
D People movement

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 and has effectively been operating since pre-colonial times. It 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, white New Zealanders and Māori could cross the Tasman in either direction without the formalities of passports or permits. The TTTA 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 communiqué 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) the 1973 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, in Australia the TTTA only applies to New Zealand citizens, not their permanent residents. In New Zealand, the TTTA applies to citizens and permanent residents of Australia.

Lockhart and Money (2011) argued there were two explanations for the codification of the long-standing informal free flow of people across the Tasman. The first was the change to British migration policy in 1971, stemming from its

changed focus from the Commonwealth to the European common market (Evans 1972). The other explanation was that 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. (Lockhart and Money 2011, 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) and short-term travel and visitors (section 4). Appendix D.1 compares both countries' social security systems.

D.1 Visitor and migration flows: an overview

Visa arrangements under the Trans-Tasman Travel Arrangement

Between 1973 and 1994 New Zealand citizens living in Australia under the TTTA were classified as 'exempt non-citizens' which provided them with de facto permanent residency in Australia. However, since 1 September 1994 Australia has had a universal visa requirement and 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. 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 unless they request one (DIAC 2012d).

New Zealand also has a universal visa requirement. On entering New Zealand, Australian citizens and current Australian permanent residents are automatically granted a residence visa on arrival in New Zealand, no matter how long they are staying. They do not need to apply for a visa in advance of travel (Immigration New Zealand nd).

Other visa concessions

The Australian Government also offers a 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).

The distinctive nature of trans-Tasman people flows

While both New Zealand and Australia are immigrant nations, for both countries the trans-Tasman flow is different from any other international movement (Hugo 2004). First, from an Australian perspective, New Zealand migration is more similar to the characteristics and settlement patterns of internal migration than international migration. Second, Hugo argued that the most distinctive characteristic of trans-Tasman people movement was its circularity:

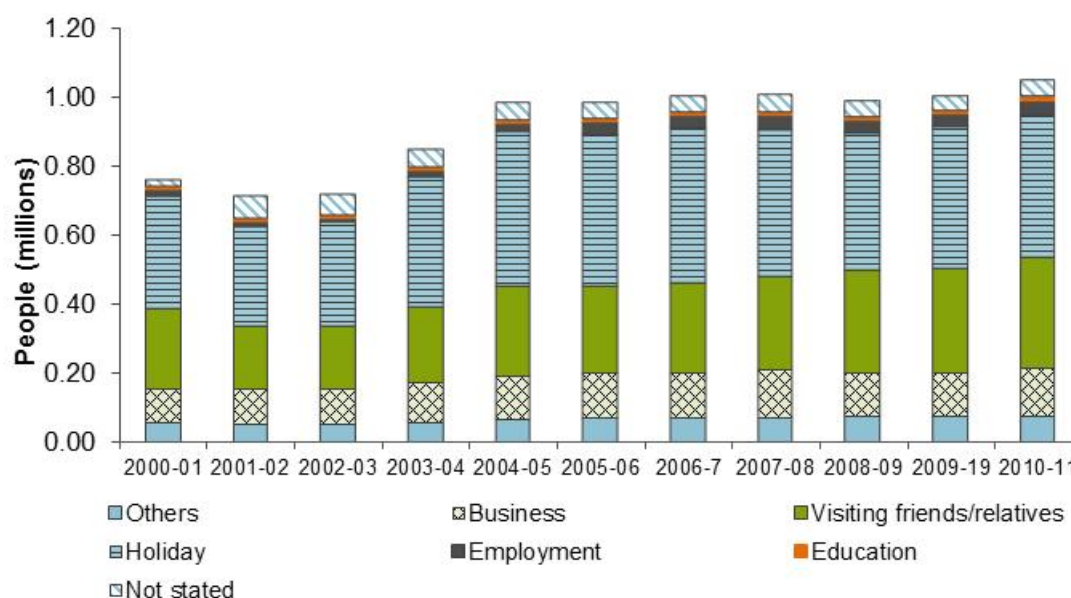
These circuits vary in periodicity from short periods to, a working a holiday of a year, to work assignments of a few years to workers spending their working lives in the destination area and returning home upon retirement. (p. 35)

Strong trans-Tasman visitor flows among citizens

Australia is the leading source country of visitor arrivals in New Zealand and vice versa, with over 2 million visits per year between 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).

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.

The General Agreement on Trade in Services (GATS) identifies four modes to trade in services (Jansen and Piermartini 2004).¹ In terms of these GATS definitions, in 2010-11 of the 1.05 million visitor arrivals to Australia with New

¹ The four modes are: mode 1 — cross-border supply: when a service crosses a national border. An example is the purchase of insurance 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 (eg 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.

Zealand citizenship, around 70 percent were associated with 'mode 2' while around 17 percent appear to be associated with 'mode 4' trade.

Migration flows are mainly to Australia from New Zealand

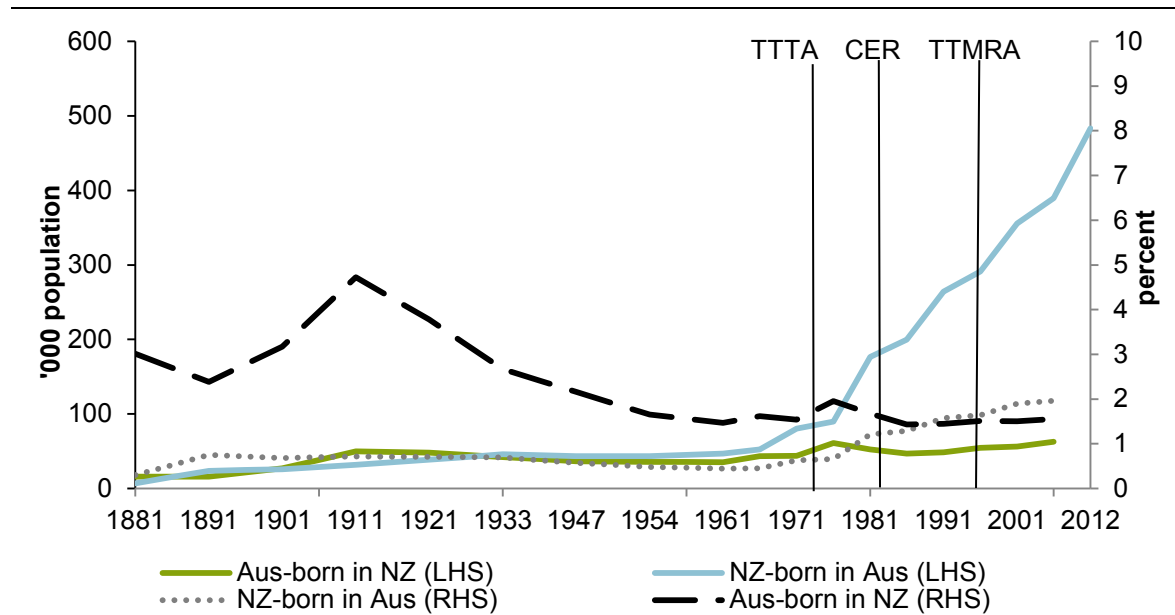
Since the late 1960s trans-Tasman migration flows have been predominantly from New Zealand to Australia. The proportion of Australian-born people in New Zealand has declined from a high of around 5 percent in the early 20th century to under 2 percent by 2006. By contrast, New Zealand-born as a proportion 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).

Expressed as a percentage of their source country populations, a much higher proportion of the total New Zealand-born population lives 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 individuals living in New Zealand at the time was 0.3 percent.

For Māori, the relative proportion of the total population living in Australia is much higher with recent estimates suggesting that almost 1 in 5 Māori lived in Australia in 2011, an increase from around 1 in 6 in 2006 (Hamer 2008a and 2012), although these estimates include Australian-born individuals of Māori descent.

The available evidence suggests that migration from New Zealand to Australia is mostly related to economic factors (DIAC 2011a; Green et al. 2008; Hamer 2008a and 2012; 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 (which generally correspond with New Zealand's business cycles), the annual net migration flows have generally been negative, meaning that the stock 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 net 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).

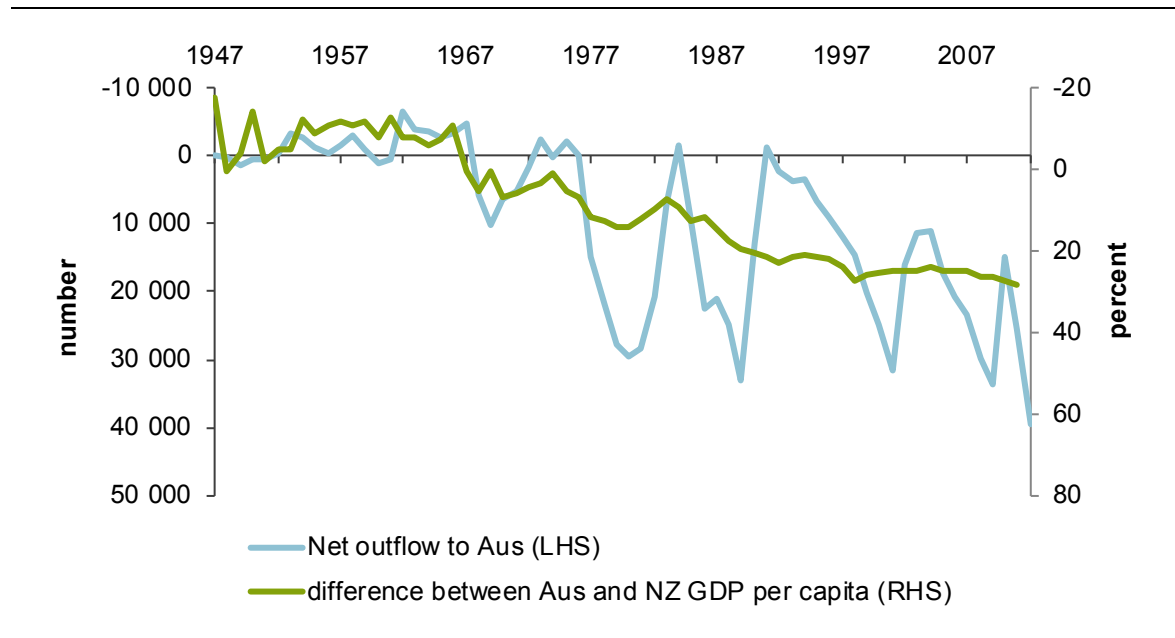
Figure D.2 Trans-Tasman born population trends
1881 to 2012^{a,b}



^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).

