

THE PUBLIC COSTS OF PROVIDING FOR RECENTLY ARRIVED AGED DEPENDENT RELATIVES

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The problem of how we as a community manage welfare payments to recently arrived migrants has emerged as a significant public issue. So far the focus has been on unemployment benefits. Around a third of all settlers who arrived in Australia since 1989/90 with the intention of entering the work force are currently receiving unemployment benefits. The full year cost of these benefits for migrants arriving between 1989/90 and 1991/92 is now over \$500 million.¹ Another migrant welfare problem, which so far has received little attention, concerns social security benefits provided to migrants entering via the family reunion or humanitarian programs as parents.

Migrants only become eligible for the aged pension after ten years legal residence in Australia. The idea is that the pension represents a reward for the retiree's contribution to the community over his or her working life. If there were no residency limit, Australia would undoubtedly attract many elderly relatives from Third World societies where there is no age pension. Similarly, if there were no restrictions (explained below) on parents below pensionable age receiving unemployment benefits immediately on arrival here, this would also make Australia an attractive location.

Despite these residency requirements and restrictions, some 10,000 to 12,000 parents settled here annually over the period 1986 to 1991. The

majority came from Third World countries.² With the partial exception of those from Hong Kong, most of these parents have no independent source of finance, bring no pension entitlement with them, and are therefore dependent on their sponsoring families once in Australia. Most live with these families. What happens if their families are unable or unwilling to provide for them? In the case of working-age parents (who made up around half the intake of parents in the late 1980s) they can apply for unemployment benefits. For those of pensionable age the Commonwealth Government provides a Special Benefit equivalent to the old age pension until the applicant fulfils the ten year residency requirement.

Since the 1960s the government has sought to limit access to these benefits by requiring people sponsoring parents to provide an assurance of support (AOS) which guarantees repayment of the costs in benefits incurred by the assured migrant. For those arriving between 1985 and 1989 the assurance applied to the first ten years of residence here, or until the sponsored person became a citizen. In practice, this usually meant a two year liability prior to the receipt of citizenship. As of April 1989 the assurance period was set at five years, regardless of whether the assured person had become a citizen or not. The AOS document in use since April 1989 required the assurer to assent to the following statement:

I understand that where Special Benefits or Unemployment

Benefits are paid to a person covered by this Assurance ...during the period for which the Assurance of Support is given, I will repay the Commonwealth the funds so paid.

The rules were further modified from 20 December 1991 when the period of residence for which the assurer was held responsible was reduced to two years. This new ruling was applied retrospectively, thus significantly reducing the liability of those who provided five year AOSs prior to December 1991. But in other respects the rules were tightened. Those wishing to sponsor parents after 20 December 1991 must now pre-pay a \$3,500 bond for the principal applicant and \$1,500 if there are accompanying adult dependents. Any public expenditures which are incurred on behalf of the migrants assured are to be deducted from the bond and the residue returned to the assurer after two years. If the public expenditures exceed the bond, as would occur after a few months dependence on unemployment or Special Benefits, then the assurer would be required to repay the extra amount to the government. In addition, since August 1991, sponsors must pay a non-refundable fee of \$822 for each parent as a contribution to health care costs. Since the beginning

of 1993 working age parents are no longer eligible for unemployment benefits in the first six months of their residence, though Special Benefits are available for those facing hardship.

These measures have deterred migrant parents from utilising public welfare services during the assurance period. But, beyond this period, the utilisation rate is high and increasing. As indicated in Table 1, the number of recipients of Special Benefits in lieu of the old age pension, who had resided in Australia for less than ten years, has increased rapidly since the late 1980s to reach 12,000 by January 1993. Since about 40 per cent of these recipients had a dependent spouse the total number of elderly migrants covered was about 16,800. If the numbers remain at this level during 1993, the full year cost of providing this assistance will be around \$120 million. In addition, just on half those on Special Benefits also receive rent supplements. They are also eligible for pensioner health benefits, including associated fringe benefits, after receiving the Special Benefit for a year.

