New Zealand Productivity Commission
Te Kōmihana Whai Hua o Aotearoa

Immigration policy
International perspectives

NEW ZEALAND
PRODUCTIVITY COMMISSION
Te Kōmihana Whai Hua o Aotearoa

Note: This working paper is intended both to promote informed debate about immigration policy and to outline the thinking and analysis that has underpinned the New Zealand Productivity Commission's preliminary findings and recommendations for its immigration inquiry. It is a draft and one of six supplementary reports, that may change and be updated, as the Commission prepares its final advice to the Government for April 2022.

1. The Commission that pursues abundance for New Zealand.

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1   Introduction: migration contexts and choices

1.1   Geographic and demographic context for migration

Individual choices…

It might seem obvious that migrants decide to move because it is in their interests, based on the opportunities they have and the incentives they face. Economists have typically characterised immigrants as people who have moved with the objective of maximising lifetime returns (Borjas, 1999; de Haas, 2011; Lee, 1966). Of course, some people move even if they will be individually worse off because their family may be better off. This could be for various reasons, for example because their partner has a lucrative job offer, or because moving offers better long-term opportunities for their children, or because their earnings in a new country can be repatriated to family back home.

Yet, as Banerjee and Duflo (2020) observe in *Good economics for hard times*, and Autor, Dorn and Hanson (2021) find in *The persistence of the China shock* it's surprising how many people *don't* move. People's identity may be more tied to family and location and community than supposed in standard economic models.

For those inclined to move – whether because "home is the mouth of a shark"[1] or because of the attractiveness of opportunities in a new country, or a combination of factors (NZPC, 2021b) – their plans can be either aided or thwarted by the immigration policies of the receiving country. This paper is about those policies.

…within a global demographic context

An analysis of global trends over time finds that geographic and demographic context matters a great deal for understanding why people move and why countries take them.

Demographic transition theory offers a stylised sequence of events across four stages of industrialisation and modernisation: (i) pre-modern societies have high mortality, compensating with high fertility but slow population growth; (ii) early industrialising countries experience declining mortality due to improvements in public health, continued high fertility as social norms take time to change, and rapid population growth; (iii) more developed countries have slowing mortality, declining fertility due to fading traditional social norms, and slowing population growth; and (iv) modern advanced economies have a decline in mortality, replacement-level fertility, and low to negative population growth (Lesthaeghe, 2014).

A mobility transition curve, an inverted-U relationship between migration and development that was first described by Wilbur Zelinsky (1971), revised the demographic transitions story of development to include migration.

Declining fertility is replaced by migrants, acknowledging that migration cannot stem aging altogether because they also age and lower their own fertility as they adapt to destination societies. It suggests economic development spurs emigration from origin countries in the early stages of development, increasing until a point, and then decreasing. Zelinsky described societies passing through five distinct phases of development, from pre-modern traditional societies with weak educational institutions and outcomes, to future 'super-advanced' societies. The last stage of an economy's development is accompanied by various forms of internal and international migration patterns – overlaid with higher returns to education, increased mobility and transnationalism. These patterns have been shown empirically (Dao et al., 2018; Skeldon, 2019).

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[1] "no one leaves home unless home is the mouth of a shark" is from *Home* by British Somali poet, Warsan Shire.

How governments position themselves within global trends

The general inverted-U relationship may explain how governments position themselves to further their national interests:

- Rich countries' populations get older, with pension and health costs funded by a declining share of the working-age population. While New Zealand's aging population is not as acute as Europe and Japan, this is a problem for several immigrant-receiving countries who, like Canada and the United States, underwent a post-World War II baby boom. Reversing this trend relies on immigration to expand the labour force as baby boomers enter retirement.[2]

- Longevity and income growth rates improve in formerly poor countries. Faster growth has grown the middle class and increased the number of young, educated individuals attracted to opportunities in richer countries, just as many New Zealanders have historically left for better wages and opportunities – particularly to Australia. Over time, countries experiencing fast growth (China, India) begin to attract their diaspora home and retain their talent, with reduced emigration.[3]

- Travel costs have reduced and wage differences between countries have narrowed.

These 'mega-trends' are navigated by governments (and large firms) in various ways. The founder of the World Economic Forum, Klaus Schwab argued in 2012 that the world has entered an "age of talentism" in which "talents" have replaced capital as the economic currency (Tarnowski, 2012). This suggests both demand-side technology changes and supply-side immigration factors could drive returns to skilled labour rising faster than returns to capital (Afonso et al., 2016). Once the race for talent has begun, the pressure to engage in targeted recruitment increases, as no country wants to be left behind.

1.2   Structure of this paper

This paper looks at the international literature and practice on what immigration policy consists of; how countries manage the entry of migrants and influence the volume of immigration; how countries manage the selection and influence the composition of migrants to meet their objectives; and how settlement of migrants is managed. In doing so, the paper looks at the comparative decision-making structures and governance arrangements surrounding immigration policy around the world.

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[2] In the United States, illegal immigration is more than a third of total migration, driving policy debates. Yet, as Trebilcock, 2003 notes, many illegal immigrants are working at jobs that the local population is unwilling to do at prevailing wage levels, including elder care.

[3] However, migrant stock effects (resulting from family and cultural connections) may cause observed migration rates to persist long after these other fundamentals have changed (Hatton & Williamson, 2011).

2   Policy objectives and effectiveness

2.1   What is immigration policy?

In New Zealand, Australia, Canada, and the United Kingdom, work rights are a predominant feature of migration policy. In the EU, debates revolve around access to welfare entitlements, while the US debate tends to focus on family reunification and the rights of undocumented workers.

Pedroza (2020) defines immigration policy as the choices made by governments with the aim of regulating the rights of individuals who pass through three stages of an international migration journey:

(i)   the right to enter/exit (immigration policies)

(ii)   the definition of residence, work, and study rights for migrants and denizens (immigrant policies); and

(iii)   the rights to nationality and settlement – including access to entitlements, protections, and public services (citizenship/settlement policies).

Various attempts have been made to construct weighted analyses of aggregated policy settings across countries, based on their openness to migrants. New Zealand tends to feature as among the most open (based on the Immigration Policies in Comparison or IMPIC) and most inclusive (based on the Migrant Integration Policy Index, or MIPEX) (Bjerre et al., 2019).

Box 1   **Immigration policy indices – what do they measure?**

A number of academic and international organisations have developed indices to compare national immigration policy settings. Two prominent examples are MIPEX and IMPIC.

MIPEX began in 2004 as the European Civic Citizenship and Inclusion Index and has been expanded over time to now cover 52 countries across five continents. Produced by the Barcelona Centre for International Affairs and Migration Policy Group, MIPEX measures how well national policies integrate migrants. The Index includes 58 indicators in eight policy areas – labour market mobility, family reunion for foreign citizens, education, political participation, permanent residence, access to nationality, anti-discrimination and health. In 2020, New Zealand's MIPEX score was 77 out of 100 (fifth place overall), earning the grade of having a 'comprehensive' approach to integration.

IMPIC covers the immigration policies of 33 OECD countries over the period 1980-2010. It attempts to provide a comprehensive measure of the restrictiveness of national policies across five fields - family reunification, labour migration, asylum, the immigration of co-ethnics, and irregular immigration. In analysis by Bjerre et al (2019), New Zealand had the second least restrictive immigration policy settings.

Implications of choices about entry, selection and rights are intertwined

Immigration policies typically:

- manage entry and openness, to influence the volume of immigration

- manage the selection and influence the composition of migrants; and

- determine the rights migrants have after admission and manage settlement.

Choices about the purpose of allowing entry and openness to the world dictate how selective countries, the sophistication of methods used, and the treatment of migrants once they arrive. These choices occur at multiple levels – numerical entry settings like caps and targets (discussed in the next chapter) may be applied at to overall migration numbers, to selected individual migrant categories like high-skilled workers, students, or to individual occupations. Similarly, the rights to certain entitlements and settlement support may be dictated by whether entry is temporary or permanent or may be tailored to specific sectors and guestworker programmes.

