
D Cross border movement of people

The free flow of people between Australia and New Zealand has a very long history that pre-dates formal arrangements for free trade in goods. Indeed, the free movement of people has effectively been operating since colonial times and was made official under the Trans-Tasman Travel Arrangement (TTTA), which was introduced in 1973 (Burnett and Burnett 1978; Carmichael 1993; Hamer 2008a). This contrasts with the experience of most other countries, where immigration restrictions tended to be only *partially* relaxed *after* the liberalisation of trade flows (Poot and Strutt 2010).

Before the introduction of the TTTA, only Indigenous and white Australians, Pakeha¹ and Māori could cross the Tasman in either direction without the formalities of passports or permits. The TTTA also allowed the free movement of non-European, non-Indigenous and non-Māori citizens of both countries to join this arrangement (Mein Smith and Hempenstall 2008; Paul Hamer, pers. comm., 31 July 2012).

At the time of its introduction, the TTTA also extended the freedom to travel and reside indefinitely in the two countries to their permanent residents originating from other Commonwealth countries. The joint communique released by the two Prime Ministers on 22 January 1973 stated:

The Prime Ministers agreed that citizens of each country and citizens of other Commonwealth countries who have resident status in either Australia or New Zealand should henceforth be able to travel between Australia and New Zealand, for permanent or temporary stay, without passports or visas. Talks between Immigration officials of the two countries regarding practical arrangements for the implementation of the new policy would take place as soon as possible. (Australian Government 1973, p. 284)

According to Burnett and Burnett (1978) this extension went further than New Zealand had originally requested, which was to grant free entry to 'other categories of coloured citizens of both countries' (p. 260). At present, however, the TTTA only applies to citizens of both countries, not their permanent residents.

¹ New Zealanders of European descent.

Lockhart and Money (2011) argued that while the changes to British migration policy in 1971 partly explained the codification of trans-Tasman travel, the free flow of people and labour that had occurred over a long period of time, meant the TTTA was:

... a recognition of an existing reality, not a proactive decision to integrate two countries. Because the net flows across the Tasman were comparable and the wealth disparity fairly small, there was no reason for either side to oppose a codification of the Trans-Tasman travel that was already occurring. (p. 51)

Today, the TTTA allows all New Zealand and Australian citizens who satisfy health and character requirements the freedom to enter each other's country to visit, live, work and study. It is not a binding bilateral treaty but operates as a 'string of procedures in the immigration policies of both countries' (Strutt et al. 2008, pp. 10-11).

The TTTA is also linked to the Closer Economic Relations (CER) agreement. According to the Australian Department of Foreign Affairs and Trade (DFAT 1997):

A series of Ministerial-level agreements and understandings, dating from 1973 onwards, established a Trans-Tasman Travel Arrangement (TTTA), facilitating the entry of Australian and New Zealand citizens into each other's country to visit, to take up residence, and to work without the need to obtain visas or permits. The CER Agreement was later to endorse specifically in its preamble the objective of freedom of travel within the free-trade area, for both labour market and social reasons. (p. 29)

This paper assesses the impacts and implications of unrestricted travel and an open labour market across the Tasman. The first section provides an overview of visitor and migration flows across the Tasman. Section 2 outlines a framework for considering the cross border movement of people and labour within the context of a single economic market. The paper then goes on to discuss a number of issues in relation to long-term trans-Tasman residents (section 3), trans-Tasman labour market regulation (section 4) and short-term travel and visitors (section 5). An appendix to the paper compares both countries' social security systems.

D.1 Visitor and migration flows: an overview

Visa arrangements under the Trans Tasman Travel Agreement

Since 1 September 1994 Australia has had a universal visa requirement. Under the TTTA, New Zealand citizens entering Australia are treated as having applied

for a temporary entry visa, which is automatically granted (subject to health and character considerations) and recorded electronically. Unlike other nationals, there is no requirement to obtain a visa prior to arrival. And unlike other *temporary* visas, this particular visa — known as Special Category Visa (SCV) subclass 444 — has no time limit for New Zealand citizens. A date stamp in their passport on arrival is all that New Zealand citizens would observe on entry to Australia (DIAC 2010a). For ePassport holders who use SmartGate, there is no date stamp.

Unlike Australia, New Zealand does not have a universal visa requirement. On entering New Zealand, Australian citizens or current Australian permanent residents do not require a visa (Immigration New Zealand nd).

Other visa concessions

The Australian Government also offers the New Zealand Citizen Family Relationship visa that entitles family members of New Zealand citizens who are not themselves New Zealand citizens to stay in Australia for five years (or longer if a renewal is granted).

Strong trans-Tasman visitor flows among citizens

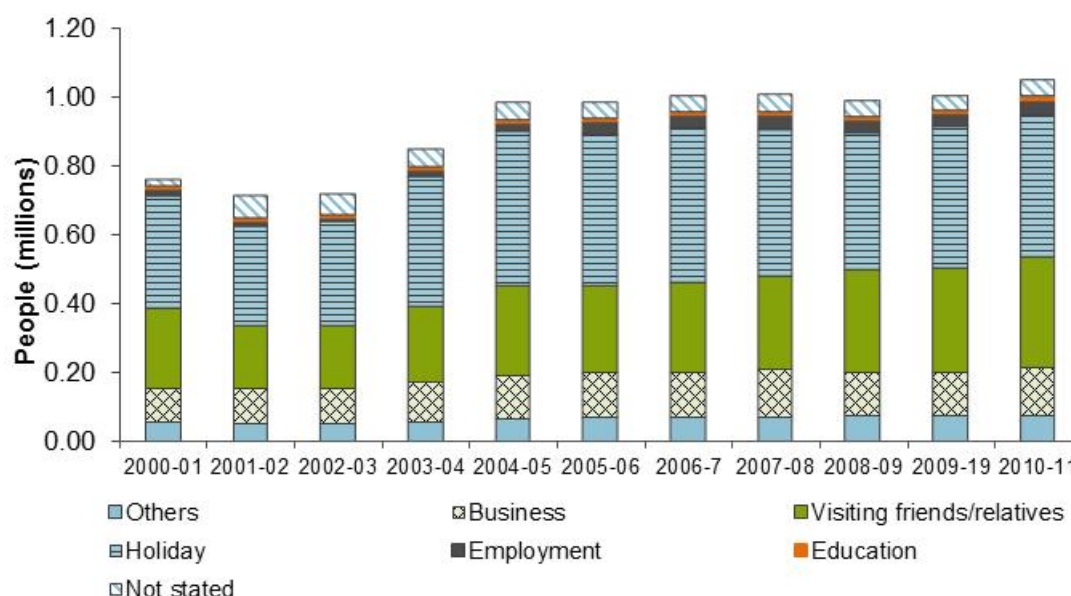
Australia is the leading source country of visitor arrivals in New Zealand and vice versa, with a flow of over 2 million visits per year across the two countries by Australian and New Zealand residents.

- During 2010-11, around 1.53 million New Zealand citizens entered Australia. Of these, around 68 percent (1.05 million) were either long or short term visitor arrivals. The rest were either settler arrivals (2 percent) or residents returning to Australia following a visit to New Zealand (29 percent) (figure D.1).
- During the year ended February 2012, of the 2.6 million visitors to New Zealand around 43 percent (1.12 million) were Australian residents. Most of these are classified as visitor arrivals (SNZ 2012).
- The main reasons for travel by New Zealand citizen visitors between Australia and New Zealand are holidays or visiting friends/relatives (figure D.1).

The General Agreement on Trade in Services (GATS) identifies four modes to trade in services (Jansen and Piermartini 2004).² In terms of these GATS definitions, in 2010-11 of the 1.05 million visitor arrivals to Australia with New Zealand citizenship, around 70 percent were associated with 'mode 2' while around 17 percent appear to be associated with 'mode 4' trade.

Figure D.1 Visitor arrivals of people with New Zealand citizenship into Australia by reason for visit, 2000-01 to 2010-11

Long term and Short term Visitor Arrivals



Data source: DIAC, unpublished data.

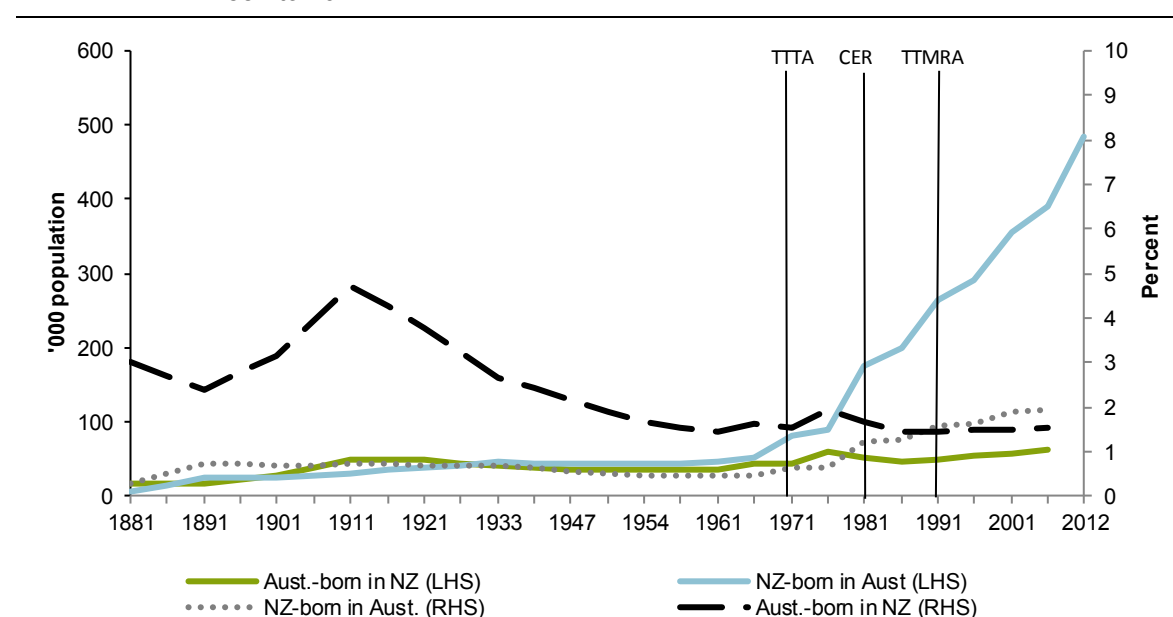
Migration flows are mainly to Australia from New Zealand

Since the late 1960s trans-Tasman migration flows have been predominantly from New Zealand to Australia. When viewed over the long haul as a proportion of the receiving country's population, the proportion of Australian-born people in New Zealand has declined from a high of around 5 percent in the early 20th century to

² The four modes are: mode 1 — cross-border supply: when a service crosses a national border. An example is the purchase of insurance by a consumer from a producer abroad; mode 2 — consumption abroad: when a consumer travels abroad to consume from the service supplier, such as in tourism, education, or health services; mode 3 — commercial presence: when a foreign owned company sells services (e.g. foreign branches of banks); and mode 4 — temporary movement of natural persons: when independent service providers or employees of a multinational firm temporarily move to another country.

under 2 percent by 2006. By contrast, New Zealand-born as a proportion of the Australian population remained steady at around 1 percent until the early 1970s but has subsequently grown to reach over 2 percent by 2011 (figure D.2).

Figure D.2 Trans-Tasman born population trends
1881 to 2012^{a,b}



^a The 2011 census data for New Zealand are not available due to the cancellation of that years' census as a result of the Christchurch earthquake. ^b Percent of receiving country's population.

Data sources: ABS (2012a); Poot (2009).

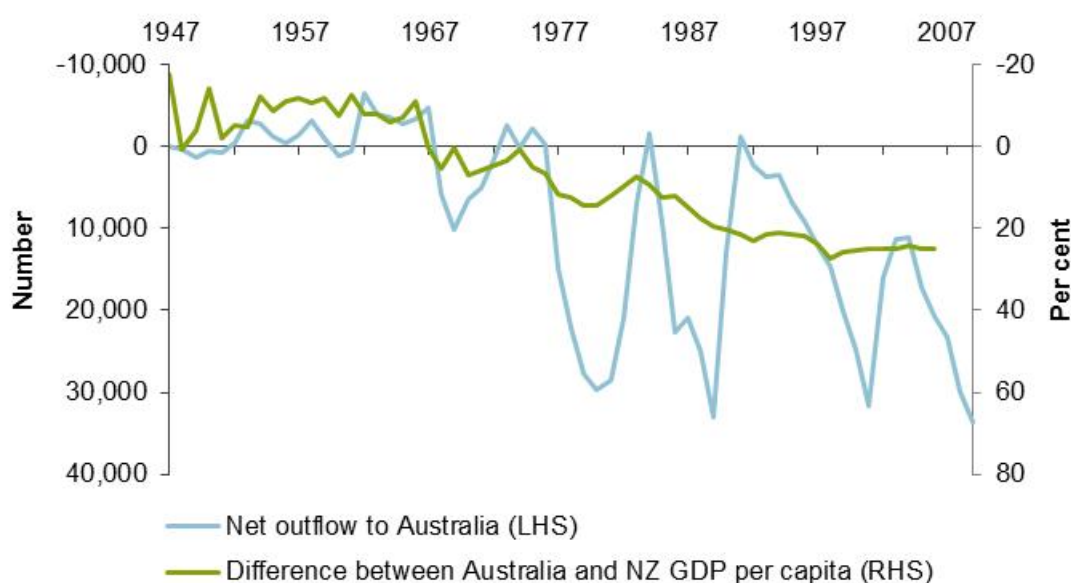
However, expressed as a percentage of their source country populations, a much higher proportion of the total New Zealand-born population live in Australia than vice versa. For example, in 2006 the number of New Zealand-born individuals living in Australia represented almost 10 percent of the New Zealand population. The equivalent proportion of Australian-born living in New Zealand at the time was only 0.3 percent.

For Māori, the relative proportion of the total population living in Australia is much higher with recent estimates suggesting that around 1 in 6 Māori live in Australia (Hamer 2008a).

The available evidence suggests that this migration is mostly related to economic factors (DIAC 2011c; Green et al. 2008; Hamer 2008a; Lockhart and Money 2011; DoL 2010; Stillman and Velamuri 2010) with a structural shift apparent from around the early 1970s coinciding with the TTTA (see figures D.2 and D.3). While there is some unevenness in the flows of annual net migration in figure D.3 (although they generally correspond with New Zealand's business cycles), the

annual net migration flows have generally been negative, meaning that the cumulative net flow to Australia has been growing steadily since the early 1970s. This period has seen a widening wage gap between Australia and New Zealand. This suggests that any continued divergence in income per person across the two countries will most likely reinforce continued migration flows from New Zealand to Australia (Yang and de Raad 2010). However, measured over the period 1999 to 2005, it has been estimated that around one-third of New Zealanders living in Australia return within four years (Poot 2009; Sanderson 2009).

Figure D.3 Annual net emigration to Australia and the income gap



Source: 2025 Taskforce (2010), p. 16.