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



Data sources: 2025 Taskforce (2010); Maddison (2008); OECD (2012e).

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 (appendix D.1).

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). It is also plausible that the shortage in housing arising from the Christchurch earthquake in February 2011 may have contributed to recent migration flows.

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. Of those who provided information, 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.

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

Australia

Repayments of HECS-HELP (Higher Education Contribution Scheme — Higher Education Loan Program) loans are required for earnings above A\$49 095 (ATO 2012).

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 (IRD 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.

Sources: ATO (2012); DEEWR (2011); IRD (2011).

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

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).

New Zealand's most recent census (2006) showed that there were 63 000 Australian-born people living in New Zealand (SNZ 2007b). Statistics New Zealand (pers. comm., 30 August 2012) estimates that in 2011 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). Of these, almost one third indicated they were Australian citizens (ABS 2012c).

The Australian census figures, however, do not include New Zealand citizens living in Australia who were not born in New Zealand (and vice versa). According to DIAC (2012d), there were 648 000 New Zealand citizens present in Australia on 30 June 2012. As at 31 March 2012, 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 at that time. Some may also be Australian citizens.

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 2012a).

Characteristics of New Zealanders living in Australia

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 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). The Commissions' analysis of 2011 Australian Census (ABS 2012c) supports these findings.

Most New Zealand immigrants have settled on the eastern seaboard of Australia, notably Queensland (Hugo and Harris 2011; McCaskill 1982), although there is a growing population in Western Australia, especially among Māori (Hamer 2012). Indeed, this author noted that the Māori as a proportion of New Zealand-born

arrivals in Australia has been gradually increasing over time — from around 10 percent in 1975 to almost 25 percent in 2011.

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 around 7 percent of the stock of New Zealand-born living in Australia indicated their ancestry was Polynesian (ABS 2012c). In 2012, about 5 percent of the stock of New Zealand citizens in Australia was Pacific-born (DIAC sub. DR126).

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; ABS 2012c)
- relatively high employment rates (DIAC 2010a; DoL 2010; ABS 2012c)
- similar unemployment rates when compared with the Australian-born population (DIAC 2010a; DoL 2010; ABS 2012c)
- working in jobs that appeared not fully utilise their formal qualifications (DoL 2010; ABS 2012c)
- 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. In so doing, the TTTA may complement (rather than be a substitute for) local workers (Cully 2012). From an employer's perspective,

using subclass 444 visas to fill domestic shortages is less costly (in both time and money) and facilitates relatively prompt supply-side responses (compared with using the employer sponsored Temporary Business (Long Stay) visa subclass 457).

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 (Stillman and Velamuri 2010) and achieve higher income and occupation levels (Hugo 2004)
- 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' and the associated fiscal risks around the New Zealand Government's investment in higher education emanating from the substantial net flows of New Zealand citizens to Australia.

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

The 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 generally 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 2011b). That said, this general finding may not always hold true for every country, with the net economic effect of migration depending on the relative magnitude of three sorts of impacts. The first sort are those that effect (measured) income and non-market government services. The second sort effect environmental and urban amenity, such as infrastructure and the effect of population growth on biodiversity and pollution. The third sort are social and cultural impacts (either positive or negative) that tend to be outside the influence of markets (PC 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 to immigrants from 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 2011b).

Migration effects for source countries depend on replacement and return migration

For source countries, individual emigrants typically gain through higher incomes. The major risk for source countries is the potential for a 'brain drain' (see, for

example, Greig sub. DR123). 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; Hugo 2004). Remittances and reduced social security outlays can also offset costs for source countries (Hatton 2007; Heinz and Ward-Warmedinger 2006).

A single labour market can also operate as a buffer for each country (PC 2010). For example, New Zealand's Finance Minister Bill English said:

It [Australia] has been a bit of a safety valve for jobs for people who can't find jobs here. (cited in Hamer 2012, p. 15)

However, there is also a risk that such emigrants could return *en masse* to the home country if the receiving economy enters a recession; especially where they have restricted access to social welfare (Hamer 2012). When the home country is also in recession, the fiscal consequences associated with such movement will be adverse for the home country but favourable for the receiving country.

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 generate what is known as 'adverse selection'. This happens when a country's welfare 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; Sinn 2000).

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 the principles of the multilateral trading system 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 agreements, 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 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 of the multilateral trading system 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 broadly 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 (for example, see 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 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, citizenship, voting rights and issues of identity. 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 (see above).

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 and permanent residents² living in New Zealand have access to the set of social payments and supports and medical benefits (WIC 2012a). 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 (Ministry of Health 2011a and b).

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; WIC 2012b). Costs are shared between the two governments in proportion to the time the individual has spent in

² As permanent residents of Australia are granted a residence class visa on arrival under the *Immigration Act 2009*, they are also eligible for benefits under the *Social Security Act 1964* (provided they also meet the usual residential requirements in section 74AA and other relevant eligibility criteria).

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.

Today, Australian citizens and permanent residents living in New Zealand are eligible for:

- Domestic Purposes Benefits (Care of Sick or Infirm, Sole Parents and Women Alone), Emergency Maintenance Allowance, Independent Youth Benefit, Invalids Benefit, Sickness Benefit, Unemployment Benefit and Widows Benefit,³ after a two year waiting period
- a range of extra assistance (such as Accommodation Supplement, Child Disability Allowance, Disability Allowance, Home Help, and Young Parent Childcare Payment) if they are ordinarily resident in New Zealand
- 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 (IRD 2010 and 2012).

Australian citizens and permanent residents 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).

³ The New Zealand *Social Security (Benefit Categories and Work Focus) Amendment Bill* is currently being considered by the Social Services Select Committee. If this Bill proceeds, it will create a new system of main benefits with an enhanced work focus. The seven categories of main benefits will be replaced by three new benefits — Jobseeker Support, Sole Parent Support and Supported Living Payment. These changes are due to come into force on 15 July 2013.

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

- 1973** The informal free flow of people through the TTTA was formalised, allowing citizens of Australia and New Zealand to travel and work unrestricted in both countries and become de facto permanent residents in either country. Immediate access given to all social security payments and public health.
- 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 period.
- 1994** Introduction of the temporary 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 generally arrived 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 visa holders 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 and to apply directly for Australian citizenship. 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.

Sources: Australian Government (1973); Dapré (2006); Department of Families and Community Services (2001a and b); DIMIA (2000); New Zealand Government (2001).

In practice, Australian citizens and permanent residents 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 acquired after five years residency in New Zealand (DIA nd). 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 and permanent residents living in New Zealand are simple and rarely leave individuals and families without access to a safety net if required.

New Zealand citizens living in Australia

New Zealand citizens living in Australia are 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 (FaHCSIA nd; Medicare Australia 2010). 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 were introduced 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, as holders of SCVs New Zealand citizens were considered permanent residents for the purposes of the *Australian Citizenship Act 1948* and were eligible to apply directly for Australian citizenship without first having to become permanent residents (DIAC, sub. DR126). Thereafter, New Zealand citizens have been required to apply for (and be granted) permanent residence in Australia (generally under the same criteria as other applicants) if they wished to access certain social security payments, obtain citizenship or sponsor their family members for permanent residence (DIAC nd; 2011a).⁴ 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 holder were granted Australian citizenship at birth (DIAC 2010a).

A number of state and territory governments have also mirrored Australian Government social security law, limiting access to some social policy services (mainly disability and public housing support) (see, for example, Faulkner 2012).

Another consequence of the 2001 migration law changes is the lack of access for some children of non-Protected SCV holders to HECS-HELP (the Australian Government's student loan system). This is because under the *Higher Education Support Act 2003* 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 payments⁵ ranging from around A\$4 500 to A\$9 000 a year depending on the course (Australian Government nd; Kearney 2012).

⁴ However, New Zealand citizens living in Australia in 1994 may be eligible to be considered as an 'absorbed person' under the *Migration Act 1994*.

⁵ This 2003 policy change, while subject to little debate at the time (NUS 2003), reflected the gradual tightening of eligibility to student loans for New Zealand citizens. In the 1992-93 Commonwealth Budget, New Zealand citizens resident in Australia at enrolment for less than two years, or studying from outside Australia, were required to pay HECS upfront from 1993 but were entitled to the 25 per cent discount. The 1995-96 Commonwealth Budget proposed mandatory up-front payments of HECS by non-citizens and New Zealand students together with the removal of 25 percent discount when up-front payments were mandatory. However, Senate amendments restricted the provisions relating to New Zealanders and non-citizens to those who: became permanent residents after 1 January 1996; commenced their courses after 1 January 1996; and would not experience hardship as a result of these measures (Jackson 2003).

