



Immigration, productivity and wellbeing

Call for submissions

Issues paper

June 2021



NEW ZEALAND
PRODUCTIVITY COMMISSION
Te Kōmihana Whai Hua o Aotearoa



Immigration, productivity and wellbeing: Issues paper

The New Zealand Productivity Commission
Te Kōmihana Whai Hua o Aotearoa¹

The Commission – an independent Crown Entity – completes in-depth inquiry reports on topics selected by the Government, carries out productivity-related research, and promotes understanding of productivity issues. The Commission aims to provide insightful, well-informed, and accessible advice that leads to the best possible improvement in the wellbeing of New Zealanders. The New Zealand Productivity Commission Act 2010 guides and binds the Commission. You can find information on the Commission at www.productivity.govt.nz or by calling +64 4 903 5150.

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¹ The Commission that pursues abundance for New Zealand.

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Part 1

Is New Zealand's immigration system fit for the future?

New Zealand has experienced some of the fastest population growth in the OECD, based in large part on international immigration, and migrant labour plays a significant role in many New Zealand firms and industries.

The closure of the border in response to COVID-19 has raised some fundamental questions: Is our immigration system providing the best social, economic and environmental returns for New Zealand? Would different policy settings better promote the wellbeing of New Zealanders?

What we have been asked to do

The Government has asked the Productivity Commission to undertake an inquiry into New Zealand's "working-age" immigration system and make recommendations on changes that would best promote "long-term economic growth and the wellbeing of New Zealanders."

"Working-age immigration policy" means immigration policy that offers opportunities to invest, run a business, or seek employment in New Zealand. It includes temporary work visas, residence visas, student visas, investor and entrepreneur visas, and immigration that is the result of other working-age immigration (eg, partners, parents and dependent children).

Why does this inquiry matter?

Migrants make a significant contribution to the fabric of our society. When they choose to move to New Zealand, they bring with them skills, talents, knowledge, experience, international connections and financial, social and cultural capital. But despite the important role migrants play, the immigration system has not had a fundamental review since the 1990s. This is now needed.

As countries start to plan their economic recovery from COVID-19, many have been looking again at their immigration policies, to ensure they can get the people and skills they need. New Zealand competes with many of these countries for attracting talent. The Productivity Commission has been asked to review and advise the Government on what immigration policies are fit for New Zealand's future.

Isn't the Government already changing immigration policy?

The Government is currently looking at changes to some existing visa categories and conditions, such as the skilled migrant category and several temporary work visas. The Ministry for Business, Innovation and Employment (MBIE) is primarily responsible for this work.

The Commission's job is to take a longer 10–30 year view and to think about what New Zealand's immigration system should be trying to achieve, and how it can best do that.

The Commission is independent from the Government and will take a system-wide view. This means we can consider issues outside the details of visa categories (eg, housing, infrastructure, population) and make proposals the Government may not ordinarily consider.

What won't this inquiry cover?

The following issues are outside the scope of this review, which means the Commission will not look into:

- policy for refugees;
- day-to-day operational immigration decisions and the funding of immigration agencies;
- decisions taken by the Government in response to the COVID-19 pandemic;
- the rights of Realm citizens (Cook Islanders, Niueans and Tokelauans) and Australians to freely enter New Zealand; and
- tourism, and other forms of international travel that do not involve rights to work, settle and invest in New Zealand.

Please note we cannot help with individual visa or residence applications.

We would like to hear from you

Make a submission

We would like your help to understand the New Zealand situation. Your perspectives will help us to understand issues and identify useful research to make decisions and recommendations.

We welcome information on any or all of the questions raised in this paper (or other reports we publish), or other points you think are important.

A submission is a written response to the questions, recommendations and issues raised in this inquiry.

To make a submission, go to:
www.productivity.govt.nz/have-your-say/make-a-submission

The Commission does not hold public hearings on submissions, but if you have important perspectives or evidence to share and would like to meet with us, please contact info@productivity.govt.nz

Why do submissions matter?

Submissions are important evidence for the Commission's analysis and are often quoted in our reports.

So that other people can see how we have reached our views, submissions are published on our website. There are some circumstances where we will not publish submissions (eg, where they include personal or commercially sensitive information or offensive, defamatory or racist material).

Key dates

A draft report with proposed recommendations will be released in **October 2021**. A final report will be presented to the Government in **April 2022** and published on our website shortly after.

We would like to hear from you – we welcome submissions until 24 December 2021.

Note that the earlier submissions are received, the earlier they can help inform this inquiry.

