

Government Senators Dissenting Report

1.1 Government Senators of the Committee note the broad support for the passage of the Government's reforms including support from universities, student organisations and educational experts.

1.2 We believe that the majority report does not present an accurate and fair assessment of the Government's proposed changes and the support the Government has received for the proposed reforms.

1.3 The Government's proposed reforms will assist students from low income backgrounds to achieve the educational qualifications they need for sustainable employment and will better supports students that need it most, including regional and rural students.

1.4 The Government's proposed reforms respond to recommendations made by the Review of Australian Higher Education conducted by Emeritus Professor Denise Bradley (Bradley Review). We note that the Bradley Review undertook extensive consultation and commissioned independent analysis which informed the process of policy design. We also note that the Government carefully considered the reforms in the lead up to budget and have developed a carefully crafted package to improve the current system .

1.5 The review found that the:

- current student income support arrangements are poorly targeted;
- the participation rate of low socio-economic status (SES) students in higher education has been relatively static, remaining at around 15 per cent (while this group comprises 25 per cent of the population); and
- participation rates for students from regional and remote areas have declined under the old system. Participation rates for regional students fell from 18.8 percent to 18.08 percent over the period 2002 to 2007 (25.4 percent of the population come from regional areas).

1.6 It is notable that the Bradley Review found that:

- 36 percent of independent students living at home were from families with incomes above \$100,000;
- 18 percent of students in this situation came from families earning incomes above \$150,000;

- 10 percent came from families earning above \$200,000 and,
- 3 percent came from families earning above \$300,000.

1.7 We note that the Government has accepted the recommendations of the Bradley Review and has decided to ensure that student income support is received by those who need it most. We are confident that these reforms will help achieve the Government's target that 20 per cent of higher education enrolments at the undergraduate level will be of people from a low SES background by 2020.

1.8 It is our understanding from evidence provided by the DEEWR that the Government's proposed reforms will benefit over 100,000 students. As a result of the increase to the parental income test alone, 68,000 students will now be eligible to receive support as a result of the changes to the parental income test and 35,000 students will receive a higher payment as a result of this change. Under the new system more support will flow to students who need to move to study – through more generous parental income test and expanded scholarships. Students will not be pushed into taking a gap year to study.

1.9 It is telling that others in the parliament have suggested that the current system is broken. Last year Shadow Education Minister Tony Smith panned the former Government's system when he acknowledged 'Overall, the evidence seems to suggest that it has become too easy for students from affluent backgrounds to qualify and too difficult for students from modest backgrounds...'. We agree with these sentiments.

1.10 He further agreed with the Government's approach when he said 'This means that students from a family earning an average weekly income cannot effectively go straight from school to university and be supported. It particularly disadvantages many students – particularly those from the country – who have to leave home to study with many of them taking a year off to earn enough money to qualify for independence for Youth Allowance and possibly not retuning.'¹

1.11 DEEWR estimates that 30 percent of students who take a gap year don't end up going onto university. Under the reforms proposed by the Government many students will be able to access support immediately due to a higher parental income test rather than having to wait 18 months to prove their 'independence'.

1.12 Indeed it is patently obvious that the attainment of the targeted earnings (now \$19,532) within 18 months is not in reality proof of independence. It is in fact, merely meeting a test laid down in the Legislation to become eligible to claim the benefits of Youth Allowance irrespective of the parental means or other relevant personal circumstances.

1 Tony Smith, Address to the Australian Liberal Student Federation Federal Council 7 July 2008

1.13 Government Senators note that student income support is a policy area where small changes can have major impacts and that as a result, comprehensive research and policy analysis should be undertaken before reform is announced. We note that the Government did exactly this by commissioning the Bradley Review and acted on its findings to design this package of reforms in order to get the maximum benefit from existing funding.

1.14 Unfortunately this debate has been riddled with uninformed or misinformed comment on the impact of the changes to Youth Allowance. A number of witnesses clearly sought to represent those aggrieved by the changes without acknowledging the fact that significant benefits were created for many students. A number of witnesses conceded that they had not used the calculator on the DEEWR website to check their entitlement. This is probably due to the fact that the Department took some time to install this facility and we do not criticise the students for this omission. It was also very difficult to test individual circumstances in our public hearings. Private conversation in some cases revealed that those complaining of being excluded were in fact entitled to a significant benefit. On the other hand, some were correctly informed and were not eligible for a benefit.

