done my undergraduate medicine admissions test. I qualified for an interview and did the interview. Sadly, under this new scheme of the 30 hours a week for 18 months, that means that many students will have to defer for two years instead of one. I am looking at a course that takes four or five years and then to specialise takes another year or two on top of that, so I would be almost 30 by the time I qualify. Two years is such a long time to wait between school and university; continuity of study is really disrupted. That is a major concern for me.⁴²

3.47 The committee suggested to some witnesses that it would be possible to qualify for Independent Youth Allowance by working full-time for 12 months and

38 See *Committee Hansard*, 13 October 2009, pp 19-20.

39 See for example Ms Sally Westbury, *Submission 22*, Mr Michael Preece, *Submission 23*, Mr Brett Patience, *Submission 25*, Ms Shelley Greenhalgh, *Submission 52*, Ms Helen McWhirter, *Submission 120*, Mr M and Ms H. Hepburn, *Submission 12*, Ms Hazel and Mr Kym Verrall, *Submission 14*, Ms Danielle Cronin, *Submission 30* and Dr J. Hyams, Dr G. Krebs, Mr J. Michelsen and Dr S. Edwards, *Submission 35* (Rural Education inquiry).

40 See for example evidence provided by University of Western Australia, Curtin University of Technology and Murdoch University, *Committee Hansard*, 21 September 2009, pp 47-48.

41 *Committee Hansard*, 13 October 2009, p. 27.

42 Mr Cory Searl, *Committee Hansard*, 13 October 2009, pp 47-48.

then commencing higher education part-time to enable the student to continue full-time work and qualify for Youth Allowance. Alternatively, the committee suggested that students might work full-time for 18 months and then commence university in the second semester of the second year after they had left school.

3.48 Neither of these suggestions was met with much enthusiasm by witnesses.⁴³ It is noted that some universities do have mid-year intakes.⁴⁴ However, not necessarily all courses are structured in a way that enable a student to commence mid-year. Some members of the committee are also concerned that although these proposals would enable students to commence university within two years of leaving school, both proposals also mean that a student would most likely have to prolong their studies, so any saving in deferral time at the beginning of the course, would merely be added to the end of the course.

Other issues

3.49 There were a number of other issues raised with the committee in relation to the proposed changes to the independence criterion.

3.50 The issue of the rate of Youth Allowance was also raised with the committee. For example, the Welfare Rights Centre pointed out the 'missing element' in the package of reforms:

The actual level of Youth Allowance needs to increase. It remains at \$371.40 a fortnight, despite the Bradley Review finding this amount to be too low, and one of the primary reasons behind students working long hours – putting their health, their studies (and the opportunity of a well - rounded student life) at risk.⁴⁵

3.51 In response, representatives of the Department of Education, Employment and Workplace Relations informed the committee that the rate of Youth Allowance is being considered as part of Australia's Future Tax System Review (the Henry Review).⁴⁶

3.52 Members of the Albany Youth Advisory Council expressed concern that the 30 hours a week for 18 months criteria would expose young workers to exploitation by employers:

...employers understand that students that want to go to university have to achieve 30 hours a week to go for the allowance, so they put the pay that

43 See for example Mrs Roxanne Morrissey, *Committee Hansard*, 22 September 2009, p. 26 and Miss Sasha Miles, *Committee Hansard*, 23 September 2009, pp 62-63.

44 See for example Professor Arshad Omari, *Committee Hansard*, 22 September 2009, p. 92 and Professor Neil Otway, *Committee Hansard*, 23 September 2009, p. 37.

45 *Submission 44*, pp 2-3.

46 Mr Graham Carters, *Committee Hansard*, 13 October 2009, p. 3.

the students receive down. That is why we want to change it from the hour target to how much money you receive.⁴⁷

3.53 A number of witnesses also noted that the proposed changes would increase competition in an already limited job market. Witnesses cited competition between school-leavers who are on a gap year, and other school-leavers who did not intend to go to university. Mr Cody Searl, a Year 12 student from Orange, also noted that there would also be competition between students of subsequent gap years:

When the next generation of school leavers leave, we will still be here for 18 months and there will be absolutely no jobs for them because employers will not be employing.⁴⁸

3.54 Mr David Crouch, representing the Renmark High School Governing Council, also raised the issue of finding work in an already competitive job market. Mr Crouch reminded the committee that, particularly in regional areas, 'a lot of people at the present time are trying to get some off-farm income, and they are in competition with school leavers for those jobs'.⁴⁹

3.55 Witnesses also raised with the committee the possibility for other, non-workforce participation, criterion to be exploited by students wanting to qualify for Independent Youth Allowance. Mr Alexander Eastwood, of the Bendigo Youth Allowance Action Group, told the committee of a protest where that group performed mock-marriages:

The point of the protest was to show that marriage, amongst other things, was one of the few avenues left to them to be eligible for youth allowance. So people dressed up as newlywed couples and signed fake marriage certificates to illustrate the point.

