Contents

Purpose .................................................................................................................................................. 2
Background ........................................................................................................................................ 2
  What the Dow Review recommends ................................................................................................. 4
  What is the Government planning to do? ......................................................................................... 6
  Committee consideration .................................................................................................................. 7
Financial implications ......................................................................................................................... 7
Key provisions .................................................................................................................................. 8
  Schedule 1—Student Income Support Reforms ............................................................................ 8
  Schedule 2—Other Amendments .................................................................................................... 8
Concluding comments ....................................................................................................................... 9
Social Security Amendment (Student Income Support Reforms) Bill 2011

Date introduced: 21 September 2011
House: House of Representatives
Portfolio: Education, Employment and Workplace Relations
Commencement: Sections 1–3 on Royal Assent and Schedules 1-3 on 1 January 2012.

Links: The links to the Bill, its Explanatory Memorandum and second reading speech can be found on the Bill's home page, or through http://www.aph.gov.au/bills/. When Bills have been passed and have received Royal Assent, they become Acts, which can be found at the ComLaw website at http://www.comlaw.gov.au/.

Purpose

The Social Security Amendment (Student Income Support Reforms) Bill 2011 (the Bill) amends the Social Security Act 1991 to:

- allow students from Inner Regional areas to access independent Youth Allowance under the same rules that apply to students from Outer Regional, Remote and Very Remote areas
- provide additional support to regional students on the dependent Youth Allowance who need to relocate in order to study and
- bring forward the cessation of the Rural Tertiary Hardship Fund in order to make savings to pay for the new expenditure measures.

Background

The introduction of this Bill follows the Government’s tabling of a review of student income support reforms conducted by Professor Kwong Lee Dow (the Dow Review).¹ The Government brought forward the Review by 12 months in response to concerns about access to income support by students in rural and regional areas.

The background to the independent Youth Allowance issue is complex.² In brief, the issue has its origins in substantial changes to student income support that the Rudd-Gillard Government

2. For background and analysis see: L Buckmaster, ‘Opposition seeks changes to eligibility for Youth Allowance for Inner Regional students’, FlagPost website, Parliamentary Library, Canberra, 29 October 2010, viewed 30 September 2011, http://parliamentflagpost.blogspot.com/2010/10/opposition-seeks-changes-to-eligibility.html; L Buckmaster,
introduced in 2009 in response to the Review of Higher Education conducted by Emeritus Professor Denise Bradley.³

The main area of contention at the time was the Government's attempt to tighten eligibility for independent status under Youth Allowance. This was aimed at closing a loophole under which students from higher income families had been able to access Youth Allowance by taking a 'gap year'.

The attainment of ‘independent’ status is highly sought as it means applicants for Youth Allowance are exempt from the parental means test that applies to dependent students and independent recipients are paid the maximum benefit. However, the original policy intention of the independent rate is that it provides a higher rate of assistance for those who are genuinely independent (for example, they have been in the workforce for a number of years and have decided to obtain a degree).

Under the previous work participation requirements for independence, a person was required to have:

- worked full-time for at least 18 months in the previous two years
- worked part-time for at least two years since leaving school or
- have been out of school for at least 18 months and earned at least 75 per cent of the maximum rate of pay under Wage Level A of the Australian Pay and Classification Scale in an 18 month period.

Under the initial reforms, the second and third of the above criteria were to be abolished, preventing many young people who previously took a ‘gap’ year between finishing high school and commencing university studies or who were employed after finishing school, from claiming to be independent and thus escape the parental income test on their payments.⁴


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Legislation introducing the proposed changes did not pass until an agreement was reached between the Government and the Opposition allowing students who live away from major cities and regional centres to be eligible under the previous independence test which included part-time employment.\(^5\)

Under the deal, this test was restricted to those who leave home to study and whose parents earn less than $150,000 a year and who live in Very Remote, Remote or Outer Regional areas (based on the Australian Standard Geographical Classification (ASGC)). Accordingly the three workplace independence criteria now apply to students in Very Remote, Remote or Outer Regional areas.

Despite this agreement, the Opposition has campaigned since prior to the 2010 election for an extension of the special arrangements for rural and regional students to include students in Inner Regional areas. This culminated in the introduction of a Private Member’s Bill by Senator Fiona Nash seeking to bring this into effect.\(^6\) The Bill passed the Senate, however, following the Government’s decision to bring forward the review of student income support reforms, the House of Representatives declined to consider the Bill.