Children of non-Protected SCV holders are, however, eligible for Commonwealth supported places — but they must pay their student contributions in full and upfront. They also do not qualify for the upfront discount in the cost of their fees (currently 10 percent) as well as other study-related social security support, such as YA, Austudy and Commonwealth Scholarships.

Hence today the limitations on access to certain other (generally 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 law⁶ 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) (Centrelink nd)
 - can apply for Australian citizenship without first having to apply for permanent residency
- non-Protected SCV holders:⁷
 - 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 six 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 unlikely to be eligible for assistance under the proposed National Disability Insurance Scheme (NDIS) until after the rollout of the NDIS, at which time a reciprocal arrangement for disability support with New Zealand could be negotiated (PC 2011a)

⁶ See section 9.1.2.40 in the *Guide to Social Security Law* (FaHCSIA nd).

⁷ As noted by Faulker (sub. DR128) it is possible to be classified as a non-Protected SCV holder under social security law but to have lived in Australia prior to 26 February 2001.

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)

While the New Zealand Government was seeking to maintain the sovereignty over their migration program and reduce the outward movement of people to Australia, it also had no desire to compensate Australia for social security payments to New Zealanders that had left its shores. Accordingly, Prime Minister Clark stated:

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)

Whether the precise changes to the Australian Government rules surrounding access to social security and permanent residency were agreed by the New Zealand Government is a moot point (Faulkner subs. DR67 and DR72).

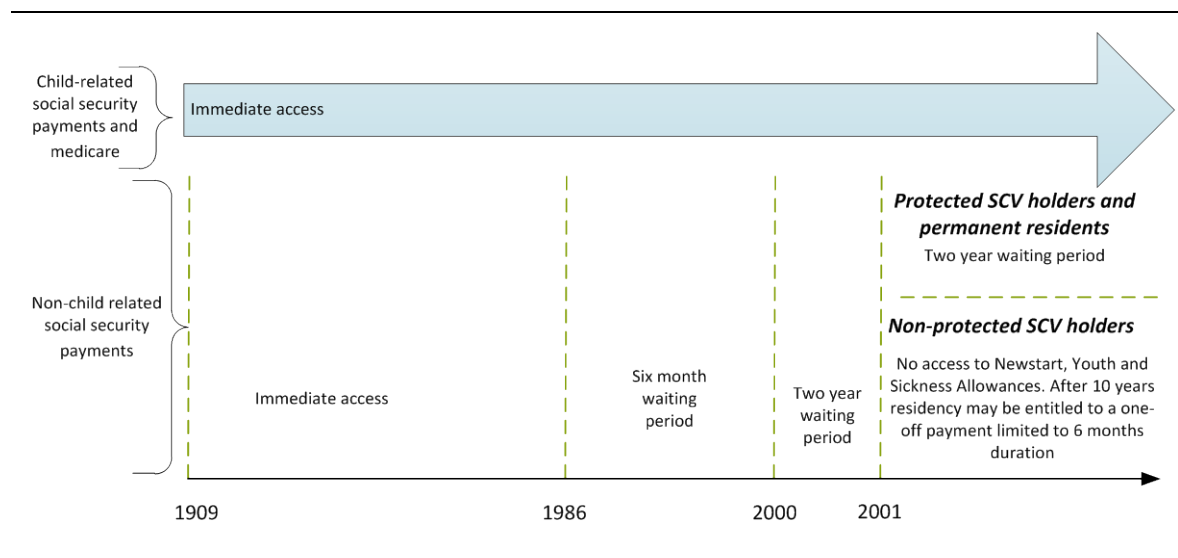
Sources: Birrell and Rapson (2001); FaCS (2001c); FaHCSIA (pers. comm., 2 July 2012); Faulkner (subs. DR67 and DR72); Goff (2001); Hamer (2007); Howard and Clark (2001); Sanderson (2009); Poot and Sanderson (2007); Strutt et al. (2008).

- all SCV holders:
 - are eligible for Commonwealth supported higher education places but are not eligible to apply for HECS-HELP (or VET FEE-HELP)
 - are generally not eligible to join the Australian Defence Force or obtain ongoing work for the Australian Government (DIAC 2012d)
 - are not able to access some government social support services and funding (mainly disability and public housing) in some state and territories (Faulkner 2012; Queensland Parliament 2012).

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



New Zealand citizens living long term in Australia — key issues

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.)

However, 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 2011a and b).

The question of when a non-Protected SCV holder moves from being an 'indefinite 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, some social policy supports and pathways to citizenship. Indeed, as Mares (2012) noted, such a move also raises issues surrounding identity and loyalty.

Issues raised by participants

Difficulties in obtaining permanent residency and citizenship

Potential options available to non-Protected SCV holders who face risks as a result of having no or limited access to Australian safety nets (for example, NSA, YA, SA or SpB) are 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 (previously SCV holders were eligible to apply for citizenship without having to apply for permanent residency). 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

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.

citizens who have arrived since 2001 face challenges within both the 'demand-driven' and 'supply-driven' pathways to Australian permanent residence and citizenship. Moreover, as Australia's permanent migration intake is capped while the temporary migration intake is not, SCV holders must vie with a growing number of other temporary visa holders (particularly 457 visa holders) as well as off-shore applicants for a spot in Australia's permanent intake (Mares 2012).

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 2012b and c). 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; Phillips and Spinks 2012). Under current arrangements, Skills Australia establishes the Skilled Occupation List (SOL). In practice, this process means 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; Phillips and Spinks 2012).

Accordingly, a proportion of long term New Zealand citizen residents who may have been working in Australia for many years may be over the relevant age limits or 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 be defined as 'in need' at the time of the New Zealand citizen's application.

A number of submissions contended that limited access to permanent residency and/or citizenship inhibits full participation in Australian society. 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)

And Leslie (sub. DR111) contended:

Many New Zealanders in Australia find themselves unable to participate fully in the Australian or the New Zealand welfare and political systems. They are 'labourers', but not members of the political communities within which they reside. (p. 2)

Citing data obtained from DIAC, QUT-Griffith University (sub. DR75) indicated that less than 10 percent of New Zealand citizen arrivals between July 2006 and May 2012 were granted permanent residency. Utilising data from the 2011 Census, Faulkner (sub. DR67) illustrated the steep decline in the proportion of New Zealand-born and various Pacific Island-born peoples obtaining Australian citizenship since 2001 (see also Hamer 2012 in relation to Māori).

Lack of awareness of limitations on social security and/or migration

An analysis of the two social security systems (appendix D.1) suggests that the Australian family payments system is relatively generous, 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 Unemployment Benefit, 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) (Hugo 2004) and led to an increase in return migration (Poot and Sanderson 2007). While both governments have 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 (and submissions to this study) indicate that a sizeable proportion of New Zealanders do not acquire knowledge of these limitations before travelling to Australia (Access and Equity Inquiry Panel 2012; 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, Austudy, HECS-HELP, or state government disability supports and have to decide whether to return to New Zealand (see, for example, Berking sub. DR71).

Hardship arising from social security and migration limitations

Some critics of the 2001 arrangements (particularly some non-Protected SCV holders) have argued against the 2001 limitations on human rights or discrimination grounds (see www.underarmbowling.com, www.Maori-in-oz.com and www.specialcategoryvisa.com). Others 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.

A number of submissions to the Access and Equity Inquiry Panel (2012) (box D.4) and to this study (subs. DR67, DR71, DR72, DR81, DR82, DR85, DR88, DR90, DR91, DR98, DR112, DR113 and DR115) reiterated these claims.

In addition, the financial problems surrounding lack of access to Parenting Payment Single for non-Protected SCV holders who have children with either New Zealand or Australian citizens but who felt unable to return to New Zealand with their children⁸ were outlined in Broederlow (2012 and sub. DR88) (see also box D.5).

The Pasifika Pioneers, Pacific Indigenous Nations Network and Nerang Neighbourhood Centre (sub. DR81) also documented problems arising from Māori and/or Polynesian children being sent to Australia — or seeking refuge in Australia from difficult family situations (Hunt 2012) — to live with older siblings or other relatives (box D.5). For example,

As there is no access to benefits for these kids, their Australian caregivers are left to financially support them, a burden they are not generally prepared for. As their vested interest in the child is not a parental one, these kids are often left to their own devices, arriving at school without food, proper uniforms or resources, getting in trouble at school, truanting and progressing to criminal activities (sub. DR81, p. 7)

The TTTA should generally not facilitate children living in another country without their parent. Visa conditions could be amended to generally preclude this possibility. The administrative costs associated with ensuring that such visa conditions continue to be met after arrival may be warranted in these circumstances.

Further, the plight of non-citizen partners of SCV holders (who enter under visa subclass 461) has been raised in two submissions (box D.5).

Concerns around the lack of access to some state and territory government social services (mainly for children with a disability and public housing) were also raised in a number of submissions (for example, Townsville Māori and Pacific Island Family Reference Group sub. DR98). Further, in a submission to the Queensland Government's Legal Affairs and Community Safety Committee in response to its proposed legislative amendment to the *Anti-Discrimination Act 1991* to exclude certain persons based on their citizenship or visa status from being eligible for government assistance, services or support, the Anti-Discrimination Commission Queensland (ADCQ 2012) stated:

The Commission appreciates that economic requirements may in some instances justify the restriction on the provision of expensive government services to Australian citizens or to persons with particular visa status. However, if the amendments are made as proposed, the Commission is concerned that any widespread denial of certain government services to long term residents of Queensland may create a

⁸ Under the Hague Convention on the Civil Aspects of International Child Abduction they are unable to do so without the permission of the other parent (UN 1989 and 2012).

permanent second class of people. The ADCQ considers this to be detrimental to Queensland's long term social cohesion and localised community harmony.