... I have heard friends jokingly, but, on another note, seriously, saying, if they moved into a room together, why not get married for six years throughout their degree and be eligible?⁵⁰

3.56 Exaggeration of family circumstances to meet the 'unreasonable to live at home' criteria for independence was also highlighted as another area that students may turn to qualify for independent Youth Allowance.⁵¹

47 Mr Bronson Slebos, *Committee Hansard*, 21 September 2009, p. 29.

48 Mr Cody Searl, *Committee Hansard*, 13 October 2009, p. 54. See also Dr Peter Havel, *Committee Hansard*, 21 September 2009 p. 2 and Mrs Catherine Threlfall, *Committee Hansard*, 13 October 2009, p. 81.

49 Mr David Crouch, Renmark High School Governing Council, *Committee Hansard*, 23 September 2009, p. 83.

50 *Committee Hansard*, 13 October 2009, p. 86. See also Ms Sue Gordon, *Submission 440* (Rural Education Inquiry), p. 2.

51 Name Withheld, *Submission 17* (Bills inquiry), p. 3.

Changes to the Parental Asset Testing/ Income Threshold

3.57 As was noted above, the Government's response to the concerns raised in relation to the changes to the workforce participation criterion has been to highlight that the raising of the Parental Income Test thresholds will enable more students to qualify for dependent Youth Allowance.⁵² At the hearing for the bills inquiry, the committee spent some time questioning the Department as to the numbers of students that the government claims will be impacted by this measure.

3.58 The explanatory memorandum to the bill states that changes to the parental income test will result in 67,800 additional students qualifying for income support, and 34,600 students receiving a higher rate of payment.⁵³ The Departmental representatives were unable to tell the committee for the 67,800 additional students qualifying for income support, how much assistance these people would be receiving. Members of the committee queried how, if the Department was unable to determine this information, it was that the measures in the bill were cost neutral. Representatives for the Department explained that in order to ensure that the measures in the package were cost neutral, calculations were made using the estimated number of people affected by the policy change, and the average rate of payment they would receive:

We look at the estimates of the population and how many people we think may be affected by policy change, we make assumptions about behaviour, we look at ABS-wide data - we look to a range of data sources. But, at the end of the day, when we come up with a figure of how many people we estimate will qualify for a benefit, we would then multiply that by assumptions about the average rate of payment they would receive.⁵⁴

3.59 In answers to questions on notice, the Department supplied the committee with the average rate of payment for all independent students of \$320.91 per fortnight was used (based on actual payment rates as at June 2008). This amount includes two components: an average of the basic rate of Youth Allowance and an average of Rent Assistance paid to independent students.⁵⁵ However, the Department did not provide the average rate of payment for dependent students, which would have assisted the committee in its consideration of this issue.

3.60 Members on the committee also sought information from the Department as to which groups of students would be receiving less assistance as a result of the measures in the bill:

The people who would miss out are those who may have otherwise claimed student income support on the basis of the independence test, which was the

52 See paragraphs 3.38 and 3.39.

53 Explanatory Memorandum, p. 3.

54 Ms Robyn Shannon, *Committee Hansard*, 13 October 2009, p. 6.

55 Department of Education, Employment and Workplace Relations, Answers to Questions on Notice, 13 October 2009.

earnings over the 18-month period - the \$19,532 - whose parental income under the parental income test would be too high for them to be eligible under the proposed new rules.⁵⁶

3.61 The Department estimates that approximately 26,000 people will miss out on the Independent Youth Allowance as a result of the changes in the bill. Of this 26,000, the Department estimates that 13,000 people, will not qualify for any Youth Allowance payment because their parental income is too high.⁵⁷

3.62 The Department was unable to tell the committee how many students who would now be relying on the dependent rate of Youth Allowance, would get an amount less than the independent rate of Youth Allowance:

... we use the evidence that we have about the current student population in making our assumptions and our estimates, and the point is that students who qualify as independent recipients under the workforce participation criterion are assessed independent of their parents' means. Therefore, Centrelink is not able to collect information about their parental income. So there is not a comprehensive set of data in the Centrelink system about the income of young people who are qualifying as independent students.⁵⁸

3.63 A number of concerns were raised in relation to the changes to the parental income thresholds. Concerns were that the parental income threshold levels are set too low to offer any meaningful support for families where students were relocating to attend university.

3.64 Students also told the committee that they did not want to, or could not be, dependent on their parents for the entirety of their university education. Further, it was also brought to the committee's attention that Dependent Youth Allowance, because it was reliant on parental income, may not provide economic certainty to students throughout their studies.

3.65 A separate, but related matter that the committee considered is that, while the parental income thresholds were being increased, a number of students would be prohibited from accessing Youth Allowance because the level of their parent's assets exceeds the limits in the Family Assets Test. This is despite the fact that the assets often are a farm business which is generating little, or no, income.

3.66 However, the committee does note that for rural students a 75 per cent discount is applied when assessing business and farm assets. The discount takes account of current market values, net of business or farm related debt (this valuation disregards the principal family home and up to two hectares of surrounding land). This means that Youth Allowance and ABSTUDY can be received by dependent young

56 Mr Graham Carters, *Committee Hansard*, 13 October 2009, p. 7.

57 Mr Graham Carters, *Committee Hansard*, 13 October 2009, p. 14.

58 Ms Robyn Shannon, *Committee Hansard*, 13 October 2009, p. 8.

people from small business and farming families with assets up to the value of \$2.286 million. In this context, farm assets includes land, plant, improvements and stock.