**What the Dow Review recommends**

The Dow Review was presented to the Government in July 2011 but not publicly released until 14 September 2011. In the Review, Professor Dow noted that the ‘underlying tension’ was ‘how to reconcile the competing need of those on low incomes and those from rural, regional and remote communities’.\(^7\) Ultimately, the Dow Review has opted towards supporting those in greatest financial need (though, as the report indicates, this would end up assisting proportionately more country students anyway).\(^8\)

The Dow Review cautions against a classification system that creates ‘further lines of demarcation between regional and metropolitan students’.\(^9\) It says that ‘the focus should move to considering the additional cost for all students who need to relocate—both country and city students’.\(^10\)

As such, the main recommendation of the Dow Review is for a ‘single new self-supporting criterion for independence for young people who have worked full-time for two out of three years, where a minimum of two years has elapsed since leaving school’.\(^11\) This can be seen as a tightening of the current arrangements applying to Inner Regional and metropolitan students, which require full-time work over 18 months in order to establish independence (though, the report notes that, in effect, the 18 month requirement tends to result in people delaying study for two years anyway).

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8. Ibid.


10. Ibid, p. xii.

11. Ibid.

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At the same time, the Dow Review proposes a loosening of the independence test by adopting a more flexible assessment of whether a young person has worked full-time over a period by allowing this to be measured in terms of average hours worked and/or total dollars earned. The new test will also allow seasonal work and periods of unemployment or underemployment to count as full-time work.

The new single self-supporting criterion would also remove the special arrangements for Very Remote, Remote or Outer Regional students ‘subject to extending appropriate transitional arrangements to those young people who have already made plans based on current rules’. 12

Essentially, then, the Dow Review’s recommendations would return the situation to something very similar to the independence test recommended by Professor Bradley. Indeed, the Dow Review concludes that ‘on balance and within available resources, the Bradley Review recommendations on student income support basically got it right’.13

Other recommendations included:

- increasing the value of Relocation Scholarships (indexed annually) to $4000 in the first year away from home, then $2000 in each of the second and third years, then $1000 in subsequent years14
- applying a $20 000 concession to the Parental Income Test (and, where applicable, the Family Actual Means Test) cut-out points for assessing eligibility for the Relocation Scholarship for dependent young people
- providing Student Start-Up Scholarships to a wider pool of recipients and
- that development work be undertaken on an income-contingent loan scheme targeted at students who are required to move away from home to undertake particular course requirements.

Thus, while the Dow Review made some recommendations aimed at addressing obstacles to support for rural and regional students, this was within the context of its position that ‘families from low socioeconomic backgrounds remain the priority group for student income support and that it would be wrong to erode their entitlements to offset the equity needs of regional families with higher incomes’.15

12. Ibid.
14. The 2011 value of the Relocation Scholarship was $4124 in the first year and $1031 in subsequent years.

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What is the Government planning to do?

The Government has announced a $265 million package which ‘partially adopts the recommendations of the Review and builds on them to provide additional support for students from Regional Australia who need to relocate to study’.16

The Government has rejected the Dow Review’s call for a new independence test that removes special arrangements for regional students. Instead, the Government wants to extend the special arrangements to include Inner Regional students. This essentially meet the demands of Senator Nash’s Bill but is inconsistent with the Dow Review recommendation to abandon the demarcation between regional and metropolitan students.

The Government also announced that it will increase the value of the Relocation Scholarship in the second and third years for eligible students (those on dependent Youth Allowance) from regional areas from 1 January 2012. Eligible regional students will receive a Relocation Scholarship of $4000 for the first year of study, $2000 for each of the second and third years and $1000 for any subsequent years. The Government says that this is in recognition of the higher costs in relocating faced by students from regional areas.17 This differs from the Dow Review recommendation that all students benefit from the increased value of the Relocation Scholarship, regardless of geographic origin. The Government has also not adopted the Dow Review recommendation for a concession on the Parental Income Test (or the Family Actual Means Test) for the Relocation Scholarship.

The Government will fund the changes through the following offsets:

- winding up the $20 million Rural Tertiary Hardship Fund, (recommended by the Dow Review)18
- deferral of the measure to extend Youth Allowance eligibility for Masters by Coursework students from 1 January 2012 until 1 January 2014: estimated to save $115.3 million
- reducing Start-Up Scholarships to $2050 from January 2012: All Youth Allowance recipients are eligible for the Start-Up Scholarship which in 2011 was worth $2198. The Department of Education, Employment and Workplace Relations (DEEWR) reported that ‘by the end of August (2010) almost 174 000 students had received Start-Up Scholarships’ and19

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16. C Evans (Minister for Tertiary Education, Skills, Jobs and Workplace Relations), Regional students to benefit from Youth Allowance changes, media release, 14 September 2011, viewed 30 September 2011, http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22media%2Fpressrel%2F1082886%22
17. Ibid.
18. There were to be five rounds from the $20 million. Round 1 has been allocated and Round 2 is open to applicants. The Dow Review noted that ‘take up has been lower than expected’.

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• reducing the value of Relocation Scholarships for non-regional students to $4000 in the first year living away and $1000 in subsequent years from 1 January 2012 (contrary to the Dow Review recommendation that all eligible students receive an increase in Relocation Scholarship).\textsuperscript{20}

In effect, what is now proposed is a rebalancing of support towards students in regional areas, rather than the Dow Review focus on supporting those in greatest financial need.

