

Changes in Social Security Eligibility and the International Mobility of New Zealand Citizens to Australia

Jacques Poot & Lynda Sanderson

Discussant: Andrew Leigh, ANU

- “New Zealanders who leave for Australia raise the IQ of both countries.”
 - Robert Muldoon, New Zealand Prime Minister, early-1980s
- “New Zealanders are living in poverty and on the streets of Australia's big cities after transtasman welfare changes cut access to work programmes and a range of benefits.... Some are trapped in Australia, unable to earn the money to live, excluded from any form of assistance and not able to raise the money to fly home.”
 - New Zealand Herald, 2001

The Experiment

- The analysis uses differences-in-differences, with UK migrants as a control.
- Diffs-in-diffs assumes:
 - **Good control group:** In the absence of the policy change, the gap between the treatment and control groups would have remained the same.
 - **Nothing else changes:** The only thing that affected the treatment group was the policy change.

UK Control Group 1

- Compared with NZ migrants to Australia, UK migrants are older and more skilled
- They are therefore probably less affected by any economic fluctuations.

UK Control Group 2

- Fares are much lower to NZ.

Flights Out: Canberra to London - Fri 1 Dec 06 [Cor](#)

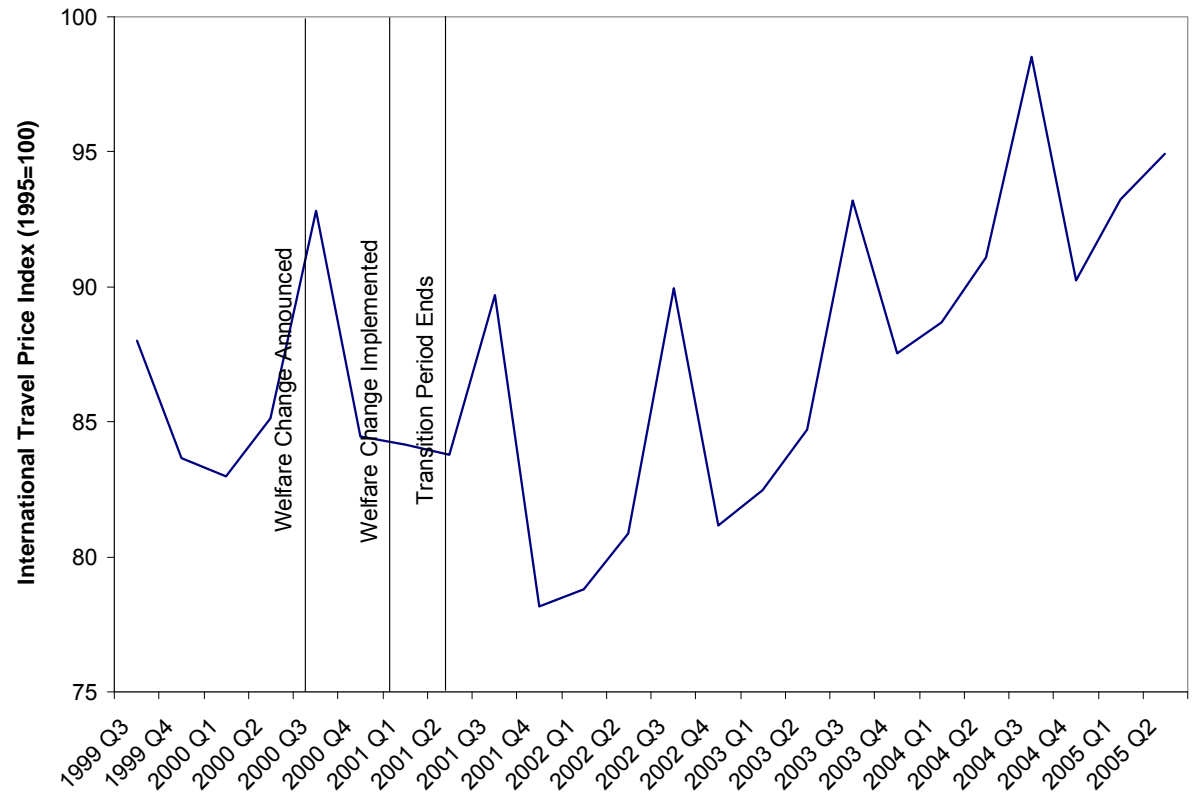
From	To	Flight	Duration	Red e-Deal	Super Saver
14:10	Canberra	15:00 Sydney	27h 10m	No seats	<input type="radio"/> \$2607
17:50	Sydney	06:20 London ^	1 stop		
14:10	Canberra	15:00 Sydney	27h 15m	<input type="radio"/> \$1884	<input type="radio"/> \$2115

