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Senate Standing Committee on Community Affairs  
PO Box 6100 Parliament House  
Canberra ACT 2600

Via email: [community.affairs.sen@aph.gov.au](mailto:community.affairs.sen@aph.gov.au)



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Dear Committee Members,

### **Addendum Submission to the Social Services Legislation Amendment (Encouraging Self-Sufficiency for Newly Arrived Migrants) Bill 2018**

Thank you for inviting the Brotherhood of St Laurence to present at the public hearing on the *Encouraging Self-Sufficiency for Newly Arrived Migrants* Bill in Melbourne on Tuesday 17<sup>th</sup> April. This addendum submission responds to questions on notice and other points raised during our presentation.

#### **Outcomes of the Australian Migration Program**

We would like to reiterate the significant contribution of migrants to the Australian economy. The timely release of the *Shaping a Nation: Population Growth and Immigration over Time* briefing paper released jointly by the Departments of Treasury and Home Affairs includes the following findings<sup>1</sup>:

- Migrants have increased workforce participation rates and offset fiscal impacts of an ageing population, i.e., in the absence of migration, participation rates “instead of increasing 1.4 percentage points over the period to 2016, would have fallen 2.1 percentage points relative to 2000.”<sup>2</sup>
- Due to current policy settings that favour skilled migrants of working age, “Migrants deliver an economic dividend for Australia ... (t)his, in turn, increases Australia’s GDP and GDP per person, with positive flow-on effects for living standards.”<sup>3</sup>
- Migration improves Australia’s fiscal position, since migrants are likely to contribute more to tax revenue than they claim in social services or other government support.<sup>4</sup>
- Migration contributes to both the demand side of the economy (consumption, in tax revenue, and increased capital flows) and the supply side of the economy (population, labour force participation, and increased human capital productivity).

#### **Impact of the Newly Arrived Resident's Waiting Period (NARWP) on the Migration Program**

Migrants come to Australia with high aspiration, strong work ethic and sufficient savings to support themselves for the current NARWP of two years. These savings are essential due to the time it takes to navigate to a new country and labour market. Many migrants currently find it difficult to accumulate sufficient savings due to the relative cost of living in Australia. Most migrants move to Melbourne or Sydney which are ranked 64 and 32 respectively out of 336 cities on the Cost of Living Index<sup>5</sup>. The six highest countries of migration for the 2016-17 period were mostly low income countries: India, China, UK, Philippines, Pakistan and Vietnam.<sup>6</sup> Salaries reflect cost of living, whilst the average net monthly salary in Australia is \$4110, it is only \$693 in India, \$387 in the Philippines, \$1263 in China and \$519 in

<sup>1</sup> The Treasury and Department of Home Affairs *Shaping a Nation: population growth and immigration over time*, <http://research.treasury.gov.au/external-paper/shaping-a-nation/> April 2018.

<sup>2</sup> *Ibid*, 30.

<sup>3</sup> *Ibid*, 1.

<sup>4</sup> *Ibid*.

<sup>5</sup> Numbeo “Cost of living index 2018” [https://www.numbeo.com/cost-of-living/country\\_price\\_rankings?itemId=105](https://www.numbeo.com/cost-of-living/country_price_rankings?itemId=105)

<sup>6</sup> Department of Home Affairs, *2016-2017 Migration Program Report*, <https://www.homeaffairs.gov.au/ReportsandPublications/Documents/statistics/report-on-migration-program-2016-17.pdf>

Vietnam<sup>7</sup>. Increasing the NARWP period to a third year will be beyond the saving capacity of migrants from lower income countries either prohibiting their migration, increasing financial hardship upon arrival and/or increasing dependence on family sponsors and community supports. Furthermore, the cost of living in Australia is rising higher than other countries<sup>8</sup>, resulting in savings falling short of actual living costs post arrival. This not only widens an inequity of opportunity of migration based on the wealth of their country of origin, but also weakens Australia's competitiveness in the global skilled migration market to attract the best talent.

Australia currently remains low as a preferred destination of skilled migrants, only 18% of prospective migrants with university education nominate Australia as their most preferred destination<sup>9</sup>. Increasing the NARWP reduces Australia's desirability as a migrant destination, particularly for people from lower income countries, resulting in missed fiscal returns from valuable human capital. Rather than reducing social security we believe greater coherence with the migration program would involve investing in programs that provide greater assistance for economic participation and support business development.

### **Waiting Period**

During the Public Hearing, we were asked about what we consider to be a reasonable waiting period. Our response was that any waiting period and related policies should provide enabling conditions to optimise the goals of the migration program – that is, to increase the economic and social benefits to Australia through labour force participation. The success of the migration program is evident in the entrepreneurial outcomes of migrants. A recent CGU Migrant Small business report<sup>10</sup> provides the following evidence:

- One third, or 620 000, small businesses in Australia are migrant owned, despite 83% of migrant business owners *not* owning a business before arriving in Australia;
- 47% of migrant owned businesses, compared to 38% of non-migrant owned businesses, are focussed on generating a higher income in the next 5 – 10 years;
- 1.41 million people are employed by a migrant owned business.

The decision to embark and establish a small business requires a level of social and financial security. For **skilled migrants**, we believe extending the waiting period, beyond the current two years, would be detrimental to fostering the entrepreneurial spirit, as the financial insecurity may be a disincentive or delay decisions to start a small business.

For all **other visa categories**, involving partners and family relatives including orphans, we believe that the current or proposed waiting periods is unnecessary. Income support should be accessible as soon as permanent residency is granted. The existing system up to four years places undue financial pressure on family sponsors, as it draws down on their bond and then leads to debt accrual for both visa recipients and sponsors. Many of these visa recipients have had humanitarian experiences and have arrived under different visa categories to accelerate their arrival to Australia.