... The Commission suggests the presence of many thousands of New Zealand citizen temporary residents with increasingly long-term periods of stay raises the potential for a variety of social consequences (pp. 3–5)

The Australian Multicultural Council (AMC sub. DR113) emphasised there were multicultural and social cohesion aspects that needed to be considered in relation to the various limits facing New Zealand citizens living in Australia (box D.5).

Box D.4 Issues raised in submissions to Access and Equity Inquiry Panel (2012)

- The Ethnic Communities Council of Queensland (ECCQ 2012) suggested the limited access to a variety of social welfare supports and services 'may impact on the capacity to fully participate socially and economically'. (p. 13)
- Broederlow (2012) submitted that many New Zealand citizens are confused by the different definitions of residency under the TTTA, taxation, social security and migration law. She also argued:
... the right to social security is to be enjoyed by all residents under article 9 of the *International Covenant on Economic, Social, and Cultural Rights*, and is similar a right to be enjoyed by all resident children under article 26 of the *Convention on the Rights of the Child*. In addition, any restrictions, including a waiting period, must be reasonable and proportionate. A waiting period of forever is neither reasonable or proportionate. (p. 4)
- Hunt (2012) and the Townsville Multicultural Support Group (TMSG 2012) pointed to the housing difficulties of Pacific Island peoples, including the limitations on access to public housing.
- The Queensland Pacific Island Workers Network (QPIWN 2012) argued that many legislative restrictions across different levels of government meant that not 'everyone' can participate in the opportunities Australia has to offer.
- The Pacific Indigenous Nations Network Gold Coast (PINNGC 2012) stated:
The lack of access to all people living in Australia is contrary to the principles of the Australian Multicultural Policy. The current situation creates a policy of exclusion rather than inclusion for over 100 000 Non Protected SCV holders. Australia surely can't invite a whole nation in and then not include them in their policies for access and equity? (p. 6)

Sources: Broederlow (2012); ECCQ (2012); Hunt (2012); PINNGC (2012); QPIWN (2012); TMSG (2012).

Box D.5 **Issues raised in submissions to this study**

Separated parents may be unable to return to New Zealand

For example, the Pasifika Pioneers, Pacific Indigenous Nations Network and Nerang Neighbourhood Centre (sub. DR81) stated:

The culmination of these barriers to safety [nets], have resulted in New Zealand women (in particular) literally being trapped in violent relationships, in another country with no support. The stress on these women and their children is huge. (p. 7)

Difficulties faced by non-citizen partners of SCV holders

For example, Clarke (sub. 60) argued that while his family was grateful for the existence of this visa subclass, he felt that as they aged it would be increasingly expensive to acquire comprehensive medical insurance (a visa requirement).

Naber (sub. DR61) indicated that the ongoing temporary nature of the arrangements was 'unsettling' for his family. He also pointed to some of the difficulties in obtaining permanent residency even for someone who has lived in Australia since 2005 and has an occupation on the SOL.

Multicultural and social cohesion aspects from social security limits

The Australian Multicultural Council (AMC sub. DR113) submitted in response to the discussion draft:

The Closer Economic Relations discussion and supplementary papers consider many facets of a more integrated trans-Tasman labour market. However, the emergence in Australia of an economically disadvantaged group, which also identifies as socially marginalised, appears not to have been considered or addressed. The fact that a number of these individuals are of Maori, Samoan, Tahitian or other Pacific Islander heritage can contribute to a sense of exclusion based on cultural identity.

As partners of Australia's National Anti-Racism Strategy, the AMC considers such experiences to be detrimental to Australia's long term social cohesion and localised community harmony. Australia's commitment to positive relations with our trans-Tasman neighbours adds another dimension to this issue. (p. 2)

The Pacific Communities Council of Far North Queensland (sub. DR115) contended that the lack of access to social supports had contributed to 'hidden homelessness amongst the Pacific Island community' (p. 2).

And Anglicare Southern Queensland (sub. DR112) stated:

Of the 240 specific case management clients we have serviced (this does not include the number of participants that have been involved in our service, who have not been case managed, which to date comprises of 1680 young people), 225 have been affected by lack of access to the welfare systems. The typical scenario we are seeing is that they are living in over-crowded houses for example 24 people in a 3 bedroom house depending on 1 income. As a result of the lack of access for payments there is a shift towards anti-social behaviour to gain food, get access to clothing etc. (p. 4)

Lack of access to student loans

In relation to the lack of access to HECS-HELP for SCV holders — as foreshadowed by the National Union of Students (NUS 2003) — QUT-Griffith University (sub. DR75) and Green (sub. DR85) outlined evidence of the relatively low rate of participation in higher education by young New Zealanders living in Australia. For example:

- New Zealand-born people aged 18–24 years were half as likely as the overall Australian population to be studying (ABS 2010)
- indicative data (obtained from DEEWR) on the relative proportion of students in higher education who were New Zealand citizens in 2010 and 2011 showed a lower rate of enrolment in universities than would be expected given the size of their populations in the relevant catchment areas (cited in sub. DR75).

By contrast, information from the Ministry of Education (2011) suggested that the participation rates in higher education of Māori and Pacific Islanders (Pasifika peoples) were higher in New Zealand than in Australia and their (New Zealand) participation rates had also increased over the decade to 2010:

The proportion of the [New Zealand] population aged 15 years and over with a bachelor's degree or higher qualification has increased from 10 percent in 2000 to 17 percent in 2010. ... While the proportion of Pasifika peoples without a qualification increased, those with bachelors or higher qualification increased from 3.7 percent in 2000 to 5.2 percent in 2010. The proportion of Māori with a bachelors or higher qualification more than doubled from 2000 to 2010 to 8.1 percent. (p. 11)

Other submissions (for example, subs. DR71; DR81; DR82; DR85; DR90; DR91; DR98; DR112; and DR115) indicated the HECS-HELP eligibility rules imposed financial difficulties on many non-Protected SCV holder families who have been resident in Australia for some considerable time — not necessarily only those with limited means — or made 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. These authors also noted that some families had returned to New Zealand to support their child's further education (see also attachment 2 to sub. DR90).

Growing concerns about the social inclusion implications resulting from the lack of access to support for post-school education and training have been raised in a variety of submissions (box D.6).

Box D.6 Views on lack of access to HECS-HELP

Submissions to this study

For example, in relation to New Zealander citizens of Cook Island origin, Moeara (sub. DR91) stated:

In Queensland, the bulk of Cook Islanders is concentrated in the geographic corridors of Brisbane to the Gold Coast, particularly Logan City, Brisbane to Ipswich and Brisbane to Caboolture. There is clear evidence from community events and feedback that a large portion of this population is under the age of 25 years. There is a growing concern that as time progresses where affordability and access to tertiary education is unachievable social problems will start to emerge. (p. 4)

Faulkner (sub. DR67) stated:

... inequitable access to higher education is creating a cycle of intergenerational poverty amongst New Zealanders. This has become particularly noticeable amongst those of Pacific Island origins ... (p. 4)

Submissions to the Access and Equity Inquiry Panel

Submissions to the Access and Equity Inquiry Panel (2012) also outlined a range of problems emanating from a lack of access to HECS-HELP for younger SCV holders living long term in Australia (Broederlow 2012; Hunt 2012; and Queensland Pacific Island Workers Network 2012). The PINNGC (2012) submitted:

Our children can only access higher education and further training if they can afford it. We cannot access HECS due to our residency status and therefore our children's hopes and aspirations are being crushed. The ramifications of this are evident in youth justice figures, youth mental health statistics, homelessness numbers, and domestic violence incidents. The Australian Government has created and fostered an underclass of people by removing access to HECS and therefore the ability for this huge migrant group to be able to up-skill or even get skilled. With the constant unhindered flow into Australia of New Zealand migrants, these figures are only going to get worse. (pp. 3–4)

Sources: Access and Equity Inquiry Panel (2012); Broederlow (2012); Hunt (2012); PINNGC (2012); Queensland Pacific Island Workers Network (2012).

And Kearney (2012) stated:

The consequences are not just the social exclusion of a disadvantaged community, ... both sides suffer the consequences of this exclusion and alienation, which destabilise and disrupt the shared life of the nation.

... Both [Australian and New Zealand] governments now need to reconsider socio-economic outcomes. Existing arrangements compromise educational opportunities for a significant group of young people who are highly vulnerable through no fault of their own ... (p. 132–33)

The QUT-Griffith University (sub. DR75) also asserted that while there was a moral argument for providing the children of long term New Zealand citizen residents with the same access to educational opportunities afforded to

Australians, there was a business case for enhancing their access. It was argued that higher levels of education would enhance productivity growth for both countries due to the highly integrated nature of the Australian and New Zealand labour markets. However, while the benefits of productivity growth could be considered as one element with a benefit-cost calculation, it is not the only benefit. There are a variety of benefits and costs (some of which are more difficult to quantify in monetary terms than others) that would need to be incorporated into the Australian Government's consideration on the net benefits associated with any change in access to HECS-HELP.

While submitters were generally mindful of the fiscal ramifications and complexities surrounding any increases in access to social security for non-Protected SCV holders, they also regarded access to HECS-HELP and the development of a pathway to Australian citizenship (following the completion of suitable waiting periods and other appropriate criteria) as key priorities.

Summary

A range of different, and often complex, issues have arisen for long term resident New Zealand citizens in Australia stemming largely from the significant changes to social security and migration law in 2001.

