

WELFARE PAYMENTS AND NEW ZEALAND MIGRATION: MYTH AND REALITY

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There has been much concern about the level of social welfare payments reputedly received by New Zealanders in Australia. Analysis of these payments shows that the recent renegotiation of the Australia and New Zealand Social Security Agreement will shift much of the financial burden to the New Zealand Government. Recent migration patterns show increasing shares of non-New Zealand-born persons and older persons amongst the New Zealand citizens arriving in Australia. .

Recently-arrived New Zealanders are treated differently from other migrants by Australia's social welfare system. Their special treatment derives from the ease with which New Zealand citizens can move into and out of Australia. Because of the large resulting movement, the costs of meeting social security commitments to New Zealanders resident in Australia ballooned during the 1980s. Media attention often focussed on Kiwi dole bludgers', stereotypically living the good life at Bondi. One outcome of this attention was the imposition of a six-month waiting period before newly-arrived New Zealand migrants could receive unemployment payments. This was introduced in 1986.

In mid 1994 both The Weekend Australian [1] and The Age [2] reported that social security payments made to New Zealanders residing in Australia were costing around \$500 million. It was reported that \$450 million was paid to 53,000 of the 276,000 New Zealanders resident here and another \$50 million was paid as Family Allowance Supplements. Yet, under the social security agreement with New Zealand signed in 1988, just \$17 million was reimbursed to the Australian government. Reflecting concerns about this disparity, the Australian and New Zealand governments signed a new Social Security Agreement which took effect on 1 January 1995.

The purpose of this paper is to assess the current scale of social security payments to New Zealanders and the extent to which the new agreement compensates the Australian government or, if it does not, to explore whether there is any cause for alarm.

The analysis is complicated by the open nature of the migration regulations which govern the movement of Australian and New Zealand citizens between the two countries. Because visas are not required, category jumping' is endemic. Category jumping' occurs when a person who arrives with the stated intention of staying temporarily actually settles in Australia, or vice versa. As there is no way of knowing the actual number of New Zealanders who abide by their original intention, it is difficult to arrive at a reliable estimate of the number of New

Zealand citizens living in Australia on a permanent or a long-term basis. This means that it is hard to monitor the proportions of recent New Zealand migrants who receive social welfare payments. To provide a context for the analysis of social security payments, which comes later, the following section examines the pattern of recent immigration of New Zealanders to Australia.

WHO IS A NEW ZEALANDER?

The definition of a New Zealander is important because of the Australian government's regulations regarding the rights of New Zealanders to enter Australia, as well as their treatment once they are here. Most published statistics are for the New Zealand-born. However, the rights of New Zealanders to social security payments in Australia are contingent not on their birthplace but on their length of residence in New Zealand (or Australia), their citizenship or even, if they have dual citizenship, on the passport they used to enter Australia. Analyses which do not deal with non-New Zealand-born New Zealand citizens miss an important component of the movement. Because immigration regulations grant New Zealanders special entry rights through their citizenship, the immigration data focuses on citizenship. However, the social security data only identify those who were born in New Zealand, except in the case of the pension data which identifies non-New Zealand-born people whose rights to an Australian pension derive from the New Zealand Social Security Agreement. For the purposes of clarity, New Zealand-born persons will be distinguished from New Zealand citizens where appropriate. The term 'New Zealander' is used as a non-specific collective expression.

RECENT NEW ZEALAND IMMIGRATION

Although the numbers of New Zealanders arriving in Australia over recent years are lower than those in the flows during the 1980s, they are still substantial. In 1994-95, 13,620 New Zealand citizens announced their intention to settle in Australia (accounting for around 12 per cent of all 1994-95 settlers). Another 5,285 New Zealand citizens arrived in Australia on a long-term visit of twelve months or more and a further 1,460 who normally resided in Australia returned after a long-term absence abroad. This adds to a total of 20,365 New Zealand permanent and long-term (PLT) arrivals in 1994-95. During the same year, an additional 462,024 New Zealand citizens visited Australia for a short-term stay. The net PLT flows have traditionally favoured Australia: over the last 15 years, only twice in 1983-84 and 1990-91 has Australia experienced a net loss of New Zealand citizens through PLT migration.[3]

This migration of New Zealanders is self-selective and self-regulating but it is generally thought to be responsive to the relative economic climates of both countries, particularly the buoyancy of the Australian economy.[4] [Figure 1](#) illustrates this relationship. Between 1988-89 and 1990-91 the number of New Zealand (citizen) settler arrivals plunged sharply as the unemployment rate in Australia rose. The fall in the number of long-term arrivals has been more gradual. During this time the New Zealand unemployment rate also rose, but the 1990-91 net PLT loss to Australia suggests that this did not deter some of the earlier New

Zealand migrants from returning home. The gross flows depicted in Figure 1 show that rising unemployment in New Zealand did not encourage large numbers of New Zealand residents to emigrate to Australia.