Other current 'pull' and 'push' factors which may affect the flow of migration from New Zealand to Australia include the:

- higher rate of youth unemployment in New Zealand (OECD 2012b)
- financing arrangements associated with New Zealand's student loan scheme (see box D.1; Binning 2011 and 2012; Strutt et al. 2008)
- relative generosity of Australian family payments, especially those with pre-school aged children (see appendix).

It is also plausible that the shortage in housing arising from the Christchurch earthquake in February 2011 may have contributed to recent migration flows. A number of Australian-based employers have also been pro-actively recruiting New Zealand citizens across a wide range of skills and occupations (see, for example, www.ozjobexpo.com/australian-employers).

Box D.1 Higher education financing arrangements — Australia and New Zealand

Australia

Repayments of HECS-HELP loans are required for HELP repayment income levels above A\$49 095 (ATO 2012a).

In 2009-10, the average debt was around A\$13 000 and the average repayment time was 7.7 years (DEEWR 2011).

New Zealand

Once a person earns over NZ\$19 084 per year they are required to start paying off the loan.

In 2011, the median value of student loans was NZ\$11 880 (NZIRD 2011).

No interest is payable on the loan for those who remain in New Zealand but for those living overseas, interest is applied which compounds annually.

Source: ATO (2012a); DEEWR (2011); IRD (2011).

According to the Department of Immigration and Citizenship (DIAC pers. comm., 24 August 2012), of the 44 300 permanent New Zealand citizen arrivals in 2011-12, 51 percent indicated they had an occupation, 39 percent were not in the labour force, 2 percent were unemployed and 8 percent did not provide any information on their occupation. Of those who provided information on their occupation, 60 percent were classified as skilled, 19 percent semi-skilled, 10 percent unskilled and 11 percent were believed to be employed but did not provide an adequate description to properly classify their occupation.

Implications for the size of the 'stock' in each country

New Zealand's most recent census (2006) showed that there were 63 000 Australian-born people living in New Zealand. Statistics New Zealand (pers. comm., 30 August 2012) estimate that in around 64 600 Australian-born people were living in New Zealand. In contrast, the stock of New Zealand-born people living in Australia was around 483 400 in 2011 (ABS 2012a). These figures do not include New Zealand citizens living in Australia who were not born in New Zealand (and vice versa). According to DIAC (2012b), there were 627 000 New Zealand citizens present in Australia on 31 March 2012. Of these around 71 percent indicated they were residents returning to Australia, 13 percent were visitors or temporarily entering, 9.7 percent were permanently migrating and 6.3 percent were 'not stated', implying the stock of New Zealand citizens living in Australia was between 506 000 and 546 000 as at 31 March 2012.

In addition, the number of New Zealand Citizen Family Relationship visa holders has risen tenfold in the past nine years to 5940 in March 2012 (DIAC 2012b).

Characteristics of New Zealanders living in Australia

Historically, New Zealand-born individuals have come second behind the United Kingdom (UK) as a proportion of the total overseas born population in Australia (ABS 2012a and b).

On average, New Zealand-born migrants are younger than other migrants (40 versus 45 years) but older than Australian-born (40 versus 33 years). They are also slightly more likely to be male (with a gender ratio of 102.8 compared with 96.1 for all overseas born and 97.5 for Australian-born) (ABS 2012a).

New Zealand immigrants have around the same educational profile as the Australian-born population and New Zealand-born population living in New Zealand (albeit lower than the average educational profile than other immigrants to Australia) (Stillman and Velamuri 2010).

Most New Zealand immigrants have settled on the eastern seaboard of Australia, notably Queensland (Hugo and Harris 2011; McCaskill 1982), although with the expansion of economic activity there is a growing population in Western Australia.

Trans-Tasman migration of people from the Pacific Islands has occurred since the early 19th century. While it was traditionally very small, it has accelerated since the 1970s (Bedford and Hugo 2012). These authors also note that partly as a result of the TTTA and New Zealand's special migration arrangements with a number of Polynesian countries, there have been emerging diasporas of Pacific Islanders in Sydney, Melbourne and Brisbane. In 2011, about 7 percent of the stock of New Zealand citizens in Australia was Pacific-born.

Favourable labour market outcomes

A large body of evidence suggests that migrants tend to be more motivated to work and create a better life for their children than non-migrants. These generally unobservable characteristics partially explain some of the superior labour market performance of many migrants (see, for example, Duncan and Trejo 2012). New Zealand immigrants form a substantial proportion of the stock of English speaking immigrants in Australia; a group that traditionally experiences relatively strong labour market outcomes (AMP-NATSEM 2010).

The labour market outcomes for New Zealand immigrants typically include:

- relatively high labour force participation rates (Bartlett 2001; DIAC 2010a; DoL 2010)
- relatively high employment rates (DIAC 2010a; DoL 2010)
- similar unemployment rates (when compared with the Australian-born population) (DIAC 2010a; DoL 2010)
- working in jobs that did not fully utilise their formal qualifications (likely in response to skill shortages) (DoL 2010)
- achieving incomes around 19 to 25 percent higher than their counterparts in New Zealand, with the income 'gap' largest in medium to lower skilled occupations (DoL 2010; Stillman and Velamuri 2010).

While many New Zealanders have benefitted from the TTTA — mainly through higher incomes than if they remained in New Zealand — the TTTA has also helped to allocate labour resources to higher valued uses and alleviate labour market shortages in Australia.

Characteristics of Australians living in New Zealand

There are limited data on Australian citizens living in New Zealand. The available evidence suggests that:

- Australian-born migrants living in New Zealand tend to have more years of education than the average New Zealand or Australian-born person
- the returns to education for Australian-born migrants tend to be lower than for New Zealand-born individuals. This is in contrast to the experience of immigrants to New Zealand from other English speaking countries (Stillman and Velamuri 2010).

Research by Stilman and Velamuri (2010) also shows that, on average, immigrants to New Zealand have higher skill levels than New Zealand emigrants. Such a finding might mitigate concerns of a 'brain drain' emanating from the substantially net flows of New Zealand citizens to Australia.

D.2 A framework for analysing cross-border movement of people

The distributional consequences of free trade are perceptibly different from those associated with liberalising migration (Heinz and Ward-Warmedinger 2006; Kahanec and Zimmermann 2008; Strutt et al. 2008). For example, unlike the trade of most goods, there are second-generational effects from migration, as the children of immigrants represent a contribution to population growth that would not otherwise have taken place (PC 2006). In addition, Hatton (2007) stated:

Migration affects societies and their cultures in ways that trade does not; migration is typically more permanent than trade, it is a stock rather than a flow, and migrants eventually get to vote. (p. 373)

The benefits and costs of free movement of people and labour

There is a wealth of literature on the economic and social consequences of migration for both receiving and source countries.

Migration benefits receiving countries

Economic modelling exercises have generally found that the worldwide gains from liberalising migration flows are large. They also find that the gains largely accrue to migrants themselves (Hatton 2007). Most studies show that the net effects of immigration on the receiving country are small and positive, with the so-called 'migration surplus' larger for skilled immigrants (PC 2006 and 2011c). These models generally assume that immigrants are substitutes for resident workers. However, where immigrants help to alleviate skill shortages they may complement incumbent workers, increasing the latter's productivity and enhancing their contribution to the host economy (Cully 2012).

Ortega and Peri (2012) find that migrants:

... contribute to their host countries in a variety of ways: besides raw labor, they bring new ideas and skills, increasing the diversity of productive inputs and becoming a potentially important vehicle for international diffusion of knowledge. (p. 2)

Strutt et al. (2008) also note that while the economic benefits of opening up migration flows are larger for countries with different types of ethno-linguistic backgrounds, the social costs in terms of social cohesion and the accumulation of social capital are also likely to be higher (see also Ortega and Peri 2012; PC 2011c).

Migration effects for source countries depend on replacement and return migration

In source countries, individual emigrants typically gain through higher incomes. The major risk for source countries is the potential for a ‘brain drain’. The extent of brain drain ultimately depends on whether immigrants eventually return to their country of origin — bringing additional skills and know-how — and whether they are replaced with immigrants of the same or higher skill levels (Coppel et al. 2001).

Remittances and reduced social security outlays can also offset these costs on source countries (Hatton 2007; Heinz and Ward-Warmedinger 2006).

Also, as Coppel et al. (2001) noted, while many countries can do little to stem the outflow, high permanent net emigration can be:

... a signal that something is wrong in the source economy. Addressing the problem of a ‘brain drain’ is hence connected with policies and the framework conditions that promote economic development and thereby reduce the incentive to migrate in the first instance. (p. 24)

Free movement may enable a more efficient allocation of resources

Because the free movement of labour can enhance the efficient allocation of labour resources within a single market — thereby enhancing potential output growth — the free movement of workers is a fundamental principle of the European Union (EU) (Kahanec and Zimmermann 2008). For similar reasons, the TTTA is central to the trans-Tasman economic relationship.

As the Organisation for Economic Cooperation and Development (OECD 2012a and b) recently noted, enhancing cross-border labour mobility within the EU has had beneficial economic consequences:

Well performing labour markets are important for facilitating adjustment to shocks, especially in the monetary union, allocating resources to best uses, and in dealing with potential labour market shortages ... (OECD 2012a, p. 61)

Accordingly, the OECD (2012a) drew attention to the need to reduce a number of obstacles to the mobility of labour within the EU. These obstacles included ‘policy-induced barriers to mobility such as the loss of pension entitlements, lack of recognition of qualifications, inaccessibility of some public sector jobs and housing market frictions’ (p. 61). The OECD also noted that some aspects associated with high performing labour markets are the responsibility of individual countries within

the EU. These include labour market regulations and tax-benefit systems. (This is in keeping with the ‘national treatment’ principle (see below).)

Open access to public resources raises issues

As Sinn noted in comments published in Hatten (2007): ‘Free migration is not efficient when there are open-access public resources. These externalities are not present in the case of trade’ (p. 377). In other words, free migration may give rise to what is known as ‘adverse selection’. This happens when a country’s system provides incentives for the migration of net beneficiaries (usually low skilled, low-productivity workers) at the expense of net contributors (typically high skilled, high productivity workers) (Dale et al. 2009).

Accordingly, migration generates ‘pressures to demarcate more tightly a community of legitimate receivers of welfare state benefits’ (Geddes 2003, p. 150). And Dale et al. (2009) noted:

Low-skilled outsiders pose less of a threat to the sustainability of a welfare state when healthcare and pension benefits are based on employment, because without employment there are no benefits, and they return to their home countries ... (p. 11)

There are broadly two approaches to estimating the net fiscal impacts of migration. The first is a static approach, where low skilled workers typically result in a net fiscal cost. The second is the inter-temporal approach, where results depend on the time period concerned, the assumptions about what should be considered and excluded, which public services are regarded as pure public goods (for example, defence), the appropriate discount rate and the demographic unit of analysis (individuals or households with children).

In practice, most countries place relatively strong restrictions on long term or permanent migration, with the strongest restrictions typically placed on unskilled workers, family linked migration and humanitarian refugees. Others (Freeman 2006; Iredale 2000) argue that these types of restriction will gradually be loosened as the forces associated with ageing populations in developed economies will produce concomitant pressure on these economies to open up their borders to greater labour flows.

Within the EU, free labour movement has not been automatically granted to new member states. For example, a number of EU countries have restricted the access of citizens from new member states, with transition periods of up to seven years prior to fully opening up their labour markets (Kahanec and Zimmerman 2008).

The UK was one of only three countries that granted free movement to workers from new countries following the enlargement of the EU in May 2004. Lemos and Portes (2008) evaluated the impact of this rapid migration shock, finding ‘little hard evidence that the inflow of accession migrants contributed to a fall in wages or a rise in claimant unemployment in the UK between 2004 and 2006’ (p. 32). Indeed, they go on to note that the relatively benign evidence for the UK may have influenced decisions in other EU countries to lift or alleviate restrictions three years earlier than the final deadline. The OECD (2012d) recently noted that there had been no adverse effects on the welfare systems, at least in the short term, as a result of the expansion of the EU. That study also found that the labour markets in origin (EU) countries had not been adversely affected by significant outward migration in the short term.

Features of a fully integrated labour market

It is useful to look at parallels with trade rules in considering what a *fully* integrated trans-Tasman labour market *could* look like.

First, while the ‘non-discrimination’ principle is usually applied in a different manner in trade negotiations, within the labour market context, such a principle could be applied to mean that access to a fully integrated trans-Tasman labour market should not discriminate against (or favour) other new entrants by country of origin. If one country does discriminate, then the other would generally need to adopt a similar approach. This implies that key elements of migration policies and programs of both countries towards third countries would be very similar (if not identical) in a fully integrated labour market.

A related aspect when considering features of fully integrated labour markets centres on barriers to entry (for example, regulations which are based on qualification prerequisites). In the trans-Tasman labour market, the Trans Tasman Mutual Recognition Arrangement (TTMRA) (which allows the mutual recognition of occupational licences in both countries) is consistent with a fully integrated labour market. By contrast, past (and current) differences in migration and citizenship policies, in association with the strong one-way flow of New Zealand citizens to Australia, have given rise to a tightening of ‘entry barriers’ for New Zealand citizens seeking to become permanent Australian residents.

Second, the ‘national treatment’ principle in trade negotiations suggests that in a fully integrated labour market permanent immigrants are accorded largely the same rights in receiving country labour markets, including equal access to public welfare, health and education systems (Hatton 2007). This principle would also

imply that industrial and employment relations systems do not necessarily need to be harmonised within a fully integrated labour market but that citizens working in the trans-Tasman labour market would operate under the system of the country in which they are living.

On the basis of these considerations, a fully integrated labour market between two countries would effectively mean the freedom to live and work within either country. It would also imply that there would be similar (if not identical) migration policies towards third countries. This issue is discussed further below. However, a fully integrated trans-Tasman labour market would not necessarily mean that all the institutional features of the different jurisdictions would need to be identical or harmonised. Indeed, this is not even so within the Australian labour market, where federal and state and territory jurisdictions have some differences in their institutional features.

Accordingly, the trans-Tasman labour market can currently be characterised as a highly, but not fully, integrated labour market.

D.3 Long-term trans-Tasman residents

There is a long history of both short and long term people movement as well as permanent migration between Australia and New Zealand (Burnett and Burnett 1978; Lockhart and Money 2011; McCaskill 1982; Mein Smith and Hempenstall 2008), facilitated by both the TTTA and the TTMRA.

Individuals migrate for a variety of reasons, including in particular expected economic benefits in the form of higher wages, lower taxes and/or greater social benefits — the ‘indirect wage’ or ‘social wage’ from the welfare system (Freeman 1986). Over the long haul, the social welfare systems in many developed nations, including Australia and New Zealand, have become more substantial and extensive and potentially more influential in migration decisions.

Lifestyle reasons and family connections also represent important forces behind people movement. While cultural and linguistic differences have inhibited international labour mobility in the European context (Kolmar 2007), any such barriers are relatively low in the trans-Tasman setting. Similarly, while distance can be a barrier to international labour mobility (Lucas 2008), it has been a diminishing obstacle to trans-Tasman migration.