**Committee consideration**

At its meeting on 22 September 2011, the Senate Selection of Bills Committee deferred consideration of the Bill until its next meeting.\textsuperscript{21}

**Financial implications**

The measures will cost $265 million over the forward estimates to 2014–15.\textsuperscript{22} Since 2009 the Government has aimed to keep student income support reforms budget neutral and has maintained this policy in the Bill with savings from the four measures outlined above.

The Explanatory Memorandum which accompanies the Bill states that the financial impact of the Bill will be as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Expense ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011-12</td>
<td>5.3</td>
</tr>
<tr>
<td>2012-13</td>
<td>32.4</td>
</tr>
<tr>
<td>2013-14</td>
<td>33.2</td>
</tr>
<tr>
<td>2014-15</td>
<td>33.9</td>
</tr>
<tr>
<td>TOTAL:</td>
<td>104.9</td>
</tr>
</tbody>
</table>

The Explanatory Memorandum also states that the financial impact statement does not include the savings from the delay to extend Youth Allowance to Masters by Coursework students which will ‘be effected by legislative instrument and does not form part of this Bill’.\textsuperscript{23}

\textsuperscript{20} Ibid.
\textsuperscript{22} C Evans (Minister for Tertiary Education, Skills, Jobs and Workplace Relations), Regional students to benefit from Youth Allowance changes, media release, 14 September 2011, viewed 30 September 2011, http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p?query=Id%3A%22media%2Fpressrel%2F1082886%22
\textsuperscript{23} Explanatory Memorandum, Social Security Amendment (Student Income Support Reforms) Bill 2011, p. 3.

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The Government estimates 5500 Inner Regional students will benefit from the proposed changes through eligibility for Independent Youth Allowance and 15 000 regional students will benefit from changes to the Relocation Scholarships. It should be noted that these students will benefit at the expense of Masters by Coursework students, Start-Up Scholarship recipients and Metropolitan students eligible for the Relocation Scholarship.

Key provisions

Schedule 1—Student Income Support Reforms

Part 1 of Schedule 1 to the Bill amends subsection 1067A(10E) of the Social Security Act 1991 (SSA) to enable students from Inner Regional Australia (based on the ASGC) to qualify as independent via any of the three workforce participation criteria outlined above. This will allow them to use the same arrangements currently applying to students from Outer Regional, Remote and Very Remote Australia.

Part 2 of Schedule 1 to the Bill amends the SSA to introduce changes to the value of the Relocation Scholarship from 1 January 2012. The changes include:

- the reducing the value of Relocation Scholarships for non-regional students to $4000 (new subsection 592L(1)) in the first year living away and $1000 in subsequent years (new subsection 592L(3)) and
- the introduction of higher rates of Relocation Scholarship ($2000 in 2012) for eligible regional students in their second and third year of living away to study (new subsection 592L(4)).

Part 3 of Schedule 1 to the Bill amends the SSA to reduce the value of the Student Start-Up Scholarship to $2050 (from $2198 in 2011) from 1 January 2012 (new section 592H).

Part 4 of Schedule 1 to the Bill repeals Chapter 2BA of the SSA and in doing so brings to an end the Rural Tertiary Hardship Fund from 1 January 2012.

Schedule 2—Other Amendments

Schedule 2 to the Bill makes a number of technical amendments to the SSA. Item 3 inserts additional steps into section 1067G of the SSA which contains the Youth Allowance Rate Calculator.

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25. New section 592H provides that the amount is $1025. The payment is made twice a year.

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Item 4 repeals and replaces section 1223ABE of the SSA so that where a person has received a Student Start-Up Scholarship payment, or a Relocation Scholarship payment on the grounds that the person is to undertake an approved scholarship course and the person does not undertake full-time study in that course, then the amount of the payment is a debt due to the Commonwealth.

Concluding comments

As noted above, the Bill effectively proposes a rebalancing of student income support towards students in regional areas. This contrasts with the Dow Review’s recommended focus on supporting those in greatest financial need.

In relation to the independent Youth Allowance issue, the Bill essentially proposes an extension of the existing compromise between a genuine independence test and an affirmative action measure aimed at addressing the financial difficulties faced by the many young people from Regional Australia who must relocate to attend university (and the lower regional participation rates in higher education, more broadly).

Dow’s response to the latter objective is that ‘the number (though not proportion) of metropolitan young people who relocate for study is greater than the number of regional young people doing so’ and that ‘the focus should move to considering the additional costs for all students who need to relocate—both city and country students’.26 While the special arrangements for regional students may address the concerns of many who must move to attend university, there will be many others in metropolitan areas requiring such assistance who may miss out.

Further, it remains to be seen whether the changes will deliver an increase in participation of regional students in higher education. It should be noted that despite gap year provisions for Youth Allowance eligibility being in place for over ten years the regional participation rate in higher education has been static since 1990.27 In recent years, a number of studies have suggested that the more strategic approach may be to target programs that improve school retention rates and overcome cultural factors that influence student aspirations and choices.28

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27. C Dow, op. cit.
28. Ibid.

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