

Sydney, January 31st, 2012

Dear Treasury,

I am writing you because I have serious concerns regarding the proposed changes in the LAFHA and its adverse consequences for me and my family. I believe that my case does not stand alone but is **exemplary for the large majority of current LAFHA holders**.

I am a Postdoctoral Researcher at the University of New South Wales (UNSW) and have relocated from the Netherlands to start a two-year appointment on the 1st of October 2011. This was **before there was any talk of LAFHA changes**. The decision to take this position was based on a complete evaluation of the finances, including LAFHA. Terminating the existing LAFHA would affect me and my partner severely, put me at a **disadvantage** compared to my Australian peers, and is frankly a breach of trust.

The facts

I signed up for my appointment at the UNSW knowing that I would receive LAFHA. Had I known that my LAFHA could be terminated in the midst of my temporary 2-year contract, it is very likely that I would not have signed my contract. It is safe to conclude that it is wrong to terminate existing LAFHAs because this is not what people (like me) signed up for. **I was deprived of the ability to make an informed and balanced choice** whether or not to move across the world to work in Australia. Changing the terms for people already relying on the LAFHA scheme shows a lack of respect from the Australian Government towards temporary workers from overseas. Further, it makes Australia a very **unreliable international partner**.

In contrast to what is stated in Consultation paper, **terminating my LAFHA would greatly disadvantage me compared to my Australian peers**. I have made an overview of my estimated direct personal costs for working in Australia for 2 years: **\$52,325**. Note that these are my personal costs which are not covered by LAFHA or by my employer. The LAFHA benefits in my specific case are approximately \$24,000 (24 months of \$1,000/month). So, compared to a local Australian peer **I am disadvantaged by \$28,325 even when receiving LAFHA**. Let me emphasize that these are my direct costs only. I have not included indirect costs of, for example, loss of our second income because my partner had to give up his work duties when moving to Australia, the increase in living costs relative to income (averaged **400% increase in costs versus 160% increase in net income with LAFHA**), the costs of visiting family back home, etcetera.

The majority of current LAFHA recipients are not even aware of the proposed changes. **The LAFHA proposal has not been clearly communicated to current LAFHA holders** and it was by accident that I found out. If the government receives radio silence from our group than it is because of a lack of communication.

Moral objections:

By terminating the LAFHA for 457 visa holders from overseas, we are put at a disadvantage compared to our Australian peers. As a 457 visa holder, I have **no access to the same benefits** as the Australians do, such as Medicare, social security, influencing the use of tax money by voting, and tuition fee waivers for us with kids. In addition, by leaving my home country for more than a year, I miss out on the social security services in the Netherlands (such as retirement and unemployment assistance) for the time that I am here. This means **that I have to put aside a considerable amount of my net income to account for these**

disadvantages. LAFHA helps me do this. But with the proposed LAFHA changes, I will pay the same amount of taxes, while at the same time being unable to access the benefits that are provided with these taxes resulting in additional monthly costs to cover these risks privately. In the Consultation Paper it is stated that overseas workers now have advantages over Australian peers, but these issues are not mentioned anywhere. Without LAFHA the overseas workers are disadvantaged compared to Australian peers. This is not equal nor is it fair. In fact, this would be **a breach of my 457 visa conditions.**

By terminating not only new but also existing LAFHAs many people will be severely affected very abruptly. Given that the proposed changes would be effective on July 1st, whereas the final decision will only be clear in February or March, this **gives people very little time to prepare and reorganize their lives.** This does not seem to fit with a developed and civilized country with a reasonable concern for social issues and international partners.

The argument that many people take on a 457 visa instead of applying for permanent residency may be valid but only in some cases. In many cases, such as mine, this does not hold. I have a temporary position at the UNSW for the duration of two years (fixed contract). Even if I wanted to stay longer I am **not eligible for permanent residency** as my contract period is too short.

Personal objections:

My partner and I rely solely on my income, as he had to give up his job to move with me to Australia. We would be severely affected because our net income will be cut by 17%. This means that we can **no longer afford our rent.** This is highly stressful for the both of us, as we finally moved in to a more permanent place after having moved from across the world to a temporary accommodation, and then to our current place. Now, we are faced with the choice whether to move back home again. In addition to the stress, moving is also very costly and time-consuming so we are losing money and time for work yet again. As if we just landed on our feet and our legs are being knocked from under us again.

My partner and I made sacrifices in order to come to Australia and work here. We had to spend all our savings, but knew that over time, with the help of the LAFHA, we would be able to approach our previous standard of living and save a little for unexpected events and the future. But if the proposed LAFHA changes will go through for existing LAFHA, **we will have lost all our savings without the prospect of earning them back** again because our net income minus our bills will be \$0 or even in the red. Practically, **the Australian Government will then have deprived us of our financial security.**

My suggestions:

Make sure that individuals are not affected but only employers who indeed misuse the system as the Paper claims.

If the main concern with the current LAFHA is potential misuse by a minority group, then **improve supervision of policy compliance** rather than terminating the programme for the majority who do not abuse the system.

The US system may provide an alternative model. The US and (parts of) Europe have a so-called 'brain drain' agreement. European academics can work in the US for up to three years without paying tax (same reasons for LAFHA: additional costs for moving and living

overseas as well as having no access to the national health and social security services). If they decide to stay longer, they have to pay back the tax over time. Same could be done with LAFHA and the model does not need to be limited to academics. Stay longer than four years and the LAFHA will be terminated but also tax over these four years needs to be paid back. This will increase the number of people who apply for permanent residency from the start if they already intend to stay longer. It avoids the potential costs for businesses that need international workers temporarily. It will also avoid the downfall of genuine 457 applications. If LAFHA is terminated for 457s, there will be a sharp decrease in the number of workers who are interested in coming to Australia simply because it costs them too much.

If you like, **set a maximum salary limit** above which LAFHA is not provided. Surely, a person with an income above \$150,000 does not need LAFHA to maintain standards of living even if there are dependents involved.

If there still is the need to terminate the LAFHA program for overseas workers, then **do not terminate existing LAFHA!!** Many honest and hardworking people like me will get in serious trouble. Providing a certain income and then taking it away again is cruel, and **hurts the integrity and reliability of Australia** in the view of its overseas temporary workers and their dependants. Such an abrupt measure does not befit an apparent developed and civilized country with strong international links. If new LAFHA are terminated, at least people know what they're up for from the start so they can make a balanced decision whether to come here or not. Terminating only new LAFHA will reduce costs immediately as there are no new LAFHAs, and expired LAFHAs will stop as well. In four years no LAFHAs will be active anymore. This is a much more humane measure (although my other objections still stand).

To express a final concern, I believe that the proposed LAFHA changes will hurt Australia in the short and long run by decreasing skilled worker migration into the country and increasing skilled worker migration out of the country due to relocation of companies.

To conclude, I would like to urge the Treasury to take these facts into consideration in order to reach a responsible and **fair-for-all** solution regarding LAFHA. Do not hurt the honest and hardworking individuals but play the game at the level where it belongs.

I am available for further (serious) discussion.

Sincerely,

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