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Productivity Commission

By email: info@productivity.govt.nz

Kia ora,

Thank you for the opportunity to make a submission in response to the Productivity Commission's Preliminary findings and recommendations on immigration.

About ACE New Zealand

The Association of Consulting and Engineering New Zealand (ACE New Zealand) is a firm-based membership organisation representing over 230 professional services firms – from large global firms to employee-owned SMEs.

Our members employ approximately 13,500 staff, including engineers, project managers, planners, scientists, architects, surveyors and other technical disciplines. Our teams work together to advise, design and deliver on critical technology, policies and practices, and construction and infrastructure across the built and natural environment in Aotearoa.

New Zealand's immigration settings and our ability to access and attract skilled migrants is of critical importance to our members. Our member firms are vital to delivering on key national priorities, including infrastructure stimulus to address our large infrastructure deficit, and green infrastructure for transitioning Aotearoa to net zero and meeting our climate change commitments. Our domestic talent development is not keeping up with the demand for the critical engineering and other technical skills needed to realise these policy goals. Furthermore, we are under threat of losing domestic talent to larger projects and higher wages overseas.

General comments

We want to commend the Productivity Commission for taking a clear-headed approach to a fraught and complicated issue.

For the infrastructure sector, immigration represents both a creation of new demand on infrastructure, and a source of the workforce needed to realise infrastructure projects. There needs to be a careful balance struck in not creating demand shocks through immigration that overwhelm available infrastructure, leading to negative economic, social, and environmental outcomes, and enabling sufficient ease of immigration for the skilled workers we need.

It is clear that very high levels of net immigration in recent years, without a corresponding increase in the housing supply and construction of new infrastructure capacity has contributed to high housing costs and

strained utilities that has meant that Aotearoa New Zealand has failed to deliver on its promise to new migrants, as well as people already living here.

The country is now seeking to address this housing and infrastructure deficit (and the need to decarbonise) with a record reform and build programme, which creates its own stresses, including workforce and skills shortages that our member firms are attempting to meet through bringing in skilled workers from overseas through the closed border. In a normal year, up to 20 per cent of member firms' workforce needs would be met through bringing in skilled workers – this is obviously much more difficult at present, resulting in serious labour constraints that threaten delivery of important projects. See our report on firms' [personnel challenges – the ongoing impact of COVID-19](#).

A more predictable rate of net population growth would be useful for planning housing and infrastructure pipelines and resulting workforce requirements.

ACE New Zealand supports increased domestic training and our members engage in significant upskilling and professional development of their workers as well as initiatives to attract and retain people into the workforce. However, there will never be sufficient domestic workforce supply for the infrastructure task before us as a country, particularly in new and highly specialised skills that align to the Government's ambitions in relation to low carbon and mass transport, net zero, water reform and more. Immigration is, therefore, vital to deliver on Aotearoa New Zealand's infrastructure needs.

Our members primarily employ migrants on a permanent residency path (although some skilled workers come for shorter periods) and would like to see moves made to make the process of bringing in these workers less costly and more efficient. With significant infrastructure investment being employed by Governments around the world, including significantly larger projects and higher wages than we can offer in Aotearoa New Zealand, we need to make immigrating to here as attractive and easy as possible for the skilled migrants we need.

We support efforts to reduce the exploitation of migrant workers. However, we have some concerns about the recommendation that visa conditions that tie migrant workers to a specific employer should be completely removed. Our member firms invest significantly in recruiting skilled talent from overseas – through recruitment costs, to visa processes, to relocation. This recommendation would potentially put the significant cost of obtaining immigrant labour unreasonably on the first employer in what is a very competitive market, with no guarantee that they will be able to realise that investment. This recommendation needs to be carefully thought through and, if any change is to be made, we'd need to see the cost of bringing in skilled migrants decreased and/or centralised as much as possible.

Consultation questions

Set out below are our responses to questions numbered according to the Commission's "All findings, recommendations and questions" section of the November 2021 Preliminary Findings and Recommendations paper.

Question 1

To what extent does access to migrant labour reduce training and upskilling activity by employers? Do effects on training and development differ by industry? Are there areas of the economy in which New Zealand should be training people that are currently disproportionately supplied by migrant workers? How could policy best respond?

We agree with Finding Four that there are currently no consistent feedback mechanisms to link skills shortages evident in the immigration system to potential responses in the education and training system, to meet employer needs.

In our view, both Government and industry are jointly responsible for attracting talent, training and upskilling – creating the spaces within each of their spheres of control to ensure we have an attractive and secure sector for people to join, we are getting a sufficient and diverse range of talent through the pipeline, and we are giving them the right training and tools to succeed in the workforce.

For the highly skilled and specialised engineering professionals needed in infrastructure (including engineers and their allied consulting professionals), the demand well exceeds what can currently be supplied through the New Zealand education system and upskilling by employers alone. This is an area for Government to focus on. Until we see a shift change in growing local talent, the importation of skilled workers through migration will remain a necessity, especially with new or highly specialised skillsets that are not available domestically in any numbers, or at all.

ACE New Zealand, Civil Contractors New Zealand, Te Kāhui Whaihanga New Zealand Institute of Architects (NZIA) and Registered Master Builders Association [recently surveyed all members](#). The purpose of the survey was to understand current vacancies and resource demands across the sector. The results show:

- There are 3229 current vacancies across 135 firms.
- Employers are experiencing significant difficulty filling these positions from the New Zealand market – 90 per cent of firms are having difficulty recruiting in New Zealand, with 66 per cent getting no domestic applicants
- 28 per cent are trying to recruit from overseas (normally 81 per cent would recruit from overseas.)

