



Youth Allowance

CHANGES TO STUDENT INCOME SUPPORT IN RESPONSE TO THE BRADLEY REVIEW OF AUSTRALIAN HIGHER EDUCATION

The Rudd Government has introduced a package of reforms to student income support to respond to the recommendations and findings of the Bradley Review of Australian Higher Education.

Elements of the package include:

- an increase to the parental income test threshold for access to the maximum rate of Youth Allowance or ABSTUDY (currently \$32 800) to align with Family Tax Benefit A (FTB) income test (currently \$44 165) and alignment of the indexation and taper rate arrangements with those applying under FTB—from 1 January 2010. This means that students from families with two children in the Youth Allowance age range living away from home and a combined income of up to \$140 729 will now be eligible to receive a part rate of Youth Allowance;
- a reduction in the age of independence from 25 years in 2009 to 22 years in 2012, commencing with 24 years in 2010.
- a new Student Start-up Scholarship of \$2254 for all university students receiving income support, except for those already receiving a Commonwealth Education Costs Scholarship—from 1 January 2010;
- a Relocation Scholarship of \$4000 in the first year and \$1000 in later years, to provide assistance with the costs of relocating for study for dependent university students who have to move away from the family home for study and independent students disadvantaged by personal circumstances, except for those already receiving a Commonwealth Accommodation Scholarship—from 1 January 2010;
- an increase to the personal income test threshold from the current \$236 to \$400 per fortnight and the introduction of CPI indexation to the threshold, so that students can earn more from part-time work before their payments are reduced—from 1 July 2012;
- extension of student income support to all masters by coursework programs—from 1 January 2012;
- relaxation of the means testing of equity and merit-based scholarships provided by universities and philanthropic organisations, up to the combined value of the Commonwealth Scholarships (\$6762 in 2010), so students' income support payments are not affected—from 1 January 2010; and
- tightening of the workforce participation criteria for independence under Youth Allowance and ABSTUDY to target assistance more effectively to students from low income backgrounds.

The reforms are roughly cost neutral over the forward estimates. The costs are fully offset by improved targeting of Youth Allowance and ABSTUDY and the conversion of funding from other programs affected by the reforms, including the existing Commonwealth Scholarships Program and savings from Family Tax Benefit—Part A (FTB) due to the anticipated migration of some young people from FTB to Youth Allowance or ABSTUDY.

The package of reforms to student income support aims to increase access to, and better target, support for students who need it most. While all existing student income support recipients will be 'grandfathered' in terms of retaining their existing benefits, some prospective claimants for independence under Youth Allowance and ABSTUDY will not establish eligibility because of the tightened workforce

participation criteria for independence. However, because of more generous provisions for dependent young people provided through the Parental Income Test and the progressive lowering of the age of independence to 22 years by 2012, many of these students will still qualify for income support payments. Many of these will be students from low socio economic status backgrounds who will gain eligibility for Youth Allowance or ABSTUDY for the first time.

The reforms to student income support recognise the vital importance of ensuring that financial barriers to the participation in education and training by students from low socio-economic backgrounds, including those from rural backgrounds and Indigenous students are removed.

The reforms align with the Government's education outcome objectives of:

- 40 per cent of all 25 to 34 year olds attaining a qualification at bachelor level or above by 2025; and
- 20 per cent of higher education enrolments at undergraduate level should be people from low SES backgrounds by 2020.

By supporting increased participation in education and training, including higher education, the reforms will improve future workforce participation, skill and productivity levels throughout the community. They will assist in building labour force capacity for qualified employees in high demand occupations.

Impact on eligibility for payments

The reforms are wide ranging and broadly increase access to student income support and, through the introduction of new scholarships, increase the range of benefits available to students. The new income cut off points for a family will rise substantially—for example:

- A student living at home aged 18 or more will be eligible with a family income of almost \$76 000.
- A student studying away from home will be eligible with a family income of over \$92 000.
- A family with two children on Youth Allowance aged 18 and 20 at home will be eligible with a family income of almost \$108 000.

All university students receiving student income support will also be eligible for the Student Start-up Scholarship and many for the Relocation Scholarship. For more information on the family income cut-off points, see the specific Fact Sheet on the Parental Income Test.

Many students who are no longer eligible for support through tightening of the workforce participation criterion and who will not qualify under the new Parental Income Test will still become automatically eligible as a result of the reduction in the Age of Independence.

In addition, transitional arrangements announced on 26 August 2009 will allow current 'gap year' students the opportunity to qualify through the existing workforce participation criterion for independence by 30 June 2010, if they completed school in 2008, are taking a 'gap year' in 2009, commence their university course early in 2010 and need to move away from home to do so.

What will this measure deliver?

Students will benefit from a package of income support reforms which aims to increase access to, and better target, income support for students who need it most, through a fairer and more equitable allocation of existing resources.

Most elements of the package will be delivered from 1 January 2010. Reduction in the age of independence to 22 years will be phased in over the next three years. The increase to the personal income test threshold will commence on 1 January 2011 and the change to Masters by coursework eligibility will be introduced from 1 January 2012.

Next steps

Reforms to student income support will be legislated in 2009 and guidelines updated as appropriate.

Required modifications to Centrelink systems are expected to be completed by December 2009, ready for implementation of the initial measures by 1 January 2010.