



## Submission No 15

### **Inquiry into Australia's Relations with the Republic of Korea; and Developments on the Korean Peninsula**

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(FaCS)

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**Joint Standing Committee on Foreign Affairs, Defence and Trade**

**Foreign Affairs Sub Committee**

**Inquiry into Australia's relationship with Korea**

**A Submission by the Department of Family and Community Services (FaCS)**

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**Introduction**

The Department of Family and Community Services (FaCS) provides policies, income support and assistance for families and their children, senior citizens, people with disabilities, carers and community groups. The Department is also responsible for the payment of benefits to Australians temporarily or permanently residing overseas and develops and maintains bilateral international social security agreements with other countries.

The Department has five policy outcomes that guide outputs and activities:

*Outcome 1: An integrated social support system:* Services and assistance that promote a forward-looking social support system based on sound policy, effective social coalitions and partnerships; and help to build the capacity and well-being of individuals, families and communities.

*Outcome 2: Greater self-reliance and engagement for those in need through shared responsibility, practical support and help with housing:* Services and assistance that support Indigenous families and communities and help homeless people and low-income households to gain affordable and appropriate housing.

*Outcome 3: Seniors, people with disabilities, carers, youth and women are supported, recognised and encouraged to participate in the community:* Services and assistance that help people to participate actively in community and economic life; access a responsive and sustainable safety net; and develop their capabilities.

*Outcome 4: Families and children have choices and opportunities:* Services and assistance that help children have the best possible start to life; promote healthy family relationships; help families adapt to changing economic and social circumstances and take an active part in the community.

*Outcome 5: Strong and resilient communities:* Services and assistance that promote community partnerships and encourage participation in the local community by individuals, families, business and government.

The Department welcomes the opportunity to provide input to the Joint Standing Committee's inquiry into Australia's relationship with the Republic of Korea. The Department values its relationships with other countries in the Asia-Pacific Region. FaCS has actively participated in various regional meetings also attended by both the

Democratic Peoples' Republic of Korea and the Republic of Korea. The following submission is a brief outline of the Departments negotiations for a proposed international social security agreement between Australia and Korea.

## **Negotiations for a Proposed Social Security Agreement between Australia and the Republic of Korea**

### *Social Security Agreements – General*

Social security agreements play a role in strengthening the overall bilateral relationship between Australia and other countries. From a FaCS' perspective the aim is to improve social security coverage for people who move between countries by:

- Helping people maximise their income, by overcoming barriers to the receipt of Australian and foreign pensions;
- Providing people with greater choice in terms of where they want to live, by overcoming limitations on the portability or transfer of payments between countries; and
- Providing administrative cooperation between the social security organisations of the agreement countries.

Agreements have traditionally been about coordinating our social security system with those of Australia's migrant source countries. However, in today's global economy, they are also relevant to the increasing number of Australian-born people who live and work overseas at some point in their lives, and therefore to those countries where Australians are working. These people have often paid compulsory contributions into foreign social security systems which they cannot redeem in the absence of an agreement. Agreements help to unlock these contributions, usually in the form of a part foreign pension entitlement.

Since the introduction of the Superannuation Guarantee (SG) scheme in 1992, FaCS has also sought to include in its agreements, provisions to avoid double coverage for seconded or detached workers. Double coverage can arise where an employee is sent from one country to work temporarily in the other country, and as a result the employee and/or their employer are required to pay compulsory contributions in both countries in respect of that work. That is, contributions in Australia under the SG law and social security contributions in the other country. Provisions affecting the SG scheme are the responsibility of the Department of Treasury, and administered by the Australian Taxation Office, but the Government has decided that exemptions from the SG can only be negotiated as part of bilateral international social security agreements.

Hence, from a whole of government perspective, social security agreements also reinforce Australia's political, business and strategic interests by facilitating business as well as people-to-people contact and exchanges.

At present Australia has social security agreements with sixteen countries: Austria, Canada, Chile, Croatia, Cyprus, Denmark, Germany, Italy, Ireland, Malta, the Netherlands, New Zealand, Portugal, Spain, Slovenia and the United States. A new agreement with Belgium is expected to start on 1 July 2005.

### *Negotiations with Korea*

FaCS has been interested in negotiating an agreement with the Republic of Korea since 1998.

Pressure for an agreement with Korea has been coming from both seconded workers (business) and independent English language teachers, forced to make pension contributions in Korea – without the prospect of future refunds/pensions. There are approximately 38,900 Korean-born people living in Australia (2001 Census count).

In June 2004 Ministers Patterson, Downer and Vaile wrote to their Korean counterparts, suggesting the negotiation of such an agreement. A positive response from Korea led to a Korean delegation visiting Australia for negotiations.

FaCS hosted this delegation for the first formal round of negotiations for a social security agreement, from 17-20 May 2005. Other Australian Government agencies involved include the Department of Treasury, Centrelink, and the Department of Foreign Affairs and Trade. Good progress was made towards an agreement and both sides agreed to meet for further discussions at a mutually convenient time.

From Australia's perspective a social security agreement with Korea would ideally cover Age Pension and provisions to avoid double coverage. FaCS is hopeful that an agreement with Korea can be concluded before the end of 2006.