[[Figure 1.](#)]

It is hard to assess the demographic implications of these flows because the Australian census does not provide nationality data apart from Australian/non-Australian citizenship. However, there were 275,845 New Zealand-born people enumerated in the 1991 census,[5] 264,094 of whom were usually resident in Australia.[7] They formed 1.6 per cent of Australia's usual residents. These figures, however, do not communicate the fluidity of the New Zealand-Australian migration flow as people move back and forth across the Tasman Sea. Of the 264,094 New Zealand-born residents in 1991, 93,622 (or 35.5 per cent) had arrived after 1985, yet there had only been an increase of 64,000 New Zealand-born residents since the 1986 census.[8] This suggests that up to 30,000 of the pre-1986 migrants had returned to New Zealand in the intervening time period.

Both Australia and New Zealand allow their borders to be open for free' movement between the two countries and have signalled their willingness to accept responsibility for citizens of the other country. But, as [Table 1](#) shows, even over the longer-time horizon of thirty years, the movement of the New Zealand-born to Australia has outstripped the flow of the Australian-born to New Zealand. As a result, the constituency of this flow of migrants, particularly those who intend to stay permanently, has important consequences for Australia.

[[Table 1](#)]

Permanent migrants

Birthplace of recent migrants

A comparison of 1991 (New Zealand) census data on New Zealand's resident population with data on the settlers arriving in Australia shows that, during the 1990s, overseas-born New Zealand citizens (except those born in the United Kingdom) are over-represented amongst those who settle in Australia. This is particularly true of those born in Polynesia and Asia. As a result the New Zealand-born constitute a declining proportion of recent permanent migration of New Zealand citizens to Australia.

[[Table 2.](#)]

Age distribution of recent migrants

Not surprisingly, younger people are more likely to move than older people. However, both the numbers and proportions of migrants with New Zealand citizenship in the older age groups (40+ years) are increasing, although from low bases (see [Table 3](#)). While the share of settlers in the 15 to 24 year old age group is falling, it still is over-represented compared to its share of the New Zealand population. There has been remarkable stability in the shares

which are in the age groups which represent family migration those aged 0 to 14 years and 25 to 39 years.

[\[Table 3\]](#)

Long-term visitors

Like permanent migrants (settlers), long-term visitors from New Zealand can access social security payments in Australia. The flow of New Zealand citizens who visit Australia for 12 months or more, although in decline since the late 1980s, is not as responsive to economic factors as the flow of settlers. The age breakdown of long term visitors is quite different from the age structure of permanent settlers, with 72 per cent of 1994-95 long-term visitors aged 15 to 39 years (compared with 51 per cent of settlers). Also, only 1.4 per cent of long-term visitors were aged 60 years or more (compared with 6.8 per cent of settlers). Long-term visitors with New Zealand citizenship are more likely than settlers to be New Zealand-born.[12] The implication is that non-New Zealand-born New Zealand citizens have a higher propensity to migrate to Australia permanently. This highlights the importance of immigration of third country migrants to Australia from New Zealand. As matters stand, these non-New Zealand-born New Zealand migrants are often identified as part of their country-of-origin communities in Australia and associated with their welfare problems rather than those of New Zealand migrants.

SOCIAL SECURITY PAYMENTS TO NEW ZEALANDERS

According to the Department of Social Security (DSS), in the fortnight of 16 April 1996, \$17.1 million was paid to 68,205 New Zealand-born social security recipients in Australia.[13] Annually this amounts to around \$445 million, but the figure does not include payments made to families for children. However, the large non-New Zealand-born component of the New Zealand flow means that the actual costs of social welfare payments to recent arrivals from New Zealand is much higher. The \$500 million figure floated in 1994 media accounts therefore significantly understates the scale of the New Zealand welfare payment issue. The Social Security Agreement between Australia and New Zealand addresses the question of who pays.