Stay in touch

Keep up to date with the latest news and research on the inquiry.

Subscribe for updates at: www.productivity.govt.nz/have-your-say/subscribe/

All questions

Here is a summary of all of the questions raised in this paper. The Productivity Commission welcomes information on any or all of these questions to help understand the New Zealand situation.

The Treaty of Waitangi and Te Ao Māori

- 1 In what ways should the Crown honour the Treaty of Waitangi in developing and applying immigration policy? What changes are needed to policy or implementation?
- 9 Which concepts within Te Ao Māori, or Māori perspectives or values, are most applicable to immigration policy and why? What would or should including these concepts, perspectives or values mean for immigration policy?

Immigration, productivity and wellbeing

- 2 Is the Commission's proposed framework a useful way of thinking about the immigration system for this inquiry? What changes would you make?
- 3 What should the overall objectives for the immigration system be?
- 4 How should the Commission consider trade-offs between the different factors that contribute to wellbeing? Should there be some bottom-lines that cannot be traded off at all?
- 5 Through which channels has immigration contributed to New Zealand's productivity growth? What evidence is there of this impact?
- 6 Are there other channels for immigration to impact productivity growth that the Commission should consider?
- 7 Are there barriers to migrants fully contributing to New Zealand's productivity growth?
- 8 Which factors matter most for assessing the impact of immigration on wellbeing? How can they best be measured?

Immigration policy design

- 13 Would there be benefit in requiring the Government to publicly announce its policy objectives for the immigration system? How often should the Government be required to make such a statement?
- 12 How should New Zealand's special relationship with Pacific Island nations be reflected in immigration policy?

Migrants and settlement

- 10 What does the “successful settlement” of migrants mean to you, and what are the barriers to achieving it?
- 11 Do you think prospective migrants are given enough information to make long-term decisions and settle successfully? What other information could help, and how could their access to this information be improved?

Obligations on employers

- 14 Currently, most employers have an obligation to prioritise the New Zealand labour force before recruiting temporary migrants. Do you agree with this obligation? Why or why not?
- 15 If not, are there alternative obligations employers should have if they wish to recruit temporary migrant workers?
- 16 What evidence, if any, should employers have to provide to prove they have made sufficient efforts to recruit New Zealanders?

Skills shortages

- 17 Previously, ANZSCO has been used to define “high” and “low”-skilled jobs. Should immigration policy differentiate between “high” and “low”-skilled jobs? Is there a better way of defining skill levels?
- 18 What is the best way to identify workforce or skills shortages?
- 19 Prior to the pandemic, was the current system working effectively to address skills shortages while prioritising the employment of New Zealanders and ensuring the wages and conditions of New Zealand workers were not undermined? What evidence can you provide?

Investors and entrepreneurs

- 20 How successful have the Investor or Entrepreneur category visas been to date in generating value for New Zealand? How could this value be increased?
- 21 How should immigration policy acknowledge the fact that investment and entrepreneurship are inherently risky and that some efforts will not succeed?
- 22 What criteria (if any) do you think should apply to investor visas in terms of: level of investment, type of investment, duration of investment and obligations to New Zealand?
- 23 What criteria (if any) should apply to migrants wanting to establish or buy a business in New Zealand? How often should the business be reviewed against these criteria?

Students

- 24 Are the current criteria for obtaining post-study work rights satisfactory? What criteria should be added or removed (and on what basis)?
- 25 To what extent should international students have rights to work in New Zealand?
- 26 Should visa applicants who have gained a New Zealand qualification receive a special preference for residence?
- 27 Should there be any restrictions on the kinds of sectors or occupations students can work in during or after study? Why, or why not?
- 28 Should the level or nature of qualifications that students are studying affect work rights during or after study? Why, or why not?

Working holidays

- 29 What should the objectives of working holidays schemes be (eg, fill temporary labour shortages, enhance international connections, encourage reciprocal overseas work opportunities for New Zealanders, attract longer-term migrants)? How well are the current schemes delivering on these objectives?
- 30 Do you think the number and set of countries New Zealand has agreed working holiday schemes with is set at the right level?

Partners, parents and families of migrants

- 31 What are the barriers that partners of migrants face in finding work?
- 32 Should the immigration system give more weight to the skills and employability of partners? Are there other factors that should be given more weight?
- 33 Do immigration settings for family visas (eg, parents, dependent children) have a material impact on a migrant's decisions to come to and stay in New Zealand?