Level of the thresholds

3.67 There was much consternation amongst submissions and evidence to both inquiries about the threshold level of the Parental Income Test.

3.68 During the course of the hearings and in considering submissions the committee noted that there has been a lack of communication about the new parental income thresholds and the tapering of assistance. Mr Chris Jones, of Great Southern TAFE, noted that the difficulty with the thresholds was that it was difficult to work out how they applied in individual circumstances:

...I think one of the interesting things with the changes that came out with the youth allowance is that it was very difficult to work out the thresholds. I had a look at the new youth allowance. It was not clear to me how the benefits would flow through. Perhaps that is more a reflection of my competence than anything else, but I would say that if it was not clear to me then there is a fair chance that it would also not be clear to a lot of the people in the community. It certainly does not appear to be clear to the schools in terms of the advice that they are providing to students, and it is not something that our student services area here is across either.⁵⁹

3.69 The committee notes that there was a range in awareness of the information that the government had available to assist families in calculating a student's rate of Dependent Youth Allowance. Representatives of the Albany Youth Advisory Council indicated that they were not aware of the Parental Income Test estimator that was on DEEWR's website.⁶⁰ Representatives from high schools in Orange had also not used the Parental Income Test estimator, however, they had found a government sponsored guide in a magazine to assist them.⁶¹ Miss Sasha Miles from Mount Gambier informed the committee that a number of her friends had made use of the estimator.⁶²

3.70 The committee also notes that there were witnesses who have made extensive use of the Parental Income Test estimator on DEEWR's website and other information available to in order to determine the income support that students in their family would be able to access.⁶³

59 *Committee Hansard*, 21 September 2009, p. 21.

60 *Committee Hansard*, 21 September 2009, p. 31

61 *Committee Hansard*, 13 October 2009, p. 47.

62 *Committee Hansard*, 23 September 2009, p. 59.

63 See for example Ms Di Doyle, *Committee Hansard*, 13 October 2009, pp. 72 and 78.

3.71 The committee notes that the increase in Parental Income Test thresholds has been welcomed by a number of organisations.⁶⁴ The committee also notes that the changes to the Parent Income Test threshold will mean the basic rate of Youth Allowance will still be paid to a family with one student away from home, up to a combined parental income of approximately \$90,000, and for two dependent students away from home, up to a combined parental income of approximately \$140,000. The committee acknowledges that at this income threshold the level of assistance will be minimal, however, the committee would emphasise that it would still entitle the students to the Start-up and Relocation Scholarships (discussed further below) as well as rent assistance.⁶⁵

3.72 Deakin University, while supporting the proposal to increase the parental income threshold and to change the taper rate to 20 per cent, observed that the proposed threshold is only marginally above the current poverty line:

Particularly in the case of regional and remote students, the cost of relocating and the ongoing cost of university study can make a significant dent in a household's disposable income.⁶⁶

3.73 In its submission the Department stated:

The anticipated effect of this reform will see youth allowance and ABSTUDY retargeted to students from low to middle-income background by removing financial barriers to their participation in education and training. Importantly, this reform will overcome an existing gap, where students whose families earn modest incomes but which are above the parental income threshold, say \$60,000-\$100,000, are currently unable to access support. This particularly applies to students who have to move away from home to take up their chosen course of study.⁶⁷

3.74 The committee received evidence that many people believed the level of the Parental Income Test thresholds would not provide equivalent support to the independent rate of Youth Allowance.⁶⁸ The committee also notes the submission of

64 See for example NSW Parent's Council, *Submission 36* (Bill inquiry), p. 4, Services for Rural and Remote Allied Health, *Submission 346* (Rural Education inquiry), p. 3 and National Union of Students, *Submission 704* (Rural Education inquiry), p. 7.

65 See Department of Education Employment and Workplace Relations, *Youth Allowance: Student Income Support – Increased Assistance for Students and Families*, Fact Sheet 11. Available at http://www.deewr.gov.au/HigherEducation/Programs/YouthAllowance/Documents/NewYouthAllowanceFactsheet_IncreasedAssistance.pdf, accessed 23 October 2009.

66 *Submission 31* (Bill inquiry), p. 3.

67 *Submission 24* (Bill inquiry), p. 3.

68 See for example Name Withheld, *Submission 16* (Rural Education inquiry), p.1, Peter and Sheryl McHugh, *Submission 107* (Rural Education inquiry), p. 3, Miss Kimberley Schreiber, *Submission 177* (Rural Education inquiry), p. 1 and Isolated Children's Parents' Association of NSW, *Submission 358* (Rural Education inquiry), p. 8.

Ms Kimberley Hare which provided detailed analysis of the Parental Income Test thresholds at which students who could previously have obtained the independent rate of Youth Allowance would be worse off.⁶⁹ The committee notes, of the 26,000 students that the Department estimates would miss out on Independent Youth Allowance because of the changes proposed in the bill, 13,000 students would not receive any Youth Allowance because of the level of parental income. Further, the committee notes that the Department was unable to provide any assistance in answering the committee's questions on the level of support that the remaining 13,000 students would receive.⁷⁰

3.75 The committee notes the recommendation of the National Tertiary Education Union (NTEU) that the Parental Income Thresholds should be increased for rural and regional families by 50 per cent to \$66,000. The committee notes the evidence of Mr Phil Kniest of the NTEU that there is 'no science' to the recommendation of a 50 per cent increase:

... but it is quite clear to us that for people living in rural and regional Australia the costs associated with having to participate in university, particularly when they have to move away from home to do so, are much higher than for someone living in metropolitan Australia, so we see that as one of the major constraints...