ACE New Zealand members alone report that 2,100 more engineers and consultants will be needed in the next year to deliver the growing infrastructure pipeline from both the public and private sectors, and to replace attrition. Nearly 500 of these workers need to come from overseas, bringing skills and specialisations to supplement the supply of new local graduates, and deepen our skill base. With recent unemployment statistics showing very low numbers of engineers are out of work (we understand around 30 engineers), finding these skilled workers domestically is not possible. Without the required workforce, some infrastructure will not be delivered.

The data tells us that the available New Zealand market has been tapped out, leading to increased competition for personnel within New Zealand, which is not sustainable for the sector – we need long term workforce planning for the sector and Government needs to play a key role in this.

The question asks specifically about the role of employers. We do not believe that migrant labour decreases training and upskilling by Aotearoa New Zealand engineering firms – indeed, our highly skilled migrants are an important part of the ecosystem of upskilling our local talent, especially in new methods and techniques not taught in our universities and in large projects that are being carried out in New Zealand for the first time.

At the same time, our member firms are committed to getting the most out of the existing skill base in Aotearoa New Zealand. Our firms engage in large numbers of education, scholarship, and internship/apprentice programmes, as well as extensive training and professional development for their staff. Our 2021 remuneration survey of member firms indicated that the median training budget per employee is \$1,190 and the average training budget per employee is \$1,841.

Question 2

What objectives should be included in an immigration Government Policy Statement? Why?

ACE New Zealand supports recommendations 1-3. Better planning of immigration volumes to match infrastructure capacity will help to avoid situations like the housing deficit and strain on key utilities that has been experienced in recent years. Levels of immigration that are in excess of the capacity of infrastructure and housing to absorb the population growth means that Aotearoa New Zealand is both breaking its promise to new immigrants and making access to infrastructure harder and more costly for people already living here.

The concept of 'absorptive capacity' can go in both directions, as well as helping to determine immigration levels, it could also be useful for planning the infrastructure pipeline by highlighting the new infrastructure investments that will be needed to support planned or desired levels of immigration. A stable and visible infrastructure pipeline is critical to the overall productivity of the engineering sector.

ACE New Zealand also supports recommendation 7, that MBIE should develop more data-informed and dynamic skills shortage lists, and notes that industry engagement is a critical part of this process. Industry forecasting and demand plays a critical role in providing Government the information it needs for this. ACE New Zealand gathers data about vacancies and skills shortages from its membership each year.

We recommend that the objectives of an immigration Government Policy Statement should include to:

- Manage net immigration levels to balance net population growth with the capacity of housing and infrastructure to support a high standard of living for all people living in Aotearoa New Zealand
- Support a predictable level of net population growth over time through stable net immigration levels to enable planning the housing and infrastructure pipeline to meet future needs
- Enable Aotearoa New Zealand to access highly skilled and specialised labour needed to grow the country's wealth and provide the housing and infrastructure needed to support a high standard of living for all people living here.

Should this recommendation be accepted by the Government, we ask the Government to consult with our members in the development of each GPS.

Question 3

How could the Treaty of Waitangi interest in immigration policy be best reflected in new policies and institutions?

ACE NZ supports the recognition of the Treaty of Waitangi in all government policy but will leave detailed comments to more qualified stakeholders.

Question 4

Should the annual number of residence visas on offer be reduced? If so, to what level and why? And if not, why not?

ACE New Zealand does not believe there is one inherently desirable level of residence visas. What matters is that the level is aligned with the capacity of Aotearoa New Zealand's housing and infrastructure to support a high standard of living for all people living here, while also providing the economy with access to highly skilled and specialised labour from overseas. These two outcomes are inextricably linked in the engineering sector. Needs may change over time (including in response to political priorities and cycles) and therefore we need a responsive, not a fixed, system.

Question 5

Should the right to return for permanent residents who re-migrate out of New Zealand be limited? Under what conditions? What would be the costs and benefits?

ACE New Zealand would not support this. The highly skilled and specialised workers that come to Aotearoa New Zealand to work in engineering firms are often highly mobile and may choose to move overseas and return to Aotearoa New Zealand at a later point. Maintaining ease of return and a substantial link to Aotearoa New Zealand for these workers will increase the chance that they bring their vital skills back here in the future.

Question 6

Should efforts by migrants to learn te reo be recognised in the residence or permanent residence approval process? If so, how would this best be done?

ACE New Zealand supports all people learning te reo but has no comment on whether this should be recognised as part of the residence or permanent residence approval process.

Question 7

Do particular groups of migrants need additional or targeted support to settle? If they do, what types of support would work best?

Most immigrants that ACE New Zealand member firms deal with are highly educated, adaptable, and capable. This obviously isn't the case with all immigrants, and we leave comment on this issue to more informed stakeholders. But we do note our comments in regard to recommendation 8 as outlined above, being our concerns about removing visa conditions that tie temporary migrants to a specific employer and the need to be mindful of the impacts of this to employers and the sector.

Concluding comments

In summary, ACE New Zealand welcomes the goal of a more predictable rate of net migration, which would allow for better infrastructure planning. It is critical, however, that this does not increase the barriers to obtaining the skilled workers from overseas that are needed to deliver this infrastructure. In fact, we believe this is an opportunity to lower the barriers to bringing such workers to Aotearoa New Zealand and undertake better workforce planning for industries, like ours, that are reliant on skilled overseas workers for a significant portion of workforce growth.

Please feel free to get in touch if you would like to discuss any aspect of this submission. We welcome the opportunity to input into government responses in these key areas.

Nga mihi,



Helen Davidson
Chief Executive