DIAC estimated that on 30 June 2011 there were around 240 000 New Zealand citizens in Australia who had arrived after 26 February 2001 (pers. comm., 13 April 2012). Based on its analysis of passenger cards:

... between 40 and 60 per cent of adult New Zealand citizen permanent and long term arrivals would be eligible to apply for a permanent visa. (DIAC sub. DR126, p. 3)

This suggests that the balance of non-Protected SCV holders (or between 100 000 and 144 000 people) would be ineligible for a number of safety net payments and social policy supports, 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.

In addition to the 100 000 to 144 000 or so non-Protected SCV holders, a proportion of Protected SCV holders and their families may also encounter difficulties, for example in relation to accessing HECS-HELP (or VET FEE-HELP). However, like permanent visa holders, as they are eligible to apply for Australian citizenship, they are in a position to remedy this situation, subject to meeting the remaining eligibility requirements.

The Commissions note that the quantity of individuals and families affected at any one time by the lack of access to a number of safety net payments and other social policy supports is relatively small (compared to the size of the Australian population). Even so, the consequences can be significant for those affected. In addition, there are some locations (notably in Queensland) with high concentrations of New Zealand citizens where a range of problems are particularly apparent. Of particular concern are the various cohorts of New Zealand citizen children and youth (both of whom relocated as young children with their parents and may have lived for relatively long periods in Australia). Other New Zealand citizen children born in Australia may not have access to disability supports as they are ineligible for Australian citizenship until they are 10 years old.

With the strong growth in migration from New Zealand to Australia, the number of affected New Zealand citizens is likely to grow over time.

There may be concerns that easing non-Protected SCV holders' access to Australian social security payments and social policy supports will impose a fiscal burden on Australia. Further work by the Australian Government would be needed to assess these 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 2011c). 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 averaged around A\$3 000 per person at that time. Given a 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 be likely to 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, 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 more widely 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)

The Access and Equity Inquiry Panel (2012) also noted that the Australian Government’s Access and Equity policy contains an expectation that it communicates clearly and effectively with people about their benefits, entitlements and obligations.

As discussed, submissions to this study as well as to the Access and Equity Inquiry Panel pointed out that many non-Protected SCV holders — some of whom were from culturally and linguistically diverse backgrounds — were unaware before and after arrival of the limitations on access to some Australian benefits, including student loans for higher and vocational education. As the question of entitlements for temporary residents was considered to be outside its terms of reference, the Panel recommended:

That the Australian Government ensure that agencies give clear and coordinated, whole-of-government advice to long-term temporary entrants to Australia, particularly New Zealand citizens contemplating long-term temporary residence in Australia, both before and after arrival, on their entitlements. (Access and Equity Inquiry Panel 2012, p. 58)

The Australian Government has yet to respond to the Panel’s recommendations.

The Nordic region has similar arrangements regarding the freedom of movement for individuals within that region and 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 airlines prior to

landing in Australia and/or at the time that New Zealand citizens apply for an Australian Medicare card. Another option is for selected Centrelink offices to provide a brochure outlining the arrangements for non-Protected SCV holders (PINNGC 2012). Because Australian Government social welfare access limitations are often echoed in state and territory governments rules, the Ethnic Communities Council of Queensland (ECCQ 2012) argued for greater levels of cooperation, communication and coordination between both levels of government, especially in relation to the unique situation faced by Pacific Island communities living on a long term basis in Australia under the TTTA. The Pacific Indigenous Nations Network Gold Coast (2012) also suggested that companies that actively recruit workers — as well as schools that actively recruit for their sports excellence programs — in New Zealand be required to provide key information to prospective employees and families on their residency status, obligations and entitlements.

In her submission, Broederlow (sub. DR88) emphasised the importance having a ‘one stop shop’ (including a website with a downloadable booklet along with a toll free 1800 number). She also raised the idea of developing a ‘New Zealand Citizens in Australia Advice Bureau’. The lack of a central information point, she argued, increased complexity and transactions costs.

Clear and coordinated, whole-of-government advice to SCV holders in Australia and New Zealand citizens contemplating residence in Australia should be provided — before and after arrival — on their obligations and entitlements.

While many submissions supported the provision of better and more information further steps were seen as necessary to tackle the observed problems (ACTU and NZCTU sub. DR118).

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 necessarily result in the entitlement to citizenship in that country. As Mares (2012) stated:

The terms of the [temporary visa] deal are clear: come to Australia to study, work, live for a period of time and while there may be the potential for permanent residency down the track, that is not an automatic right or expectation. (p. 19)

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 will often 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. Mares (2012) outlined the tensions that arise in these circumstances:

The longer temporary residents stay in Australia, the more likely they are to build up a bundle of connections — emotional, psychological, cultural and financial — connections that bind them here, and which bring with them expectations of some kind of reciprocity on behalf of the Australian state. This is the contradiction inherent in temporary migration identified by Stephen Castles and Mark Miller [2003]: schemes are devised on the basis that the sojourn will be limited and that ‘the legal distinction between the status of citizen and of foreigner’ will provide a clear criterion for conferring them with different levels of political and social rights. However with the passage of time come ‘inexorable pressures for settlement and community formation’. This is not to say that every foreign citizen who comes to Australia for an extended stay should have the right to remain permanently. Nor am I suggesting that we should end all temporary migration. I am just flagging the tensions that arise when a government, in pursuit of the national interest, opens its borders to migrants without offering them the benefits of citizenship. (p. 21)

A number of submissions echoed these views (see above).

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.7; see also Hamer 2008b). In his examination of citizenship data, Hamer (2008b) concluded that Māori were arguably ‘the most disenfranchised “ethnic” immigrant group in Australia’ (p. 27).

Eligibility to vote can be remedied in a number of ways, for example by the New Zealand Government changing its voting rules and by Australian Government consideration of alternative pathways to citizenship.

Reflecting current EU debates in this area (see Bauböck et al. 2012), McMillan (2012) argued that when political exclusion exists within single labour markets, special arrangements should be implemented to provide citizenship rights (primarily the right to vote) of those working and participating in such labour markets. While there are a number of options available, she favoured the option of opening an alternative pathway to citizenship for SCV holders in the trans-Tasman context.

The difficulties associated with non-Protected SCV holders gaining access to Australian permanent residency and, hence, citizenship were noted in submissions (see above).

The Commissions understand that both governments are aware of the situation and that the Australian Government is working towards a resolution (see, for example, Gillard 2012).

Box D.7 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, provided they have lived continuously in New Zealand for more than one year at some time. 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); NZEC (2011).

In addition, DIAC (sub. DR126) provided evidence that even if only 40 percent of adult New Zealand citizen arrivals were eligible to apply for permanent residency, the application rate by New Zealand citizens has been low. For example it was 7.8 percent in 2009-10. DIAC indicated there were several factors contributing to the low application rate, despite being eligible, including:

- The domestic like travel arrangement gives New Zealand citizens a distinct advantage over other nationalities when moving to Australia, as they do not need to arrange for a visa before travel. If New Zealand citizens decide to move to another country instead (e.g. the United Kingdom or the United States) they would generally arrange for their visa before they leave.
- Some New Zealand citizens question the cost of applying for a permanent visa, when they can live in Australia indefinitely on a Special Category Visa without any associated visa cost.
- Others raise the issue of their employers not sponsoring New Zealand citizens for a permanent visa due the fact they can live and work in Australia indefinitely.
- Travel arrangements for New Zealand citizens are generally more flexible than for Australian permanent residents, as while permanent visas allow the holder to remain in Australia indefinitely, the international travel facility on these visa lapses.

Permanent residents need to apply for a new visa if they continue to travel overseas and wish to return to Australia as permanent residents. (sub. DR126, p. 3)

Other non-Protected SCV holders tend not to apply for permanent residency because they are ineligible. For example, they may be over the age limit or their occupation is not on the SOL.

Alongside the potential benefits of enhanced efficiency associated with people mobility, there are social and demographic considerations associated with welfare and wellbeing. For example, 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 non-Protected SCV holders now face in gaining access to Australian permanent residency (and, hence, citizenship) is set against a backdrop of various changes to Australia's migration program (see above) and citizenship eligibility criteria (Smith et al. 2011). The changes to citizenship eligibility are intended to enhance social cohesion. In addition, there is 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).

For many non-Protected SCV holders living long term in Australia, access to citizenship is the key to gaining access to social policy payments and supports

across all Australian jurisdictions. For example, many of the problems encountered by children of New Zealand citizens from limited access to state and territory government disability supports would be ameliorated through having an alternative pathway to permanent residency and/or citizenship.

The undesirable social outcomes experienced by a small but growing proportion of these 'indefinite temporaries' may develop into a point of irritation within the trans-Tasman relationship.

The precise criteria for an alternative citizenship pathway are the responsibility of the Australian Government. While focused on determining whether a person is considered an 'absorbed person' under the Migration Act 1994, the case of *Johnson v Minister for Immigration & Multicultural & Indigenous Affairs* (Federal Court 2004) gives an insight into the factors the Federal Court considers relevant when deciding whether a person has become a member of the Australian community:

1. The time that has elapsed since the person's entry into Australia.
2. The existence and timing of the formation of an intention to settle permanently in Australia.
3. The number and duration of absences.
4. Family or other close personal ties in Australia.
5. The presence of family members in Australia or the commitment of family members to come to Australia to join the person.
6. Employment history.
7. Economic ties including property ownership.
8. Contribution to, and participation in, community activities.
9. Any criminal record.

This list of factors is plainly not exhaustive. Rather, it illustrates the multi-dimensional character of the judgment involved. It is also necessary in making that judgment to avoid narrow mono-cultural assumptions about what constitutes membership of the Australian community. ...

In the case of a child coming to Australia as part of a family unit it is necessary to apply the judgment about membership of the community to the child's parents or other adult guardians or carers with whom he or she has come and with whom he or she lives. (p. 17)

In summary, 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. Moreover, an

alternative pathway would provide the right to vote in Australia's electoral system for these 'indefinite temporary' residents.