'Openness' and 'selection' to the admission of migrants in high-income countries such as New Zealand, Australia, Canada, and the United Kingdom tends to focus on workers, entailing complex entry and matching mechanisms and institutions. In the United States, openness is largely focused on family reunification, with polarised political debate about the treatment of illegal ('irregular') migrants and their families. Having had a comprehensive internal open border policy for many years, the EU's openness and selection policy debates on migrants from non-EU countries have focused on asylum seekers.[4] Political concerns there about fiscal costs and social cohesion in the EU have led to the externalisation of migration policies – directing development assistance and transferring administration responsibilities to poorer countries – with the aim of preventing the entry of irregular migrants.

The third set of policies – choices about 'rights' – are the rules that formally determine how inclusive society is to migrants. However, the living conditions and subjective wellbeing experiences of temporary and permanent migrants are also determined by the ability of a country to 'absorb' people (absorptive capacity).

The absorptive capacity of a country may relate to social outcomes, such as cultural and social cohesion and to economic opportunities, including the ability of a country's institutions to integrate new people and skills. It may also relate to the physical ability to house new people within available housing and infrastructure and to a standard that society is comfortable with. Scarce or limited capacity is an inherently short-term concept, since new capacity can be added with sufficient time and prior investment, subject to available economic (real) resources.

2.2   A range of formal and informal institutions

Immigration outcomes depend on the design and implementation of immigration policies as a system, with each element reinforcing the others:

- A set of objectives, policies, and rules to deliver on the country's primary immigration 'purpose';

- The right set of institutions to operate the system, maintain consistency with a clear purpose, and to balance responsiveness with predictability; and

- A set of tools or policy 'programmes' that make up a systematic approach to implementing changes and evaluating effects.

Bundling, balancing, and trading-off objectives

Countries will often have multiple and overlapping objectives, with different weightings and distributional consequences for local populations. There are also differences between stated objectives and observed reality (Bonjour, 2011; Boswell, 2007; Boswell et al., 2011; Castles, 2004; Czaika & de Haas, 2013; Freeman, 1995).

Because migration policies are typically a compromise among competing interests, contradictory objectives, trade-offs among numerical targets for visa sub-categories, and contradictory policy stances are common. One such contradiction is in economic objectives – where a country might be open to

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[4] The 1985 Schengen Agreement led most European countries, to build a Europe without borders known as the "Schengen Area" providing for the free movement of all persons – citizens and non-citizens – within the EU, and tighter control of external borders. However, EU countries do not (yet) have one officially agreed-upon and collectively administered immigration policy relating to citizens of third-party countries.

international trade and outsourcing, but not open to labour migration. Other contradictions include allowing entry for some hard-to-recruit occupations but not others.

Countries can sometimes adopt policies that achieve multiple objectives. For example, family reunification policies to give effect to community preferences for bringing together families can also confer a competitive advantage in attracting migrants with valuable skills and attributes. Also, there is the added advantage that new migrants are likely to be well supported by other family as they settle in. However, family reunification numbers are often limited to reduce pressure on absorptive capacity, potential fiscal costs, or concerns about integration and social cohesion. Given the importance of extended families in many cultures, policies to limit reunification are often highly contested – they can also seem arbitrary and unfair (eg, limited to spouses but not children or parents, to immediate but not extended family).

Some policy disputes arise using the same objectives because people have different views about the best way to deal with a problem. At the social level, some people may oppose settlement of immigrants in their neighbourhoods because they feel it will breach a fixed absorption capacity level – worsening their housing conditions and amenities. Others may see housing constraints as caused by demographic change (increase of one person households, larger properties, and second homes), where immigration can be a source of urban renewal and a more vibrant cultural mix – consistent with a dynamic and increasing absorptive capacity over time (Cangiano, 2016; Finney & Simpson, 2009).

A common criticism of United States immigration policy is that it combines dispersed decision-rights and multiple competing interests, leading to contradictory and incoherent policies: rhetoric about addressing undocumented migration, selective enforcement, acceleration of broader economic integration policies, and settlement rights for the children of migrants. The lack of clear delegation results in policy stasis. Polarised interests making claims of corrupt or arbitrary enforcement discretion characterise immigration policy, particularly labour migration (Rodríguez, 2010).

Most countries with developed migration policies, however, recognise the inherent trade-offs within their economic objectives, most notably between increasing the overall welfare of citizens and addressing specific labour market shortages. For example, filling immediate labour market shortages may reduce incentives for firms to invest in capital and new technology (NZPC, 2021c), and could undermine objectives to promote local skills and training.

These trade-offs are often a result of distributional impacts, similar to concerns about trade and globalisation policy objectives. Jonathan Portes (2019) notes that, while migration is not a zero-sum game, migration can create winners and losers – particularly in the short-run. Just as trade will hurt those working in sectors where the country does not have a comparative advantage, immigration will hurt those working in direct competition with immigrant workers. But migrants can also be complements, increasing local and more highly skilled employment (NZPC, 2021a).

How might entry, selection, and settlement tools be described as 'effective'?

Migration policy is an area where the *effect* of policy interventions is often very different from their *effectiveness* in achieving objectives.

Box 2   **Swans and Rhinos: 'effect' and effectiveness' are not the same**

Czaika & Haas (2013) distinguish between policy effect (the actual impact) and effectiveness (the extent to which the desired outcome is achieved).

Policies targeted at one category of migrant, can have unintended effects on the other categories. For example, changing policies in one immigration category with the intent of limiting entry, might simply result in potential immigrants moving categories to obtain entry.

Clamping down on overstayers by the use of prominent deportations may be intended to reduce the exploitation of migrants and reduce the displacement of locals in the labour market by deterring entry. It might, however, not be effective if it has the effect of driving the employment (and exploitation) of overstayers further underground. Trying to reduce population growth by limiting net migration may not be effective if policies also reduce emigration.

Bijak and Czaika (2020b) consider migration decision-making under conditions of uncertainty and use animal metaphors to explain the causes of potential ineffectiveness. Effects can be described as:

- swans – almost ubiquitously predictable, manageable, with certain impacts;

- black swans (Taleb, 2010) – events that genuinely surprise, not being foreseeable, but having a significant impact; and

- grey rhinos (Wucker, 2016) – predictable but hiding in plain sight, leading to neglect and inaction.

Bijak & Czaika (2020a) provides a more technical 'typology of the unknown' noting consistently poor forecasting in the United Kingdom, Australia, and the EU. They note that many supposed black swans (unpredictable 'aleatory' systemic shocks) that surprise migration specialists are grey rhinos, which would benefit from better data gathering, modelling and communication about knowledge already held by different players. Pressure on infrastructure and signs of potential displacement are predictable impacts of migration scenarios requiring proactive will to avoid bigger future problems. Bijak and Czaika's swan/rhino analogy leads them to recommend a versatile policy strategy:

> A smart migration governance system that involves a network of policymakers, migration experts and other stakeholders reflects collectively and acts in a coordinated and coherent way to prepare for, adapt to, mitigate, or prevent the manifestations of migration-related uncertainty. Such a governance system will not only be able to anticipate and act upon grey rhino shocks, but also be resilient and flexible enough to manage unforeseeable black swan events that have the potential to destabilize entire societal and governance systems (Bijak & Czaika, 2020b, p18).

While migration policies on entry can be evaluated in the short run, those affecting settlement are often observable only in the longer run. Impacts kick in gradually and cumulatively, which makes evaluation and readjustment challenging. The impact of changing flows of migrants (through individual categories) onto the population can take years, and multiple election cycles. However, Christina Boswell contends that where policies are monitored and publicly reported on a frequent or ongoing basis, policy makers tend to adjust policy to realign objectives closer to achieving society's longer-term desired outcomes (Boswell, 2016).[5]

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[5] Boswell (2016) characterises the global 'managed migration paradigm' as evidence-based policymaking, where policymakers value expert knowledge, as much for symbolic as for evaluative reasons. Stating objectives with which to align visa categories, entry conditions, and other policy tools is not only done to enable coherent policy analysis and transparent evaluation. It is also a way to legitimise policy decisions and generate social licence for future decisions.

