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Social Services Legislation Amendment (Budget Repair) Bill 2015

The Federation of Ethnic Communities' Councils of Australia (FECCA) is the national peak body representing Australia's culturally and linguistically diverse (CALD) communities and their organisations. FECCA provides advocacy, develops policy and promotes issues on behalf of its constituency to Government, and the broader community. FECCA supports multiculturalism, community harmony, social justice and the rejection of all forms of discrimination and racism so as to build a productive and culturally rich Australian society. FECCA's policies are developed around the concepts of empowerment and inclusion and are formulated with the common good of all Australians in mind.

FECCA opposes the proposed changes to the portability of benefits in relation to the Age Pension and a small number of other payments in the *Social Services Legislation Amendment (Budget Repair) Bill 2015*. If this legislation is passed, pension recipients will have their benefits reduced if they travel overseas for more than 6 weeks in a year according to the length of their Australian Working Life Residence. Those pension recipients who were born in Australia or have lived and worked in Australia for over 35 years ago will not.

Nearly 40 per cent of those receiving the Age Pension were not born in Australia.¹ It is concerning to see tightening of portability provisions, as they will disadvantage a significant section of the Australian population who were born overseas and maintain important ties with their places of birth. We note that the Government has acknowledged that Australia is a migrant country, with approximately one in four Australians being born overseas.²

The Australian Government already imposes waiting periods of ten years for people born overseas before they can access Age Pensions. Further disadvantaging measures, with a

¹ Department of Social Services, 'Statistical Paper No. 12: Income support customers: a statistical overview 2013'

² Department of Social Services, 'Portfolio Budget Statements 2015-2016, Budget Related Paper No. 1.15A, Social Services Portfolio', 40

large group of people having a significantly lower level of rights than another part of the population, are inequitable and do not contribute to social cohesion within Australian society.

The explanatory memorandum to this Bill states that individuals who have spent part of their working life in another country should be able to receive a pension for their years of contributions or residence in that country. FECCA notes that States will not necessarily provide pensions to an individual who takes up permanent residence or citizenship elsewhere.

The 2015 Global AgeWatch Index ranks Australia lowest in its region in the income security domain (62) due to high old age poverty rate (33.4%) and a pension income coverage (83%) below the regional average.³ A recent OECD report found that more than one-third of Australian pensioners are living below the poverty line, ranking second lowest on income poverty rates by age in the OECD.⁴ The proposed changes to the portability of benefits would further weaken Australia's poor performance in this area.

As an example, a recipient with a yearly income and asset tested rate of \$3,500 and 18 years working life in Australia would get an overseas rate of \$1,808.30 a year $[(3,500 \times 217) \div 420]$.⁵ The person in this example ordinarily gets \$134.60 per fortnight. Under the new measure, they would the \$1808 annual rate (roughly \$69.55 per fortnight) would apply after 6 weeks rather than the current 26 weeks. This is a significant difference in income, which would be more pronounced for individuals on a full pension with no assets.

The Bill's explanatory memorandum explains that the portability measure is intended to reinforce and strengthen the residence-based nature of Australia's social security system. FECCA believes that there is a substantial equity issue with a measure that treats migrants differently to those born in Australia. All migrants contribute not only to Australia's economy and rich cultural diversity. There is no rationale for this action to treat some citizens differently from others. FECCA strongly opposes these discriminatory measures.

Recommendation: FECCA recommends that Schedule 1 of the *Social Services Legislation Amendment (Budget Repair) Bill 2015* not be passed.

³ Global AgeWatch Index 2015, *AgeWatch Report Card: Australia*, <http://www.helppage.org/global-agewatch/population-ageing-data/country-ageing-data/?country=Australia> (accessed 13 January 2016).

⁴ OECD, *Pensions at a Glance 2015*, 171.

⁵ Australian Government, *Guide to Social Security Law*, '7.2.2.10 Calculating Proportional Portability for Non-Agreement Pensions' (Version 1.218 – Released 4 January 2016), <http://guides.dss.gov.au/guide-social-security-law/7/2/2/10>.