As noted, the flows of Australians and New Zealanders across the Tasman on a long term or permanent basis were broadly even until the early 1970s, but have

since diverged. As a result, for every Australian citizen living in New Zealand there are currently around five New Zealand citizens living in Australia. (This is roughly in accordance with the relative size of each country's population.)

While free labour movements across countries can have benefits for both workers and businesses, they can also raise complex and inter-connected issues for tax-transfer systems, as well as for migration and citizenship. In particular, labour market integration occurs along a continuum. At one end are so-called 'guest worker' systems which are characterised by limits on the period of stay and access to social welfare. At the other end is a fully integrated, or single, labour market. As noted earlier, these are characterised by the freedom of relevant member citizens to live, work and travel within the geographic boundaries of the member countries, together with similar policies governing the entry of new permanent residents and citizens and entry into various sub-markets (for example, through occupational licencing regulations).

The trans-Tasman labour market is highly (but not fully) integrated. This section focuses on some social security, residency and citizenship issues for Australian and New Zealand citizens living in the other country. It also discusses the fiscal risks to both countries emanating from long term trans-Tasman movement and residence of people under the TTTA.

Access to social policy supports, permanent residency and citizenship

Australian citizens living in New Zealand

Australian citizens living in New Zealand have access to the complement of social payments and supports and medical benefits. For example, they have the same social security entitlements as New Zealand permanent residents, provided waiting periods (generally around two years) have been met. They also have immediate access to publicly funded health and disability services if they are able to demonstrate that they are intending to live in New Zealand for two or more years.

In addition, under the cost-sharing arrangements in the social security agreement between Australia and New Zealand, Australian citizens are able to access the New Zealand Superannuation, Veterans Pension and Invalids Benefit, provided they meet relevant eligibility criteria (MFAT 2011a). Costs are shared between the two governments in proportion to the time the individual has spent in each country. The Australian Age Pension is deducted from the New Zealand Superannuation pension on a dollar for dollar basis, such that the maximum amount paid is

equivalent to entitlements under New Zealand Superannuation (WIC 2011). Private Australian superannuation payments, like the treatment of any other private income, are not deducted from New Zealand Superannuation (Smith 2010).

Until 1986, both countries provided unlimited access to all social security payments and public health systems for each other's citizens. In response to the substantial increase in the number of New Zealand citizens living in Australia, however, Australia subsequently tightened access to social security at various times, with the New Zealand Government often partially matching these various limits (box D.2). However, the most recent (2001) Australian limits (described below) were not matched with similar rules in New Zealand.

Accordingly, Australian citizens living in New Zealand are eligible for:

- Community Wage (for sickness or unemployment) and the Domestic Purposes Benefit (for sole parents or widows or widowers with children), after a 2 year waiting period
- Emergency Benefit (for people in hardship and who cannot receive any other benefit) for those who are ordinarily resident in New Zealand
- Working for Families Tax Credits, if they have been in New Zealand continuously for at least 12 months.

Australian citizens living in New Zealand are also able to access New Zealand's higher education loan scheme after a two year waiting period and are able to vote in New Zealand elections (after 12 months of continuous residency) if they so choose (see below).

In practice, Australian citizens living in New Zealand do not need to apply for a permanent residence visa as they effectively have the same entitlements as New Zealand permanent residents, who must meet one of five commitments (Immigration New Zealand 2011).

New Zealand citizenship can be automatically acquired after five years residency in New Zealand. New Zealand citizenship can also be acquired by birth in the following circumstances. From 1 January 2006, children born in New Zealand (or Cook Islands, Niue or Tokelau) acquire New Zealand citizenship by birth if at least one of their parents: is a New Zealand citizen; or has permanent residency (that is, is entitled to be in New Zealand or Australia indefinitely); or is entitled to reside indefinitely in the Cook Islands, Tokelau or Niue (Immigration New Zealand 2010).

Arrangements for Australian citizens living in New Zealand are simple and rarely leave individuals and families without access to a safety net if required.

Box D.2 **A timeline of trans-Tasman social security and related migration law changes**

- 1973** Formalisation of the previous informal free flow of people through the Trans Tasman Travel Arrangement (TTTA), allowing citizens of Australia and New Zealand to travel and work unrestricted in both countries. Immediate access to all social security payments and public health provided in both countries
- 1986** The Australian and New Zealand Governments limit access to unemployment-related social security income support payments for citizens of one country living in the other country. Access is subject to a six month waiting (or 'stand down') period.
- 1994** Introduction of Special Category Visa (SCV) for New Zealand citizens travelling to visit, live, work and study in Australia under the TTTA. The six month waiting period for access to unemployment-related social security payments was extended to New Zealand citizen sole parents living in Australia.
- 2000** Access to unemployment-related social security payments in both Australia and New Zealand is subject to a two year waiting period. Australia extends the two year waiting period to widows and the partners of age and disability pensioners who do not qualify for those pensions in their own right or for a parenting payment.
- 2001** Australian Government removes access of SCV holders who arrive after 26 February 2001 (known as non-Protected SCV holders) to three social security payments (unemployment benefit, youth allowance and sickness benefit). (However, after 10 years residence they may be eligible to a one-off payment limited to 6 months duration.) Full eligibility for these social security payments is conditional on these citizens successfully applying to become Australian permanent residents, generally through the same channels as all other immigrants.
- New Zealand citizens who arrived prior to 26 February 2001 are generally classified as Protected SCV holders. They remain eligible for access to social security payments under the previous rules. Those who were temporarily absent from Australia on 26 February 2001 (and the subsequent qualifying period) did not satisfy this social security definition and hence were classified as non-Protected SCV holders.
- All New Zealand citizens living in Australia (both Protected and non-Protected SCV holders) remain eligible for access to child-related social security and family assistance payments, concession cards and Medicare.
- 2007** Australian Government abolished three specific New Zealand permanent resident visas (Skilled – Onshore Independent New Zealand Citizen; Skilled – Onshore Australian-sponsored New Zealand Citizen; and Skilled – Onshore Designated Area-sponsored New Zealand Citizen).
- 2012** Reforms to skilled migration, including prioritising applicants according to their points test scores and greater emphasis on Employer Sponsored Migration.

New Zealand citizens living in Australia

New Zealand citizens living in Australia are also able to claim a variety of social payments and supports and medical benefits. For example, they have immediate access to child-related social security payments (such as Family Tax Benefit, Baby Bonus, Child Care Benefit and Parental Leave Pay), as well as publicly funded health care under Medicare Australia. Access to the Commonwealth Seniors Health Card and the Health Care Card is subject to a 2 year waiting period (table D.1).

In addition, under the cost-sharing arrangements in the social security agreement between Australia and New Zealand, all New Zealand citizens living in Australia are able to access the Age Pension, Disability Support Pension and Carers Payment in Australia, provided they meet relevant eligibility criteria. In Australia the New Zealand pension rate is limited to no more than the Australian rate of pension calculated under the Australian income and assets test but if it is less than that amount, a top-up to the Australian pension amount is provided (Centrelink nd). Consistent with Australia's usual means testing arrangements, all other types of income and assets are means tested.

As noted, since 1986 various limits on access to social security for New Zealand citizens living in Australia have been introduced in order to limit the risk to Australian taxpayers (box D.2). The latest of these was in 2001 when the Australian Government removed access to Newstart Allowance (NSA), Youth Allowance (YA) and Sickness Allowance (SA) for New Zealand citizens who arrived after 26 February 2001. (Box D.3 provides the background to these 2001 changes.)

Prior to the 26 February 2001 changes, holders of SCVs were eligible to apply for Australian citizenship. Thereafter, New Zealand citizens have been required to apply for (and be granted) permanent residence in Australia if they wished to access certain social security payments, obtain citizenship or sponsor their family members for permanent residence (DIAC nd and 2011c). A child of a New Zealand citizen born in Australia after 20 August 1986 automatically acquires Australian citizenship on their 10th birthday if they have been ordinarily resident in Australia for 10 years from birth. Only children born in Australia between 1 September 1994 and 26 February 2001 to a parent who was a 'protected SCV' were granted Australian citizenship at birth (DIAC 2010a).

Box D.3 **Background to the 2001 social security law changes**

Following a media spotlight in the late 1990s on the 17 000 to 20 500 New Zealanders on unemployment benefits in Australia — the so-called ‘Bondi Bludgers’ — and concerns about ‘back door’ migration, the Australian Government took steps to limit access to social security payments for New Zealand citizens.

While the TTTA withstood pressure for its termination, these pressures resulted in the Australian Government announcing on 26 February 2001 the removal of access by New Zealand citizens to three social security payments — Newstart Allowance, Youth Allowance and Sickness Allowance — and associated migration law changes, linked to the concept of permanent residency.

In addition, various agreements between the two governments were negotiated in order to fund a growing fiscal burden on Australia. As the New Zealand Prime Minister Helen Clark stated:

Australia estimates that it pays more than NZ\$1.1 billion in social security to New Zealand citizens living in Australia. There is a vast difference between that and the NZ\$170 million which we currently reimburse Australia for. We do not intend to go further down that road. Our spending priorities must be to attend to the needs of New Zealanders who continue to live here in New Zealand. For that reason the new social security agreement between us will cover only cost sharing for superannuation and payments for people with severe disabilities. This will represent savings over the next 3 years of around NZ\$100 million to the New Zealand taxpayer. The New Zealand government is pleased with the outcome and we do believe it is a win-win for both countries.

New Zealanders who migrate to other countries accept that they play by the rules the host country sets. It is up to Australia to set the rules for eligibility for social security for New Zealanders who choose to live there. While the status quo applies to all New Zealanders who have been living in Australia up until today, Australia is announcing new rules applying for new arrivals as of today. The New Zealand government is pleased to be able to reach this new arrangement and put behind us a matter which has become a serious and unnecessary irritant in our relationship with Australia. (Howard and Clark 2001, p. 2)

At the same time the New Zealand Government was concerned with the ‘brain drain’ to Australia, such that the 26 February 2001 social security limits were agreed:

We have negotiated the new agreement which is fair, which is sustainable, and sends a clear message to Kiwis that when you go overseas you can’t expect [the] nanny state to accompany you where-ever you go from New Zealand. You live by the host country’s rules. (Howard and Clark 2001, p. 5)

Sources: FaCS (2001c); FaHCSIA (pers. comm., 2 July 2012); Hamer (2007); Howard and Clark (2001); Sanderson (2009); Poot and Sanderson (2007); Strutt et al. (2008).

Hence today the limitations on access to certain other (non-child related) social security payments differ, depending on the social security status of New Zealand citizens. In particular,

- Protected SCV holders:
 - qualify as residents under social security law and can generally access the full range of Centrelink payments provided they are currently residing in

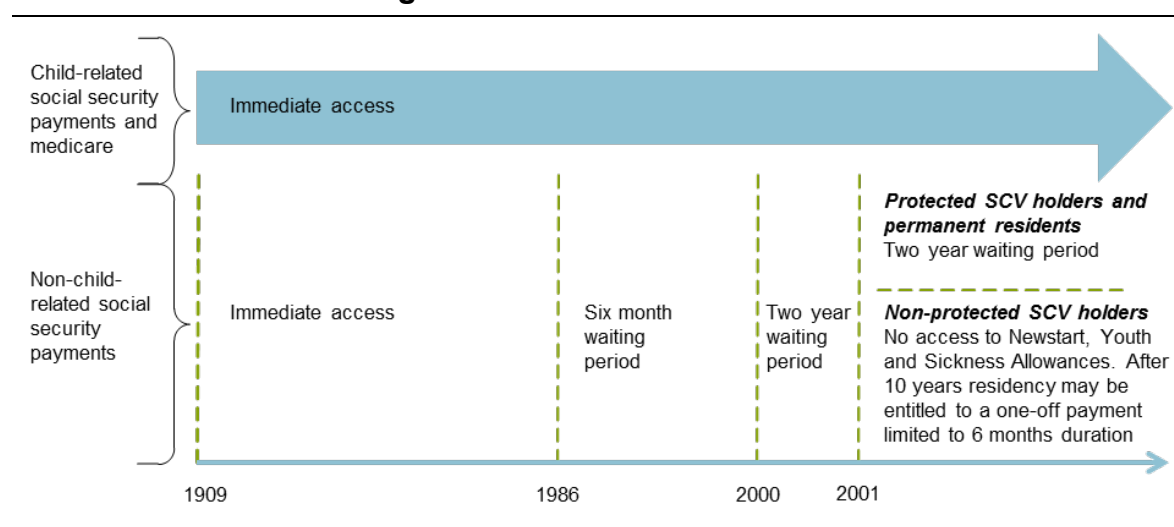
Australia and satisfy certain rules such as qualification criteria and relevant waiting periods (generally two years)

- non-Protected SCV holders:
 - who have not become Australian permanent residents, are not able to access NSA, YA or SA. However, those who have lived continuously in Australia for at least ten continuous years since 26 February 2001 may be eligible to receive one of these three payments on a one-off basis for a maximum of up to 6 months
 - do not have access to Special Benefit (SpB) (the payment of last resort for those experiencing severe financial hardship for reasons outside of an individual's control and where they cannot receive any other social security pension or benefit)
 - do not have automatic access to Australian Government Disaster Recovery Payments
 - are not able to access some government social support services and funding (mainly disability) in some state and territories (as these governments have generally mirrored Australian Government social security law).

Once non-Protected SCV holders are granted an Australian permanent resident visa, they become eligible for a range of benefits subject to the Newly Arrived Residents Waiting Period (NARWP) of two years. The NARWP 'clock' starts when a permanent resident visa is granted. This treatment also applies to all temporary visa holders who apply to become permanent residents (Centrelink nd and 2011).

A summarised history of arrangements in Australia is depicted in figure D.4.

Figure D.4 Summary of Australian social security access for New Zealand citizens living in Australian



Social security and citizenship issues for New Zealand citizens living long term in Australia

Eligibility for social security

The social security treatment of SCV holders living in Australia has become increasingly complex. The grandfathering arrangements (designed to preserve access for New Zealand citizens already living in Australia before 2001) have inevitably resulted in inconsistent arrangements across the two cohorts of New Zealand citizens living in Australia (Protected and non-Protected SCV holders).

Further, the treatment of non-Protected SCV holders is neither equivalent to that of a temporary visa holder, nor to that of a permanent resident (being more favourable than the first and less favourable than the second) (table D.1). For example, non-Protected SCV holders have less generous social security entitlements than newly arrived permanent resident visa holders to Australia but have more generous social security entitlements than most other temporary resident visa holders. (Temporary residents are generally not entitled to access social welfare benefits or national public health cover.)

The question of when a non-Protected SCV holder moves from being a temporary visa holder to becoming more like a permanent Australian resident (without the permanent visa) is at the heart of the debate around access to social security entitlements and pathways to citizenship.