Flights Out: Canberra to Auckland - Fri 1 Dec 06 [Cor](#)

From	To	Flight	Duration	Fully Flexible
13:50	Canberra	14:40 Sydney	5h 40m	<input type="radio"/> \$924
16:30	Sydney	21:30 Auckland		
13:50	Canberra	14:40 Sydney	5h 00m	<input type="radio"/> \$888

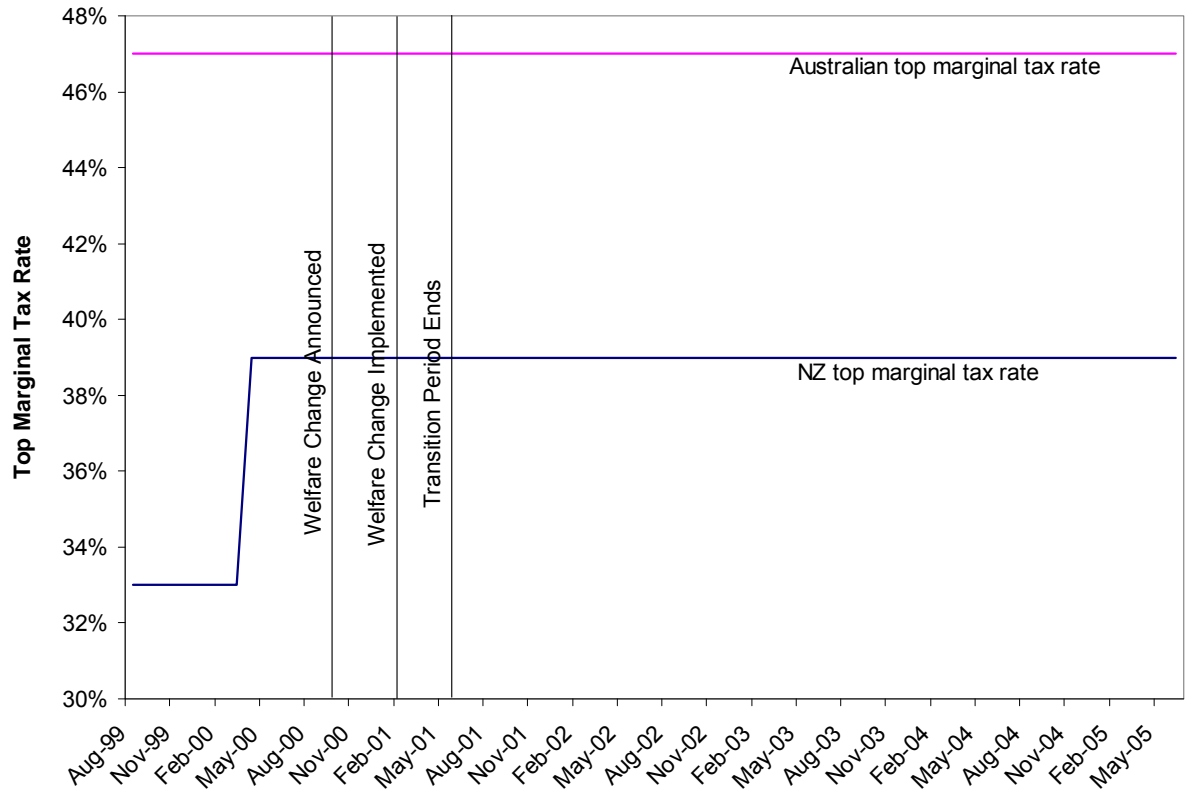
UK Control Group 2

- So if salaries are similar, a given % change in fares will affect UK movers more than NZ movers.



