



STUDENT INCOME SUPPORT – WORKFORCE PARTICIPATION CRITERION

This measure tightens the criterion for establishing financial independence for Youth Allowance and ABSTUDY to target income support much more effectively to students from low income backgrounds, by removing the 2nd and 3rd elements of the workforce participation criterion for independence. This is in line with the recommendations of the Bradley Review which found that student income support was poorly targeted. These criteria have allowed some students from higher income backgrounds to access student income support following a period of at least 18 months' part-time work since leaving school.

This measure will result in savings of \$1819.9 million over four years which will be used to fund the reform package and expand eligibility through raising the parental income test and reduce the age of independence.

Removing financial barriers

This measure is part of the reforms to the student income support system which aim to ensure that financial barriers to the participation of students from low socio economic backgrounds are removed. The reforms aim to target support more effectively to those who need it most, including those from regional and remote areas and Indigenous students.

Around 30 700 prospective claimants would not qualify in 2010 and 3600 existing recipients would not qualify for a higher payment as independent recipients. All existing student income support recipients will be 'grandfathered' so that no existing recipient would be disadvantaged by this change.

What will this measure deliver?

Students will no longer be able to achieve financial independence for Youth Allowance and ABSTUDY by meeting the 2nd and 3rd elements of the workforce participation criterion. These are:

- worked part-time for at least 15 hours a week for at least two years since leaving school; or,
- earned, 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 requires earnings of \$19,532).

However, the first element, employment of at least 30 hours per week for at least 18 months during any period of two years, will remain available, in recognition that young people who have established this work pattern are no longer financially dependent on their parents.

In addition to the above remaining workforce participation criterion, Youth Allowance will continue to recognise that some young people will establish independence through meeting the following individual circumstances:

- being married, or previously married, or living in a marriage-like relationship for at least 12 months; or
- having, or having had, a dependent child; or
- having parents who cannot exercise their responsibilities; or
- a situation that makes it "unreasonable to live at home" due to extreme family breakdown, violence in the home, or serious threats to health or wellbeing; or
- being a refugee, orphan or someone who cannot live at home; or

- being in state care; or
- being aged 18 and over, and having a work history but experiencing disadvantage in education or employment; or
- being assessed as having partial capacity to work (due to disability) as determined by a Job Capacity Assessment—job seekers only.

This measure applies to students on income support, including Youth Allowance and ABSTUDY. It also extends to recipients of Youth Allowance (other).

This measure will take effect from 1 January 2010.

Related measures that impact on eligibility for payments

Students who may previously have gained financial independence under Youth Allowance or ABSTUDY will no longer do so. However many of these students will qualify as dependants under the much more generous provisions of the new parental income test. The new income cut off points will rise substantially—for example, a student living at home aged 18 or more will be eligible to receive Youth Allowance with a family income of over \$74,000. A student who is living away from home to attend an educational institution will be eligible for Youth Allowance with a family income of almost \$91,000. With two children on Youth Allowance aged 18 and 20 at home, the family will receive support up to a family income of over \$106,000. For more information, see the Fact Sheet on the Parental Income Test.

This means that many students who are no longer eligible for support through tightening of the workforce participation criterion will become automatically eligible as a result of increases to the parental income test.

In addition, more students will be eligible for student income support as a result of the progressive lowering of the Age of Independence, commencing with 24 years in 2010, 23 years in 2011 and 22 years in 2012.

Next steps

This measure, along with other reforms to student income support, will be legislated in 2009 and guidelines updated as appropriate.

Centrelink has been consulted on both costings and the timeframe for implementation of this measure. Required modifications to Centrelink systems are expected to be completed by December 2009.