Other researchers question the feasibility of attributing effect or effectiveness to policy interventions at all. Critics such as Dell Champlin (2010) predict that the most likely response to a reduction in the supply of low-skilled workers migrants would be stepped up recruitment of workers from other regions or reduction in output. Businesses who rely on migrant labour would intensify lobbying efforts and the most significant impact will be on bargaining power. Downward pressure in low-skill labour markets is exerted not solely by an increased "supply" of migrants, but by a combination of factors severely reducing these workers' bargaining power: limited legal standing, lack of organisation, and low social status.

Establishing institutions and engaging society in decision-making

Since the 19th century, governments have become the sole authorities of 'who belongs' by developing technologies such as the passport to legitimise presence and to control flows between countries. Immigration is inherently political, and most governments hold decision-making power close – particularly for volumes of permanent migration.

In contrast, the institutions that influence selection (migration choices, work rights, labour market settings) and settlement outcomes are not limited to state institutions, or even to organisations – they also include regulatory regimes, market structures, community expectations, and social norms. Some countries actively involve tripartite partners – business groups and unions along with government, in decision making.

Some countries have independent or advisory agencies working on immigration policy, research on immigration, or independent evaluation of policies and their outcomes. Portes (2019) points to countries that combine relatively open policies with public consent: Ireland, Canada, and Spain use evidence and transparency to improve public perceptions of the impact of immigration.

These agencies are valued not only for their independence and depth of analysis – they also signal that governments are prepared to take action to address policy problems (Hunter & Boswell, 2015). Chapter 4 discusses examples of some of these agencies focusing on selection, where choices about using migration or training to fill skill gaps can create political tensions between local workers and business groups.

Formal agreements between countries – recognising transnationalism

Externalising policies is not limited to controlling entry or limiting flows, as in the case of asylum seekers. It also extends to recognising integration and settlement objectives with formal agreements. The increasing use of these agreements and 'diaspora engagement policies' reflect increasing international mobility and transnationalism – growing interconnectivity of people and communities across, beyond, and sometimes despite state boundaries (Chin & Smith, 2015; Gamlen, 2008).

Integration objectives, and the link between entry choices and settlement outcomes, can lead institutional responses that try to balance the interests of migrants (both temporary and permanent) and host communities. An emerging trend, in Europe and in Korea, is a shift in focus from two actors (immigrants and host community) to three actors (immigrants, host community, and countries of origin) taking part in policy formulation and reviewing settings.

The European Commission provides an example of how thinking has evolved from 'a two-way process based on reciprocity of rights and obligations' of migrants and host societies in 2003, to a three-way relationship involving agreements with sender countries in 2011. 'Countries of origin can have a role to play in support of the integration process in three ways: 1) to prepare the integration already before the migrants' departure; 2) to support the migrants while in the EU eg, through support via the Embassies; 3) to prepare the migrant's temporary or definitive return with acquired experience and knowledge' (Garcés-Mascareñas & Penninx, 2016).

| F2.1 | Institutions comprise a range of objectives, organisations, decision-rights, regulatory systems, and policy programmes. The effectiveness of institutions |

relies on anticipating and responding to a range of potential reactions from migrants and uncertain future migration flows.

Migration is increasingly 'transnational', with some countries responding to risks by externalising entry controls, and by formalising expectations and obligations with both source countries and diasporas.

3 Managing entry and influencing the volume of immigration

3.1 Broad policy objectives

What are countries trying to achieve with entry policies?

Although there are many consistencies in the high-level objectives of immigration entry policies and visa categories across countries, few countries have what might be described as a clear and single overarching strategy or set of priorities for immigration. Broad policy objectives include:

- Immigration for economic objectives, to increase the net national welfare of citizens. This is advanced through adding 'smart capital' (money, knowledge, and expertise brought by a migrant investor), and adding to labour market supply through the selection of desirable, complementary and/or scarce skills of migrants. The aim may be to foster networking, innovation, and human capability, or to provide a low-cost way of addressing immediate labour market shortages (compared with upskilling the local population).

- Immigration for social and geopolitical objectives for nation-building, diversity, and strengthening global relationships. Immigration is used to promote cooperation by building connections and enabling family reunification. Polices may give effect to community expectations or preferences to treat people fairly, meet humanitarian commitments, and recognise special regional, historical, and colonial relationships.

- Maintaining national security. Given the low costs of international travel and expectations about freedom of movement, almost all governments control the transit of people through their borders to protect residents from external threats and from costs and liability. Terminally ill and elderly would-be immigrants tend to be excluded from entry because of the likely costs for the health system and low likelihood of tax revenues. Basic health, criminality, and national security checks are a standard feature of immigration policies in most developed countries.

Geography can affect the balance of objectives sought from immigration policy. For example, as Australia and New Zealand do not have land borders with other countries, they do not need to devote as much effort and resource to preventing illegal migration as the United States or European countries.

F3.1	Developed countries pursue a range of objectives through immigration policy, including economic, political and security goals. Contradictory objectives, or differences between stated goals and observed reality, are common.

Entry policies are often tempered by objectives around social cohesion

Policy choices around who can enter are typically tempered by how well a country can manage volumes, or concerns (and sometimes separate objectives) about social cohesion.

Where immigrants are contributing to society and the economy, and where unemployment is low, governments can manage volumes within societies' tolerance for congestion. Having well-integrated migrants and sufficient capacity in the form of housing and infrastructure (including social infrastructure such as schools and hospitals) enables a country to admit migrants without significant social cohesion issues. Yet, few countries appear to have absorptive capacity or considerations of infrastructure and housing capacity as a formal binding constraint for setting immigration policy. The ability to increase absorptive capacity in the longer run enables more ambitious and expansionary economic and social objectives over time, increasing options for dealing with changing population demographics and managing distributional outcomes across society.

3.2   Mechanisms used to influence immigration flows

While immigration controls determine who is allowed to enter and remain in a country, governments use a range of instruments to influence the number and type of immigrants.

Visas

Different visas confer different sets of rights for migrants, covering expectations of ongoing residency, visa duration and the ability to reapply, the ability to have partners and family join them, and who visa-holders can work for. Categories tend to differ by the length of time migrants can stay in the country and the rights they have. In contrast, other visas confer 'open work rights', meaning they can work for any employer, and those employers do not have an obligation to recruit locally first. These rights are often related to the objectives of the visa.

Caps and quotas

Although the details of immigration policies in major destination countries such as New Zealand, the United States, Canada, and Australia vary widely, they typically entail three primary classes of permanent migrants: an economic (or 'independent') class, a family class, and a refugee class. Most developed countries restrict the number of immigrants that will be accepted each year in each admission class. Some countries, especially those where tripartite bodies (combining representatives of government, unions, and business) traditionally play a role in policy, social partners are actively involved in the elaboration of caps.

In reality, controlling the numbers of migrants entering a country is challenging since the decision is delegated to firms (in employer-led models) or immigration officials (in points systems). Using numerical limits may take the form of a volumetric target to be achieved – which requires officials tweaking settings or thresholds to tighten or loosen the application criteria – or a cap or quota limit not to be exceeded – and beyond which no more visas may be issued.[6] Objectives may be set at the political level, but the tools to achieve these are often fine-tuned by revision based on evidence.

Whether or not there are migration restrictions, the recognition of internationally recognised rights and local political pressure on decision-makers means there is a certain amount of immigration over which policy has limited, or at least lagged, control. Aside from the size of the overseas diaspora (significant for New Zealand), the volume will depend on the size of the total and immigrant population (affecting the number of foreign spouses and children) and the number of married immigrants who are in the host country without their families. For these reasons, some studies consider subsequent family reunification of spouses and children as non-discretionary, even if that of the original migrant was discretionary (OECD, 2006).

Caps are justified by governments on the basis that completely open borders would create congestion. This could be in the form of physical limits on absorptive capacity due to a shortage of houses, or financial limits being reached by political and fiscal stresses on redistributive programmes. One implication of the quota method is that it limits the entry of immigrants to those who can demonstrate that they will not be a 'burden' on the state. Another implication is that quotas must be set in advance, which places the difficult task of predicting the needs of the labour market (at least in the case of the independent class quota) in the hands of the government.

