

The new pathway to Australian citizenship

In this special feature, we explore the potential impact of the new pathway to gaining Australian citizenship on the New Zealand economy.

This change gives New Zealanders in Australia a clear pathway to Australian citizenship and improves their living rights

A significant improvement from the current Special Category Visa system

The Australian Government on 22 April announced a new direct pathway to Australian citizenship for New Zealanders. From 1 July 2023, those who have been on temporary and special category visas (SCVs), who have lived in Australia for four years and who meet the standard criteria will be able to apply directly for Australian citizenship without gaining permanent residency first. New Zealanders taking up Australian citizenship can retain their New Zealand citizenship and access services and benefits as Australian citizens. In contrast, under the current SCV policy (which came into effect in early 2001), despite New Zealanders being able to stay in Australia indefinitely, they must successfully obtain permanent residence first before being able to access the benefits and apply for Australian citizenship. Potentially, up to 65 percent of those 530,000 New Zealanders in

Australia could be eligible for Australian citizenship under the new policy.¹

Net migration losses to Australia have softened since late 2012

Historically, New Zealand had been losing migrants to Australia on net. Tracking back to 1980, there were five peaks in New Zealand migration to Australia – early 1980s, late 1980s, the year to March 2001 (just around when the SCV came into effect), during the global financial crisis and early 2010s. Since late 2012, migrant outflows from New Zealand to Australia have softened and annual net outflows averaged around 1600 per annum in the five years prior to the COVID-19 pandemic. While migration between New Zealand and Australia reduced markedly in the first year of the pandemic, New Zealand has started to see net migration losses to Australia again since late 2021, with outflows to Australia returning to pre-COVID levels.

Net inflows of migrants from other countries have compensated the net losses to Australia

There are concerns that the improved pathway to Australian citizenship may undermine New Zealand's post-COVID-19 net migration recovery. Poot's (2010)² detailed examination of trans-Tasman migration since the 1960s has found that net inflows of migrants from elsewhere have significantly exceeded New Zealand's net migration losses to Australia. We expect this will likely continue even when the new pathway comes into effect.

¹ <https://www.nzherald.co.nz/nz/politics/new-zealanders-in-australia-to-get-pathway-to-citizenship-pm-chris-hipkins-says-biggest-improvement-in-rights-in-a-generation/6PLRW4T7C5B6TAQD3A257OLYQA/#:~:text=About%20700%2C000%20New%20Zealand%20citizens,were%20born%20in%20New%20Zealand.>

² Poot, J. (2010). Trans-Tasman Migration, Transnationalism and Economic Development in Australasia. *Asian and Pacific Migration Journal*, 19(3), 319–342. <https://doi.org/10.1177/011719681001900302>

Figure 1 Net migration loss to Australia has returned since September 2021

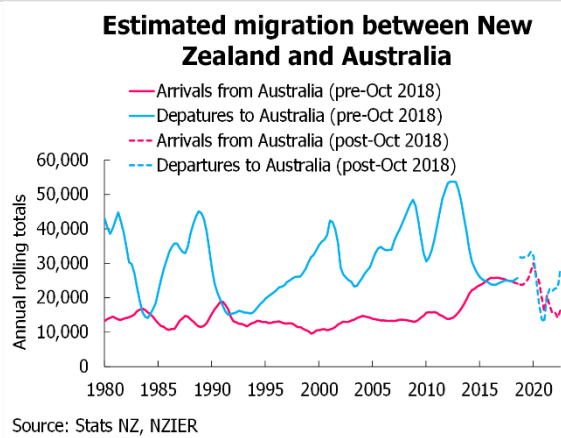


Figure 2 Strong rebound in net migration of non-New Zealanders from other countries

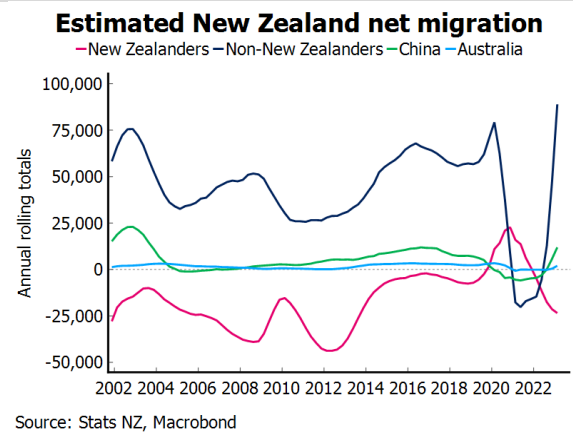


Figure 3 Gap in average weekly earnings between Australia and NZ reached above \$400 since 2008