Potential options available to non-Protected SCV holders who may be at risk of having no or limited access to the four Australian safety nets related to periods without work (NSA, YA, SA or SpB) are for them to return to New Zealand or obtain permanent residency and/or citizenship. As noted, since 2001 New Zealand citizens must go through the same process to become an Australian permanent resident as applicants from other countries. In Australia, permanent residence visas are subject to selection criteria and quotas, with citizenship reliant on obtaining permanent residency. As such, a growing cohort of New Zealand citizens who have arrived since 2001 face challenges within both the 'demand-driven' and 'supply-driven' pathways to Australian permanent residence and citizenship.

Table D.1 Access to Australia's social security system by type of visa holder, 2012

| Selected payments [`] | Type of visa holder | | | |
|---|---|--|--|---|
| | Protected SCV holder ^a | Non-Protected SCV holder ^a | Temporary Resident visa holder | Permanent resident visa holder ^b |
| Newstart Allowance, Youth Allowance and Sickness Allowance | Yes, subject to 2 year Newly Arrived Residents Waiting Period (NARWP). ^c | No However, if they have lived in Australia for at least 10 continuous years since 26 February 2001 they may be eligible to receive one of these three payments on a one-off basis for a maximum of up to 6 months. | No | Yes, subject to NARWP |
| Health care card and Commonwealth seniors health card | Yes, subject to NARWP | Yes, subject to NARWP | No | Yes, subject to NARWP |
| Age Pension, Disability Support Pension and Carer Payment | Yes, subject to meeting 10 year qualifying residence period or NARWP for Carer Payment. | Yes, subject to arrangements in Social Security Agreement with New Zealand ^{d,e} | No | Yes, subject to meeting 10 year qualifying residence period or NARWP for Carer Payment or relevant social security agreement. |
| Special Benefit | Yes, subject to NARWP | No | Generally no, except visa subclasses 820, 826, 309, 310, 785, 786, 447, 451, CJSV, 695, 787 and 070. | Yes, subject to NARWP |
| Disaster Recovery Payments | Yes | No | No | Yes |
| Parenting Payment | Yes, subject to 104 week qualifying period. | No | No | Yes, subject to 104 week qualifying period. |
| Family Tax Benefit, Child Care Benefit, Baby Bonus, Maternity Immunisation Allowance, Paid Parental Leave | Yes | Yes | No | Yes |

^a Special Category Visa (SCV) holders are New Zealand citizens who enter Australia under the TTTA. Protected SCV holders generally entered Australia prior to 26 February 2001. A non-Protected SCV holder generally arrived in Australia after that date. ^b Exemptions from the NARWP usually apply to refugee or humanitarian permanent residents. ^c The NARWP may still apply to a small number of individuals who are classified as Protected SCV holders under the *Social Security Act 1994*. ^d Access to DSP for non-Protected SCV holders is only for people who are assessed as severely disabled and is subject to other qualifying conditions. ^e Access to Carer Payment for non-Protected SCV holders is only for partners of DSP recipients. Certain other visa holders (subclasses 104 – Preferential Family and 806 – Family) may be exempt from the NARWP.

Source: *Guide to Social Policy Law* http://guidesacts.fahcsia.gov.au/guides_acts/homeint.html.

Australia's 'demand-driven' pathway is largely met through employer sponsorship. While holders of visa subclass 444 are exempt from the skills and English language capability criteria under the two visa categories in the Employer Sponsored Migration program, they are generally not exempt from the age criteria (which requires applicants to be under 50 years of age). They are also not eligible for the Temporary Residence Transition stream (which is only open to subclass 457 (Temporary Business (Long Stay)) visa holders) (DIAC 2012g). And for some individuals and employers the A\$3 060 application fee may represent a significant 'post-border' transaction cost.

The 'supply-driven' pathway is now founded on a framework of developing 'specialised skills', based on the principle that migrants should not displace Australian workers and that they should complement Australia's education and training capabilities to ensure an adequate future stream of such skills (Cully 2011). Under current arrangements, Skills Australia establishes the Skilled Occupation List (SOL). In practice, the new process mean that 'supply-driven' applicants are sorted on the basis of their points test scores. From July 2012, applicants electronically submit an expression of interest for skilled migration along with enough information from which to derive a points test score. From there, applicants are invited to apply for a skilled migration visa in descending order of their points test score. The points test score mark will vary each year, so that the volume of invited applications roughly balances the annual allocation of these skilled visas (Cully 2011).

Accordingly, a proportion of long term New Zealand citizen residents who may have been working in Australia for many years may not be employed in an occupation that is defined as 'in need' and is on the SOL at the time they seek to become permanent residents. Indeed, the ease with which New Zealand citizens can be employed by Australian businesses to meet labour demand also means that these occupations may never be defined as 'in need' or, if they were, may no longer defined as 'in need' at the time of the New Zealand citizen's application.

Another consequence of these migration law changes is the relative lack of access by some children of non-Protected SCV holders to HECS-HELP (the Australian Government's student loan system). This is because only Australian citizens and permanent humanitarian visa holders can use a HECS-HELP loan to pay student loans or access the HECS-HELP discount for up-front payments of A\$500 or more (Australian Government nd). Children of non-Protected SCV holders are, however, eligible for Commonwealth supported places — but they must pay their student contributions in full and up-front. This requirement may impose financial difficulties on some non-Protected SCV holder families with limited means (who have been resident in Australia for some considerable time), or make them reluctant to have

their children enter tertiary education. Andersson et al. (2012) documented these types of impacts on the Pacific Islander and Māori communities in South East Queensland, although some families had returned to New Zealand to support their child's further education.

An analysis of the two social security systems (see appendix) suggests that the Australian family payments system is relatively generous overall, especially for families with preschool-aged children. By comparison, New Zealand's payments to lone parents are more generous than Australia's. For unemployment benefits, Australia's NSA is higher in nominal terms than New Zealand's Community Wage, but lower as a proportion of average earnings.

As a general principle, access to one country's social security system should not be established in a way that encourages the migration of citizens from another country (that is, 'government transfer shopping'). Within the EU, for example, most countries discourage this through the use of waiting periods (see below). In Australia a combination of waiting periods, residence requirements and demonstrated need is used to limit the risks to taxpayers — although there are exceptions, as child-related social security payments are paid to all newly arrived (permanent) settlers and SpB is available to some temporary visa holders (FaHCSIA 2006; table D.1).

However, the 2001 (and 2007) changes do not appear to have inhibited the long term flow of New Zealand citizens to Australia (figures D.2 and D.3). The high relative wages available in Australia appear to have outweighed any counter-effect from limits on access to social security and residency/citizenship. However, there is some evidence that the 2001 social security and migration changes have reduced 'back door' migration (as intended) and led to an increase in return migration (Poot and Sanderson 2007).

While both governments have a variety of websites explaining the limits on access to social security in Australia, and this issue has received media coverage in New Zealand over a number of years, anecdotal evidence continues to indicate that some New Zealanders do not know about these limitations before travelling to Australia (see, for example, Andersson et al. 2012). Others may systematically under-estimate the risks of needing access to safety net payments and supports related to unemployment or illness. As such, they may not purchase the necessary insurance or make precautionary savings. There may be significant 'post-border' transactions costs for non-Protected SCV holders, when they become aware that they cannot access NSA (for themselves) and that their children cannot access YA, HECS-HELP, or state government disability supports and have to decide whether to return to New Zealand.

While some (Strutt et al. 2008) have suggested that the asymmetric treatment of access to social security is a step backwards from an integrated labour market, others (particularly some non-Protected SCV holders) argue against these limitations on ‘human rights’ or ‘discrimination’ grounds (see www.underarmbowling.com and www.Maori-in-oz.com). Other critics of the 2001 arrangements remark on the ‘unfairness’ surrounding the asymmetry of Australia’s treatment relative to New Zealand’s treatment of Australians in similar circumstances. Similarly, some have argued that the current avenues for access to (and expense associated with) gaining Australian permanent residency and citizenship by New Zealand citizens are unfair when compared with the ease of access by Australian citizens to New Zealand permanent residency and citizenship. For example, DIAC (pers. comm., 13 April 2012) indicated:

The issues most commonly raised with DIAC by New Zealand citizens are more about social inclusion, access to citizenship (and voting rights), access to HECS-HELP and claims of racial discrimination and human rights breaches. The other common complaint is that the arrangements should be reciprocal — New Zealand consider Australians living in New Zealand as permanent residents and provide access to all services and benefits after uniform waiting periods have been served.

DIAC estimated that on 30 June 2011 there were around 240 000 New Zealand citizens in Australia who had arrived after 26 February 2001. Based on its analysis of passenger cards:

... 40 percent of these (almost 100 000 people) may be eligible for a permanent visa through existing skilled and/or family stream visa classes. (DIAC, pers. comm., 13 April 2012)

This suggests that the remaining 60 percent of non-Protected SCV holders would be ineligible for these three safety net payments, although only a small proportion would ordinarily require these at any one time. This is because some are children, many are currently employed and others will not be participants in the labour force.

To address particular hardship cases from the 2011 floods on Australia’s eastern seaboard, the Australian Government provided non-Protected SCV holders with an *ex gratia* payment to provide relief equivalent to that of Protected SCV and Australian citizen counterparts. This payment was provided to those affected New Zealanders who could provide evidence that they had been working in Australia for at least one year in the past three (or were engaged in activities where Australian tax was payable on certain dates) and were affected by the relevant flood events (Disaster Assist nd; MFAT nd). Those who received this *ex gratia* payment or an Australian Government Disaster Relief Payment were also exempt from paying the subsequent flood levy (ATO 2011b).

The Commissions have not been able to establish how extensive or problematic the lack of access to these particular safety net payments is in practice — a precondition for judging what response may be appropriate. That said, with the strong growth in migration from New Zealand to Australia, the number of affected New Zealand citizens is likely to grow over time.

QD.1

The Commissions seek information about the numbers of New Zealanders who have been affected by the lack of access to certain welfare payments in Australia and the numbers who have returned to New Zealand as a consequence.

There may be concerns that easing non-Protected SCV holders' access to Australian social security payments and social policy supports may impose a fiscal burden on Australia. Further work is needed to assess these complicated effects.

The fiscal risks from trans-Tasman movements need to be considered over the longer term and, seen in isolation, need to take into account offsetting tax revenues (see, for example, Mohapatra et al. 2012). In Australia, it has been estimated that most immigrants are net contributors to fiscal balances over their lifetimes, with skilled immigrants making the greatest contribution (PC 2011d). In 2001 New Zealand's Ministry of Foreign Affairs and Trade (MFAT 2011a) estimated that the A\$1 billion in Australian Government social security outlays directed to New Zealand citizens living in Australia was counter-balanced by an estimated tax revenue of A\$2.5 billion collected from this group. Based on a partial analysis, the NZIER (2000) also estimated net direct fiscal benefits to Australia from New Zealand citizens in the order of A\$3 000 per person at that time. Given the likely continuation of favourable labour market outcomes for New Zealand citizens living in Australia combined with the access limitations on social security, New Zealand citizens would remain net tax contributors.

Whether the net benefits for Australia (taking into account a wide range of costs and benefits) generated by this group of migrants is higher than would be generated by other groups of migrants is difficult to gauge, and ultimately requires a judgment by government based on a wide range of considerations. For example, the social inclusion effects associated with different migrant groups are difficult to measure. Further, while a group of higher skilled migrants may produce a larger fiscal dividend, other considerations also come into play.

More information for potential entrants

In the interim, however, there appears to be a strong case for providing more information to New Zealand citizens contemplating migration to Australia, to ensure that the conditions for social security payments and social policy supports are readily understood. The ‘domestic like’ travel experience under the TTTA — combined with the unlimited duration of the temporary visa — may otherwise lead some individuals to misjudge the potential ‘post-border’ costs when considering living for long periods in Australia.

The need to provide relevant information to potential immigrants was emphasised by Dale et al. (2009), who stated:

... coherence of policy and communication are critical for the potential migrant’s choice. (p. 11)

In relation to a similar arrangement regarding the freedom of movement for individuals within the Nordic region, the Nordic Council of Ministers (nd) provides a web-based information service called ‘Hello Norden’. On that website, the rules that apply to Nordic country citizens when moving to, studying or working in Nordic countries are set out in the relevant languages.

In the trans-Tasman context, a similar web-based information portal could be established and supplemented with information provided via the airlines prior to landing in Australia and/or at the time that New Zealand citizens apply for an Australian Medicare card.

Alternative pathways to citizenship

While freedom to live and work in each other’s country under the TTTA is a major component of an integrated trans-Tasman labour market, arrangements for permanent residency and/or citizenship in another country should not result in the entitlement to citizenship in that country.

However, given that the TTTA allows citizens to live and work on an indefinite basis in the other country, questions of permanent residency and citizenship naturally arise. This is especially the case where permanent residency and citizenship enable fuller participation in all the rights and obligations of citizens in that country. For example, Stokes Partners International (sub. 18) noted:

There are currently many thousands of New Zealanders who are living in Australia on visa class 444. Some of these have been resident in Australia for 10 years, pay full taxes and Medicare levy but do not have access to all government services, university debt programs and permanent residence. (p. 1)

Current arrangements surrounding eligibility to vote also mean that a proportion of New Zealand citizens living in Australia is not eligible to vote in either country's elections (box D.4; see also Hamer 2008b). This could be remedied by the New Zealand Government changing the voting rules and by Australian Government consideration of alternative pathways to citizenship.

The difficulties associated with New Zealand citizens gaining access to Australian citizenship were noted by Jin (sub. 27), who also acknowledged that both governments were aware of the situation and that the Australian Government was working towards a resolution (see, for example, Gillard 2012; Watkins 2012).

Box D.4 Voting rights and obligations in Australia and New Zealand

Australia

It is compulsory for all Australian citizens aged 18 or older to enrol and vote (AEC 2006).

British subjects (such as New Zealand citizens) living permanently in Australia, who are not Australian citizens, may be eligible to vote. Voting is only compulsory, however, for those British subjects who were on the electoral roll immediately before 26 January 1984. British subjects not on the roll immediately prior to this date are not eligible to enrol even if they were resident in Australia at this time (AEC nd).

New Zealand

Although it is not compulsory to vote in New Zealand elections, enrolling to vote is compulsory for those qualified to vote in New Zealand elections.

All New Zealand citizens and permanent residents of New Zealand aged 18 years or older are qualified to enrol. In addition, there are length of residence requirements. These mean that to be qualified to enrol an individual must have lived continuously in New Zealand for more than one year at some time. However, New Zealand citizens are disqualified from enrolling to vote if they are outside New Zealand and have not been in New Zealand within the last three years. Similarly, permanent residents of New Zealand are disqualified from enrolling to vote if they are outside of New Zealand and have not been in New Zealand within the last 12 months. (New Zealand Electoral Commission 2011).

Sources: AEC (2006 and nd) and NZEC (2011).