Rural and regional students tend to defer more than other students. Once they have deferred, fewer of them come and take the opportunity later. Clearly, what they are trying to do is build up some income and some capacity to attend university. The costs imposed on those students and their families in particular in order to support them to go to university, particularly when they have to move away, are a major impediment and there should be some recognition of that within the student income test.⁷¹

3.76 In addition, a number of people raised with the committee that the proposed new Parental Income Test thresholds, while making some provision for dependent students over 16, failed to take account of dependent students under 16. As Mr Hugh Warren explained to the committee in his submission:

This has the effect of discriminating substantially against older children in families where a string of younger siblings indiscriminately devouring refrigerators, family taxis, sporting and other extra-curricular fees, and parental time are effectively regarded as cost free.⁷²

3.77 By way of example, Ms Di Doyle of Get Reel described for the committee her situation – where if her eldest child qualified for Independent Youth Allowance, and her youngest child was not considered for the purposes of the Parental Income

69 *Submission 41* (Bill inquiry), p. 12.

70 See paragraphs 3.61 and 3.62 above.

71 *Committee Hansard*, 13 October 2009, p. 64.

72 *Submission 58* (Rural Education Inquiry), p. 1.

Thresholds calculations, her middle child did not qualify for Dependent Youth Allowance:

We are a family with probably around a \$100,000 income. We have three children. Our eldest...is on a gap year this year and has just got through with the proposed changes...even though we will still have to financially assist her because the funds that she receives from Youth Allowance for being independent are not enough. We probably will still have to give her \$200 a week, but she is classed as independent. We have a son in year 12 this year. If he was going to uni he would be entitled to nothing. We have another child who is 14 and he is not even acknowledged on the calculator. We have to help the one who has gone to uni, the 19-year-old. We will still have to give her \$200 a week. We will probably have to give \$400 a week to the one in year 12, so that is a total of \$600 a week with no assistance, and we cannot do it.⁷³

3.78 Ms Doyle informed the committee that, according to the calculations that she had done using the Parental Income Test Estimator, the family would not be better off if both the older children applied as dependents for the purposes of Youth Allowance.⁷⁴

3.79 The committee also heard evidence that, in the absence of the current Independent Youth Allowance criteria and with the proposed new Parental Income Test thresholds, families, particularly those families with more than one child, are having to make difficult decisions as to how they would support students through tertiary education. For example, Mr Alexander Eastwood explained his family's situation were he not to qualify for Independent Youth Allowance and relocate from Bendigo to Melbourne to pursue a course in architecture:

Melbourne University estimates the annual cost of relocation to be between \$15,000 and \$25,000. This is a great burden for any family, particularly when youth allowance is denied to them through the means test. We think this means test is fraught with peril. It does not, for example, factor in siblings aged less than 16 years and older than 22 years. I have a 15-year-old brother in year 9 and a 22-year-old brother at university in Melbourne. He did not take a gap year and my parents support him, which is why they cannot afford to support me - which stinks of favouritism but this is not the time or place to unpack that!⁷⁵

3.80 The committee recognises that Mr Eastwood's comments regarding his parent's decision as to how to support their children were made in good humour.

73 *Committee Hansard*, 13 October 2009, p. 72.

74 *Committee Hansard*, 13 October 2009, p. 78.

75 *Committee Hansard*, 13 October 2009, p. 81. The committee notes that Mr Eastwood is currently on his gap year and as such, the transition provisions in subsection 1067A(10C) will apply to him.

However, the committee is also aware that for many families these are difficult and stressful decisions.

Remaining dependent on parents income

3.81 An interesting issue that the committee has heard about in the course of hearings is the nature of, and perceptions of, students being 'dependent' on, or 'independent' of, their parents.

3.82 The committee recognises that receiving the Dependent Youth Allowance does not necessarily mean that a student will depend on their parents for financial support. Mrs Jennifer Hippiisley, Executive Officer of the Goulburn Murray Local Learning and Employment Network, gave the following evidence to the committee in relation to parent's willingness to support a student through university:

Sometimes in this argument it seems as if you are assuming that parents, if they can afford it, will actually support their young person to go to university but often they will not. This young person was saying that they had been told, 'If you want to go to university that's fine but we're not paying for it.' So I think such young people are left in a more awkward situation.⁷⁶

3.83 Conversely, the committee also received evidence of parents providing supplementary financial support to students receiving Independent Youth Allowance.⁷⁷

3.84 The committee notes that some students and parents attach significant importance to a student qualifying as 'independent'. For example, Ms Danielle Sinclair, a Year 12 student from Orange, told the committee:

Basically, I want to move to Newcastle to study education. My major issue with the changes is that I do not want to be dependent on my parents anymore. In the current system I can work and prove I am independent...I have spoken to other people and a lot are in the same situation - they do not want to be reliant on their parents for a further four years or however long their education is going to continue.⁷⁸

3.85 Other witnesses noted that the workforce participation criteria do not necessarily make a student 'independent' of their parents.⁷⁹ Mr Dominic Rose,

76 *Committee Hansard*, 13 October 2009, p. 79. See also Mr Shane Cucow, *Committee Hansard*, 22 September 2009, p. 44, who was considered 'dependent' despite his parents being unable to support him.