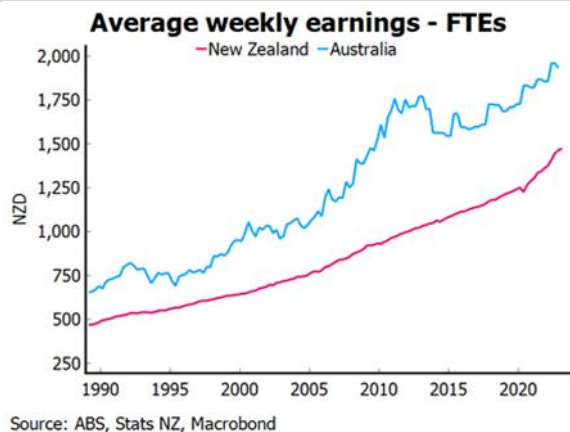


Figure 4 NZ's unemployment rate has been staying at historic low levels since 2021Q3

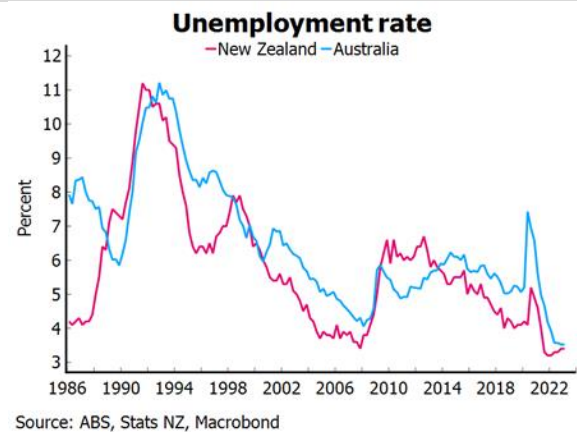


Figure 5 Strong labour demand in NZ's manufacturing, construction, hospitality and health sectors

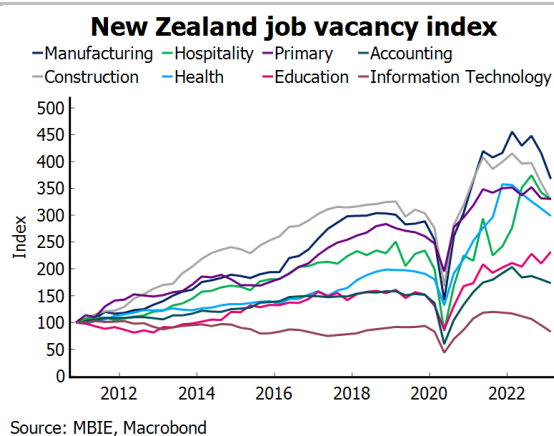
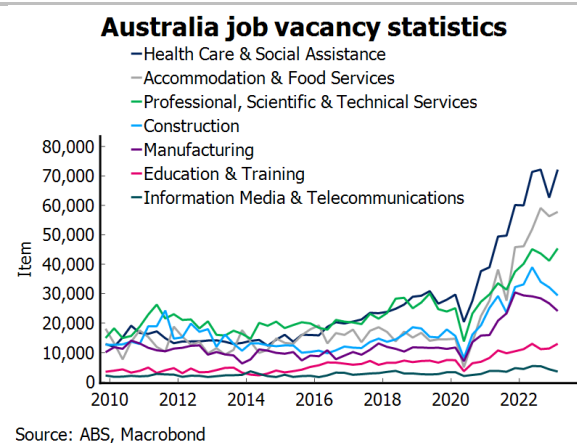


Figure 6 Australia also has strong demand for health care, hospitality and construction workers



As the border restrictions eased off in 2022, we are already seeing net migration gains from a strong rebound in non-New Zealanders from other countries coming into New Zealand.

The policy change will unlikely result in a brain drain from New Zealand.

Retaining and attracting talent should be the key focus to competing with Australia

Construction, health and hospitality workers are in strong demand in both countries

It is possible that the policy change may lure more workers from New Zealand, especially in those sectors of strong demand in both countries, such as construction, health and hospitality, to migrate to Australia in the hope

of higher wages and better work and living conditions, adding more labour shortages in the New Zealand economy just when capacity and inflation pressures are starting to show signs of easing. However, we expect a continued recovery in net inflows of migrants and workers from other countries should compensate for this.

We expect the policy change will more likely encourage those New Zealanders already in Australia to remain there rather than resulting in a significant loss of human capital (brain drain) from New Zealand. Nonetheless, policymakers and businesses must recognise that we compete with Australia for talent. Policymakers and businesses should continue to focus on making New Zealand an attractive place to work and live through policies and initiatives seeking to improve productivity, living standards, work conditions and the immigration system.

This short note was written by Christina Leung and Ting Huang at NZIER, May 2023.

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