Alongside the potential benefits of enhanced efficiency associated with people mobility, there are social and demographic considerations associated with welfare and wellbeing. For example, as Lloyd (sub. 5) noted in relation to the substantial flows of New Zealand citizens into Australia under the TTTA:

This scale of movement makes it difficult to maintain the usual presumption that nations are concerned with the welfare of the current resident population. In the case of New Zealand, there is growing awareness of the number of NZ-born people now living in Australia and a suggestion that their welfare should be considered by New Zealand in the CER debate. (p. 13)

Smith et al. (2011) suggested that two key factors explain the relatively low (Australian) citizenship rate of New Zealand citizens (37 percent compared to an average citizenship rate of 68 percent across all migrants). These include the TTTA and the Australian residence and citizenship requirements introduced in 2001. Smith et al. (2011) observed:

One possible result of these two factors is that New Zealanders who arrived before February 2001 may have less motivation to become citizens than most other nationalities as they have never made a formal commitment to migrate. They receive all the benefits of permanent residence, can continue to move freely to and from New Zealand and maintain strong connections with their home country. Another consequence is that New Zealanders who arrived after this date have a restricted pathway to permanent residence and citizenship, as most would fail to meet the requirements for family reunion or skilled migration but are still able to travel freely to Australia under the TTTA. (p. 11)

The difficulty that many New Zealand citizens now face in gaining access to Australian permanent residency and/or citizenship is set against a backdrop of various changes to Australia's citizenship eligibility criteria intended to enhance social cohesion, along with the introduction of a citizenship test and a four year residency requirement (including a 12 month period of permanent residence before an application can be made), and a Pledge of Commitment (Smith et al. 2011).

Developing alternative pathways to Australian permanent residency and/or citizenship would provide one approach to remedying the potential for hardship faced by a growing number of non-Protected SCV holders. The Australian Government is currently considering this issue (Gillard 2012).

The Commissions note that detailed work would be required to cost these pathways and to consider the wider ramifications for its wider immigration settings and citizenship aims, including the risk of 'back-door' entry from third countries (see below).

Accordingly, the Australian Government should finalise its consideration of alternative potential pathways to Australian permanent residence and citizenship for New Zealand citizens residing long term in Australia.

A framework of principles?

The growing number of non-Protected SCV holders who are long term residents without Australian permanent residency or citizenship raises some broader issues.

Differences in social security and migration policies in the context of an integrated labour market between two countries can create what is termed ‘moral hazard’ issues, such as government transfer shopping and back door migration. However, issues of fairness arise when labour market participants with essentially the same work history and in similar circumstances within the same country are treated differently.

The EU has addressed the potential problem of ‘government transfer shopping’ through waiting periods for access to benefits and services. EU rules on social security coordination also mean that previous periods of insurance, work or residence in other EU countries are taken into account when determining an individual’s eligibility for benefits such as unemployment insurance. Foreign citizens temporarily living and working in Europe are usually required to contribute to the relevant national and/or private unemployment or health insurance arrangements.

By contrast, in Australia and New Zealand social security and health is largely funded from general taxation revenue. As such, income support is based on residence and need. However, Australia and New Zealand also have waiting periods for newly arrived immigrants in relation to accessing social security payments and services. These are generally around two years.

Similar to the TTTA, citizens are free to live and work in other member countries of the EU. In relation to social security access, the rules surrounding entitlement are at the discretion of each individual country. However, the EU has developed four general principles to coordinate access to social security across jurisdictions (box D.5).

In light of the circumstances and emerging trends in relation to the status of New Zealand people living and working in Australia for long periods, who arrived after 2001, consideration could usefully be given to developing similar principles under the Closer Economic Relations (CER) agreement drawn from the following:

- policy independence — the country in which the citizen lives should determine the social security legislation under which he or she is covered. (The existing social security agreement between Australia and New Zealand facilitates the transfer of government revenue to fund the social security payments specified in that agreement.)

- prevention of government transfer shopping — access to social security should not encourage migration of citizens from one country to another. Waiting periods should apply in most circumstances.
- equal treatment — subject to relevant waiting periods or other initial conditions, individuals should have the same rights and obligations as citizens or permanent residents.
- portability — each country has its own portability rules for the payments it covers. (The existing social security agreement between Australia and New Zealand may affect the rate of some payments for individuals entitled to a payment in one country but living in the other country.)

Box D.5 European Union Social Security Coordination

The EU rules on social security coordination do not replace national systems with a single European one. All countries are free to decide who is to be insured under their legislation, which benefits are granted and under what conditions.

Four principles govern social security coordination in the EU.

1. Individuals are covered by the legislation of one country at a time, so that contributions are only paid in one country. The decision on which country's legislation applies to the individual seeking a payment will be made by the social security institutions. Individuals are not able to choose.
2. Individuals have the same rights and obligations as the nationals of the country where they are covered. This is known as the principle of equal treatment or non-discrimination.
3. When individuals claim a benefit, their previous periods of insurance, work or residence in other countries are taken into account if necessary.
4. If an individual is entitled to a cash benefit from one country, they may generally receive it even if they are living in another country. This is known as the principle of exportability.

Information on social security rights in 31 countries is also provided by the European Commission at: <http://ec.europa.eu/social/main.jsp?catId=858&langId=en>

Source: EC (nd).

In considering the applicability of these principles to the trans-Tasman situation, the inherent tension between the first principle of policy independence and the third principle of equal treatment poses an immediate hurdle. The principle of equal treatment in practical terms can only be implemented if there were effectively full alignment of the two countries' migration and citizenship programs with respect to nationals from third countries. This is largely because of the risk of

back door migration to Australia, in the context of the TTTA and the continuation of large one-way flows (albeit with some churn).

Lloyd (sub. 5) observed:

As with trade policy, both countries have retained independent screening of potential immigrants from outside the Tasman area. Differences in immigration criteria and assessment methods mean that there is a possibility of “people deflection” analogous to trade deflection. This occurs if potential immigrants wanting to emigrate to one Tasman country are prevented to do so by that country’s assessments but are able to enter the other Tasman country and after acquiring residence and citizenship to then move to their country of first choice. Because of its higher per capita incomes and larger established immigrant population, this means in practice emigrants going first to New Zealand then to Australia. (p. 11)

As noted earlier, sizeable diasporas of Polynesians (with New Zealand citizenship) have emerged in Sydney, Brisbane and Melbourne. Bedford and Hugo (2012) point out that the Australian Government, on various occasions, has expressed concern about the acceleration of Pacific migration to Australia through New Zealand citizenship, but note the complex dynamics of these trans-Tasman population movements.

All this is set against a backdrop of the recent increase in the rate of net migration to Australia and decreasing net migration rate to New Zealand (OECD 2011a and b). The Australian Bureau of Statistics (ABS 2011) expected Australia’s net migration rate (measured as net overseas migration per 1 000 population) to average 7.7 percent over the period 2010–2015 and New Zealand’s rate to remain steady at an average of 3.2 percent over the same period. This means that the number of immigrants to New Zealand flowing on to Australia is likely to be relatively low.

There is, however, some potential for greater flow-on in the future (Bedford and Hugo 2012). For example, security issues in Melanesia may result in increased flows of Melanesians seeking to escape any political turmoil in these countries. Climate change (and associated rising sea levels) may also be a contributing factor.

Accordingly, the Australian Government has a legitimate interest in New Zealand’s immigration policies. For its part, the New Zealand Government has incorporated requirements in the Recognised Seasonal Employer Work Policy such as a return ticket (of which the employer pays half) (Strutt et al. 2008). This ensures that seasonal workers do not stay long term in New Zealand.

Overall, the extent of back door migration is difficult to assess or predict, especially over the long haul. Indeed, Cully and Pejoski (2011) noted that the different types

of ‘leakages’ are difficult to limit or regulate in practice. Further work may help to assess the nature and likely magnitude of this issue. An assessment of these likely future flows may be worth considering, especially if the gaps in gross domestic product (GDP) per person gap continues to grow between Australia and New Zealand.

To mitigate any risks of ‘back door’ migration, Lloyd (sub. 5) suggested that the Australian and New Zealand Governments consider adopting common immigration policies. There are some distinct differences in immigration policies between the two countries. For example, New Zealand has a Samoan Quota and the Pacific Access Category (where Samoan citizens and people from Kiribati, Tuvalu and Tonga are invited to apply for residence under these schemes). Furthermore, as noted by Hawthorne (2011), Australia and New Zealand also compete for international migrants. This author also noted that the source countries and the educational qualifications for skilled migration also differ between Australia and New Zealand. Australia also remains committed to the principle of requiring visas of all entrants.

National security implications would also need to be taken into account by both countries in this context.

Even in the absence of agreement to a broad framework, there may be changes to social security that could be made (such as extended waiting periods for some social security benefits) that would address the perceived anomalies in current arrangements without increasing moral hazard. Subsequent New Zealand Governments and citizens have sought to persuade the Australian Government to change its social security access arrangements. For example, the New Zealand Prime Minister raised the issue with the Australian Prime Minister (McKenna 2011). In a similar vein, the relative generosity of Australia’s family payments system may also warrant the attention of policy makers, who seek to limit the risks of government transfer shopping. However, there is little evidence to assess these potential benefits or the contingent liabilities that a change in arrangements might create.

QD.2

How significant a risk is ‘back door’ immigration?

Given its significance to the evolution of the trans-Tasman labour market, would there be net benefits from closer alignment of the two countries’ migration policies?

What would be the difficulties/issues in seeking to achieve this?

Would there be value in developing a framework of principles to

guide access to social security under the Trans-Tasman Travel Arrangement?

What changes to Australian Government social security limits could promote a better balance between prevention of government transfer shopping and equal treatment?

Fiscal risks for New Zealand Superannuation

New Zealand Superannuation (NZS) is a government administered flat-rate basic pension. Entitlement to NZS is:

... conditional on reaching a given age (65) and a minimum residence requirement. ... there are no specific contributions or work-related requirements. At least 10 years must be lived in New Zealand over the age of 20, with at least five of these after the age of 50 ("the 10(5) Requirement"). (Dale et al. 2009, p. 5)

NZS is paid at a flat rate that is unrelated to previous earnings and depends only on marital status and living arrangements.

Under section 70 of New Zealand's *Social Security Act 1964*, there is also a direct deductions policy (DDP) which reduces NZS dollar for dollar against any income received from another country in the form of a basic universal flat rate state pension (often known as a 'Tier 1' pension) and/or compulsory, contributory earnings-related state or private pensions (Tier 2) paid into New Zealand by other governments. However, any income from voluntary workplace-based schemes (some of which are subsidised by employers) (Tier 3) and all other voluntary savings are not abated.

In practice, however, it is difficult to distinguish between Tier 2 and Tier 3 pensions — especially in the context of Australia's superannuation arrangements which can pool compulsory and voluntary contributions into a single fund. Accordingly, the DDP to NZS applies only if the benefit is 'administered by or on behalf of the Government of the country from which the benefit, pension or periodical allowance is received' (Dale et al. 2011, p. 6).

In 2007, of the 500 000 or so New Zealanders over 65 years entitled to the NZS, around 10 percent received at least one other public pension from abroad. Of those, around 8 percent received a pension from Australia (while around 80 percent received a pension sourced from the UK) (Dale et al. 2009). The number of NZS pensioners who also have an Australian pension who are affected by section 70 has grown strongly (by 562 percent) between 2004 and 2009 (Dale

et al. 2011) and is expected to continue to grow (assuming the rate of return migration from Australia remains at around one third every four years).

Dale et al. (2011) noted the fiscal risks to NZS from the return migration of New Zealanders:

In the future, with an increasing state pension age in Australia, a harsher income test, and because ‘totalisation’ can be applied under the Social Security Agreement, it may become relatively attractive for New Zealanders to return home to retire, especially if New Zealand does not increase the state pension age. This would increase the burden on the working age population of New Zealand, without the benefit of the earlier tax contribution from these retirees. (pp. 8–9)

Indeed, these factors may also make it attractive for some Australian citizens to retire to New Zealand along with their (Tier 3) privately managed superannuation monies which are not subject to means testing (abatement) under NZS rules.

QD.3

The Commissions seek further information on the costs and risks to New Zealand Superannuation from return migration from Australia.

D.4 Trans-Tasman labour market regulation

This section canvasses two issues affecting trans-Tasman labour. They are the mutual recognition of occupations and the portability of retirement savings.

The Trans-Tasman Mutual Recognition Arrangement (TTMRA)

Under the TTMRA ‘people are able to register an occupation and practise in the other country if they are registered in this occupation in the home country’ (Strutt et al. 2008, p. 11). The TTMRA followed the *Mutual Recognition Act 1992* (MRA) in Australia, which was adopted by most states and territories to create more efficient national labour markets. (The TTMRA makes similar provision for product markets.)

The objective of the TTMRA and the MRA is to facilitate the movement of people and goods across the Tasman, and between the Australian states and territories respectively. The rationale for this was that lowering regulatory and technical barriers would lower costs, increase competition and lead to efficiency gains.

Progress and benefits under TTMRA

For the most part the TTMRA is working well, as the law in each country³ applies automatically. According to New Zealand's Ministry of Foreign Affairs and Trade (cited in Strutt et al. 2008), the TTMRA has lowered the barriers to people moving for employment reasons between the two countries. The Australian Productivity Commission reviewed both the MRA and the TTMRA in 2009 and found that both agreements had increased the mobility of goods and labour around Australia and across the Tasman.

Some registration authorities have chosen to build in an extra step to grant mutual recognition, although this is not strictly necessary. A recent example is mutual recognition of financial advisers. The Australian Securities and Investments Commissions and New Zealand's Financial Markets Authority have each amended relevant qualifications requirements to recognise each other's financial advisers.

It is possible that the one exemption under TTMRA for medical practitioners needs attention so that the TTMRA is brought into line with actual practice. Through the use of technology, New Zealand and Australian medical practitioners already consult each other as professionals in their respective fields, even though they do not have automatic recognition under the TTMRA.

Some reservations about the TTMRA were sounded in one submission. The Australian Council of Trade Unions (ACTU) and the New Zealand Council of Trade Unions (NZCTU) (sub. 17) suggested that 'concrete steps to greater harmonisation [of standards and qualifications] should be taken incrementally and with care in order to ensure against inadvertent collateral damage' (p. 5). They suggested that the automatic recognition of qualifications may not take into account country-specific cultural, social or geographical reflections contained within each country's licencing regime (for example, the competencies expected of engineers in an earthquake or drought prone country).

Slow progress within Australia

The Australian Commission (PC 2009) found that differences in licencing regimes across jurisdictions can impede labour mobility. Mutual recognition entitles a person registered in one jurisdiction to practise an equivalent occupation in another jurisdiction. Where the scope of authorised activities differs across

³ A Trans-Tasman Mutual Recognition Act was passed in both Australia and New Zealand in 1997 and the Agreement came into effect in both countries in 1998. With respect to the states and territories in Australia the scheme commenced operation on the date of proclamation of relevant state or territory TTMR legislation.

jurisdictions, regulators can impose conditions in order to define the boundaries of mutual recognition. This, however, complicates the task that regulators face and can lead to conditions being imposed that reduce labour mobility.

The Council of Australian Governments (COAG) is currently engaged in developing national licensing regimes for a number of occupations. While agreement on a national licensing regime within Australia would address the issue of inter-jurisdictional issues within Australia, it will take some time before such regimes are developed across all occupations. Moreover, they may not be worth the cost to develop for occupations of lesser significance or when there is little cross-jurisdiction movement (PC 2009).

