



COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



HOUSE OF REPRESENTATIVES

**SOCIAL SECURITY AND OTHER
LEGISLATION AMENDMENT (INCOME
SUPPORT FOR STUDENTS) BILL 2009**

Second Reading

SPEECH

Thursday, 10 September 2009

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

SPEECH

Date Thursday, 10 September 2009
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Questioner
Speaker Gillard, Julia, MP

Source House
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Responder
Question No.

Ms GILLARD (Lalor—Minister for Education, Minister for Employment and Workplace Relations and Minister for Social Inclusion) (9.01 am)—I move:

That this bill be now read a second time.

Higher education is central to achieving this government's vision of a stronger and fairer nation. At the last budget the government proposed a landmark reform agenda for higher education and research that will transform the scale, potential and quality of the nation's universities and open the doors of higher education to a new generation of Australians.

Through our reforms we will make higher education more accessible by uncapping the number of public university places from 2012.

We will spend \$433 million over four years to provide universities with an incentive to enrol students from disadvantaged backgrounds, through providing funding for partnerships between universities and disadvantaged schools and a per student loading for low-SES students.

We will drive improvements in quality through our new quality assurance body, the Tertiary Education Quality and Standards Agency (TEQSA). Its work will be supported by \$206 million of extra funding to institutions that meet exacting quality standards across a range of indicators.

And, of course, the Rudd government is investing \$578 million over three years for a landmark increase to the rate of indexation for higher education funding—long overdue after years of real cuts under the Liberal government. The government has also announced its move towards the full cost of research over time at a cost of \$512 million over four years.

Our reforms are designed to meet two ambitious targets in particular:

- that by 2025, 40 per cent of 25- to 34-year-olds will hold a bachelor degree or higher; and
- that by 2020, 20 per cent of higher education enrolments at undergraduate level should be people from low-SES backgrounds.

This bill, which contains our response to the Bradley review recommendation on student income support, is a key aspect of this agenda.

This is because income support and other financial assistance are critically important to attract financially disadvantaged students into higher education and keep them there. And it is this issue that this bill considers.

The Bradley review found that student income support arrangements were poorly targeted. Assistance provided through Youth Allowance was not going to those students most in need.

For instance, the Bradley review found that 18 per cent of students who were living at home and were receiving youth allowance through having been considered 'independent' were from families with incomes above \$150,000, 10 per cent from families with incomes above \$200,000 and three per cent from families with incomes above \$300,000.

Meanwhile, under the current system rural, regional and low-SES participation have all fallen.

Participation of regional students at university fell to 18.08 per cent by 2007 against a percentage of the population of 25.4 per cent, the remote participation rate fell to 1.12 per cent against a percentage of the population of 2.5 per cent and low-SES participation languished at around 15 per cent against a percentage of the population of 25 per cent.

The reforms outlined in this bill will help to arrest these trends by increasing access to, and better targeting, income support for students who need it the most, through a fairer and more equitable allocation of existing resources.

The government has taken the sensible decision to tighten the current independence criterion, as recommended by the Bradley review. This will allow us to redirect funding into a massive suite of reforms, including new scholarships, a higher parental income test and lowering the age of independence, which will mean a system that supports more students and better supports the students that need it most, including rural and regional students.

Each of the recommendations for reforming student income support arising from the Bradley review has been adopted by the government. This bill implements the recommendations that require legislation. The principal measures in the bill were announced in the 2009-2010 budget.

The Group of Eight has supported the reforms with Professor Alan Robson saying:

... with a finite amount of public funding it is vital we target those students most in need ... New Start-Up and Regional Scholarships ... will also make a big difference, especially for families in rural and regional areas.

The Australian Technology Network has also supported our changes and in their media release said:

Supporting those who need it most—Government delivers for students.

The Chair of the Australian Technology Network, Ross Milbourne, said that the package of measures will direct funding to those most in need. He said:

A well-structured income support system should act to increase enrolments from low income people. This package will ensure this.

The National Union of Students has said of our budget measures:

This is a big win for students, a substantial investment in future productivity and jobs.

On budget night the National Union of Students said:

Thumbs up for massive education funding, thumbs up for massive student income support.

And Universities Australia has lauded our changes to student income support commenting that:

Lowering the age of independence progressively from 25 years to 22, and ensuring student support can be claimed by more of those students who are truly in need is commendable.

However, many students told us while they liked the new system they were concerned that gap year students—on a gap year this year—who needed to move to study would be caught between the old and the new systems.

So, over the past few months, I or my office have met with a broad range of students and interest groups to discuss the new system.

After wide consultation the government has announced a transition measure to allow gap year students who completed school in 2008 and who need to move to study until 30 June 2010 to qualify for independent status. This will be financed by delaying the introduction of an increase to the amount of money students can earn on income support to \$400 per fortnight to 1 July 2012.

This sensible change is included in this bill.