1.15 It was clear from the evidence that a route to Youth Allowance entitlement had been mapped for many students irrespective of their family circumstances or access to work. If students took a gap year and could get enough work to earn the “magical” amount of money then they were “independent” and had achieved their goal. If they were unfortunate enough to be in an area where work was scarce they were more likely to fail. Accordingly those with access to work or with connections to work opportunities succeeded. We do not believe that this is a fair way to distribute what is essentially a welfare benefit, particularly when many of those who receive it are from relatively affluent families.

1.16 Various options for attaining independence under the revised legislation were canvassed with witnesses. Unsurprisingly no one was happy with a more onerous pathway. Nevertheless we believe that many students who are unable to meet the parental income test for a benefit would pursue this option. For example, although not a preferred option for many, working full time and studying part time remained an option in many courses. We were concerned that in some areas due to seasonality and/or the casual nature of available work the test set down in the legislation was unreasonably restrictive and express or view on a remedy later in this dissenting report.

Response to Recommendation 1

1.17 Government Senators note the substantial cost that would be associated with Recommendation 1 which, in order to be fiscally responsible would need to be offset from within the reform package. If this change was not offset there would be a substantial impact on the budget. Given the recommendation has not yet been presented to the Minister, we do not have specific costings on it, but we would expect the cost to run into the hundreds of millions of dollars.

1.18 Moreover, this change would allow any student who needs to move away from home to access support under the current independence criterion regardless of income, even if parental income is above \$150,000 or \$250,000 dollars. The Government does not believe that supporting high income families, regardless of their location, is the best way to invest public money and the dissenting Senators cannot support this move as it would go against the intent of the Bradley Review recommendation to better target support to those who need it most.

Response to Recommendation 2

1.19 We are unsure what evidence is based on and what policing or auditing measures are intended with this measure. We would prefer more detailed advice from the Department and Centrelink on this issue before committing to a recommendation which may consume more in resources than it saves.

Response to Recommendation 3

1.20 The creation of a 'Tertiary Access Fund' is an area of policy which we do not dismiss given the obvious educational disadvantage which is experienced by most rural and regional students. Moving to the city to study is costly, disruptive and challenging. We do not know whether the measure proposed is the best solution and would be keen for further work to be done in this area. For Coalition Senators to only now come to this view after having eleven years in Government to address this issue raises a question over the motives for the development of this idea now. In any case this is not a welfare issue and would be inappropriate to be dealt with here.

Response to Recommendation 4

1.21 Government Senators note that Recommendation 4 tacitly acknowledges the benefits of the Government's new Relocation Scholarship by suggesting that it be expanded even further to include students who are independent and need to live away from home.

1.22 The Government notes that the number of commencing Relocation Scholarships will increase from 4,938 commencing Commonwealth Accommodation Scholarships in 2008 to 14,200 in 2010 if the reforms are passed.

1.23 This is a substantial increase in coverage. Government Senators cannot accept a further extension of coverage as this will have a substantial budget impact which would need to be offset elsewhere in the package.

Response to Recommendation 5

1.24 Government Senators welcome the fact that the Government's increase to increase to the personal income test is supported by the majority report. However, Government Senators cannot accept the recommendation that this occur on 1 Jan 2011 as originally intended rather than on 1 July 2012. This push back is required in order

to finance the transition arrangements for gap year students who need to move to study.

1.25 If this push back does not occur the package will have a net impact to the budget of over \$150 million. Or, the Government will not be able to finance its transition package.

Conclusion

1.26 Government Senator's disagree with the recommendations of the Majority report and support the Government's reforms to student income support be passed unamended.

1.27 We recommend that the Government closely monitor the implementation of the new system and bring forward its planned review of the system to assess the benefits to low SES, rural and regional students.

1.28 We recommend that the Government investigate administrative measures available to allow the 'independence test' of 30 hours per week over 18 months to be averaged to take into account the fact that many young people, particularly in rural and regional communities, rely on seasonal and casual work opportunities which would make regular work hours very difficult to obtain.

1.29 The reforms need to be passed to deliver thousands of new scholarships, a more generous parental income test, a reduction in the age of independence over time and a more generous personal income test.

1.30 These reforms will better target support to those who need it most.

Senator Glenn Sterle

Senator for Western Australia

Senator Kerry O'Brien

Senator for Tasmania