The Commissions note that detailed work would be required to cost alternative 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).

The Australian Government should address the issues faced by a small but growing number of non-Protected SCV holders living long term in Australia, including their access to certain welfare supports and voting rights. This requires policy changes by the Australian Government, including the development of a pathway to achieve permanent residency and/or citizenship.

Access to student loans

Even if an alternative pathway to Australian permanent residency and/or citizenship were developed for long term resident non-Protected SCV holders, there would remain a cohort of young New Zealand citizens whose access to HECS-HELP, VET FEE-HELP and other study-related assistance would depend on their parents obtaining Australian permanent residency and/or citizenship. This process inevitably takes time and money. For others, however, parental support to obtain permanent residency and/or citizenship may not always be forthcoming.

An option suggested in a number of submissions could be to open access to HECS-HELP (and VET FEE-HELP) for New Zealand citizen children who have been living in Australia for a specific minimum period of time. However, it may be problematic for the Australian Government to provide access for HECS-HELP to New Zealand citizens ahead of Australian permanent residents. That said, the barriers facing this latter group are lower. While Australian permanent residents are eligible for Commonwealth supported places they are not able to access HECS-HELP unless they become Australian citizens. The pathway to citizenship for permanent residents includes a residence requirement of four years and application fees range from Nil (for fee exemption and concessions) to A\$260. While the waiting period for access to student loans for those with a residence class visa in New Zealand is two years (Studylink 2012), the effective waiting period for similar types of residents is four years in Australia.

Broederlow (sub. DR88) suggested that both governments '... allow each other's countries to pursue outstanding debts whereby residents return to their country of origin' (p. 10). Green (sub. DR85) also suggested that a bilateral agreement could be developed to enable student loan repayments to be collected in both countries.

Such an arrangement would assist the New Zealand Government to collect repayments on student loans from those who emigrate to Australia. Subject to the usual cost-benefit analysis, this approach would appear to have merit within the context of an international tax agreement with New Zealand.

The consequences for the Australian Government would differ depending on the option considered (for example, length of waiting period and/or whether access to income support is available). In addition, the non-monetary costs and benefits associated with any change to eligibility need to be factored into any net benefit-cost consideration.

That said, a subsidy to individuals to help them create a future capacity to work is favoured over a subsidy which may inhibit incentives to work. This view could guide the possible sequencing of changes in access to social security and other social policy supports for New Zealand citizens living long term in Australia.

Access of New Zealand citizens to Australian tertiary education and vocational education and training should be improved through the provision of student loans. Access should be subject to an appropriate waiting period and debt recovery arrangements.

A single trans-Tasman labour market?

Earlier in this paper, it was noted that labour market integration occurs along a continuum. At one end are so-called 'guest worker' systems. At the other end is a fully integrated, or single, labour market. The trans-Tasman labour market was viewed as highly, but not fully, integrated.

Remarking on the importance of Australian citizenship within the context of a multicultural society, Australia's Minister for Immigration and Citizenship (Bowen 2011) said that Australia was not a guest worker society and suggested that:

International examples — from some countries in Europe, for instance — show that, where people arrive from overseas as guest workers with little encouragement to take out citizenship, they have little incentive to come full, contributing members of that society. This can lead to a complex and entrenched social cohesion dilemma. (p. 3)

Consistent with this view, Australia's 'demand-driven' permanent skilled migration intake provides a specific pathway to permanent residency for temporary visa holders (primarily 457s) along with some concessions for New Zealand citizens applying for permanent residency via employer sponsorship (DIAC 2012b and c).

There has been a number of ebbs and flows in the formal underpinnings of a single trans-Tasman labour market over time. In 1973 the TTTA effectively formalised (and expanded) an existing informal single labour market between the two countries. In 1997 the TTTA was seen as integral to the CER (DFAT 1997). However, the 2001 changes in social security and migration law have been interpreted by some as a move away from the CER and a single trans-Tasman labour market (Hugo 2004; Strutt et al. 2008).⁹ In 2009, the formal agreement to pursue the Single Economic Market (SEM) appears to implicitly support policies underpinning a single trans-Tasman labour market.

Any formal agreement to a single labour market should optimise net benefits for the participating countries, taking into account a range of considerations and factors affecting the wellbeing of their communities. These include access to social security and social policy supports. Moreover, as migration is a significant entry point into a single labour market (as are occupational licences), participating countries have a mutual interest in each other's policies in these areas.

Given the previous Australian and New Zealand Governments agreement to a single trans-Tasman labour market (through the TTTA which subsequently underpinned the CER and the SEM), reviewing the existing principles governing access to social security would seem appropriate along with arrangements governing migration policy. These inter-related issues are discussed, in turn, below.

A new framework for access to social security ...

Differences in social security and migration policies in the context of an integrated labour market between two countries can create what are 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

⁹ Hugo (2004) noted that the 2001 changes in Australian migration policy for New Zealand citizens '... have arguably been directed at bringing Trans-Tasman migration more into line with other immigration into the country' and, by implication, represented a move away from having a single labour market between the two countries. In a similar vein Strutt et al. (2008) suggested that the asymmetric treatment of access to social security was a step backwards from an integrated labour market.

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 are 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.8). These are based on the premise that the free mobility of labour within a single economic market enhances the capacity for labour resources to work where its marginal product is highest while at the same limiting incentives for transfer shopping and the negative social consequences arising from long term residence in another country.

In light of the circumstances and emerging trends in relation to the status of New Zealand people who generally arrived in Australia after 2001 and who have lived and worked in Australia for long periods, consideration could usefully be given to developing similar principles under the CER agreement drawn, for example, from the following:

- policy independence — the country in which the person 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 that each country 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.8 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).

Historically both Australia and New Zealand have benefited from labour mobility, both informally as well as formally through the TTTA, the CER and the SEM. There is a risk, however, that this arrangement may become increasingly problematic for both countries. While the Commissions have developed some recommendations to ameliorate the observed anomalous economic and socially marginal outcomes for some long term trans-Tasman residents (see above), a 'watching brief' remains. Accordingly, the Commissions support the development of a new broad framework around which to determine access to social security within the context of CER, the SEM and the TTTA.

Even in the absence of agreement to a new 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. A number of 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.

... and further engaging on migration policy

In considering the applicability of the above 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. In theory, the principle of equal treatment could 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.

That said, there is evidence that the current policy settings may be effectively managing the risk of 'back door' migration. Based on a study of migrants to New Zealand between 1998 and 2011, Tausi (forthcoming) has shown that this group of migrants (who tend to be more skilled than New Zealand emigrants) were less likely, on average, to move to Australia than the New Zealand-born. A key objective of New Zealand's permanent migration program is to, over time, cover the emigration of New Zealand citizens (a large proportion of which migrate to

Australia). As such, policies which enable 'back door' migration to Australia may run counter to these objectives.

DIAC (sub. DR126) suggested that the risk of 'back door' migration had declined since 2001:

At the time there were more relaxed arrangements for permanent entry into New Zealand from a number of countries and subsequent acquisition of citizenship. The Department notes that this has changed substantially over the past decade, to the point that in some areas New Zealand now has tighter arrangements than Australia, a good example being the waiting period for New Zealand citizenship. (pp. 4–5)

There may, however, be 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. An assessment by the Australian Government of these likely future flows may be worth considering, especially if the gap in gross domestic product (GDP) per person 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. While they are broadly similar, 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. That said, Hugo (2004) has argued that Australia and New Zealand share many values and interests in international migration, including a strong emphasis on skilled migration. Accordingly, Hugo felt

there may be advantages to both countries from working together to jointly develop some elements of their international migration policies.

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

In principle it may be desirable to have fully aligned migration policies for a single trans-Tasman labour market. In practice, given the relatively low levels of ‘back door’ migration, it would be possible to implement the principle of ‘equal treatment’. Ensuring this arrangement continues into the future, however, requires an on-going process of cooperation, trust and engagement over migration and citizenship policy with respect to nationals from third countries.

The Commissions understand that there is considerable engagement between immigration officials of the two nations, including an annual formal bilateral forum (ANZIF), and project and programme activity under the auspices of the ‘Five Country Conference’ (which also includes the UK, Canada and the United States). In addition officials engage regularly in dialogue and cooperation on both policy and operational issues and areas of interest.

Within the context of CER, the SEM and the TTTA, both Governments should review and make explicit the principles governing the access to social security and further develop bilateral engagement on migration policies.

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.

While participation in the Australian Superannuation Guarantee (ASG) is compulsory, it does form part of a program of benefits and pensions that are paid for similar reasons to New Zealand benefits and pensions (one of the two criteria required for DDP under section 70), the DDP does not apply to ASG as the pension or benefit is not ‘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) — the second criteria required for DDP under section 70. That said, if the compulsory component of ASG were to become subject to DDP, in practice it may be difficult (though not impossible) to distinguish between the compulsory and voluntary contributions within each individual’s pool of ASG funds.

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 (abatements) under NZS rules (subject to meeting the ‘the 10(5) requirement’).

While there are policy interventions which could minimise the risks to New Zealand from the lack of symmetry in retirement ages, this could also form part of a revision to the existing Social Security Agreement between the two countries (Ministry of Social Development, pers. comm., 24 October 2012).

Aside from Anglicare Southern Queensland (sub. DR112) — who felt that it was only first generation New Zealanders in Australia who may be likely to return to New Zealand to retire — the Commissions received no additional information on the costs and risks to NZS through return migration from Australia (or Australian citizens retiring to New Zealand). That said, the fact that only Government-administered schemes for compulsory superannuation contributions are subject to DDP may contribute to a growing opportunity cost to New Zealand taxpayers from supporting the retirement incomes of those not necessarily ‘in need’.