Students have welcomed the changes and Universities Australia CEO Glenn Withers said that:

... they—

the changes—

augment the Government's reforms for a new student financial support system following the Bradley Review of Higher Education. The new system is framed to better assist students most in need.

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 due to the anticipated migration of some young people from FTB to youth allowance or Abstudy.

The measures of this bill particularly benefit students who have to move away from home to study, rural and regional students and students from low-income backgrounds.

The first measure in the bill outlines the changes to the independence criteria for youth allowance.

The age at which a person is automatically independent is changing. It will be phased down from 25 now to 22 by 2012—at a rate of one year phase-down per year. This change means that more young people will be eligible for youth allowance, and many existing youth allowance recipients will receive a higher rate of payment.

The Howard government increased the age of independence from 22 years to 25 years in 1998—though at the time they put a commitment in the legislation to progressively reduce the age back down over time. After 11 years, this government is delivering where the previous government could not and did not.

As recommended by the Bradley review, our reforms will be largely funded by tightening the workforce participation criteria for independence under youth allowance and Abstudy to ensure that it is a test of whether a student is independent of their parents by having worked at least 30 hours per week for 18 months.

Working part time will not be considered sufficient to establish independence from parental support.

Under the previous system, the parental income test was so low that many students sought to gain access to student income support as independent youth allowance recipients.

Many students took a gap year to meet this criterion—and we know for a fact that around 30 per cent of students did not return to study.

Under the government's new arrangements many students who previously had to prove 'independence' will now be able to access support automatically as 'dependants' through the raised parental income test. Those who have worked full time and are independent of their parents can still access support in this way.

No person who is currently independent because of workforce participation will be affected by this change.

The second measure in the bill is changes to the income test for youth allowance and Austudy to increase the level of support for students, apprentices and young job seekers.

From 1 January 2010, the annual parental income test threshold for dependent youth allowance recipients to get the maximum rate of youth allowance will increase from \$32,800 to \$44,165. More young people will be entitled to youth allowance, and many people already receiving youth allowance will receive a higher rate of payment.

The parental income reduction for youth allowance will change from a taper rate of 25 per cent per person, to a family taper of 20 per cent. This measure reduces the effect of parental income on a youth allowance recipient, particularly where the same parental income applies to multiple kids in a family. As a result, the parental income cut-off point for a family will be substantially raised. For a family with two children living away from home, the parental income cut-off point will be raised to almost \$141,000 per year, from \$79,000 under the previous government. These changes will allow 68,000 students to become eligible for income support payments and will result in higher payments for 34,600 students.

Additionally, the personal income free area for youth allowance and Austudy students and new apprentices will rise from \$236 to \$400 per fortnight from 1 July 2012. Students and Australian apprentices will therefore be able earn up to \$400 per fortnight without having their payments reduced. The increased free area will also be indexed to the Consumer Price Index.

The third measure in the bill is the provision of new scholarships for students.

All students receiving youth allowance or Austudy while undertaking an approved higher education course will receive a student start-up scholarship. In 2010, the scholarship will be \$2,254 for the year and will be paid in two instalments. This new scholarship will benefit 146,600 students in 2010—28 times more than the number of equivalent scholarships that were provided by the previous government when the Rudd government came to power in 2007. My department estimates that, by 2012, 172,600 students will benefit from this additional

assistance, which helps students meet the cost of textbooks, specialised equipment and other lump-sum expenses in each year of their course. Under the previous system, the number of scholarships was limited. Consequently, many eligible students missed out. There was obviously unfairness. Under the new system, scholarships will be administered by Centrelink and all eligible students will be able to receive a scholarship.

In addition to the student start-up scholarship, some students receiving student income support will receive a relocation scholarship to assist with the cost of relocating for study. The scholarship will be \$1,000 per year, and \$4,000 for a student's initial relocation. My department estimates that 14,200 students will be eligible for this next year, up from 8,100 commencing students under the old system.

The value of the new scholarships will be indexed from 2011.

The government will be providing equivalent scholarships to students under the Veterans' Children Education Scheme, the Military Rehabilitation and Compensation Education and Training Scheme and the ABSTUDY Scheme.

The fourth measure in the bill is exempting merit and equity based scholarships from the income test under social security and veterans' entitlements legislation. These scholarships will be exempt to a threshold of \$6,762 per year. The threshold will be indexed. This measure will increase the entitlement to income support for students receiving scholarships and provide an incentive to individuals and organisations to fund scholarships for students.

Overall, many students will benefit from the measures in the bill. Most importantly, the funding will be directed to the students who need it the most. There is a particular focus on students who need to move to study, who will benefit from the new scholarships and higher parental income cut off points than students who stay at home.

The bill also amends the social security law and veterans' entitlements law to facilitate the measures and make amendments of a technical nature.

The government's changes to student income support will create a fairer system that will direct support to the students who need it the most.

I commend the bill to the House.

Debate (on motion by **Mr Coulton**) adjourned.