Moreover, even when there is an Australian licensing scheme, New Zealand generally will not be part of it, which means that the TTMRA remains important. In the light of these considerations, the Australian Commission's view was that:

Given the importance of regulator cooperation in the operation of the TTMRA, engagement of New Zealand regulators in the development of new systems in Australia appears highly desirable. (PC 2009, p. 110)

Under the TTMRA, Australia and New Zealand both have an interest in each other's occupational regulation. For mutual recognition to work effectively, each country needs to have confidence in the other's regime. This does not mean that they need to be the same — indeed there can be value in differences, to allow some regulatory competition and to help identify what approach works best. The TTMRA allows this, although differences cannot be too large without undermining the confidence and trust on which mutual recognition depends.

The Australian Government, as noted above, continues to work on occupational licensing in the context of COAG and the New Zealand Government is currently undertaking a scoping study of occupational regulation. The Commissions consider that to allow these separate national developments to continue without undermining the key element of mutual recognition, there should be a process of ongoing engagement to provide for consultation and to share knowledge and lessons across the Tasman. Relevant New Zealand regulators should also be included in consultations around the development of national licensing systems in Australia.

Portability of retirement savings

Lack of portability of retirement savings across the Tasman may be another barrier that deters people from moving to the other country to work. In 2009 the Australian and New Zealand Governments agreed to develop the necessary legislation to

facilitate the trans-Tasman transfer of retirement savings if a person resident in one country permanently emigrated to the other (ATO 2011a).

In 2010, the New Zealand Government passed legislation to enable the trans-Tasman portability of retirement savings. The New Zealand Internal Revenue Department (IRD 2010a)⁴ noted:

The portability arrangements will allow a person who has retirement savings in both Australia and New Zealand to consolidate them in one account in their current country of residence. (p. 1)

However, as the Australian Government has not yet passed the necessary legislation, the New Zealand legislation has yet to come into effect. It will do so around two months after each jurisdiction has ‘... exchanged notes informing each other that the necessary legislation has been enacted’ (IRD 2010a, p. 4).

On 18 September 2012, the Australian Government released draft legislation to enable the portability of retirement savings from July 2013 (Shorten 2012).

According to the Australian Taxation Office (ATO 2012b), currently around A\$18 billion worth of superannuation funds have been accumulated by New Zealand citizens, who had contributed monies under Australia’s compulsory superannuation system and subsequently returned to New Zealand. However, these funds are not able to be transferred to a New Zealand superannuation fund(s).

Shadwell (2011) noted that while there may be benefits to some individuals from consolidating their funds into one (New Zealand) superannuation fund, others may be better off leaving those funds in Australia.

The portability of superannuation funds from Australia to New Zealand may strengthen the New Zealand KiwiSaver scheme (which is currently estimated to have around NZ\$12 billion in total funds (BDO New Zealand 2012)) through increasing its capital.

The lack of trans-Tasman portability of superannuation was raised by the Australian Industry Group (sub. 38) and the ANZ Banking Group (sub. 50). Further, as the Fonterra Co-operative Group Ltd (sub. 14) commented:

The fact that Australia have not yet legislated for this can be a discouragement to free [labour] movement. (p. 5)

⁴ Further details about these arrangements can be found in IRD (2010a) and on their history can be found in Workplace Savings NZ (2008).

Given that trans-Tasman agreement has been reached and the appropriate legislation has been passed in New Zealand but not in Australia, the Commissions' view is that the drafting of the Australian legislation should be concluded for consideration by the Australian Parliament.

D.5 Short-term travel and visitors

As noted earlier, there is considerable short term travel across the Tasman, by both citizens and non-citizens of Australia and New Zealand. In this section, trans-Tasman travel by Australian and New Zealand citizens is discussed, followed by a discussion of trans-Tasman tourism travel by 'other' citizens.

Trans-Tasman travel by Australians and New Zealanders

Fast-track entry processes at the border can help to reduce the costs and waiting times of trans-Tasman travel for Australian and New Zealand citizen passengers.

With this objective in mind, on 20 August 2009, the Australian and New Zealand Prime Ministers announced a range of measures to streamline arrangements for passengers travelling between Australia and New Zealand while maintaining border security. These included: the rollout of an automated SmartGate passenger clearance system; improvements to screening and processing for low risk passengers; improved biosecurity through x-ray imaging trials of direct exit passengers; and further exploration of streamlined passenger processing through studies on pre-clearing passengers and integrating SmartGate systems (Australian Government 2009).

The Australian Government has introduced reciprocal fast-track entry for Australian and New Zealand ePassport holders under their SmartGate systems (ACBPS 2012a, 2012b, 2012c). A similar arrangement operates in New Zealand for Australian citizens travelling to New Zealand.

The SmartGate system could be further enhanced

There has been considerable cooperation and effort by Australia and New Zealand to facilitate fast-track entry for their citizens through SmartGate and other modern border systems for passengers.

The Australian Customs and Border Protection Service and the New Zealand Customs Service have undertaken a trans-Tasman trial at one site (Gold Coast

Airport) aimed at further integrating the two countries' SmartGate systems (ACBPS 2012b; MFAT 2011b). This trial commenced in July 2011, and ran for 12 months. Eligible passengers who choose to use SmartGate when departing from Auckland or Christchurch international airports completed part of the Australian arrivals process at the New Zealand SmartGate kiosk. This allowed arriving passengers to bypass the SmartGate kiosk at Australia's Gold Coast Airport and go straight to the arrivals gate for identity and security checks. A report is being finalised on the findings, though it is unclear whether it will be made public. There appears to be no public disclosure of estimated costs and benefits of further SmartGate integration.

Further integration of the SmartGate system across the two countries would allow trans-Tasman passengers to be processed more quickly with reduced waiting costs. This could usefully include Australia adopting SmartGate for departures as well as arrivals. At present only New Zealand has adopted SmartGate for departures. Traditional checks by customs officers could then be better targeted at higher risk passengers (Evans 2010).

The Tourism and Transport Forum (sub. 25) noted that, due to infrastructure costs, the rollout of SmartGate would probably be limited to major airports. It suggested that further enhancements to trans-Tasman travel could include the facilitation of limited international airports in major regional centres. This issue is discussed further in supplementary paper B along with a discussion of the Australian Government's passenger movement charge.

In spite of the progress on SmartGate, Christchurch International Airport (sub. 21) contended that a number of other initiatives to streamline passenger movements had lost momentum. These include the possibility of trans-Tasman flights being classified as 'domestic movements'. This proposal, however, would need to be developed in tandem with any changes to the passenger movement charge, biosecurity and quarantine arrangements and migration policies.

Moreover, as noted by the Tourism and Transport Forum (sub. 25), streamlined passport processing is only a part of a broader vision:

The prime ministerial level commitment of 2009 to work towards a common border envisages much more than an automated passport processing system. Indeed, as examples around Asia show, this kind of system for border processing will be the norm in five years' time. The trans-Tasman border processes need to go further than Australia and New Zealand will go with other countries. (p. 9)

Where cost-effective, the Australian and New Zealand Governments should progress the further roll out of SmartGate and associated systems. The focus should be on departures from Australia and on regional airports.

Trans-Tasman travel by citizens of other countries

While there is substantial trans-Tasman travel by Australian and New Zealand citizens, foreign visitors also often take the opportunity to travel to both countries while in the region. According to the Tourism and Transport Forum (sub. 25), more than four in every ten arrivals into New Zealand originate from Australia. In addition, tourists from a range of countries prefer dual destination travel — in 2012, 59 percent of all tourists from Canada and 71 percent of all tourists from China visited both Australia and New Zealand (MBIE 2012).

To encourage greater travel, two submissions (subs. 7 and 25) have suggested that the Australian and New Zealand immigration authorities develop a single 'Trans Tasman tourist / visitor visa'. This would mean that visitors and tourists to Australia and New Zealand would only need a single visa to visit both countries, much like the Schengen visa arrangement within EU member countries.

The Tourism and Transport Forum (sub. 25) — citing a consultant's 2011 draft report for the Australian Department of Resources, Energy and Tourism — suggested that substantial benefits might arise from streamlining these visa arrangements:

The report found that were Australia and New Zealand to operate as a common economic and migratory zone, with no internal border controls, trans-Tasman visitation would grow by at least 14 percent. Airline estimates go further: the trans-Tasman market is roughly half that of the equivalent domestic traffic in both countries, despite very similar traveller profiles. The implied assumption is that traffic could double under a completely free movement regime. (p. 5)

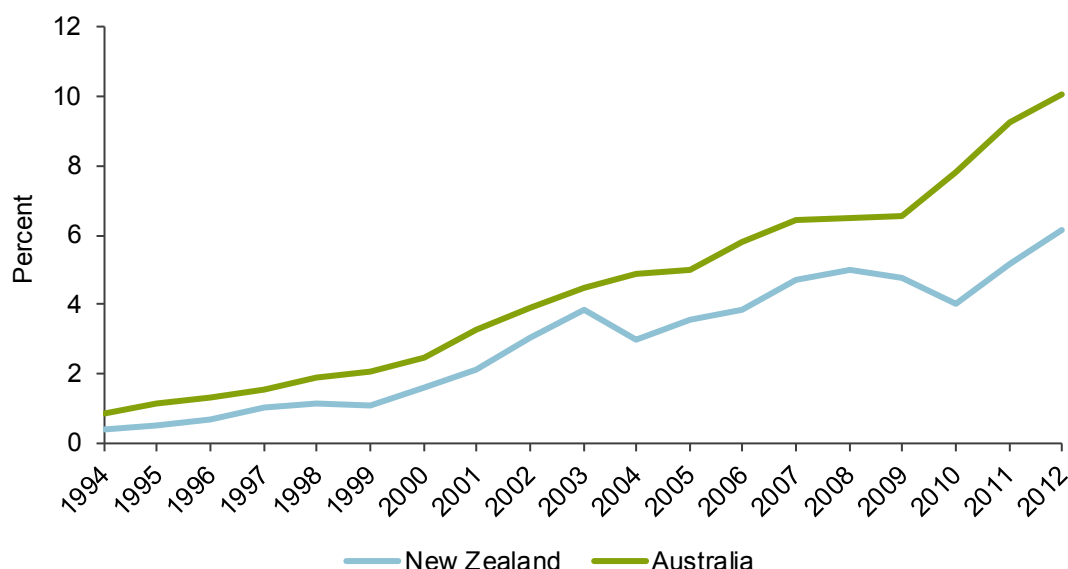
A Memorandum of Understanding on the sharing of criminal history checks between Australia and New Zealand has recently been signed (Clare 2012), potentially serving as a useful first step towards implementing this proposal.

The Australian Government has also instituted a Visa Simplification and Deregulation (VSD) project, releasing a discussion paper in June 2010 (DIAC 2010f). In particular, according to DIAC's regulatory plans under the VSD project, visitor visa subclasses will be reduced from nine to four subclasses (DIAC 2011d). These simplifications are scheduled to occur in the first half of 2013.

There appears to be a range of practical obstacles which could make the single visa proposal problematic but not impossible. These include Australia having a universal visa requirement while New Zealand offers visa waivers for nationals from 56 countries (Immigration New Zealand nd). The proposed 'trans-Tasman tourist/visitor visa' would mean there would be no change for nationals from visa-waiver countries visiting only New Zealand or for foreign nationals visiting only

Australia. However, it would reduce transactions costs for foreign nationals for which New Zealand does not have a visa waiver (for example, nationals from the People's Republic of China, who represent a growing proportion of short term visits in both countries) (figure D.4).

Figure D.4 **Visitors from China to Australia and New Zealand as a proportion of all short term visitors^a, 1995–2012**



^a Australian data is averaged for each year from ABS monthly trend data. Short term movement refers to stays of less than one year.

Data sources: ABS (2012) *Overseas Arrivals and Departures, Australia, June*, Cat. No. 3401.0; Statistics New Zealand (2012), *International Travel and Migration*, Infoshare database, <http://www.stats.govt.nz/infoshare/>.

The proposal would have some fiscal implications for both countries, but this could be offset through the use of a cost recovery model. (The Australian Government is already moving towards a cost-recovery model for visa-related charges.) It would make sense for the two Governments to agree on an appropriate sharing of the costs and revenues.

Appendix — Comparing payments under the Australian and New Zealand social security systems

This appendix seeks to outline the relative generosity of the Australian and New Zealand social security systems, which has implications for relative migration flows under the TTTA.

International comparisons of tax and transfer systems are notoriously complicated. Nonetheless, the comparisons suggest that while New Zealand is more generous than Australia in relation to lone parent payments, the reverse is the case in relation to family payments, especially for families with preschool-aged children in Australia. Also, while unemployment benefits are higher relative to average earnings in New Zealand, they are larger in nominal (and purchasing power parity (PPP)) terms in Australia.

Some evidence

In 2004, the Australian Council of Social Services (ACOSS 2004) compared Australia's social security system with a range of similar developed nations, including New Zealand. Table D.2 summarises the comparisons of selected welfare payments between Australia and New Zealand. These data suggest that Australia did not appear to have a more generous system of welfare payments than New Zealand at that time, relative to the circumstances of others *within* each country. However for migration purposes, it is also important to look at payment relativities across countries.

Table D.2 **Selected welfare payments — Australia and New Zealand, 1999**

| | <i>Australia</i> | <i>New Zealand</i> |
|---|------------------|--------------------|
| | % | % |
| Social security expenditure as a proportion of GDP ^a | 10 | 14 |
| Proportion of people of workforce age reliant on social security | 17.5 | 16.8 |
| Unemployment benefits per registered unemployed person as a proportion of GDP per person ^b | 33.1 | 42.7 |
| Benefits as a proportion of wages, after tax (sole parent with two children) | 47 | 64 |
| Benefits as a proportion of wages, after tax (couple with two children) | 62 | 68 |

^a Data is for 1998. ^b Data is average for 1980–1999.

Sources: ACOSS (2004); and Tiffen and Gittens (2004).

Unemployment benefits

Table D.3 provides a comparison in nominal and PPP value terms of unemployment assistance benefits in 2010. These benefits are calculated on the basis of a 40 year old single worker without children.

Table D.3 Comparing unemployment assistance benefits, 2010

| | Waiting period (days) | Maximum benefit | | | Permitted employment and disregards | Additional payments for dependent family members |
|--------------------|-----------------------|-------------------|--------------------|---------|---|--|
| | | National currency | PPP ^{a,b} | % of AW | | |
| Australia | 7 | A\$12 033 | \$12 033 | 18 | Disregard of A\$1612, 50% withdrawal up to A\$6500, 60% above. Couple: no UA for higher earner once income above A\$20 527, spouse's UA reduced by 60% of earnings above this amount. | Parenting payment for dependent children (generally replaces UA). Partner allowance. |
| New Zealand | 14 | NZ\$11 536 | \$11 689 | 24 | Gross income above NZ\$4160 reduces benefit at 70% rate. | Rates depend on family type. |

^a Purchasing Power Parities (PPP) estimated using the OECD's GDP index and rebased to Australian dollars. The World Bank's PPP series shows New Zealand's maximum unemployment benefit is \$11 536 (rebased to Australian dollars). The IMF PPP series shows New Zealand's maximum unemployment benefit is \$10 762 (rebased to Australian dollars). ^b The private consumption PPP indices (only available from the OECD and the World Bank) increase the nominal gap between Australian and New Zealand PPP comparisons but do not change the relativities.