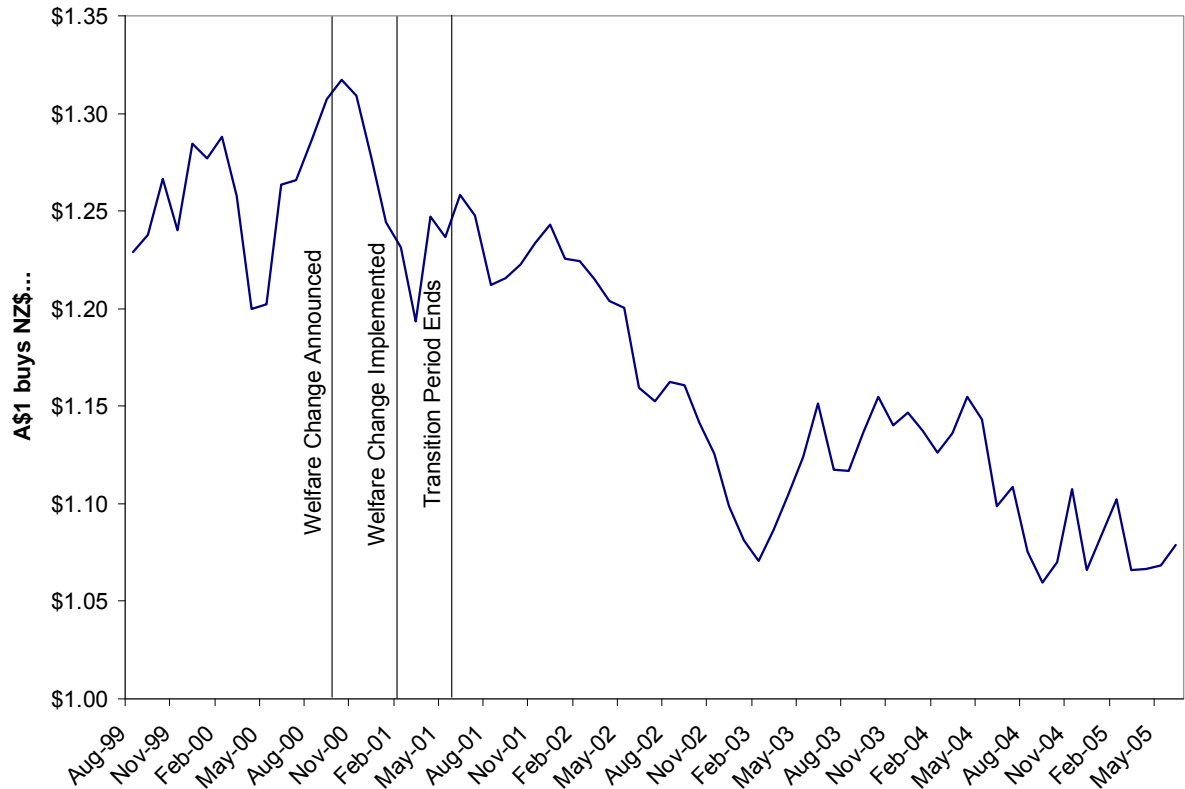
Coincident Changes 1

- Raising the top NZ tax rate probably encouraged NZ→Aust migration



Coincident Changes 2

- The stronger NZ dollar probably encouraged Aust→NZ migration.



The Question

- Mobility is clearly under-studied.
 - Half of UK immigrants leave within 5 years (Dustmann)
 - A “move for life” model is as useful for the economics of immigration as a “marry for life” model is for the economics of the family.
 - There are clear implications for research. Eg. Should our surveys be asking just for an immigrant’s “entry date”? Can pseudo-panel studies assume that successive censuses are really comparing the same people?

The Question

- Another option would be to make mobility just another outcome, alongside the effect of the policy change on:
 - Net flows
 - Skill mix (could use finer coding of occupations than just 3 categories)
 - Age profile (fewer elderly migrants?)
 - Family structure (less likely to bring the kids?)
- Could explicitly estimate diffs-in-diffs for each.

The Question

- Further research might also use different data sources, to look at questions like:
 - Impact on regional labour markets (eg. wages of Bondi waiters)
 - Contagion effect in Australian neighbourhoods with a large New Zealand expatriate population
 - Impact on welfare usage in New Zealand