D.4 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. This cooperation also extends to activities in regional and multilateral fora (New Zealand Customs Service sub. DR114).

The Australian Customs and Border Protection Service (ACBPS) and the New Zealand Customs Service have undertaken a trans-Tasman trial at 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)

While most submissions in response to the discussion draft supported the cost-effective roll out of SmartGate and associated systems — with a focus on departures from Australia and on regional airports — the New Zealand Customs Service contended:

While further investment in SmartGate will deliver incremental progress towards a 'domestic-like' passenger experience, Customs believes that there are potentially greater benefits to be gained by broadening the approach to people mobility to include streamlining airline and airport process, in particular check-in and bag claim. (p. 3)

Air New Zealand (sub. DR100) noted that while the short term priority for SmartGate was on departures from major Australian airports, it contended that further changes would bring greater efficiencies, including:

- The Integration of SmartGate between NZ and Australian border agencies to enable preclearance on departure; and
- The Integration of SmartGate with airline self-service kiosks. (p. 3)

In response to the discussion draft, the ACBPS (sub. DR127) supported the draft recommendation to progress the further roll out of SmartGate where it was cost-effective to do so. However, it noted:

- The focus of SmartGate investment in 2012-13 is on increasing usage rates by eligible travellers, increasing SmartGate capacity in Melbourne and Sydney, and trialling the extension of SmartGate eligibility to US Global Entry members.
- Customs and Border Protection is assessing the work required to develop a viable SmartGate departures solution and to trial the capability in an airport. A number of critical issues need to be overcome before a departures solution can be developed that fulfils all of Australia's border management requirements.
- Based on the current cost of SmartGate technology, the small number of travellers arriving at regional airports will make a cost/benefit case for investment of SmartGate capacity at these airports impossible to justify in comparison to the same investment at Australia's eight major international airports. (pp. 2–3)

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 major 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 (TTF, 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 TTF (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 2010b). In particular, according to DIAC’s regulatory plans under the VSD project, visitor visa subclasses will be reduced from nine to four subclasses (DIAC 2011b). 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 in advance of travel while New Zealand offers visa waivers in advance of travel to New Zealand for nationals from 56 countries (Immigration New Zealand nd).¹⁰ Other practical considerations include the degree to which visitor visa policy settings would require alignment and the costs to each country’s IT systems to facilitate data sharing.

¹⁰ The *New Zealand Immigration Act 2009* has a universal visa requirement for all non-New Zealand citizens entering New Zealand. Some travellers do not have to apply for a visa prior to travelling to New Zealand but all must apply for and be granted a visa on arrival.

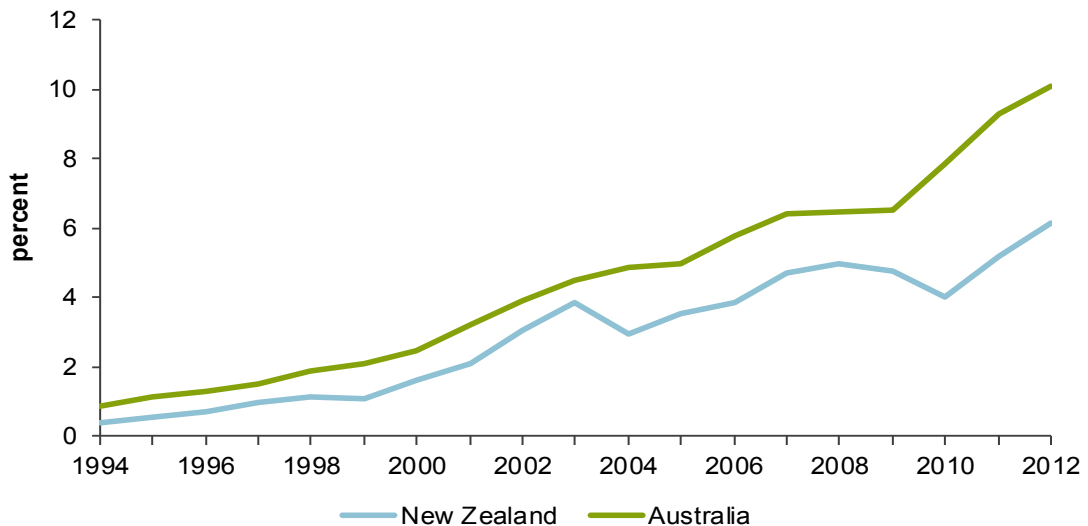
In response to the discussion draft, a number of submissions supported the concept of a ‘trans-Tasman tourist visa’. Moreover, the TTF (sub. DR107) contended that:

... the impetus for such a common visa [is] higher than assessed [in the discussion draft]. This is primarily due to the planning required now for the 2015 ICC Cricket World Cup. (p. 11)

In particular, the TTF argued that many of those visiting both countries for this major sporting tournament are likely to be from countries requiring visas for both Australia and New Zealand (for example, India). As such a simpler and more flexible visa may encourage higher international tourist numbers than otherwise, with ensuing economic benefits for both countries.

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.5).

Figure D.5 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 D.1: 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	17
Unemployment benefits per registered unemployed person as a proportion of GDP per person ^b	33	43
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); 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 (UA) 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\$1 612, 50% withdrawal up to A\$6 500, 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\$4 160 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); 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.6 and D.7 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.

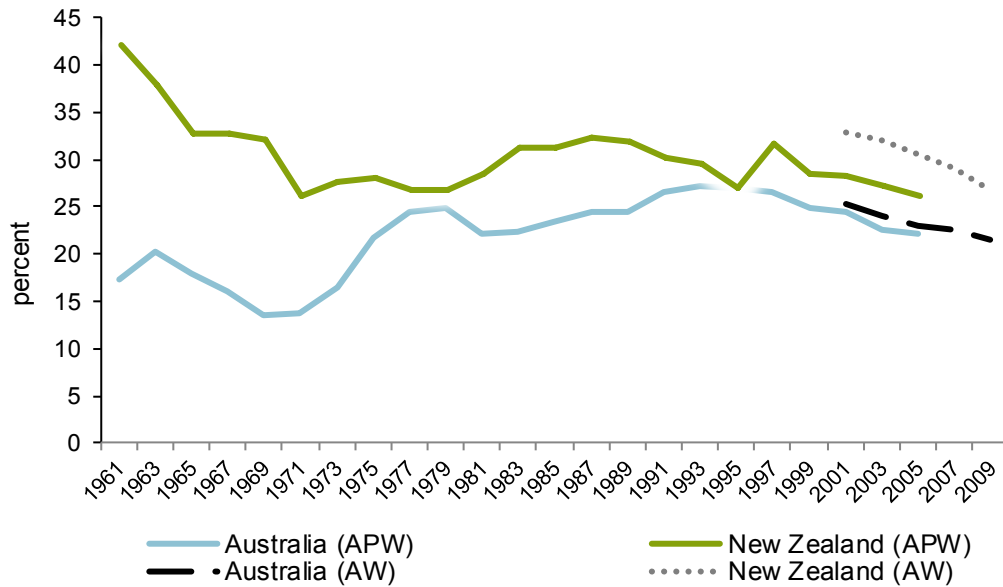
Table D.4 compares family benefits using some different measures. The differences do not appear to be large. These are based on having one child aged between 3 and 12 years.

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.8 and D.9 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.8). 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.9).

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.7).

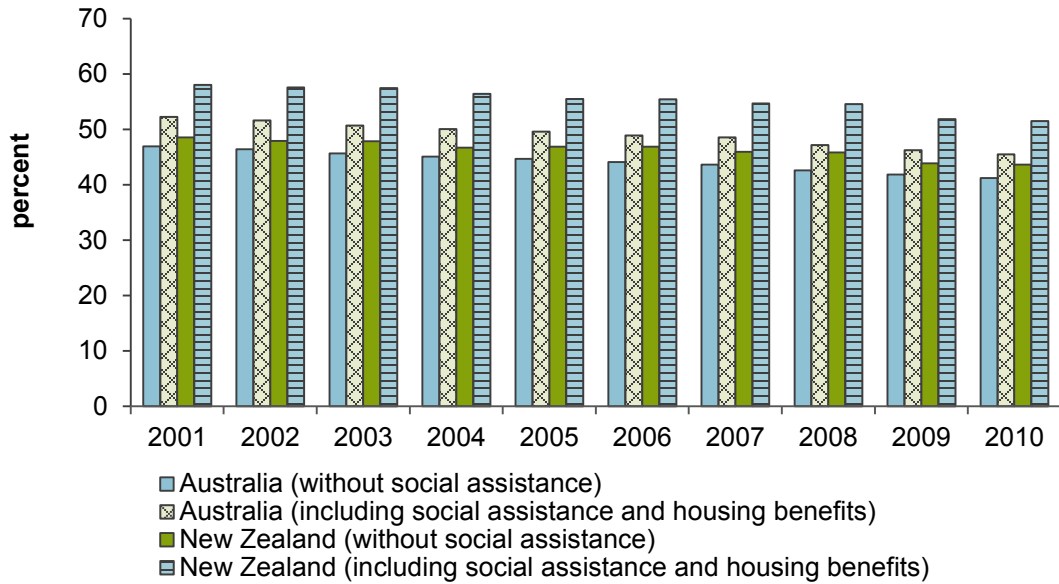
Figure D.6 **Gross unemployment benefit replacement rates per average production worker^a and average worker^b, Australia and New Zealand^c, 1961–2009**



^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.7 **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\$4 803	\$4 803	7	20 (24)	Family income	Family Tax Benefit (FTB) part A to help families with cost of raising children.
	A\$3 829	\$3 829	6	15 (18)	Income of secondary earner in a couple	FTB part B paid to families with one main income
New Zealand	NZ\$4 487	\$4 546	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); World Bank Data, PPP conversion factor <http://data.worldbank.org/indicator/PA.NUS.PPP> (accessed 15 August 2012).