77 See for example Ms Sue Bloye, *Submission 7* (Rural Education inquiry), p. 1 and Mrs Di Doyle, *Committee Hansard*, 13 October 2009, p. 72 (quoted in paragraph 3.76 above).

78 *Committee Hansard*, 13 October 2009, p. 46. See also Miss Amelia Haigh, *Committee Hansard*, 13 October 2009, p. 47.

79 See Mrs Roxanne Morrissey, *Committee Hansard*, 22 September 2009, p. 21.

President of the University of Western Australia Student Guild explained to the committee what he considered it meant to be independent:

I would like to advocate that you can be independent while still living at home...A student that I was speaking to earlier in the year...lived at home but in fact he was the primary caregiver to his two parents, who were not in a position to look after themselves through various circumstances that I will not elaborate on. I think providing a room in a home does not make you dependent on your parents. It is much more of an intrinsic thing. 'Dependent' means that the parents are offering you some kind of guardianship, and I think perhaps, in the fact that you are under age, they still have some overarching legal responsibility to you. But the true test of independence is whether you are looking after yourself. You can live in someone else's home but you can be completely independent. If you are supporting yourself, buying your own books, paying your own bills, managing your own affairs, I think you are independent.⁸⁰

3.86 Mr Hugh Warren in his submission to the rural education inquiry pointed out that Independent Youth Allowance provided economic certainty for students because the rate of support remained constant regardless of parental income. In contrast, Mrs Narelle Whittaker expressed concerns that students on the Dependent Youth Allowance were subject to the fluctuations in their parents income:

As anyone knows farm incomes have been very low over the last ten years. You may have one good year and then they would cut off Youth Allowance. Will they take in to account averages for income over several years?⁸¹

Family Assets Test

3.87 The Parental Income Test is just one part of the means test that is applied to determine if a student is eligible for Dependent Youth Allowance. Eligibility also requires an assessment of a family's assets. The Family Assets Test takes into account personal, business and farm assets. The assets test does not include the principal family home. No payment can be made if the student's family assets exceed \$571,500. A 75 per cent discount is applied to business and farm assets, meaning that a farm business can have up to approximately \$2,280,000 worth of assets (excluding the family home) before a student becomes ineligible for Dependent Youth Allowance.

3.88 The committee heard from a number of witnesses that the Family Assets Test would exclude many students from receiving Dependent Youth Allowance, despite

80 *Committee Hansard*, 22 September 2009, p. 45.

81 *Submission 407* (rural education inquiry), p. 2.

the fact that the asset in question was a farm that was generating little or no income. Witnesses referred to families being 'asset rich and cash poor'.⁸²

3.89 Mr Graham Hastings of the National Union of Students suggested that it may be time for a 'catch-up' adjustment for the Family Assets Test:

...basically that \$2.28 million for the business or farming asset level. If it is like a lot of the other income support, it probably has not been indexed in a very long time, and it might need a bit of catch-up adjustment to be fairer, because I think it is a very small asset...⁸³

Start-up and Relocation Scholarships

3.90 The bill also establishes a new Start-up Scholarship for all students receiving Youth Allowance and a Relocation Scholarship for some Youth Allowance recipients.

3.91 The Start-up Scholarship, of \$1,127, will be paid for each six months of study (\$2,254 a year). The Start-up Scholarship is to assist students with the costs of textbooks and specialised equipment. The Start-up Scholarship replaces the Commonwealth Education Costs Scholarship.

3.92 A Relocation Scholarship of \$4,000 for the first year and \$1,000 for subsequent years will also be available to some students to assist them with the costs of relocation for study. The Relocation Scholarship replaces the Commonwealth Accommodation Scholarship.⁸⁴

3.93 The committee notes that some submissions and witnesses to the inquiries supported the introduction of the Start-up and Relocation Scholarships.⁸⁵ However, concerns expressed in relation to the scholarships included:

- that the scholarships were only available to Youth Allowance recipients;
- that the new Relocation Scholarship is worth less than the Commonwealth Accommodation Scholarships that were being replaced;
- other matters in relation to the administration of the scholarships.

82 See for example Mr Don Boyd, *Committee Hansard*, 21 September 2009, p. 73 and Ms Jan Andrews, *Committee Hansard*, 23 September 2009, p. 10. See also: Isolated Children's Parents' Association, *Submission 264* (rural education inquiry), p. 9.

83 *Committee Hansard*, 24 September 2009, p. 21.

84 DEEWR, *Submission 24* (Bill inquiry), pp 5-6.

85 See for example Mr Dominic Rose, *Committee Hansard*, 22 September 2009, p. 45, Australian National University, *Submission 10* (Bill inquiry), p. 2, National Union of Students, *Submission 407* (Rural Education inquiry), p. 7, support only the Start-up Scholarship.