The current social security agreement and pension reimbursement

The Social Security Agreement between Australia and New Zealand of 1995 (henceforth The Agreement) replaced the earlier agreement signed in 1988. It was introduced in an attempt to spread the costs more equitably between Australia and New Zealand. The Agreement codifies the social security responsibilities of both countries, laying out the conditions that have to be met, the benefits that are covered and the way in which reimbursement is to be calculated.[14] The fundamental principle is that, if social security applicants who otherwise qualify for certain benefits (see below) in Australia do not meet the criterion of ten years residence in Australia, they are able to qualify on the basis of ten years residence in New Zealand, providing they intend to stay in Australia for 12 months or more. (In practice, most,

although not all, of these applicants are New Zealand citizens.) Moreover, if payments are made on this basis they are partly or wholly reimbursable by the New Zealand government. This reimbursement covers the following Australian benefits: Age Pensions, Disability Support Pensions, Widow B Pensions, Sole Parent Pensions and Wife Pensions, and Partner and Parenting Allowances payable to the female partner of Age or Disability Support pensioners, plus Additional Family Payments made to persons in receipt of these allowances. Labour-market-related benefits such as Job Search, Newstart and Sickness Allowance are not reimbursable. Similar rules apply in reverse for Australians residing in New Zealand.

The Agreement states that, from 1 January 1995, all new pensions (but with some provisos, see sole parent component on page 41) granted to applicants who qualify through ten years residence in New Zealand (or Australia in New Zealand's case) are 100 per cent reimbursable by the other party. But the reimbursement of pensions granted before this date (restricted to those who arrived after 1 January 1983 in either country) is to be phased in as follows: each party has to pay 15 per cent of the reimbursable amount for the financial year ending 30 June 1995; 40 per cent for 1995-96; 60 per cent for 1996-97; 80 per cent for 1997-98 and thereafter the full reimbursable amount. Only the net reimbursable amount changes hands between the two countries.

In 1994-95 the New Zealand government paid a net reimbursement of A\$24.92 million to Australia.[15] However, the gross liability of New Zealand was actually \$26.46 million the first six months' liability (from July to December 1994) of \$12.82 million was calculated under the 1988 Agreement and the liability of \$13.64 million for the second six months from 1 January 1995 was calculated under the new Agreement. More than 58 per cent of the reimbursable pensions were Age Pensions, 19 per cent were Sole Parent, 11 per cent were Disability, and the remainder were Widow and Wife Pensions. On the other hand, Australia's obligation to New Zealand for the six months beginning 1 January 1995 was remarkably low; just \$104,507 covering only 192 pensions.[16]

These reimbursable amounts will increase sharply over the next few years. Using the gross reimbursable amounts for the first six months of 1995, it was possible to make a rough estimate of future payments if all other factors remain constant. First, an estimate was made of the total costs of the pensions covered by the Agreement for one year. This was calculated by scaling up the 15 per cent gross liability of each country for the first six months of the new Agreement (January to June 1995). Next, the percentages for which the parties are liable over the coming few years were applied to this estimated annual cost. As can be seen from [Table 4](#), there is a rapid escalation in the amount reimbursed over the next four years.

[\[Table 4\]](#)

In practice, the \$180 million figure shown in [Table 4](#) is likely to increase given the current numbers of New Zealand residents arriving with pension entitlements (more than 1,000 each year, most of whom are covered by the Agreement, see [Table 5](#)). However, this increase will be slightly offset by the loss of New Zealand's liability for pensioners (primarily disability

and sole parent) who have been in Australia longer and accrue the ten years working life' residence required for the Australian government to take on their pension liability. (Age pensioners who are reimburseable at the time they first receive an Australian age pension cannot accrue working life' residence and will always remain reimburseable.)

[\[Table 5\]](#)

The number and cost of pension payments

According to DSS, payments for all types of pensions (including Age, Disability, Sole Parent, Wife, Widow) made at present to the New Zealand-born are estimated to be about \$233 million annually.[17] However, this underestimates the true cost of payments made to New Zealanders because it does not include the non-New Zealand-born persons who enter Australia with New Zealand citizenship or qualify for Australian payments under the ten year residence in New Zealand criterion. It is impossible to estimate the additional costs of non-New Zealand-born New Zealanders who have been resident in Australia for ten years or more because data are not available. But the non-New Zealand-born component does form an increasing share of the cost of those who have been resident in Australia for less than ten years.