Allessio Cangiano (2016), looking at the United Kingdom's attempt to reduce immigration and stabilise the population, concludes that policy constraints, competing objectives, and unintended feedbacks make it neither optimal nor feasible to prioritise an overall net migration number as a target for policy. While overall caps and targets may not be effective in achieving objectives, they may still be useful as indicators – factoring net migration into the broader policy debate, and informing expectations provides useful reflection on the long-term implications of migration policies.

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[6] The term quota is sometimes used to describe a portion of an overall cap devoted to a sub-category, but 'cap' and 'quota' are often used interchangeably (Chaloff, 2014).

Numerical limits (or caps) have also been applied to temporary, provisional, and seasonal work permits in several OECD countries, including the United States, the United Kingdom, Norway, Korea, Portugal, Spain and Italy. Caps on temporary migration are generally meant to serve as a brake on employer demand, especially (but not only) for lesser-skilled employment where local workers may be exposed to the risk of substitution, displacement, or other adverse employment effects. Since caps are a ceiling, when they are oversubscribed, employers may push to raise them, or agree with governments about priorities for training locals (Chaloff, 2014).[7]

Shortage lists and selection tools

Short term labour market shortage lists, usually developed within public bodies, are rarely based on quantitative analysis – though this is changing, particularly in Australia and the United Kingdom. Initial lists are often changed after consultation with labour market stakeholders, including social partners. The institutional configuration depends on political factors as well as on the capacity of the public administration to identify and collect data and to conduct analysis. Bureaucratic complexity is observed by some US researchers to possibly undermine the benefits of proactive management, leading them to argue for the abolition of many immigration requirements altogether (Padilla & Cachanosky, 2015).

A variety of selection tools, some of which explicitly prioritise 'the best' applicants (based on human capital contribution or based on the jobs and firms most in need of labour), is described in the next chapter.

Targets

How target levels are decided by politically elected decision-makers is not always entirely clear. Historical migration levels and population and participation rates provide some guidance. Underlying consideration of previous trends is a concern about what society will bear and over what timeframe – relative to the ability of the economy and society to absorb immigrants more or less smoothly, without overly taxing domestic social infrastructure, creating adjustment problems or giving rise to xenophobic sentiments in the population (OECD, 2006).

Regardless of how the exact numbers are decided, the determination of immigration numbers through target levels or numerical limits serves two purposes: (i) to make the process as neutral and non-discriminatory as possible for applicants; and (ii) to signal that the Government is in control of the migration.

> Box 3   **Managing volumes – selected countries**
>
> **Australia** – numbers for the Migration Program and the Humanitarian Program are managed separately as targets to be achieved. The Migration Programme is subdivided into individual categories, covering largely family immigrants (with separate planning categories for spouses, children, parents, other relatives); skilled migrants; and specific regional and investor categories. Specific planning levels are annually specified by the Minister for Immigration in April for the following fiscal year. As flows from New Zealand have been largely free since the 1973 Trans-Tasman Travel Arrangement (TTTA), efforts to manage volumes and reduce fiscal risks have been made by reducing social security entitlements (NZPC & Australian Productivity Commission, 2012).
>
> **Canada** – also uses targets. There is a legal requirement for the Minister of Citizenship and Immigration to table in Parliament on or before 1 November of each year, the number of permanent residents admitted in that year and the number planned for the following year, following consultation with the provinces. Parliament is not explicitly involved in the process, but there is formal Cabinet approval for the planning levels before they are tabled. Planning levels are given in terms of ranges, both overall and for each category of migration.

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[7] The MAC in the United Kingdom, for example, has used its advice about caps or shortage occupations to propose better training opportunities to meet long term skill gaps, particularly in the health sector (Migration Advisory Committee, 2016).

United Kingdom – before Brexit, there was already a broad desire to actively reduce immigration numbers. In 2012 the UK Parliament voted in favour of a motion calling on the Government to "take all necessary steps to reduce immigration to stabilize the UK's population as close to present levels as possible." The Government used caps and tightened skill and salary thresholds to follow through on a goal to reduce net migration to under 100 000 per year, along with a so-called 'hostile environment' policy. But the high-level political rhetoric was not underpinned by a strategy articulating objectives and priorities. By 2016, before the Brexit referendum, net migration was estimated at 391 000, causing commentators to warn that failing to set out an achievable plan to reduce net migration damages public confidence (Owen et al., 2019). The post-Brexit policy framework includes no cap on the number of skilled workers, employers do not need to demonstrate that jobs could not be done by residents, and a skilled worker can reside indefinitely if they keep extending their work visa.

Comparing a couple of EU countries – In most of the EU, caps affect only a small part of the total migration flows, given the free flow of citizens under Schengen Agreement (much like flows between New Zealand and Australia). Both Italy and Slovenia have caps for immigration from non-EU countries. In Italy, caps are determined annually through consultations with local authorities and employment service providers but are the joint responsibility of the Ministry of Labour and the Ministry of the Interior. The final decision is political. In Slovenia, the Economic and Social Council (a tripartite body of social partners, comprising representative of employers, trade unions and government) proposes a quota to the Ministry of Labour, which presents it to the Government.

4   Managing selection and influencing the composition of migration

4.1   Approaches to selection have converged

Aside from the EU, three immigration policy selection models[8] can be found around the world:

- The 'human capital' model, originating in Canada, based on the state selection of permanent immigrants using a points system to prioritise migrants likely to make a lasting contribution to the country, rather than a specific job offer or set of skills;

- The 'labour market pooling' model, originating in Australia, based on state selection using a points system to prioritise particular skills and occupations (with business and union input) and creating a pathway to permanent residence; and

- A demand-driven sponsorship model, based on family reunification or employer selection, as practised by the US.

New Zealand has borrowed elements of all three models for its permanent and temporary migration systems. The New Zealand system is covered in more detail in the Commission's paper *Primer to New Zealand's immigration system* (NZPC, 2021d).

A feature of all three models is a growing openness toward recruiting foreign students to become immigrants, relying on connections between academic institutions to establish cultural and research connections. All models use short-term visas for tourists, students, and temporary workers, which offer post-study work rights and bilateral working holiday schemes.

To some extent, all models try to prioritise the skills and attributes of prospective migrants and there has been much convergence. Canadian and Australian practices have shifted towards the US demand-driven model as increasing percentages of permanent immigrants come from pools of employer-selected temporary foreign workers and foreign students already in the country instead of government officials selecting immigrants from abroad (Koslowski, 2018).

The UK, particularly post-Brexit, has also borrowed from all three models. In 2008 it implemented a points system like Australia's for non-EU citizens, but with an independent agency (the Migration Advisory Committee, or MAC) proposing skill definitions, salary thresholds and points weightings. Post-Brexit, the UK's points system has been extended to all countries of origin (except Ireland) targeting highly skilled migrants.

F4.1	There has been increasing convergence in the immigration policies of developed countries, with most blending elements from: • 'human capital' approaches, which try to select people based on their skill levels and experience, • 'labour market pooling' approaches, which prioritise specific skills sets or occupations, and • demand-driven models, where employers or families sponsor migrant entry.

[8] This typology is based on Koslowski (2018). EU arrangements do not fit neatly into this typology because of the lack of unified policy and the "Schengen Area" providing for free movement. Chaloff and Lemaitre (2009) contend there are two types of immigration system: demand-driven and supply-driven – with Australia's labour pooling model a hybrid, where the government acts as an agent selecting for employers.

4.2   Immigration policy as a labour supply tool

A basic objective of labour migration policy is meeting labour needs that cannot be met efficiently with domestic labour within a reasonable timeframe while avoiding adverse effects on the labour market for residents (OECD, 2009). In practical terms, this means deciding who to admit, how many to admit, and for what jobs. What is 'efficient' and 'reasonable' involves political judgment. Winners and losers from choices, and adverse effects - or the lack of adverse effects - are often assumed rather than observed (Chaloff, 2014).