Availability of scholarships to non-Youth Allowance recipients

3.94 The committee received some evidence to both inquiries criticising the fact that scholarships are *only* available to students who receive income support. Students from various high schools in Orange made this comment in their submission:

It seems that **new scholarships** for income support only apply to those who are already receiving payments. Our issue is that we can not get youth allowance in the first place, not a matter of how much or not enough.⁸⁶

3.95 The Isolated Children's Parents Association also noted that the majority of students receiving Independent Youth Allowance would probably not be eligible for the Relocation Scholarship:

The majority of independent students are unlikely to qualify for the proposed Relocation Scholarships as they will only be available to independent students if they are disadvantaged. Restrictive criteria surround the current classification of the term 'disadvantaged' for social security purposes. This will result in many rural and remote students being unable to afford the cost of attending a tertiary institution.⁸⁷

3.96 The Review of Australian Higher Education (the Bradley Review) summarises how the current Commonwealth Scholarships are allocated:

Universities are allocated the scholarships based on equity performance and the size of the institution via either a formula or a competitive bidding process...

Each university awards its allocation according to its own eligibility and selection criteria determined within Commonwealth Guidelines. These criteria vary but the guidelines recommend the use of receipt of student income support or a Centrelink benefit as a surrogate for financial disadvantage...increasingly universities are defining more complex financial criteria as the basis of the award for the scholarships because there are concerns that there are students in genuine financial need not qualifying for income support benefits.⁸⁸

3.97 The Bradley Review concluded that 'because the Commonwealth Scholarships program has failed to increase the participation rate of low socio-economic status or regional and remote students the panel considers the program needs more radical change.'⁸⁹

86 Ms Amelia Haigh, Ms Susan Fagan, Ms Danielle Sinclair and Mr Cody Searl, *Submission 38A*, p. 3. See also Isolated Children's Parents' Association Qld Inc, *Submission 28*, (Bill inquiry). See also Mr Brett Patience, *Submission 25*, Mr Craig Ferber, *Submission 63*, Ms Heather Cormie, *Submission 409* and Ms Gabrielle Collins, *Submission 433* (Rural Education inquiry).

87 *Submission 23* (Bill inquiry), p. 6.

88 *Review of Australian Higher Education*, December 2008, p. 56.

89 *Review of Australian Higher Education*, December 2008, p. 57.

3.98 The committee notes the Department's submission that 146,600 students are expected to receive a Start-up Scholarship in 2010, representing a 28-fold increase in the number of Commonwealth Education Costs Scholarships awarded in 2007. The Department estimates that 14,200 students are expected to receive the Relocation Scholarship in 2010.⁹⁰ This compares with 14,176 ordinary Commonwealth Accommodation Scholarships; 975 Associate Degree Commonwealth Accommodations Scholarships and 210 Indigenous Enabling Commonwealth Accommodation Scholarships awarded in 2008.⁹¹

Replacement of the Commonwealth Accommodation Scholarship

3.99 The committee received a number of submissions which expressed concern that the Relocation Scholarship is worth less than the Commonwealth Accommodation Scholarship that it is replacing.

3.100 The Department's website provides the following information about the Commonwealth Accommodation Scholarships:

Commonwealth Accommodation Scholarships (CAS) provide selected students from low socio-economic backgrounds from regional and remote areas with a scholarship of \$4,324 in 2008 (indexed annually) per year for up to four years to assist them with accommodation costs when they move to undertake higher education.⁹²

3.101 Loxton High School provided the committee with the following comparison between the Commonwealth Accommodation Scholarship and the Relocation Scholarship:

...the closure of the Commonwealth Accommodation Scholarship scheme and introduction of the Relocation Scholarship would remove vital assistance and adds extra financial burden to the rural student and their family. This change is a real and critical reduction in assistance to country students and should not be dismissed (\$13,200 reduced to \$6,000 over a three year degree).⁹³

3.102 In its submission, the Department stated that an estimated 14,200 students are expected to receive the Relocation Scholarship in 2010. This means, that in 2010, 14,200 students will receive the Relocation Scholarship, in addition to the 13,633

90 *Submission 24* (Bill inquiry), pp 5-6.

91 *Review of Australian Higher Education*, December 2008, p. 57.

92 DEEWR, Commonwealth Scholarships webpage, available at: <http://www.deewr.gov.au/HigherEducation/Programs/Funding/CommonwealthScholarships/Pages/Home.aspx#cas>. Accessed 21 October 2009.

93 Loxton High School, *Submission 446* (Rural Education inquiry), p. 3. See also Mr Hayden Walsh, *Submission 6* (Bill inquiry), p. 2, Ms Roberta Meikejohn, *Submission 21* (Bill inquiry), p. 1, Isolated Children's Parents' Association, *Submission 23* (Bill inquiry), p. 6 and Clare and Andrew Marriot-Smith, *Submission 129* (Rural Education inquiry), p. 1.

