



# Youth Allowance

FACTSHEET 9

## STUDENT INCOME SUPPORT—WORKFORCE PARTICIPATION CRITERION

This measure proposes to tighten 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 be used to fund the proposed reform package and expand eligibility through raising the parental income test and reducing the age of independence.

### Removing financial barriers

This measure is part of the proposed 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 be expected to qualify in 2010 as independent recipients as a result of this proposed change. It should be noted that most young people affected by this proposed change are expected to be eligible to get Youth Allowance or ABSTUDY as dependent recipients as a result of proposed changes to the parental income test and the age of independence (see page 2 below for more information).

Further, all existing student income support recipients would be 'grandfathered' so that no existing recipient would be disadvantaged by this change.

In addition, subject to the passage of the legislation, revised transitional arrangements would allow young people who completed Year 12 in 2008, took a 'gap year' in 2009 and start university during 2010 until 31 December 2010 the opportunity to meet the current workforce participation criterion for independence under Youth Allowance and ABSTUDY, on condition that:

- they would be required to live away from home to study at university; or
- their combined parental income is less than \$150 000 for the tax year.

Students who are in Year 12 in 2009 and are considering taking a gap year before commencing university should be aware that the current rules for Youth Allowance would change if the Australian Government's new legislation is approved.

The proposed new transitional arrangements for 'gap year' students would be of particular benefit to students from rural and regional areas.

### What will this proposed measure deliver?

Subject to the passage of legislation, students would 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 an average of at least 30 hours per week for at least 18 months during any period of two years, would 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 individual circumstances such as having, or having had, a dependent child; or being in 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. Go to [www.centrelink.gov.au](http://www.centrelink.gov.au) for more details.

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

Commencement of this measure is subject to the passage of the legislation.

### Related proposed measures that would impact on eligibility for payments

Students who may previously have gained financial independence under Youth Allowance or ABSTUDY would no longer do so. However, as indicated above, many of these students would qualify as dependants under the much more generous provisions of the new Parental Income Test, proposed as part of the reforms to student income support. The new parental income cut off points would rise substantially – for example:

- A student living at home aged 18 or more would be eligible with a family income of almost \$76 000.
- A student studying away from home would be eligible with a family income of over \$92 000.
- A family with two children on Youth Allowance aged 18 and 20 at home would be eligible with a family income of almost \$108 000.
- A family with two children studying away from home would be eligible for Youth Allowance with a family income of almost \$141 000.

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

For more information, see the Fact Sheet on the Parental Income Test.

In addition and subject to the passage of legislation, more students would be eligible for student income support as a result of the proposed initiative to progressively lower the Age of Independence, commencing with 24 years in 2010, 23 years in 2011 and 22 years in 2012.

### Next steps

While legislation to give effect to the proposed reforms has already passed the House of Representatives, the Senate has not passed the legislation. The Government has indicated that it intends to again seek passage of the reforms by the Senate in early 2010. Commencement dates are subject to the passage of the legislation.