Ruhs (2016) offers some stylised facts about labour-focused migration policies in developed countries:

- Differentiating high- and low-skill-focused policies – Most countries operate different labour immigration policies for admitting migrants for employment in low-, medium-and high-skilled jobs. Policies for different groups of workers are typically associated with different degrees of policy openness and rights for migrants.

- Temporary immigration programmes predominate – Most labour immigration programmes in high- and middle-income countries are temporary programmes that grant temporary residence status on arrival, although some allow a transfer to permanent residence status after some time.

- Greater openness to skilled labour immigration – Programmes that target higher-skilled migrant workers place fewer restrictions on admission than those targeting lower-skilled migrants. The existing permanent immigration programmes (ie. those that grant permanent residence on arrival, rather than following a period of time on temporary visas) target higher-skilled workers. Important exceptions include the United States, Sweden and the Gulf States.

- More rights for migrants under high-skilled labour immigration programs – There is a positive relationship between rights granted to migrant workers and the skill level targeted by the immigration programme. Programmes that target higher-skilled migrants impose fewer restrictions on some rights than those targeting lower-skilled migrants.

- There are trade-offs between openness and some rights in upper-high-income countries. In some countries labour immigration programmes that are more open to admitting migrant workers are also more restrictive about specific rights. These trade-offs are generally less present in labour immigration programmes targeting the most highly skilled workers, for whom there is intense international competition.

| F4.2 | Most developed country immigration policies distinguish between higher- and lower-skilled migrants, offering more rights and openness to higher-skilled candidates. |

Why countries differentiate between skill levels

Most developed countries assume migrants with more advanced skills are more likely to make a greater contribution to national productivity. This occurs through migrant workers increasing the overall level of human capability in the economy, and through the effect of those workers on the productivity of other workers (known as spill-overs, arising from complementarities).

Increasing the overall level of human capability in the workforce arises from migrants contributing specialisation that may not occur in the economy otherwise. Immigration helps offset the high cost of equipping local workers with specialist skills. A greater potential for migrants upskilling the local population also arises when people bring new and more efficient ways of working (eg, when skilled migrants are in management positions) and when local workers learn new skills on the job, working alongside highly skilled colleagues.

There are opportunities for increasing overall human capability by thinking about complementarities at all 'skill levels'. So-called 'low' skilled labour, as indicated by a lack of formal education or no

experience in a technical or specialised industry, can make a significant contribution to productivity growth – particularly if migrants come with other attributes like initiative, adaptability, reliability, communication, and teamwork skills. Low-skilled migrants may free up locals to do other things, potentially enabling locals to specialise or carry out higher-level roles. If more labour supply leads to higher productivity – proportionately more output being produced – firms can attract capital and invest and further complement the relatively low-skilled workers. These investments raise the productivity of locals as well as migrants (NZPC, 2021a). On the other hand, they may instead base their business models on continued access to low-skilled labour and limited investment – particularly when competition is weak.

Box 4   **How skills are assessed, and when skills assessments are used, in Australia and New Zealand**

Immigration New Zealand uses the Australian and New Zealand Standard Classification of Occupation (ANZSCO) to assess the skill level of most occupations. ANZSCO sorts occupations into five levels, with 1 and 2 being 'high skilled', level 3 'skilled', and levels 4 and 5 'low skilled'. In ANZSCO, skill level is defined as a function of the range and complexity of the set of tasks performed in a particular occupation. Skill level is measured by:

- the level or amount of formal education and training required;

- the amount of previous experience required in a related occupation; and

- the amount of on-the-job training required to competently perform the set of tasks required for that occupation.

There have been concerns that ANZSCO is a blunt tool for indicating the skill levels of individual workers, and that it has not been updated in recent years to reflect the changing labour market landscape. In 2021, the Australian Parliament recommended that the National Skills Commission should develop a new occupation and/or skills identification system for the skilled migration program in consultation with industry to replace ANZSCO to be more flexible to adapt to emerging labour market needs, with consideration given to how the new system would integrate with other functions of government.

Points systems are about the quantity and quality of human capital

Points-based systems that combine multiple attributes of would-be migrants have been the primary means for granting migrants entry in Australia, Canada and New Zealand, and have more recently been adopted in the Czech Republic (2003), the United Kingdom (2002, although substantially reformed in 2008 and again following Brexit), Denmark (2008) and Japan (2012).

Most points-based systems capture various dimensions of migrant attractiveness, not just human capital and economic contribution, but also settlement potential, typically allocating points along five dimensions:

- current national demand for particular skills;

- education level;

- professional experience (or previous earnings);

- age; and

- integration costs (ie, ability to make connections, including through language proficiency and previous in-country work-experience).

A successful points system implies that the government has the foresight to know what attributes will be valuable not only now but also in the future. However, points systems only need to perform better

than chance or self/employer selection. Success over time implies observing changes in the labour market and adjusting point allocations to meet future labour demand.

Points cannot easily be awarded for unobservable 'soft skills' that many employers (and broader society) value, such as perseverance and empathy. There are risks of admitting immigrants that look good on paper but who do not have the skills or attributes that employers, including future employers, value. Many countries, including New Zealand, increased the role of English language proficiency in response to evidence of migrants' skills being under-utilised.

In 2019, 28% of New Zealand migrants surveyed said their main job does not match their skills and qualifications (up from 23% in 2015). Of those 28%, almost half (43%) chose to pursue a different career, 35% reported not being able to get a job in their skill area, 28% said they were overqualified, 16% had qualifications not recognised in New Zealand, and 12% said their previous work experience was not recognised (MBIE, 2018).

Both Canada and Australia have ended up highly educated immigrants holding low-skilled jobs because qualifications acquired elsewhere often are not recognised or valued in the host countries (Kifle et al., 2019; Reitz et al., 2014). To reduce that problem, most countries with point systems place emphasis on an applicant having a job offer (National Academies of Sciences, Engineering, and Medicine, 2015), because without such a test, migrants may struggle to join the labour market or find jobs that fully utilise their skills (Papademetriou & Hooper, 2019).

Points-based systems can be contrasted with employer demand-driven systems. However, these two types of systems are rarely opposites, but instead exist as hybrids, with more emphasis placed on one or the other. Different countries' immigrant selection policies might be best thought of as on a continuum, with human capital at one end and labour market demand at the other end, with most near the centre (Papademetriou & Hooper, 2019).

F4.3	Points-based systems for selecting migrants have become increasingly prevalent in developed countries. The criteria used in points systems are multidimensional, relating not just to an individual's human capabilities and likely settlement potential but also the host country's labour market gaps. The use of points systems is converging with employer-led approaches, including by rewarding job offers with points.

4.3 Employer demand for skills and skills shortage lists

Skills shortage lists

National demand for specific skills is typically expressed in shortage lists. While only Australia makes passing its points-based test contingent upon having a shortage-listed job, Canada and New Zealand award points for shortage-listed professions.

In their submission to the immigration inquiry, Taylor Fry outlined four broad classes of approach used to model skills shortages (Table 4.1).

Table 4.1   Broad approaches to classifying skills shortages

Approach	Description	Strength	Shortcoming
Labour supply and demand model	Compares projections of people entering and leaving an occupation.	Provides extra insight on the trends for each occupation.	Data is rarely available and results tend to be sensitive to small changes in inputs.
Qualitative review of indicators	Form a view for an occupation by considering a	Recognises expert judgement.	Subjectivity and potential inconsistency.

Approach	Description	Strength	Shortcoming
	range of labour market indicators.		
Indicator model using subjective weights	A set of labour market indicators are combined into a single score in a subjective way.	Provides a method to consistently score each occupation.	Unable to validate if the way indicators are combined is optimal.
Predictive model built against some objective measure of skills shortage	Define 'skills shortage', measure and then figure out what indicators are the best proxies.	Clear form of validation of measures.	Chosen measure becomes 'truth' when full picture may be more nuanced.

Source: Taylor Fry, sub.53, p.2

An independent assessment of skills shortages

A number of countries have established independent bodies to advise governments on priorities or skill shortages. In 2007, for example, the United Kingdom established a Migration Advisory Committee (MAC) to provide guidance on policies for admitting skilled migrants from outside the European Economic Area (EEA).[9] Amongst other things, the MAC has used bundles of top-down indicators and bottom-up evidence from employers, unions and others to determine whether there are labour shortages and if an occupation should be placed on the occupational shortage list (Box 5).

