Date introduced: 20 August 1986
House: House of Representatives
Presented by: Hon. Brian Howe, M.P. Minister for Social Security

DIGEST OF BILL

Purpose

To give effect to a reciprocal social security agreement entered into with Italy on 23 April 1986.

Background

Presently, when a pensioner leaves Australia to live overseas the pension is, generally, fully portable (i.e. Australia continues to pay the pension to the person in another country). On 8 May 1985 the Minister presented a statement to the House of Representatives on reciprocal social security arrangements. In the statement it was announced that the Government had decided to sign an agreement with Italy and to commence negotiations with other countries. Under the agreement each country is to pay a proportion of the pension based on the length of time spent in Australia and the period of time over which contributions have been made in Italy. In his statement, the Minister noted the problems raised in negotiations by the different basis of the social security system in the two countries. The Australian pension is fully paid by the Government while that in Italy, and many other countries, is contribution based.

Following the statement, discussions were held with members of Australia's ethnic community. As a result, a number of modifications were made to the position announced in May. For example, the period of residence in Australia before a person qualifies for the full Australian pension to be paid overseas was reduced from 35 years of the working
life (i.e. between 16 and 60 for women and between 16 and 65 for men) to 25 years.

On 26 April 1986 the agreement between Australia and Italy providing for reciprocity in matters relating to social security was signed by both parties and the agreement appears in the Schedule to this Bill. Prior to the signing of this agreement two reciprocal social security agreements were in force. An agreement was signed with New Zealand in 1943 while that with the United Kingdom was signed in 1954.

Main Provisions

The Social Security (Proportional Portability of Pensions) Amendment Act 1986 amended the Social Security Act 1947 (the Principal Act) by substituting a new section 83AA. The section deals with the 'period of residence' in Australia and sub-section 83AA(2) provides that where people receive an age or invalid pension and their spouses also receive an age or invalid pension, the period of residence will be taken to be either the period of residence of that person or that of the spouse, whichever is the longer. Clause 5 will amend sub-section 83AA(2) so as to extend the provision to those people who would have been disadvantaged by reason of ceasing to be married due to death, divorce or permanent separation. This amendment will be deemed to have been effective from 1 July 1986, the date when the 'proportional portability' provisions came into operation (clause 2(2)).

A definition of 'reciprocal agreements' will be inserted by clause 7, which will insert a new section 83AG into the Principal Act, which also provides that such agreements will override the provisions of the Principal Act.

Clause 8 will add a Schedule to the Principal Act containing the Agreement between Australia and Italy.

The main features of the Agreement are:

- people who have lived in Australia or made contributions in Italy and have moved between Italy and Australia will be covered by the Agreement (article 3);
- people covered by the Agreement will be treated equally (article 4);
to be eligible for a benefit a person must meet the minimum requirement of either a period of contribution in Italy or period of residence in Australia (article 7);

article 8 contains the formula for calculating benefits payable in Australia and article 9 sets out how to calculate benefits payable in Italy;

a person receiving a benefit as a result of the Agreement will also receive any supplement or additional payments which would normally be paid to the receivers of benefits (article 10);

periods of employment in Australia can be combined with periods of contribution in Italy for the purpose of obtaining an Italian unemployment benefit (article 11);

supplements paid by Italy to a person receiving an Australian benefit will not be taken into account for the purposes of the Australian income test (article 17);

information which is necessary for the effective operation of each country's social security system will be able to be passed between the two countries (article 20);

article 21 ensures a person has an avenue of appeal in the country against which the claim is being made;

the Agreement will come into force on the first day of the month following ratification (clause 23);

either country can give 12 months notice of its intention to bring the Agreement to an end (clause 24).

For further information, if required, contact the Education and Welfare Group.