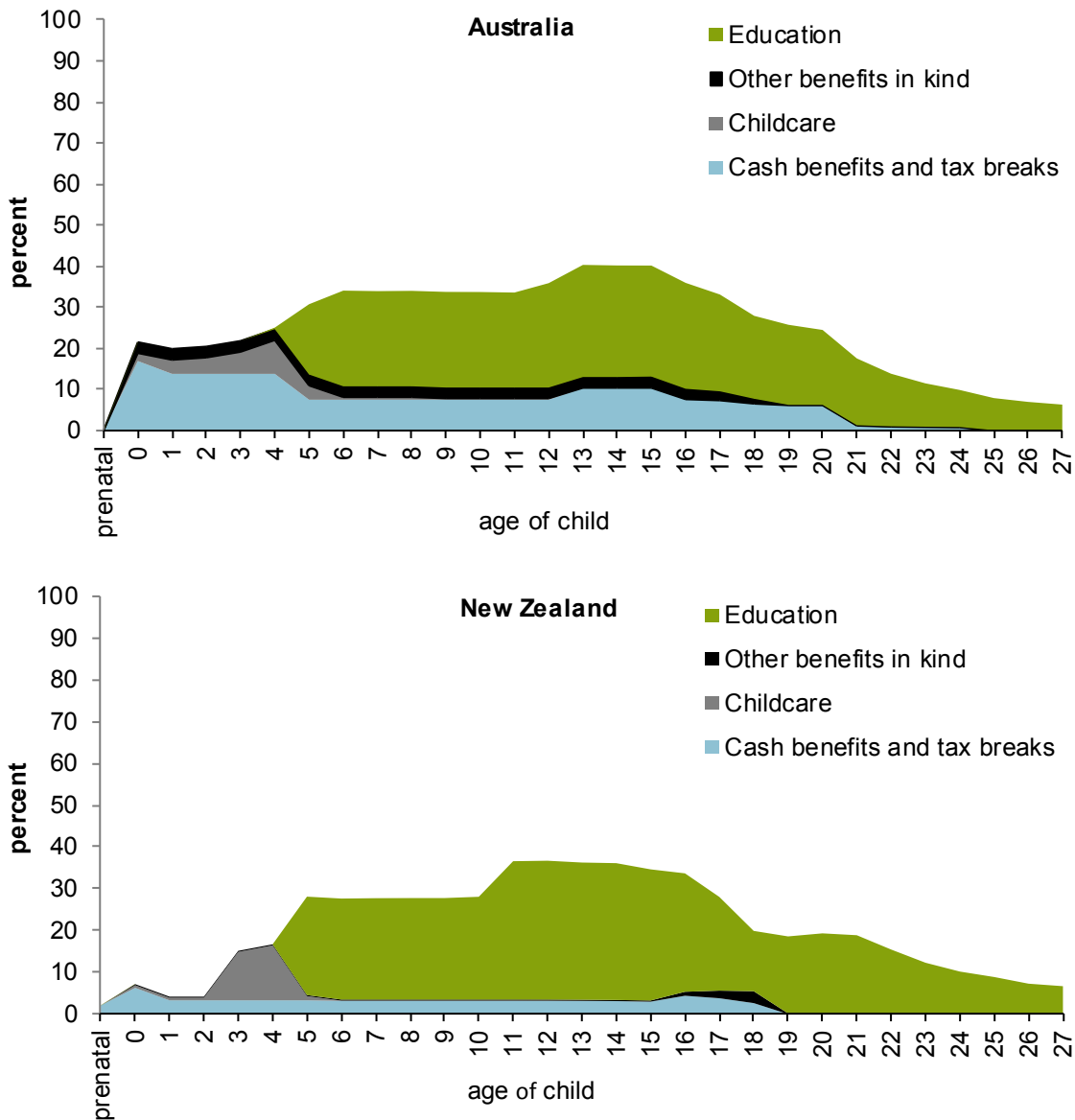
Table D.5 Comparing lone parent benefits^a, 2010

	Maximum benefit for one child aged 3–12			Means test on	Earnings/income disregard and benefit withdrawal	Additional information
	National currency	PPP ^{b,c}	% of AW			
Australia	A\$3 601	\$3 601	5	Income and assets	Disregard: A\$3 692 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\$5 259	\$5 329	11	Income and assets	Disregard (for complete payment, not just supplement) NZ\$4 160; withdrawal rate of 30% up to NZ\$9 360, 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.

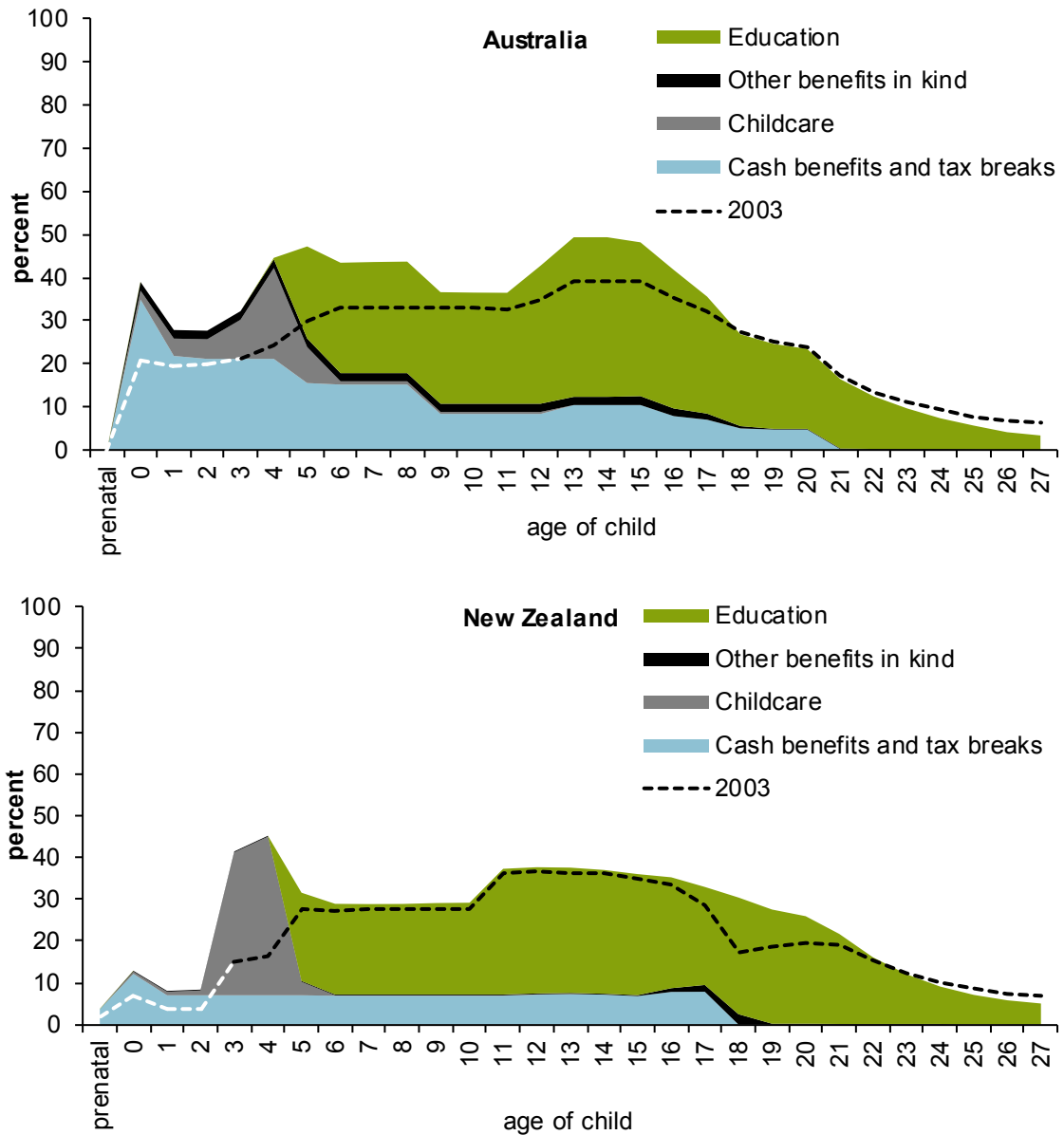
Data sources: OECD *Benefits and Wages: OECD Indicators* www.oecd.org/els/social/workincentives (accessed 20 July 2012); OECD national accounts, PPPs and exchange rates, http://stats.oecd.org/Index.aspx?DataSetCode=SNA_TABLE4 (accessed 15 August 2012); IMF *World Economic Outlook database*, <http://www.imf.org/external/pubs/ft/weo/2012/01/weodata/weorept.aspx?sy=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.8 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.9 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); 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 2010) and hence the income levels at which they become tax contributors. Table D.9 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>Difference in net transfers to government: single and equal dual-earner couples</i>	
	<i>Single-earner couples^a</i>		<i>Dominant dual-earner couples^b</i>		<i>Equal dual-earner couples^c</i>		<i>133</i>	<i>200</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>[g]^d</i>	<i>[h]^e</i>
	<i>[a]</i>	<i>[b]</i>	<i>[c]</i>	<i>[d]</i>	<i>[e]</i>	<i>[f]</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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