Box 5   **The UK Migration Advisory Committee's approach to determining skills shortages**

The MAC used a multi-stage process to determine whether an occupation should be listed on the shortage list. The first stage was to assess whether the role counted as 'skilled''. This required an occupation to meet two out of three tests: that 50% or more of the workforce was qualified to National Qualifications Framework level 3 or above; median hourly earnings for all employees were above £10; or the occupation was graded at skill level 3 or 4 in the Standard Occupation Classification 2000.[10]

The second stage was a top-down review of twelve labour market indicators. These were grouped into four sets:

- Employer-based indicators (eg, reports of shortage from skill surveys);

- Price-based indicators (eg, relatively rapid earnings growth);

- Volume-based indicators (eg, employment or unemployment); and

- Other indicators of imbalance based on administrative data (eg, vacancies or vacancy/unemployment ratios). (Migration Advisory Committee, 2008, pp. 13–14)

The MAC considered there was strong top-down evidence of a shortage, if an occupation passed a shortage threshold on 50% of more of the indicators. These shortage thresholds varied between the different indicators, but were often used as a "median plus 50 per cent rule" (Martin & Ruhs, 2014, p. 28). So, for example, if the median wage in all occupations grew by 2%, the wage increase in a specific occupation would need to be at least 3% to qualify (ibid).

Third, the MAC used bottom-up evidence (eg, from employers, unions etc) to test the sorts of factors identified in the top-down indicators, such as "whether wages are increasing more than average and vacancies are increasing faster than jobs are being created" (2008, p. 14).

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[9] The EEA includes the European Union, Iceland, Liechtenstein and Norway.

[10] This is the UK equivalent of ANZSCO

Martin and Ruh (2014, p. 29) observe that the MAC had "three major effects on British labour migration policies". First it "earned a reputation for careful analysis of the data and evidence on which it bases its recommendations" (ibid). Second, in addition to conducting analysis on the reality of shortages, the MAC also provided advice on whether admitting migrants to fill these gaps would be "sensible". This analysis has sometimes highlighted "the trade-off issues that complicate migrant policy making" (p.29).

> For example, London is one of the world's most expensive cities, and two thirds of the care givers who look after the elderly and disabled in their homes or in nursing homes were born outside the UK. Care givers are often employed by private firms and NGOs that have contracts with the local governments that pay for social care from local taxes…Public investment in the care sector has kept care givers' wages low, while the desire to provide good care means that care givers must have credentials that require training. British workers with credentials can earn more outside the publicly funded care sector, so training more British workers, a common suggestion to curb labour shortages, would not help in this case.

> The MAC's analysis highlighted the trade-off between taxes and care giver wages. It concluded that care 'budgets need to be larger, or at least better targeted towards those parts of the sector suffering from labour shortage, so that those workers can be paid more.' The MAC recommended that only the highest skilled care workers be added to the shortage occupation list to avoid 'institutionalising low pay in the care sector'. (Martin & Ruhs, 2014, pp. 29–30)

Finally, the MAC's analysis of shortages triggered debates and reviews "of the training system that prepares British workers for the occupation in question" (ibid, p.30). As the Commission notes in its summary report and other supplementary papers, decisions on immigration policy in New Zealand have generally been disconnected from those in the education and training system.

F4.4	Independent advisory bodies in some developed countries have helped promote more informed and robust debate about immigration policy settings, skills shortages and trade-offs.

Australia also uses an independent mechanism for developing its skills shortage list.

Box 6   **Australia's approach to understanding skills shortages**

The National Skills Commission (NSC) has responsibility for providing trusted and independent intelligence on Australia's labour market. A key deliverable for the NSC in this role is the Skills Priority List (SPL).

Its labour market analysis on occupations is an input to a range of Australian Government policy initiatives, including targeting of skilled migration, apprenticeship incentives and training funding.

Providing a single source of advice on occupations creates a direct line of input for stakeholders and targeting of resources across the various policy responses implemented by government.

The SPL is reviewed and updated annually and published on the NSC website along with any additional reports developed from the analysis of occupations. Taking account of all available information, a current labour market rating is determined for each occupation. Ratings are provided nationally, and for each state and territory. Each occupation, as defined at the ANZSCO Skill Level 1 - 4 occupations at the six-digit level, is given an indicative future demand rating (strong, moderate or soft) to indicate the likely demand for the occupation over the coming five-year period.

Many OECD countries using shortage lists invest significant resources in analysing occupations, only to find that most labour migrants come through other channels, such as a general labour market test (LMT), in which the shortage list and its exemptions are of little relevance.

This raises the question of the role of shortage lists in determining inflows. In several countries, shortage occupation lists comprise only a handful of occupations and, by definition, represent those occupations where businesses have the most acute need for workers and are most likely to try to recruit from abroad. In Germany, a large share of labour migration was in occupations already exempt from LMTs, and the LMT rarely led to rejection of skilled employment applications, suggesting little practical value in the exemption (OECD et al., 2012). Germany changed its arrangements in 2020 to remove labour market testing for skilled occupations and allow specialists in shortage occupations to work in Germany without a formal degree, provided they have a job offer and practical professional experience.

Shortage lists communicate to the public that a migration system is selective and focused on specific skills. Lists provide a focus for professional bodies, employers, and unions to debate which occupations should be on or off the list and may serve as a signal to employers by encouraging them to think of recruiting migrants if the occupation is on the list. Shortage lists may also signal to employers and government where training is required to address a shortage of domestic workers.

Sweden's 2008 immigration reforms eliminated occupational requirements and imposed a nominal LMT, relying on the inherent costs of hiring migrants to incentivise hiring and training locals (OECD, 2011). As Chaloff (2014) notes, Sweden relies on trade unions in workplaces to ensure compliance with prevailing standards for wage and working conditions, so the feasibility and effectiveness of the Swedish approach in New Zealand may be contingent on greater workplace enforcement capacity or different employment law settings.

Box 7   **Filling gaps but developing local skills in Canada**

Employers may hire migrants for low-wage positions on a temporary basis. There is a cap for the proportion of temporary foreign workers in low-wage positions that employers can hire:

- 20% cap on the number of temporary foreign workers in low-wage positions, or the employers' established estimated cap (whichever is lower), if they hired a temporary foreign worker in a low-wage position prior to June 20, 2014; and

- 10% cap on the number of temporary foreign workers in low-wage positions if the employers did not employ a temporary foreign worker in a low-wage position prior to 20 June 2014 (Government of Canada, 2021).

Employers must meet minimum local recruitment requirements before applying for a Labour Market Impact Assessment. Employers wanting to hire migrants for low wage positions must first advertise on the Government of Canada's Job Bank (Canada's national employment service) and target recruitment at underrepresented groups: Indigenous persons, vulnerable youth, newcomers, and persons with disabilities (Government of Canada, 2021). The employer must then apply for a Labour Market Impact Assessment which confirms that there is a need for a foreign worker to fill the job, and no Canadian worker or permanent resident is available to do the job.

Criteria to rank employer demand for workers

In a demand-driven but capped work-permit system, when employer requests for authorisation exceed availability, some form of allocation must occur. Prioritisation can be done on a range of dimensions: distributing across employer types or segments; time (ie, first-in-first-served); age; salary level; and formal education or credentialed occupational skill.

Korea and Israel, which use overall caps, allocate quotas to individual employers. In Korea, allocation is based on points (more points for businesses using or requesting fewer workers and making a greater effort to hire locally; points are subtracted for prior violations).

The United States and Italy both prioritise by filing dates, although this favours employers whose labour demand occurs in a certain period of the year. In the United States, if applications for H-1B visas exceed the cap, a lottery is held. In Italy, online filing is opened at an exact time, and applications are handled in the order in which they are received. Until its recent post-Brexit immigration reforms, the United Kingdom used monthly filing periods, intending to rank applicants by individual points. However, this was never used as the monthly cap was never exceeded.