### **The inadequacy of Special Benefit Exemptions**

The Committee expressed interest in seeking feedback on Special Benefit exemptions. Special Benefit is designed as a payment of last resort. It is based on the Newstart allowance of \$273 per week, however unlike Newstart it is a dollar for dollar reduction when people are employed, limiting overall income for

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<sup>7</sup> Numbeo Rankings by Country of Average Monthly Net Salary (After Tax) (Salaries And Financing)  
[https://www.numbeo.com/cost-of-living/country\\_price\\_rankings?itemId=105](https://www.numbeo.com/cost-of-living/country_price_rankings?itemId=105)

<sup>8</sup> ABC 'Living costs in many Australian cities rising faster than rest of world' <http://www.abc.net.au/news/2018-01-18/living-costs-in-australian-cities-rise-faster-than-rest-of-world/9339040>, January 2018.

<sup>9</sup> *Shaping a Nation*, 22.

<sup>10</sup> CGU, *Migrant Small Business Report*,  
[https://www.cgu.com.au/migrantsmallbusiness/assets/CGU\\_Migrant\\_Small\\_Business\\_Report.pdf](https://www.cgu.com.au/migrantsmallbusiness/assets/CGU_Migrant_Small_Business_Report.pdf)

casual and underemployed individuals. Importantly, in about 80% of cases Special Benefit is provided as a part payment, meaning people receive less than \$273.<sup>11</sup> This is “due to the strict Special Benefit income test whereby all income and the value of in-kind support, such as free board and lodgings, reduces the Special Benefit rate by that amount.”<sup>12</sup> The amount of Special Benefit is significantly below the poverty line, which in 2014 was \$426 per week<sup>13</sup>. Therefore Special Benefit is grossly inadequate as a means of income support for people in financial hardship and will consign migrants to poverty.

Migrants also face systemic barriers to access Special Benefit. At the public hearing, the Committee heard from Shane Bennett, Group Manager Payments Policy DSS, who explained the lack of a guaranteed entitlement due to the “discretionary decision-making process with guidance from the *Guide to social security law*.”<sup>14</sup> To access Special Benefit, migrants need to: know of its existence, be able to navigate Centrelink, possess self-advocacy skills, and be able to demonstrate a substantial “change of circumstance”. Special Benefit as the only form of assistance will result in people falling through the cracks and experiencing destitution.

### **Proposed savings are based on a false economy**

The \$1.3 billion forecast in savings are based on a false economy. The proposed NARWP will incur costs and inefficiency in expenditure in the following ways.

- The need for emergency relief will increase and costs will further shift to the not-for profit sector. Providers of emergency relief such as food relief, financial assistance and housing, are already under strain from growing demand.<sup>15</sup> These services can alleviate crises situations but cannot fulfill the role of the state in providing economic security to increase workforce participation;
- Given poverty is a key determinant in health, greater demand on the health care system can be expected;
- Projected family assistance savings (\$898.4 billion) in the form of removing family tax benefit and therefore reducing enrolment of children in pre-school, fails to consider the established causal relationships between access to pre-school, engagement in school achievement and subsequent economic participation;<sup>16</sup>
- The proposed new removal of benefits such as Paid Parental Leave, Family Tax Benefit, and Dad and Partner pay will be a disincentive for mothers to maintain engagement in the workforce and widen not only the gender pay gap but also the accumulation of super for women, increasing their reliance on pensions later in life.

Lastly, during the 2016-17 period, 915 people had an exemption from NARWP and accessed Special Benefit.<sup>17</sup> This is not a huge number, reflective of both the high aspiration to obtain work balanced with the need to ensure a safety net when necessary. Hence it does not represent large savings to the Government. Given the increased financial hardship this Bill will cause from reducing a range of benefits, demand on Special Benefit is likely to increase, however these projections have not been considered. There has been no cost benefit analysis of both longer term opportunity and real costs, and immediate budget savings.

### **Impact on Sponsors**

<sup>11</sup> DSS Annual Report 2016-2017 <https://www.dss.gov.au/publications-articles/corporate-publications/annual-reports/dss-annual-report-2016-17>

<sup>12</sup> *Ibid*

<sup>13</sup> ACOS, “Poverty in Australia 2016”, <https://www.acoss.org.au/wp-content/uploads/2016/10/Poverty-in-Australia-2016.pdf>

<sup>14</sup> Community Affairs Legislation Committee, *Proof Committee Hansard*, 17 April 2018, 47.

<sup>15</sup> Michael, Luke “Growing Demand For Food Services From Those Experiencing Homelessness”

<https://probonoaustralia.com.au/news/2018/03/growing-demand-food-services-experiencing-homelessness/>

<sup>16</sup> Schweinhard, LJ, 2003, High/Scope Educational Research Foundation, *Benefits, costs and the explanation of the high / scope Perry preschool program*. 2003

<sup>17</sup> Hansard transcript, 46.

At the public hearing, we talked about the financial implications of relationship separations for people on permanent visas sponsoring a partner on a temporary visa. In such cases if the partner subsequently receives social security benefits, the cost of such payments is drawn down from the sponsors bond of assurance, and once this is depleted, the sponsor incurs a debt for the period of assurance. The extended NARWP prolongs the likelihood of relationship break-ups and the severity of financial hardship for the sponsor. We encourage the Committee to seek data from Centrelink about the prevalence with which bonds are being drawn upon to more deeply understand what savings would eventuate.

In summary, migrants have contributed overwhelmingly to the Australian economy and our national interest. There is no evidence to suggest that removing income support leads to greater self-sufficiency. Rather, the Bill risks inhibiting the optimal productivity and participation of migrants and undermining a continuation of the social and economic benefits of the migration program.

Yours sincerely,

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