Only 22 per cent of the total pension costs are covered by the New Zealand government (see [Table 5](#)). However, the majority (61 per cent) of the payments can be justified by the fact that these recipients have been resident in Australia for more than ten years. Nearly 7,000 of the remaining 12,622 payments, including 2,476 recipients born outside of New Zealand, are covered by the New Zealand government. The 2,476 non-New Zealand-born New Zealanders accounted for 36 per cent of those covered in June 1995. It is a striking figure given that the 1991 New Zealand census reported that only 14.3 per cent of New Zealand residents were born in a country other than New Zealand or Australia.[18] The New Zealand government is paying an increasing share of the payments made to pensioners who have arrived in Australia recently. *Age pension component*

As can be seen in [Table 6](#), most of these pension payments were made to age pensioners (14,669 of the total 18,498 pensions) and only a few of the recently-arrived age pensioners are not reimburseable. Around two-thirds of the non-New Zealand-born age pensioners reimburseable under the New Zealand Agreement who arrived in Australia over recent years are United Kingdom-born migrants.

[\[Table 6\]](#)

Sole parent component

After age pensions, the next largest group is sole parent pensions, but a lower proportion of these is reimburseable. This is because the Agreement states that payments made to sole parents for less than 12 consecutive months are not reimburseable. This affects 54.4 per cent (740) of the 1,361 sole parent pensioners who have resided in Australia for less than five

years. [Table 7](#) shows the number of sole parent pension recipients by length of residence. New migrants who are New Zealand citizens cannot receive a sole parent pension in the first six months after arrival, even if the event (apart from the death of a spouse) that leads to **the application for the benefit occurs after arrival in Australia.**

[\[Table 7\]](#)

Labour market payments

Labour market payments such as Australia's Job Search and Newstart Allowances are not reimburseable but there is the six-month waiting period for newly-arrived migrants who are New Zealand citizens. Recent proposals to limit the access of migrants, apart from refugees, to these payments through the extension of the waiting period to two years do not affect New Zealand citizens because the six-month waiting period for New Zealand citizens is stipulated in the Agreement.

Of the 17,090 Jobsearch and Newstart beneficiaries in August 1995 who were New Zealand-born, 27.3 per cent (4,671) have lived in Australia for longer than ten years. (There are also 1,119 beneficiaries whose length of residence is unknown.) There are, however, significant numbers of recently-arrived New Zealand-born people receiving these allowances (and payments for their children), although the six-month waiting period has limited the 1995 numbers (see [Table 8](#)). Of these, there is a core of around 1,000 who do not appear to have worked since becoming eligible for Australian allowances. However, the data also suggest that, by the end of three years, most recipients have either found work or moved elsewhere. None of these allowances is reimburseable by the New Zealand government.

[\[Table 8\]](#)

But these numbers are an understatement of the effect of New Zealand migration on transfer payments for, as the immigration and pension data show, there are sizeable numbers of non-New Zealand-born New Zealand citizens migrating to Australia. Data were not available to show the number of New Zealand migrants from other birthplaces who were receiving unemployment payments after entering Australia as a New Zealand citizen.

Likewise, labour force data are also limited to the New Zealand-born. These show that the New Zealand-born have one of the highest labour force participation rates (that is share of population in work or seeking work) of all birthplaces. This is partly because of the young age structure of New Zealand long-term visitors and settlers.[19] The 17,090 Job Search and Newstart Allowances paid to the New Zealand-born represent 9.1 per cent of the New Zealand-born who were in the Australian labour market at August 1995 (see [Table 9](#)). While this share is larger than that of the Australian born, it is the same as the share of the other overseas-born'. The combination of high labour-force participation rates and comparable unemployment-benefit rates indicates that the New Zealand-born do not deserve the 'dole bludger' tag some have put on them.

SOCIAL SECURITY PAYMENTS AND MIGRATION PATTERNS

Retirement migration

The increasing proportion of New Zealand citizen settlers in the older age groups suggests that many of these people, no longer tied to employment locations and thus more footloose, are taking advantage of the portability of their social security payments by choosing locations on lifestyle grounds. There appears to be no obvious pecuniary motive for making such a move. At present, dollar for dollar, the government payment made to those in retirement is higher in New Zealand than it is in Australia: an after-tax payment of NZ\$407.06 (around A\$353) paid to a single person per fortnight compared to A\$335.80 paid to age pensioners in Australia.