Data sources: *Benefits and Wages: OECD indicators*, www.oecd.org/els/social/workincentives (accessed 20 July 2012); OECD national accounts, PPPs and exchange rates, http://stats.oecd.org/Index.aspx?DataSetCode=SNA_TABLE4 (accessed 15 August 2012); IMF *World Economic Outlook* database, <http://www.imf.org/external/pubs/ft/weo/2012/01/weodata/weorept.aspx?sy=2009&ey=2012&scsm=1&ssd=1&sort=country&ds=.&br=1&c=193%2C196%2C111&s=PPPEX&grp=0&a=&pr1.x=30&pr1.y=7> (accessed 15 August 2012); and World Bank Data, PPP conversion factor <http://data.worldbank.org/indicator/PA.NUS.PPP> (accessed 15 August 2012).

A common measure of the (domestic) generosity of social welfare systems is the level of the unemployment benefit as a proportion of the average wage within a country. Two relevant measures are gross and net replacement rates:

Gross replacement rates compare the level of benefits with the level of a person's earnings before becoming unemployed, while net replacement rates take into account taxes paid and other benefits received by the unemployed. Gross replacement rates are most relevant when documenting the key parameters of [unemployment benefit] programmes, whereas net replacement rates are most relevant from a behavioural perspective. (OECD 2012c, p. 100)

Figures D.5 and D.6 provides a time series of gross and net unemployment benefit replacement rates for Australia and New Zealand, respectively. These suggest Australia's unemployment benefits are slightly less generous than New Zealand from a domestic comparative perspective.

Child and family benefits

The Australian and New Zealand governments support families with children, either by direct payments or tax credits.

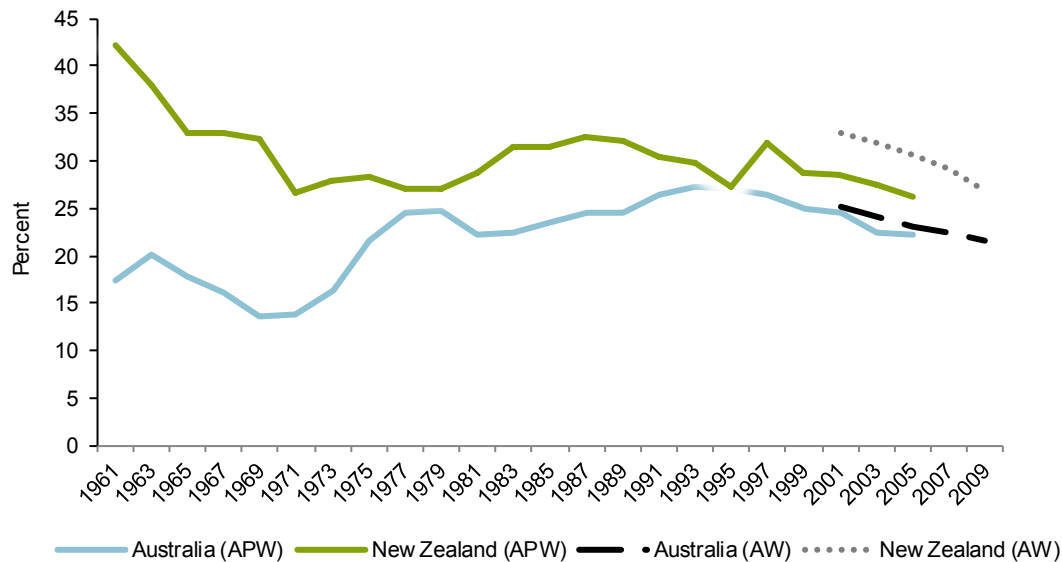
Table D.4 compares family benefits using some different measures. The differences do not appear to be large. These are based on having one child aged between 3 and 12 years.

The results in Table D.5, which compares lone parent benefits in nominal and PPP terms in 2010, suggests that benefits in New Zealand are more generous than in Australia. Again, these are based on having one child aged between 3 and 12 years.

Finally, figures D.7 and D.8 compare the average social expenditure per child across a number of interventions (for example, child care, education, cash benefits and tax breaks and other in-kind benefits). This suggests that, in 2003, Australia's support for children under school age was higher than that provided in New Zealand, whereas the differences after that age do not appear significant (figure D.7). By 2007, however, across almost all ages of children, the average level of social expenditure per child as a proportion of median working-age household income was higher in Australia than New Zealand (figure D.8).

Overall, public spending on family benefits in cash, services and tax measures as a *percentage of GDP* in 2007 was higher in New Zealand than Australia (table D.6).

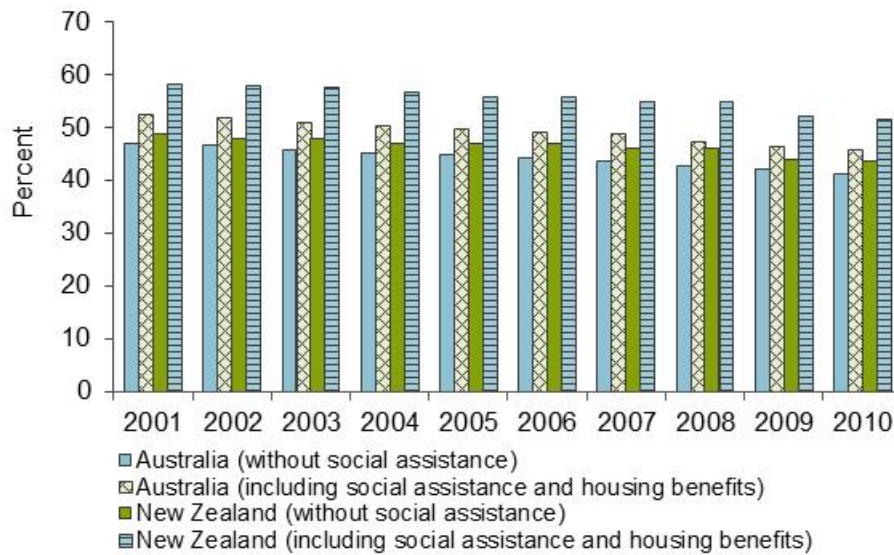
Figure D.5 **Gross unemployment benefit replacement rates per average production worker^a and average worker^b, Australia and New Zealand^c, 1961–2009**



^a Average Production Worker (APW): An adult full-time employee in sector D of revision 3 or the International Standard Classification of All Economic Activities, whose wage earnings are equal to the average wage earnings of such workers. ^b Average Worker (AW): An adult full-time worker in the covered industry sectors whose wage earnings are equal to the average wage earnings of such workers. ^c The OECD summary measure is defined as the average of the gross unemployment benefit replacement rates for two earnings levels, three family situations and three durations of unemployment. Gross replacement rates (GRRs) express gross unemployment benefit levels as a percentage of previous gross earnings. Updating and maintenance of the gross replacement rate (GRR) index, originally constructed as part of the OECD Jobs Study (1994), has been reliant on access to APW wages. These data have not been collected by the OECD since 2005, so a different approach is needed to extend the series coverage to more recent years. The alternative series, all calibrated to the AW wage, have been calculated using the OECD tax-benefit models.

Data source: OECD Benefits and Wages: Statistics, http://www.oecd.org/document/28/0,3746,en_2649_33729_50404572_1_1_1_1,00.html (accessed 20 July 2012).

Figure D.6 **Net unemployment benefit replacement rates^a per average worker^b, Australia and New Zealand, 2001–2010**



^a The net replacement rate (NRR) summary measure is defined as the average of the net unemployment benefit (either including or excluding social assistance and cash housing assistance) replacement rates for two earnings levels, three family situations and 60 months of unemployment. NRRs provide a more complete measure of work incentives and income maintenance than do gross replacement rate measures, especially when compared over longer periods of unemployment. Average Worker (AW) wage, have been calculated using the OECD tax-benefit models. ^b Average Worker (AW): An adult full-time worker in the covered industry sectors whose wage earnings are equal to the average wage earnings of such workers.

Data source: OECD *Benefits and Wages: Statistics*
http://www.oecd.org/document/28/0,3746,en_2649_33729_50404572_1_1_1_1,00.html (accessed 20 July 2012).

Table D.4 **Comparing family benefits^a, 2010**

| | <i>Maximum benefit for one child aged 3–12</i> | | <i>% of AW</i> | <i>Upper age limit for children (student)</i> | <i>Means test on</i> | <i>Observations</i> |
|--------------------|--|------------------------|----------------|---|--|---|
| | <i>National currency</i> | <i>PPP^b</i> | | | | |
| Australia | A\$4803 | \$4803 | 7 | 20 (24) | Family income | Family Tax Benefit (FTB) part A to help families with cost of raising children. |
| | A\$3829 | \$3829 | 6 | 15 (18) | Income of secondary earner in a couple | FTB part B paid to families with one main income |
| New Zealand | NZ\$4487 | \$4546 | 9 | 18 | Family income | Family Tax Credit |

^a Family benefits include non-wastable tax credits. All benefit amounts are shown on an annualised basis. ^b Purchasing Power Parities (PPP) estimated using the OECD's GDP index and rebased to Australian dollars. The World Bank's PPP series shows New Zealand's maximum family benefit is \$4 487 (rebased to Australian dollars). The IMF PPP series shows New Zealand's maximum family benefit is \$4 186 (rebased to Australian dollars). ^c The private consumption PPP indices (only available from the OECD and the World Bank) increase the nominal gap between Australian and New Zealand PPP comparisons but do not change the relativities.

Data sources: OECD *Benefits and Wages: OECD Indicators*, www.oecd.org/els/social/workincentives (accessed 20 July 2012); OECD national accounts, PPPs and exchange rates, http://stats.oecd.org/Index.aspx?DataSetCode=SNA_TABLE4 (accessed 15 August 2012); IMF *World Economic Outlook database*, <http://www.imf.org/external/pubs/ft/weo/2012/01/weodata/weorept.aspx?sy=2009&ey=2012&scsm=1&ssd=1&sort=country&ds=.&br=1&c=193%2C196%2C111&s=PPPEX&grp=0&a=&pr1.x=30&pr1.y=7> (accessed 15 August 2012); and World Bank Data, PPP conversion factor <http://data.worldbank.org/indicator/PA.NUS.PPP> (accessed 15 August 2012).

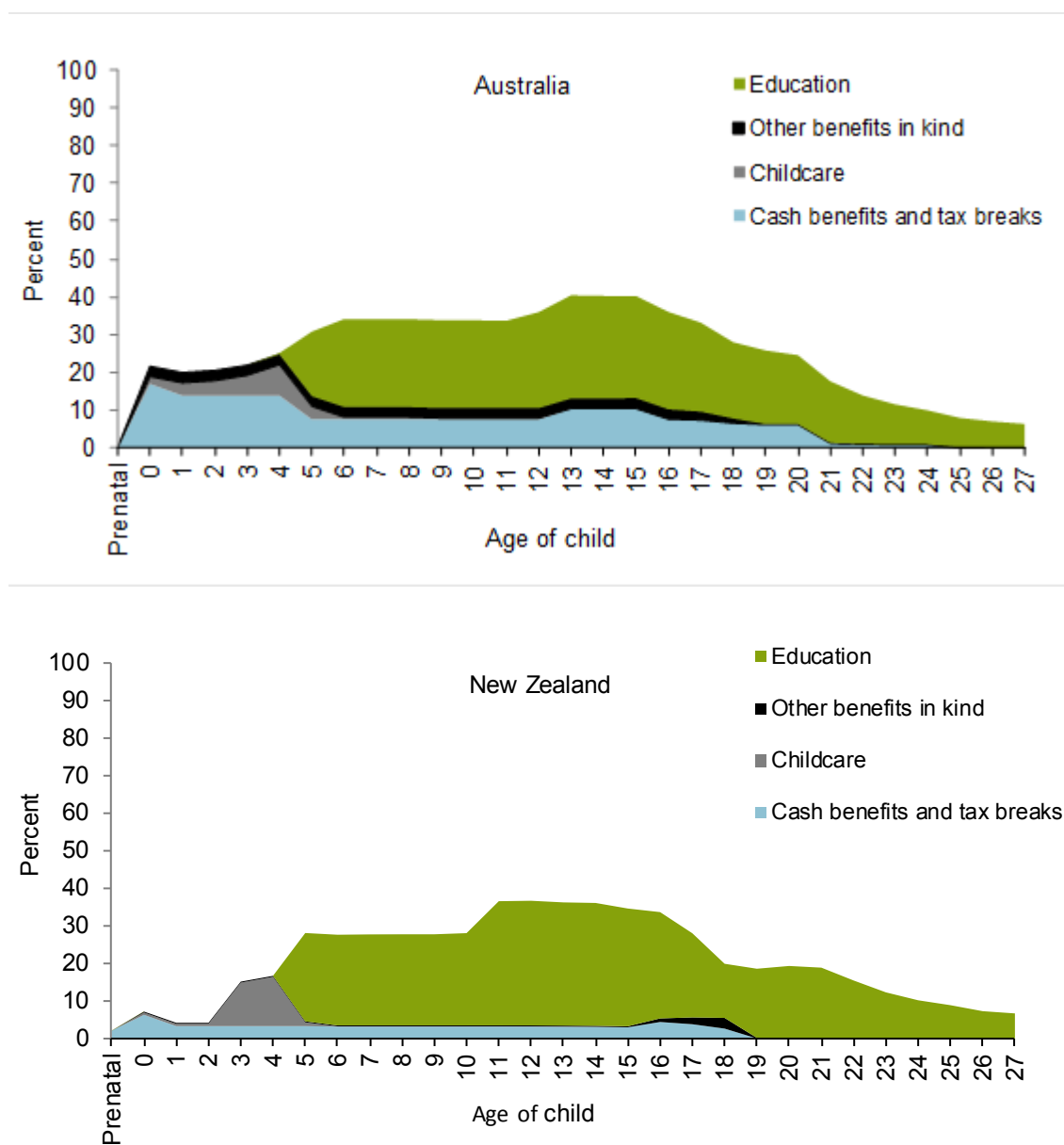
Table D.5 Comparing lone parent benefits^a, 2010

| | <i>Maximum benefit for one child aged 3–12</i> | | | <i>Means test on</i> | <i>Earnings/income disregard and benefit withdrawal</i> | <i>Additional information</i> |
|--------------------|--|--------------------------|----------------|----------------------|---|--|
| | <i>National currency</i> | <i>PPP^{b,c}</i> | <i>% of AW</i> | | | |
| Australia | A\$3601 | \$3601 | 5 | Income and assets | Disregard: A\$3692 plus A\$640 per child (values are for the entire amount of Parenting Payment (PP), not just the lone parent supplement). Lone parents also face a 40% withdrawal rate, compared with 50% for couples | Lone parents receive a higher rate of PP than parents in a couple. Available to lone parents with a dependent child aged under 8. An activity test is required for those recipients who youngest child is 6 or older. In addition, FTB part B is not means-tested for lone parents until income reaches A\$150 000 per year. |
| New Zealand | NZ\$5259 | \$5329 | 11 | Income and assets | Disregard (for complete payment, not just supplement) NZ\$4160; withdrawal rate of 30% up to NZ\$9360, 70% above | No activity test while youngest child is less than age 18 (compared with age 6 for one partner in a couple) |

^a It is assumed that neither lone parents nor their children receive alimony payments from the other parent. All benefit amounts are shown on an annualised basis. ^b Purchasing Power Parities (PPP) estimated using the OECD's GDP index and rebased to Australian dollars. The World Bank's PPP series shows New Zealand's maximum lone parent benefit is \$5 259 (rebased to Australian dollars). The IMF PPP series shows New Zealand's maximum family benefit is \$4 906 (rebased to Australian dollars). ^c The private consumption PPP indices (only available from the OECD and the World Bank) increase the nominal gap between Australian and New Zealand PPP comparisons but do not change the relativities.