Age and salary thresholds are used in selection systems for economic immigrants in some countries and are subject to adjustment and weighting by the government ministries responsible for revising admission criteria. Denmark and the Netherlands include age as a factor in allocating their temporary job-search permits for skilled workers with Denmark adding salary thresholds on top. The United Kingdom has recently adopted salary thresholds in its post-Brexit work visa settings, with a 20% discount for jobs on the Shortage Occupation List. In having a lower salary threshold for shortage occupations, the UK Government departed from the MAC's advice that lower salaries are not appropriate for addressing shortages (Migration Advisory Committee, 2020).

Education and occupational skill level may be used to determine admission. Criteria may cover both the occupational skill level, based on classification of the job, and the qualifications held by an individual (Chaloff & Lemaître, 2009). Occupation and/or education thresholds are a key element in drawing a line between skilled and unskilled migration, which has strong resonance in public opinion. In cases where employer job offers are evaluated, the distinction is most often made between 'skilled' (or highly skilled or very highly skilled) and 'low-skilled', based on occupational qualifications. A points system could be designed to prioritise employment by awarding most of the points to having a job offer, or by admitting immigrants in descending order by salary offer, until no more visas are left.

In Germany, the Federal Employment Agency's forecast skills shortage list includes some non-tertiary technical occupations requiring post-secondary education, while the 'skilled' migration system is restricted to tertiary-educated individuals with job-offers that require a college education. Distinctions may vary over time and between countries – the definition of skill may be looser in a tight labour market and rise in the face of surpluses. It may also be difficult to match occupational classifications to educational levels, and many systems leave room for exceptions to educational requirements for certain occupations or for experience. Where admission is based on characteristics of the migrant, education is a key criterion, and requirements may be restrictive. The Netherlands, for example, grants job-search permits to university degree-holders only from internationally ranked institutions.

Capping demand for temporary migrants

Numerical limits are applied to temporary, provisional, and seasonal work permits in several OECD countries, including the United States, the United Kingdom, Norway, Korea, Portugal, Spain and Italy. Caps on temporary migration are generally meant to serve as a brake on employer demand, especially (but not only) for lesser-skilled migrants.

Caps for temporary low-skilled workers tend to be set on a regular annual basis following analysis of labour market indicators. Several systems include consultation with employment services, social partners or unions. In Portugal, for example, the Ministry of Labour conducts an in-house analysis of vacancies, employment trends and expected interest in international recruitment, and submits the proposed cap to the social partners. In the United Kingdom, caps were established by the government, in some cases after consultation with the MAC, originally tasked exclusively with drawing up a shortage occupation list. In Korea, overall caps and industry quotas are set annually by the Foreign Workers Policy Committee, based on the business needs and employment conditions at home, as well as performance indicators in the temporary foreign worker programme itself.

Singapore caps the proportion of foreign workers an individual firm may employ. These caps vary by sector and by the visa category. For medium-skill workers (the 'S Pass'), the caps are set as a share of

the total firm workforce, whereas for lower skilled workers, they are often set as a ratio of foreign-to-local employees. Demand for foreign temporary workers is also regulated by charging employers levies, which vary by sector and skill level. Levy rates are higher for lower skilled employees and roles.

Just as New Zealand's Recognised Seasonal Employer (RSE) programme and Australia's Pacific Seasonal Worker scheme are capped, Norway also caps its seasonal agricultural employment programme.

Devolved decision-making

Although control of the border is usually considered the responsibility of national governments, immigration policies in several developed countries allocate responsibilities for selection and settlement to sub-national authorities (eg, provinces, states).

Canada is perhaps the leading example of this devolution, operating a two-tier federal and provincial system. Skilled economic migrants can apply through either of these systems, with most Canadian provinces or territories operating Provincial Nominee Programs aimed at filling specific needs within their local economies. "Successful candidates who receive a provincial or territorial nomination can then apply for Canadian permanent residence" through the federal system (Canada Immigration, 2021).

Over the past twenty years, the role of these lower-level authorities has progressively expanded to the point where around one half of permanent economic immigrants into Canada are selected by provincial or territorial governments (OECD, 2019b). Within the bounds of national law, provincial and territorial governments in Canada also have the flexibility to design policies and selection criteria to meet their priorities and circumstances. An example of this is the application of a "local centre of gravity" pre-approval test (checking that migrants have no other family members or means of support) to increase the chances of migrant retention within the province post-arrival.

Australian state and territory governments also have a role in nominating migrants for permanent or temporary visas. In comparison with Canada, where permanent migrants selected by the provinces or territories are free to live or move wherever they wish, in Australia, migrants selected by states or territories must live or work in the sponsoring area for at least two years (OECD, 2019b). Grattan Institute analysis has found that migrants selected under the state-nominated and regional categories "are less skilled and earn lower incomes" than those who come through the federal streams (Coates et al., 2021, p. 91).

Some countries delegate selection decisions to non-government organisations. The United Kingdom introduced a 'Tier 1 exceptional talent' category in 2011, which was aimed at attracting "exceptionally talented individuals in the fields of science, humanities, engineering and the arts, who wish to work in the UK" (UK Home Office, cited in Shachar and Hirschl (2013, pp. 92–93)). Assessment of whether applicants were sufficiently 'exceptional' was delegated to bodies such as the Royal Society, the Arts Council, the British Academy and the Royal Academy of Engineering (Shachar & Hirschl, 2013).

| F4.5 | Some migrant selection decisions in various countries are devolved to sub-national governments (Australia, Canada) or to expert, non-government organisations (the United Kingdom). |

5   Managing settlement to influence the retention and integration of migrants

Selecting migrants with highly demanded skills is only the first step. Migrants need to be able to settle well into society if their contribution to sustainable prosperity is to be realised. Having well-integrated migrants and sufficient absorptive capacity in the form of housing and infrastructure enables more migrants to be invited without significant social cohesion issues.

5.1   The right to settle differs according to skill level

As with selection policies, opportunities to settle (including with family members) in developed countries are generally more generous for those with higher skill levels. Younger and higher-skilled migrants are generally assumed to be more likely to settle successfully, but also typically provide higher net fiscal contributions to public finances (Akbari & MacDonald, 2014; NZPC, 2021e). Ireland, Australia and New Zealand in particular target their residence policies towards skilled workers (Figure 5.1).

Figure 5.1   Share of skilled migrants in residence approvals
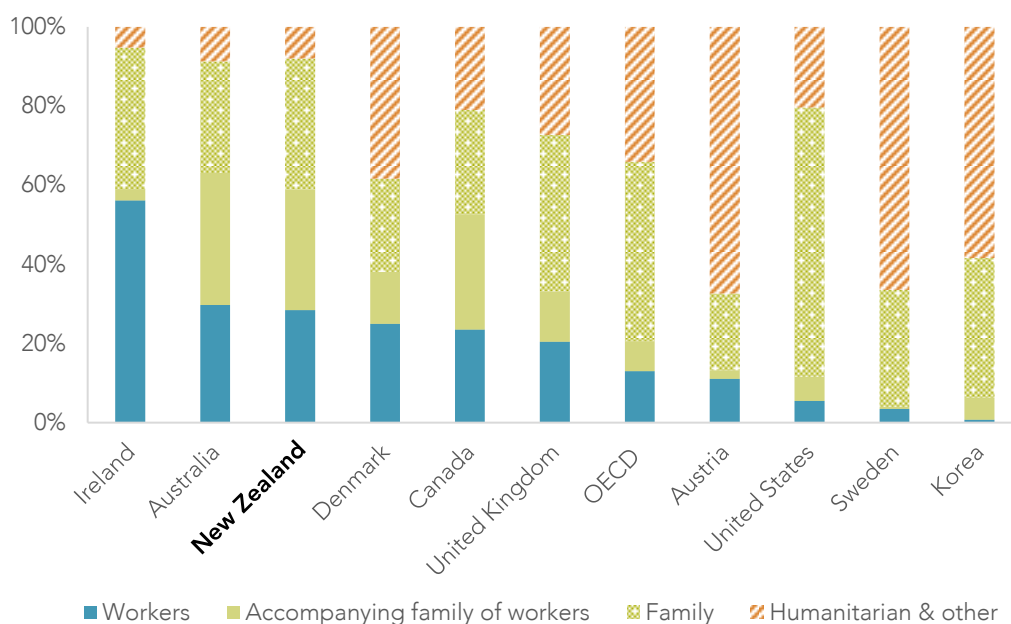
Note: Figure shows percentages of total residence approvals excluding free movements and other, 2016.
Source: Carey (2019).