Much of this movement is to the Queensland sunbelt'. In 1992-93, more than 53 per cent of New Zealand citizen settlers in the retirement age groups indicated they were planning to live in Queensland.[20] The 1995 pension data show that 56 per cent of the recently-arrived New Zealand age pensioners (that is the New Zealand-born and the non-New Zealand-born covered by the New Zealand Agreement who arrived over the last five years) live in Queensland compared with 29 per cent of the New Zealand age pensioners who have lived in Australia for ten or more years. For those who had to sell assets in New Zealand to move to Australia, the falling value of the Australian dollar against the New Zealand dollar helped to make migration a more attractive proposition than it had been in the 1980s.

While the social security costs of these older migrants are increasingly being met by the New Zealand government there are still some aspects of this flow that give cause for concern. Social security payments are only one component of the costs of maintaining an older population. While recent migrants are likely to be in comparatively good health and comparatively well off, as they age their demands on health services will increase and Australia will have to meet these costs.

Overseas-born New Zealand citizens

Both the settler data and the pension data point to a pattern of increasing numbers of overseas-born New Zealanders entering Australia. Part of this flow is linked to retirement migration, particularly that of the United Kingdom-born. However, the presence of significant numbers of Polynesian and Asian birthplace groups who have been more recent settlers in New Zealand suggests that this is not the only factor. Given the higher numbers of overseas-born people in Australia than New Zealand, it would not be surprising if some chain migration were occurring. As migrants from Asia are making up a high proportion of the flow into New Zealand,[21] their mobility is likely to ensure that future immigration to Australia from New Zealand will reflect New Zealand's immigration patterns.

IMPLICATIONS

When is a Kiwi an Aussie?

While the costs to the Australian taxpayer are high and are worthy of concern, the concern can be overstated. This occurs when New Zealanders who have lived and worked in Australia for a lengthy period of time are considered in the same context as more recent arrivals. At some point it must be assumed that most migrants to Australia have contributed to their new home and so have earned their social security entitlement. They should no longer be counted as a drain.

The Agreement, of course, does put a time on this in the ten-years residency requirement. According to DSS data used here, around 51 per cent of the pensioners and labour-market payment recipients who could be identified as having New Zealand connections had lived in Australia for more than ten years. It would be reasonable to discount around half of the 1994 costing of \$500 million (and the similar costs projected for 1996) before calculating the cost of New Zealanders' dependence on social security payments to Australia. In any case, the New Zealand government will be paying most of the costs of pensioners in the future.

Labour-market payments

One difficulty facing Australia is to limit the potential costs of non-productive New Zealand immigration while not discouraging migrants with the potential to contribute to the Australian economy. The high labour-force participation rates of the New Zealand-born indicate that most of these migrants do contribute to the Australian economy. As with any migrant group, the recently arrived New Zealand-born are more likely to be unemployed than those who have been resident for a longer time period.

The costs to Australia of those who are unable to find immediate employment are effectively limited by the six-month waiting period for labour-market payments. If the existing six-month waiting period before migrants can access labour-market allowances is extended to two years for other immigrants, New Zealand citizen migrants will occupy a privileged position amongst recent arrivals. To change this, the existing social security Agreement would have to be renegotiated. Based on the figures in [Table 8](#), extension of the waiting period to two years for New Zealand citizens would reduce the number of recipients by at least 2,400 which would save around \$21 million annually. This saving does not include Family Payments made for children and Parenting Allowances paid to partners of these recipients, nor does it take account of any non-New Zealand-born migrants who entered Australia on the basis of their New Zealand citizenship.

CONCLUSION

Migration between Australia and New Zealand is multi-dimensional in character. The primary force, reflected in the young and often temporary migrant, relates to the differential performance of the two economies, but other people who move are motivated by retirement, family reunion and chain migration opportunities. Recent patterns suggest that the non-New Zealand-born form an expanding component of New Zealand migration to Australia.

The costs and benefits, especially the long-term costs and benefits, of this migration are not easily quantified. If a simple ledger of social security costs is shown, Australia has paid more than New Zealand in the recent past. However, the compensation arrangement for pension support between the two countries will eventually overcome much of this disparity. In turn, the dependence of New Zealand-born persons on unemployment payments is also balanced by the large number of New Zealand-born people at work in this country.

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