Commonwealth Accommodation Scholarship recipients who will have their payments grandfathered, giving a total number of scholarships for 2010 of 27,833. The committee notes that in subsequent years the number of Relocation Scholarships which will be provided will be significantly more to the number of Commonwealth Accommodation Scholarships awarded in 2008.⁹⁴

3.103 The committee also received some submissions which queried why the Relocation Scholarship was comprised of an initial payment of \$4,000, and then a payment of \$1,000 for subsequent years. As Ms Barbara Black, of the University of Western Australia, made the following observation to the committee:

I do not think that this takes into account the fact that regional students, particularly if they are school leavers, keep relocating. They go up to Perth for their first year. If they are lucky, they will get a place in a residential college; if not, they have to find a place to stay and somebody to share with, and transporting the second-hand fridge from mum and dad's is not quite as easy for them. A lot of them will go home during the holidays because they want to see their families and also because then they do not have to pay for college accommodation or pay rent during that period. So they keep having to relocate all the time.⁹⁵

3.104 Edith Cowan University suggested that retention might be improved if similar levels of assistance were provided for all years of study.⁹⁶

Other matters in relation to the administration of the scholarships

3.105 The committee received submissions from a number of tertiary institutions highlighting concerns and seeking clarification on issues relating to the administration of the scholarships.

3.106 Deakin University and Southern Cross University both noted the move by some tertiary institutions to a trimester model. Southern Cross University noted that the bill does provide for some flexibility with the payment of the scholarships. Both Deakin and Southern Cross Universities sought to ensure that in the implementation of the measure that this flexibility remained so that eligible students were not disadvantaged by a trimester calendar.⁹⁷

3.107 The Queensland University of Technology also expressed concern in its submission about the lack of clarity regarding the operation of the Start-up Scholarship and the Relocation Scholarship under the ABSTUDY Scheme.

94 See *Review of Australian Higher Education*, December 2008, p. 57 and paragraph 3.97 above.

95 *Committee Hansard*, 21 September 2009, p. 54.

96 *Submission 430* (Rural Education inquiry), p. 2. See also Mr Kim Pett, *Submission 4* (Bills inquiry), p. 7 and Mr Hugh Warren, *Submission 13* (Bill inquiry), p.1.

97 *Submission 31* (Bill inquiry), pp 3-4 and *Submission 47*, p. 1.

3.108 QUT also commented that the provisions in the bill which allow for the raising of a debt against a student who has received a start-up or Relocation Scholarship in the event that the student does not continue their enrolment could have adverse impacts on students who are unable to continue with their studies:

It is unclear from the legislation whether students will need to apply for the Start-up Scholarship, or whether they will be automatically paid. Students must be made fully aware of the impacts of receiving scholarship payments early, and should have a choice as to whether the payment is made before the semester begins, or later.⁹⁸

Changes to the personal income threshold

3.109 The committee notes that the increases to the personal income threshold from \$236 to \$400 per fortnight were supported by submissions.⁹⁹

3.110 The one area of concern however that has been raised with the committee is that this increase will be delayed until 2012, rather than being introduced on 1 January 2011 as was initially announced in the Budget. The Welfare Rights Centre expressed its disappointment at the delay in this way:

Such a delay will adversely affect about 61,000 students who earn above the threshold. The amount has not been increased since the mid 1990s and is well overdue. By redistributing a limited pool of money, the Government has created a contest for a 'bucket of money' inevitably creating 'winners and losers'...¹⁰⁰

Committee view

3.111 The committee does have some areas that it would like to investigate further for itself, and it will use its rural education inquiry to pursue these matters. The committee believes that the measures in the current bill do not address the inequities in access between metropolitan and non-metropolitan students. Students from rural and regional areas who have to relocate to pursue their chosen course face substantial costs and the bill offers these students no additional means of support to assist with these costs. The committee does not believe it is appropriate that a welfare measure, such as Youth Allowance, has become the principal means of addressing this inequity.

Basis for the changes to the workplace participation criteria

3.112 The committee appreciates that the changes to the workplace participation criteria proposed by the bill are based on the recommendations of the Bradley Review.

98 *Submission 37*, p. 1

99 See for example National Tertiary Education Union, *Submission 25* (Bill inquiry), p. 4, Council of Catholic School Parents, *Submission 30* (Bill inquiry), p. 1 and Deakin University, *Submission 31*, p. 3.

100 *Submission 44* (Bill inquiry), p. 3.

The committee is also mindful that the Bradley Review, in making the recommendation in relation to the changes to the workforce participation criteria, cited research that 36 per cent of recipients in a sample of students living at home and receiving Youth Allowance were from families where the household income was above \$100,000. However, the committee also notes the analysis it has received in submissions relating to the research relied on by the Bradley Review in making its recommendations in relation to tightening the workplace participation criteria. For example, the Welfare Rights Centre stated:

That research analyses a sub group from a larger group of 58,000 students. It also only looks at students who are independent via work effort and living at home. In our view, there is an argument for better research and analysis of the figures to inform changes which could have significant and lasting impacts upon the lives of large numbers of young people well into the future.¹⁰¹

3.113 Further, given the Department's inability to provide the committee with reasonable information about the impact of the changes to the workforce participation criteria, the committee believes that more research needs to be done to justify the abolition of the fixed amount in 18 month criterion for students who are required to live away from home for their chosen course.