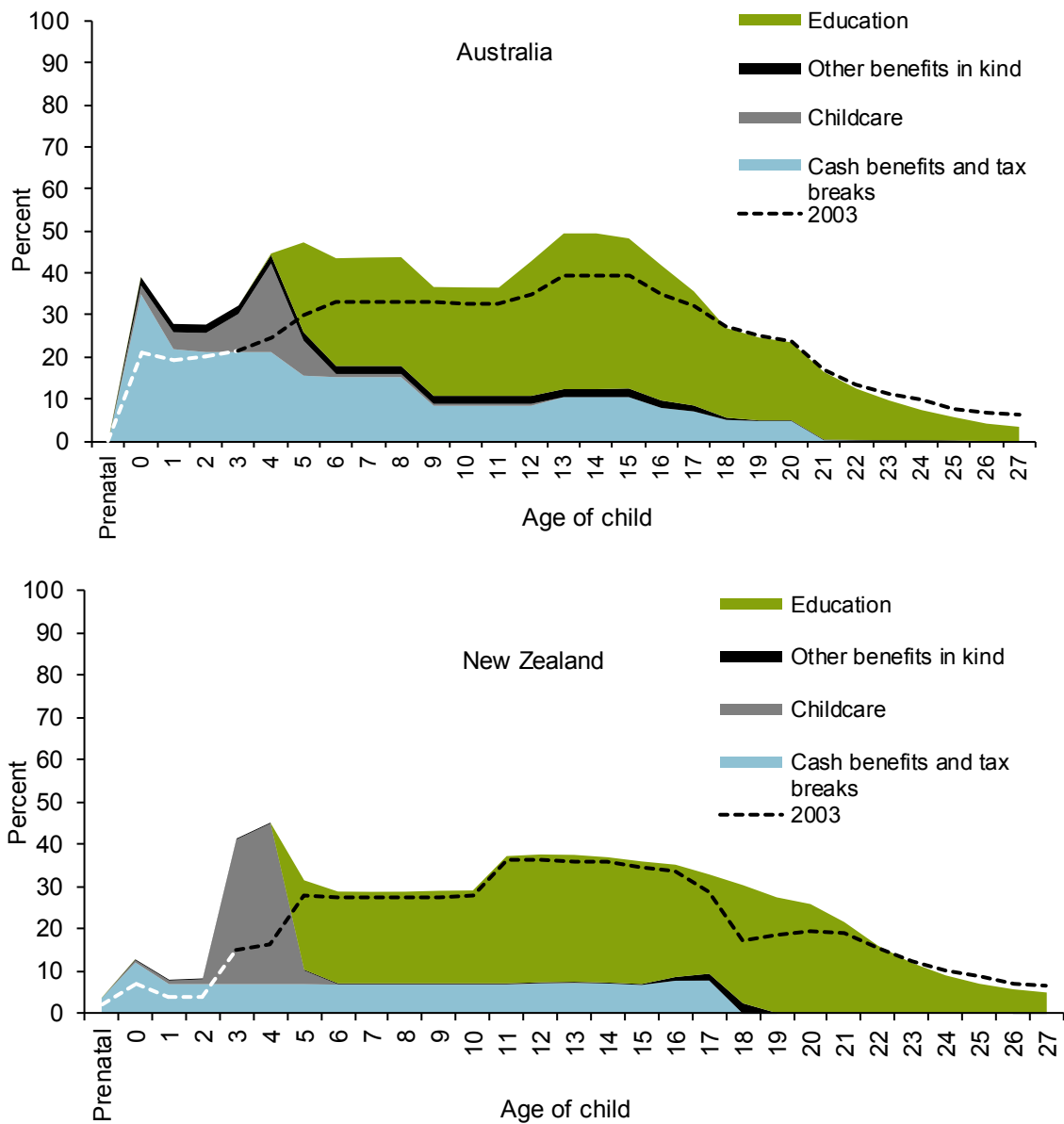
Data sources: OECD *Benefits and Wages: OECD Indicators* www.oecd.org/els/social/workincentives (accessed 20 July 2012); OECD national accounts, PPPs and exchange rates, http://stats.oecd.org/Index.aspx?DataSetCode=SNA_TABLE4 (accessed 15 August 2012); IMF *World Economic Outlook database*, <http://www.imf.org/external/pubs/ft/weo/2012/01/weodata/weorept.aspx?sy=2009&ey=2012&scsm=1&ssd=1&sort=country&ds=.&br=1&c=193%2C196%2C111&s=PPPEX&grp=0&a=&pr1.x=30&pr1.y=7> (accessed 15 August 2012); and World Bank Data, PPP conversion factor <http://data.worldbank.org/indicator/PA.NUS.PPP> (accessed 15 August 2012).

Figure D.7 Average social expenditure per child by intervention as a proportion of median working-age household income, Australia and New Zealand, 2003



Data source: OECD Family database, http://www.oecd.org/document/4/0,3746,en_2649_34819_37836996_1_1_1_1,00.html (accessed 23 July 2012).

Figure D.8 Average social expenditure per child by intervention as a proportion of median working-age household income, Australia and New Zealand, 2007



Data source: OECD Family database, http://www.oecd.org/document/4/0,3746,en_2649_34819_37836996_1_1_1_1,00.html (accessed 23 July 2012).

Table D.6 Public spending on family benefits in cash, services and tax measures, percent of GDP, 2007

| | <i>Cash</i> | <i>Services</i> | <i>Tax breaks towards families</i> | <i>Total</i> |
|-------------|-------------|-----------------|--|--------------|
| Australia | 1.80 | 0.65 | 0.36 | 2.81 |
| New Zealand | 2.26 | 0.79 | 0.02 | 3.07 |

Source: OECD *Family database*, http://www.oecd.org/document/4/0,3746,en_2649_34819_37836996_1_1_1_1,00.html (accessed 23 July 2012).

Finally, a comparison of Australia's Family Tax Benefit and New Zealand's Family Tax Credit using the on-line calculators for each country broadly confirms the previous finding that the Australian family payments system is more generous than its New Zealand counterpart. In particular, of the five scenarios chosen, only one family type (a single parent who earned A\$25 000 per year with one 13 year old fully dependent child) received a higher family payment in New Zealand than in Australia (table D.7).

Information provided by the Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA, pers. comm., 17 August 2012) shows the average FTB payments for New Zealand citizens were slightly higher than the average payments to Australian and all other citizens in 2009-10 (table D.8). While not shown here, a similar trend is observed for each year from 2004-05.

Net transfers to governments

Against these social expenditures can be considered the taxation revenue collected by governments. The level of revenue depends on the income and the composition of households. For example, at a certain income level a household with two earners (with average health) and no children would become net contributors to government revenue, but holding all else constant and adding two children increases the income level at which this household becomes a net contributor to government (that is, when its taxation revenue outweighs its cost to taxpayers). This calculation, however, is further complicated as family payments generally differ by the age of the child, as the Henry Review (2010) noted:

Family Tax Benefit Part A rates are broadly adequate for 5–15 year olds, more than adequate for 0–4 year olds, but below the cost of children for 16–17 year olds (as is Youth Allowance). (Chapter 9)

Table D.7 Comparison of family payment receipts under different scenarios, Australia and New Zealand^a, 2012

| <i>Scenarios</i> | <i>Australia Family Tax Benefit PPP^{b,c}</i> | <i>New Zealand Family Tax Credit PPP^{b,c}</i> |
|--|---|--|
| Partnered couple with two children (aged 3 and 8) with one source of income of A\$42 000 per year. | \$12 576 | \$10 180 |
| Single parent with one child (aged 13) with income of A\$25 000 per year derived from working 20 hours per week. | \$8 354 | \$9 437 |
| Partnered couple with three children (aged 4, 6 and 10) with incomes of A\$42 000 and A\$18 000 per year. | \$12 278 | \$10 021 |
| Single parent with three children (aged 4, 6 and 10) with income derived from work 25 hours per week for an income of A\$30 000 per year). | \$17 294 | \$14 899 |
| Single parent with one child (aged 10) with income of A\$1 per year. | \$7 029 | \$4 878 |

^a Across all scenarios, the following assumptions were made. The transfer recipient was assumed to own their own home, not receive any transfers from government aside from the family payment. When the recipient was partnered, neither they nor their partner had any children from previous relationships. Approved child care services were not used. All income was generated from wages and salaries. Where the recipient was a single parent, their children were in their care all the time and they received no child support payments. ^b In all scenarios, except the last, the Australian dollar amounts were converted into their New Zealand equivalent using purchasing power parity (PPP) figures prior to being entered into the New Zealand calculator. The PPP figures were based on the OECD's GDP series 2011 figures of 1.56 for Australia and 1.53 for New Zealand. The results from the calculators were annualised, then converted into international dollars using the same PPP ratios and then rebased to be expressed in Australian dollars. When calculated using the World Bank and IMF PPP figures for 2011, the relativities remain although the nominal PPP figures vary. ^c The private consumption PPP indices (only available from the OECD and the World Bank) increase the nominal gap between Australian and New Zealand PPP comparisons but do not change the relativities.

Data sources: Commissions estimates from Centrelink's *Rate Estimator* (on-line calculators using the 'Family Assistance Rates Only') <https://www.centrelink.gov.au/RateEstimatorsWeb/publicUserCombinedStart.do> and Inland Revenue's *Work it Out, Estimate your Working for Families Tax Credits* (on line calculator) <http://www.ird.govt.nz/calculators/keyword/wff-tax-credits/calculator-wfftc-estimate-2013.html>; OECD national accounts, PPPs and exchange rates, http://stats.oecd.org/Index.aspx?DataSetCode=SNA_TABLE4 (accessed 15 August 2012); IMF *World Economic Outlook database*, <http://www.imf.org/external/pubs/ft/weo/2012/01/weodata/weorept.aspx?sy=2009&ey=2012&scsm=1&ssd=1&sort=country&ds=.&br=1&c=193%2C196%2C111&s=PPPEX&grp=0&a=&pr1.x=30&pr1.y=7> (accessed 15 August 2012); and World Bank Data, PPP conversion factor <http://data.worldbank.org/indicator/PA.NUS.PPP> (accessed 15 August 2012).

Table D.8 Family Tax Benefit (FTB) entitlements by citizenship and country of birth, 2009-10^a

As at 30 June 2012

| <i>Country of citizenship</i> | <i>Country of birth</i> | <i>2009-10</i> | |
|-------------------------------|-------------------------|----------------------------|---|
| | | <i>Number of customers</i> | <i>Average FTB Amount (\$) ^b</i> |
| Australia | Australia | 1 456 433 | 8 765 |
| | New Zealand | 24 682 | 8 793 |
| | Other | 363 667 | 8 737 |
| New Zealand | Australia | 418 | 8 828 |
| | New Zealand | 41 903 | 10 075 |
| | Other | 11 482 | 11 141 |
| Other | Australia | 5 321 | 6 738 |
| | New Zealand | 266 | 7 078 |
| | Other | 114 433 | 8 544 |

^a This table only includes customers who were eligible for FTB for at least one day post-reconciliation for the relevant entitlement year. Reconciliation data is generally only considered 'mature' two years after the end of the entitlement year, as many customers may not have been reconciled or have not lodged their lump sum claim. ^b Rounded to the nearest dollar.

Source: FaHCSIA (pers. comm., 17 August 2012).

The nature of the tax unit within a country is another factor in determining the incentives for one or both partners in a family to work (OECD 2011) and hence the income levels at which they become tax contributors. Table 8 looks at the net taxes (the difference between taxes paid and family and other benefits received) for three different types of couple families — single earner couples, dominant dual-earner couples and equal dual-earner couples — at incomes of 133 percent and 200 percent of average earnings in Australia and New Zealand in 2008.

These data show that net taxes as a percentage of gross household earnings are generally higher in Australia for these three types of couples with two children aged 6 and 11 at both the income levels. Nonetheless, both systems favour dual-earner couples over single-earner families.

Table D.9 Average payments to governments as a percent of gross household earnings at different earning distributions for couples with two children aged 6 and 11, 2008

| | <i>Single-earner couples^a</i> | | <i>Dominant dual-earner couples^b</i> | | <i>Equal dual-earner couples^c</i> | | <i>Difference in net transfers to government: single and equal dual-earner couples</i> | |
|-------------|--|--------------|---|---------------|--|----------------|--|------------------------|
| | <i>133-0</i> | <i>200-0</i> | <i>100-33</i> | <i>150-50</i> | <i>67-67</i> | <i>100-100</i> | <i>133</i> | <i>200</i> |
| | <i>[a]</i> | <i>[b]</i> | <i>[c]</i> | <i>[d]</i> | <i>[e]</i> | <i>[f]</i> | <i>[g]^d</i> | <i>[h]^e</i> |
| Australia | 17.6 | 28.7 | 14.3 | 23.2 | 12.6 | 22.6 | 28.5 | 21.3 |
| New Zealand | 15.7 | 28.9 | 11.2 | 23.4 | 9.7 | 21.1 | 38.1 | 26.9 |

^a Single-earner couples — one earner earning 133% and the other nothing (labelled 133-0) or one earner earning 200% and the other nothing (labelled 200-0). ^b Dominant dual-earner couples — the main or primary earner has average while the second earner has one third (labelled as 100-33) or the main earner has 1.5 times average earnings while the second earner has half of average earnings (labelled as 150-50). ^c Equal dual-earner couples — both spouses earn either average earnings (labelled as 100-100) or 67% of average earnings (labelled as 67-67). ^d Calculated as $(([a]-[e])/[a] \times 100)$. ^e Calculated as $(([b]-[f])/[b] \times 100)$.

Source: OECD *Family Database*, http://www.oecd.org/document/4/0,3746,en_2649_34819_37836996_1_1_1_1,00.html (accessed 23 July 2012).

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