As to the numbers of parents receiving unemployment benefits, the numbers are also high, though, as shown in Table 2, the incidence increases after two years' residence here. As of May 1992 there was a total of 7,950 recipients whose date of

Table 1: Cases (individuals and couples) receiving Special Benefits in lieu of the old age pension by whether an Assurance of Support is held by DSS or not

	Feb 1988	Nov 1990	May 1991	May 1992	Jan 1993
Category 15 (no AOS)	4806	8442	8911	10420	11248
Category 18 (AOS held)	1302	739	822	779	775
Total	6108	9181	9733	11199	12023

Source: Department of Social Security

permanent legal residence in Australia was after July 1986 and who were aged between 50 and 60 in the case of women, or 55 and 65 in the case of men. Most of these people must have been sponsored as parents since it is very difficult to enter in any other category if in these age groups. Since the numbers for each year of arrival are similar to those on Special Benefits (see Table 3), the total annual cost for those who arrived in the past ten years would also be similar, that is, more than \$100 million. The annual costs for all parents who arrived over the past decade is now far more than \$200 million, without counting rent supplements or health benefits.

WHO PAYS?

A FECCA spokesperson on these issues quotes a media release from the government which asserts that 'the vast majority of people honour their Assurance of Support obligations'.³ This is an overstatement. Table 2 shows that the numbers on unemployment benefits during the two year AOS liability period were more than 2,000 as of May 1992. Very few of the assurers have repaid the resultant debt. It was only during 1992 that the Department of Social Security (DSS) first made a serious effort to recover past assurers' debts. And in doing so DSS did not pursue hospital or medical

debts. Little money was recouped and no assurer has been prosecuted for not honouring the assurance. Part of the problem is that DSS officers found it difficult to match assurers' names with actual people in the field. The recording of AOSs has also been deficient. This can be illustrated with Special Benefit recipients. As indicated in Table 1 there were only 775 cases recorded in January 1993 where the DSS holds an AOS for a person receiving Special Benefits in lieu of the old age pension. These cases are labelled as category eighteen. Since most parents receiving the Special Benefit (with the exception of those arriving through the humanitarian programs) would have been covered by an AOS, the government should hold many more. The other 11,248 cases (designated Special Benefit category number fifteen) are now in effect free of any liability through their assurer, regardless of whether they incurred a debt over the period of their assurance, because the government does not hold an AOS in any of these cases. Another problem is that DSS officers do not pursue any debts until the assurance period has elapsed. By this time most assurers claim that they cannot afford the debt in question. Since the reason for providing the benefit in the first place is usually that the family cannot afford to provide for

Table 2: Unemployment Benefit recipients by date of legal residence for males (55-65 yrs) and females (50-60 yrs) as of May 1992

Recipients	Date of legal residence						Total
	Jul 86 - Jun 87	Jul 87 - Jun 88	Jun 88 - Jul 89	Jun 89 - Jul 90	Jun 90 - Jul 91	Jul 91 onwards	
Males	609	872	1066	1243	1259	777	5826
Females	215	283	403	445	475	303	2124
Total	824	1155	1469	1688	1734	1080	7950

Source: Centre for Population and Urban Research

Table 3: Special Benefits category fifteen: cases by major country of birth, by time of legal permanent residence in Australia, May 1992

Country of birth	Date of legal permanent residence							Total
	Pre-July 86	86/87	87/88	88/89	89/90	90/91	91/92	
Vietnam	246	70	72	158	285	174	88	1093
Philippines	208	111	201	214	162	105	79	1080
China	225	87	107	145	119	100	37	820
Lebanon	161	106	126	88	64	44	33	622
Sri Lanka	106	62	72	61	72	32	23	428
India	112	45	53	61	57	38	24	390
Others	2154	624	887	894	745	392	291	5987
Total	3212	1105	1518	1621	1504	885	575	10420

Source: Centre for Population and Urban Research

their parents, this response is probably true. It is DSS policy not to pursue the debt in these circumstances.