3.114 The committee acknowledges the Government is putting forward a 'budget neutral' package. However, the very nature of the budget neutrality means that funds are taken from one area and redistributed to another, to use the expression of the Welfare Rights Centre, it creates 'winners and losers'.¹⁰² In the case of the measures in the bill, the committee is not convinced, on the evidence before it, that all of those students who will be adversely impacted are those in the Government's target group, namely, students receiving Independent Youth Allowance who live at home in high-income families.

Communication and implementation of the policy reforms

3.115 The committee received substantial evidence and submissions which indicated that the tightening of the workforce participation criteria has caused a high level of anxiety in the community, particularly to those students currently on their gap year, and those students who are completing Year 12 (or the equivalent) this year.

3.116 The committee would like to put on the record that it believes the Government has handled the implementation of this policy reform poorly.

3.117 The committee acknowledges that the transitional arrangements for 2009 gap year students, announced by the Minister on 26 August 2009, have been welcomed by

101 *Submission 44* (Bill inquiry), pp 4-5. See also Ms Kimberley Hare, *Submission 41* (Bill inquiry), p. 10.

102 *Submission 44* (Bill inquiry), p. 3.

many. However, this change was not announced until more than three months after the Budget. From the evidence before the committee, this resulted in a high level of anxiety for 2009 gap year students and their parents.

3.118 In addition to this poorly planned implementation, the committee is also of the view that the Government's communication of the policy reforms was inadequate. The Government's position is that while the workforce participation criteria are being tightened by the measures in the bill, more students will have access to dependent youth allowance through the increasing of the Parental Income Test thresholds. The Parental Income Test thresholds are highly individualistic and the income support that a family receives depends on the circumstances of the family. The committee appreciates that there is a Parental Income Test Estimator on Centrelink's website, however, the committee's experience is that, in some areas, there is a lack of awareness about the existence of this tool. The committee would encourage the Government, and in particular the Department, to increase the resources it has allocated to the communication of the changes in the Parental Income Test thresholds.

3.119 The committee acknowledges that the universities from whom it heard evidence and received submissions are working with students to resolve concerns and questions that they have regarding the deferral policies. The committee would encourage universities to continue this work and suggests that universities be proactive in communicating deferral policies and advising where students can access further information.

Retention of the fixed amount in 18 months criterion

3.120 The committee believes that the tightening of the workforce participation criteria still leaves post-2008 school leavers with only one workforce participation option if they want to be eligible for the Independent Youth Allowance.

3.121 The committee recommends that the workforce participation criteria in proposed section 1067A(10)(c) be extended beyond a transition measure, and be retained for students who are required to leave home to pursue their chosen course.

Recommendation 1

The committee recommends that the workforce participation criteria in Section 1067A(10)(c) (the fixed amount in 18 months) be retained for students who are required to leave home to pursue their chosen course.

3.122 The committee would suggest that the Government consider the suggestion of one of the witnesses to the inquiry in Perth, that there be improved auditing of students who apply for independence through the workforce participation criteria, especially in situations where students are working for a family company or business.¹⁰³

103 See Mr Dominic Rose, *Committee Hansard*, 22 September 2009, pp 46-47.

3.123 The committee also recognises the issues identified in the Bradley Review in relation to the manipulation of the workforce participation criteria. To this end, the committee recommends that the government put in place auditing processes to ensure that once students have received Independent Youth Allowance, they do not then return to live at home.

Recommendation 2

The committee recommends that the government put in place auditing processes to ensure that once students have received Independent Youth Allowance, they do not then return to live at home.

Rural and regional students

3.124 The committee has heard and received substantial evidence of the importance of the Independent Youth Allowance for rural and regional students as a means of accessing tertiary education. The committee is very concerned that a welfare measure, such as Youth Allowance, has become a defacto equity measure. The committee notes the suggestions that it received separate tertiary access allowance (or a 'rural and regional student youth allowance') be made available for students for rural and regional areas. The committee will explore this option in further detail in its deliberations for the rural education inquiry. In the meantime, the committee recommends that the government create a 'Tertiary Access Fund' for rural and regional students to address the inequity of access to tertiary education between rural and regional students, and metropolitan students.

Recommendation 3

The committee recommends that the government create a 'Tertiary Access Fund' for rural and regional students to address the inequity of access to tertiary education between rural and regional students, and metropolitan students.

Start-up and Relocation Scholarships

3.125 In relation to the Start-up Scholarship, the committee notes that this will extend scholarship assistance to many more students than the current Commonwealth Education Costs Scholarship.

3.126 However, the committee is concerned that by linking the scholarships to Youth Allowance payments, while making scholarships more accessible, may also result in some students who require assistance missing out.

3.127 The committee recommends that the Relocation Scholarship be extended to students who receive Independent Youth Allowance and are required to live away from home for their chosen course.

Recommendation 4

The committee recommends that the Relocation Scholarship be extended to students who receive Independent Youth Allowance and are required to live away from home for their chosen course.

Personal Income Threshold

3.128 The committee's view is that it is unreasonable to delay the introduction of this measure on the basis of budget-neutrality. The committee recommends that the measure be introduced on 1 January 2011, as was initially announced.

Recommendation 5

The committee recommends that the increase in the personal income threshold be introduced on 1 January 2011.

Senator Fiona Nash

Chair