The contrast between the treatment and rights for high-skilled and lower-skilled migrants in the developed world is perhaps starkest in Singapore. At the most skilled end, the Employment Pass permits well-paid professionals or executives (earning above a minimum salary threshold) to bring family members, renew their visas, all without being subject to the levies charged for employers of other migrants. At the other end, migrant domestic workers are tied to a specific employer, must be below prescribed ages, must live in their employer's residence, cannot bring family members, may not give birth in Singapore, must seek permission from the Government before they can marry, and are subject to six-monthly health checks and employer security bonds (Iwasaki, 2015; Nowrasteh, 2018). Professional and highly-skilled workers have a path to residency in Singapore; domestic workers and the lower-skilled do not (Nowrasteh, 2018).

> **F5.1**   Opportunities to settle permanently in developed countries are typically more generous for higher-skilled and higher-paid migrants and narrower, or non-existent, for the lower-skilled or lower-paid.

Many developed countries, including New Zealand and Australia have also moved to offer more attractive settlement and selection processes for 'top talent'. Cross-country comparisons of talent attraction performance suggest that that these programmes 'work' by making visas and residence permits for 'top talent' prospective migrants easier to obtain (OECD, 2019a). However, causation is difficult to establish and there are few evaluations that focus on 'talent' as a selection criterion – as distinct from more general investor attraction policies (which appear poorly targeted). The growth in Australia's programme has led to calls to scale back and evaluate before expanding (Coates et al., 2021).

Box 8   **Australia's approach to attracting talent: attracting immigrants with citizenship**

Australia has several visa categories for permanent skilled migrants, including a Global Talent visa which targets highly skilled professionals to work in 10 nominated sectors.

The shares of how visas are allocated is decided through the Federal Budget process. In 2020 and 2021 more visas were allocated under the Global Talent stream.

The Global Talent visa is the most specific visa for attracting those with the greatest potential for encouraging innovation and the diffusion of knowledge and ideas. To be eligible for a Global Talent visa, individuals must:

- "prove they are internationally recognised with evidence of outstanding achievements

- still be prominent in their field of expertise

- provide evidence that they would be an asset to Australia, in their area of expertise

- have no difficulty obtaining employment or becoming established in their field

- have a recognised organisation or individual with a national reputation in the same field in Australia nominate them as global talent." (Australian Government, Department of Home Affairs, 2021)

Candidates must meet a high standard and show an exceptional track record of professional achievement (such as holding senior roles, patents, professional awards, international publications or memberships, PhD graduates with international recognition).

Source: Coates et al., 2021

Services to support settlement and integration

Developed countries differ in the types and levels of services they provide to promote settlement and integration.

Shields et al (2016, p. 5) identify three phases of settlement:

- "Adjustment: acclimatization and getting used to the new culture, language, people and environment or coping with the situation.

- Adaptation: learning and managing the situation without a great deal of help.

- Integration: actively participating, getting involved and contributing as citizen of a new country."

This multi-stage definition helps illustrate that "settlement is not just about immediate needs but also includes the longer-term process of deeper integration of immigrant populations", and that this can imply offering support services beyond arrival (ibid).

The nature of migration each country faces (eg, legal vs illegal), and the goals sought from immigration policy, affect the types and levels of settlement services provided. For example, Shields et al (2016, p. 7)

note that the dominant approach in the United States "is a laissez-faire one, in which immigrants are largely held accountable for their own integration". This partly reflects the focus in United States immigration policy on family reunification. The presumption is that families in the United States will take responsibility for settling their migrant relatives.

By contrast, Canada provides a wide range of services to migrants, including pre-arrival advice and supports, language training, adaptation programmes, and volunteer recruiting to provide one-on-one aid to new arrivals and their families (OECD, 2019b; Shields et al., 2016). Canadian immigration policy is more economic in focus than the United States, meaning that the government is more attuned to attracting and retaining talent. Canadian immigration law includes an explicitly objective of promoting "the successful integration of permanent residents into Canada, while recognizing that integration involves mutual obligations for new immigrants and Canadian society" [Immigration and Refugee Protection Act 2001, s3(1)(e)].

While New Zealand offers a broad range of services to migrants (Carey, 2019), it is a relative newcomer to the field. Government policy began to focus on settlement and integration efforts in the late 1990s, following a period in which the effective assumption was that skilled migrants would be able to make their own way without assistance (Bedford, 2004). In comparison, Australia began expanding language, translation and settlement services for migrants starting in the 1970s (Spinks, 2009).

New Zealand's first migrant settlement strategy was issued in 2004 and these have been periodically refreshed or updated since (Office of the Auditor General, 2013). The current strategy came into force in 2014, targeting five areas: employment; education and training; English language; inclusion; and health and wellbeing, with an overall aim of migrant making "… New Zealand their home, participate fully in and contribute to all aspects of New Zealand life" (Immigration New Zealand, 2014).

Four years later, in 2018, an integration dashboard was developed to support both programme and outcome evaluation and future funding decisions about settlement. The most recent dashboard points to education and training and to inclusion ('migrants participate in and have a sense of belonging to their community and to New Zealand') as areas needing relative attention (Immigration New Zealand, 2019). Part of the wider strategy is also the Welcoming Communities initiative which reflects the "two-way street" theory of settlement (described earlier on page 7) – for the first time explicitly focusing on the role of local communities as hosts, providing accreditation and access to support, resources, and overseas networking (Fanselow, 2019; Office of the Minister of Immigration, 2019).

6   Conclusion: potential lessons and directions for New Zealand

This paper has explored the objectives and core mechanisms of immigration policies around the world. It has focused on developed countries which, like New Zealand, have clear labour market objectives for their entry criteria, and focused selection mechanisms to influence the composition of their migrants.

Specific findings are highlighted in the paper. A few insights stand out:

- Countries tend to treat entry and migration volumes as primarily political decisions, but selection and composition are informed by independent labour market advisory bodies and consultation with labour unions.

- Complex choices, interactions between policy mechanisms, and lagged impacts of policy changes can create risks of time inconsistency, unpredictability, and lack of public buy-in. To help political decision-makers manage multiple objectives and competing interests, independent advisory institutions for managing specialist forecasting, evaluation, and consultation have been adopted overseas.

- Creating independent advisory institutions is not a panacea, however. Migration objectives are focused on outcomes for a range of different interests – some of which are conflicting. Host nation governments, employers, local workers and unions, and migrants themselves need regular and transparent processes to manage expectations and keep settings current – particularly for effective labour market matching where occupations and skill requirements can change quickly with technology and consumer preferences.

- Arrangements for settlement tend to be shared or devolved to local partners, with support conditional on an expectation that migrants take some responsibility for integration and making a commitment to the host country's social objectives.

- Settlement is increasingly being considered overseas as a transnational phenomenon, rather than a bilateral two-way street of rights and obligations between migrants and host governments. Some host governments create formal mechanisms to engage source countries and diaspora communities in integration policies – recognising and strengthening an enduring a three-way relationship between migrant diaspora and both source and host nations.

These insights point to where the Commission will undertake further investigation:

- How do other governments predict migration volume flows and impacts on absorptive capacity? What options for managing migration might be feasible with better foresight? How can New Zealand local and central government decision-makers, businesses, and the public, better understand the changing needs of different communities?

- How are skill shortages identified and measured? How can data and measurement be used to target different migrants' skills and attributes? Can migrants be assisted to better match with opportunities in regions, industries, occupations, firms, and communities?

- What are the possible institutional and decision-making arrangements that could reduce uncertainty and increase manaakitanga? How can migrants, employers, entrepreneurs, and investors make choices about their futures with greater predictability and less risk?

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