THE OUTLOOK

For the time being the basic source of the problem, the high intake of dependent parents, has abated. This is a consequence of the 'Balance of Family' (BOF) ruling introduced in December 1988, which prevents a son or daughter from sponsoring a parent unless half or more of the siblings (other than those legally residing in third countries) are resident in Australia. By 1991/92 this had led to a sharp reduction in the number of visas being issued for parents from Third World countries, since most potential sponsors do not meet the BOF requirement. When the backlog of Vietnamese cases (initiated before the BOF ruling and thus not subject to it) is cleared, the annual intake of parents should fall to around half the 10,000 to 12,000 levels of the late 1980s.

The new bond system appears to have inhibited claims for Special Benefits on the part of recently arrived parents. As of March 1993, DSS held 1,685 bonded assurances (mostly for

parents) but in only 37 of these cases had the assured person received Special Benefits greater than the bond.

Nevertheless, over the next few years the total number of claimants for Special Benefits will probably increase. In part this is because some of those arriving in the working ages will become of pensionable-age and thus no longer eligible for unemployment benefits. But the main reason is that most pensionable age parents from Third World countries have no alternative sources of income. We should not be surprised at the findings in Table 3 that the major recipient groups are from Vietnam, the Philippines, China and other Third World societies. Once the two year period of legal accountability has passed, parents and their families have a powerful financial inducement to claim Special Benefits. In addition, the annulment of the five-year assurance covering parents sponsored between April 1989 and December 1991, increases the backlog of potential cases in this situation.

The data on recipients' date of legal residence is consistent with this argument. Table 3 indicates that the numbers receiving Special Benefits in

lieu of the pension tend to increase after two years residence here, then stay at around the 1,500 to 1,600 level. This is the case for parents arriving in 1989/90, 1988/89 and 1987/88. When dependent spouses are added, this means that around 2,000 persons are receiving category fifteen Special Benefits for each of these years. There is a similar number receiving unemployment benefits (when dependents are included). This means that between 30 and 40 per cent of recently arrived parents are receiving public welfare assistance after two years residence here. Once receiving the Special Benefit, parents tend to stay on it for long periods. As of May 1992, 64 per cent of category fifteen recipients had been beneficiaries for more than a year.

Claimants do not automatically receive the Special Benefit. An aged migrant person must establish to DSS's satisfaction that their situation has changed since the original lodgement of the AOS. According to DSS case officers, the most common causes of such change is financial hardship on the part of the assurer (as with loss of job), or family disharmony leading to the parents being obliged to leave the family home.

If recently arrived parents are genuinely in need they should be given public assistance. But the scale of the problem is far higher than previously realised, and should be taken into account when the costs and benefits of immigration are assessed. The public has been repeatedly told that family reunion migrants are not a welfare burden. In the past this was largely true. But the recent recession and the Third World origin of most of the migrant intake has changed the situation. Recent government measures,

aimed at deterring parents from migrating and from claiming welfare benefits during the AOS period if they do, appear to be achieving the intended result. But it is likely that welfare claims will increase sharply after the two year AOS period expires.

The situation calls into question some of the benefits that ethnic community leaders have claimed for family reunion. Assertions that it helps the settlement process of their sponsors and is not a burden on the wider community because of ethnic community support networks clearly do not hold in many cases. A recent BIR report on these issues acknowledges that critics who challenge the ethnic position have a case, but goes on to assert that they have not been able to substantiate their concerns.⁴ The data reported above indicate that in a large number of cases neither the families who sponsored aged relatives nor their 'ethnic networks' are able to provide for them. Also, the apparent high incidence of family break-up leading to Special Benefits' claims suggests that the family-reunion process does not necessarily contribute to resolving settlement problems.

References

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