Other ways for New Zealand to source skills and talent

- 34 What more can immigration policy do to attract specialist "high-impact" people? What other complementary policy changes might be needed?
- 35 What effect has access to migrant labour had on training, job conditions and technology adoption by firms? What other factors explain firm practices? How can the Government support firms to change their practices?
- 36 How responsive to skills gaps is the education and training system? Are there policy changes that could improve its responsiveness?
- 37 How can New Zealand best leverage the diaspora to enhance productivity growth?

Population growth and migration volumes

- 38** Which costs and benefits of population growth are most important? Why?
- 39** What policy changes could help increase the benefits and reduce the costs of population growth?
- 40** Could or should the Government use immigration policy (eg, visa conditions to settle in specific places) to ease pressures in some regions? If so, what would be the best way?
- 41** Should the Government regulate the numbers of people given permanent residence?
How and why?
- 42** Should the Government regulate the total number of people with temporary work rights?
How and why?
- 43** If the Government does regulate volumes of permanent residents or temporary migrants, what should it be trying to achieve (eg, stabilising population, managing pressures on housing and infrastructure demand)? How feasibly can the Government achieve these goals through immigration policy?

Part 2

Immigration, productivity and wellbeing



How might the Treaty of Waitangi be reflected in immigration policy?

The Commission's task in this inquiry is to identify changes to the immigration system that would best serve the interests of New Zealand into the future. A critical part of this assessment is how the system could or should reflect the Treaty of Waitangi and the values of *tāngata whenua*.

The Treaty was originally signed in part as a response to immigration into Aotearoa New Zealand, and its opening text explicitly references this.

Her Majesty Queen of the United Kingdom of Great Britain and Ireland regarding with Her Royal Favor the Native Chiefs and Tribes of New Zealand and anxious to protect their just Rights and Property and to secure to them the enjoyment of Peace and Good Order has deemed it necessary in consequence of the great number of Her Majesty's Subjects who have already settled in New Zealand and the rapid extension of Emigration both from Europe and Australia which is still in progress to constitute and appoint a functionary properly authorized to treat with the Aborigines of New Zealand for the recognition of Her Majesty's Sovereign authority over the whole or any part of those islands...(English version).

Yet while there are more than 60 Acts of Parliament where the Treaty is mentioned, they do not include the Immigration Act. Although a claim was lodged with the Waitangi Tribunal in 1991 over immigration policy, it has not moved past the exploratory stages. As a result, the issue of the Treaty's application to immigration policy has never been formally tested.

The issue has, however, been the subject of debate. A number of people have argued that:

- the Treaty has ongoing relevance to immigration policy;
- Māori have not been appropriately consulted over immigration policy changes; and
- current policy favours Pākehā interests and frameworks and downplays or erases those of Māori.¹

Other concerns may include perceived competition for jobs and cultural resources in some regions, an undermining of the place of Māori as *tāngata whenua*, and uncertainty over the status of biculturalism in immigration policy.

Question

- 1 In what ways should the Crown honour the Treaty of Waitangi in developing and applying immigration policy? What changes are needed to policy or implementation?

1 Walker, R. J. (1993). New Zealand Immigration and the Political Economy. *The Social Contract*, 4(2), 86–95. www.thesocialcontract.com/artman2/publish/tsc0402/article_316.shtml; The Maori Party. (2007a). *Maori concerns cannot be brushed aside*. www.scoop.co.nz/stories/PA0702/S00047.htm; The Maori Party. (2007b). *Turia: Immigration Bill—First Reading*. www.scoop.co.nz/stories/PA0708/S00302.htm; Kukutai, T., & Rata, A. (2017). From mainstream to manaaki: Indigenising our approach to immigration. In *Fair borders? Migration policy in the twenty-first century* (pp. 26–45). Bridget Williams Books; Fry, J & Wilson, P. (2018). *Better lives: migration, wellbeing and New Zealand*. Bridget Williams Books.

How can the immigration system's contribution be assessed?

The Commission's framework for analysing immigration, productivity and wellbeing

There are many ways in which the topic of immigration can be analysed. The framework the Commission will be using to assess New Zealand's immigration system reflects its primary objective of raising productivity in a way that supports the wellbeing of New Zealanders.²

The framework has two main components (Figure 1). The first component looks at the contributions and impacts that immigration can make to productivity growth (this being the key to sustainable long-term economic growth). The possible positive contributions of immigration to productivity growth are explored in more detail in the next section. The end result of faster productivity growth – higher incomes – is expressed as Net National Income per person, which is the average income per person left over once wear and tear on capital and infrastructure has been paid for.

The second component considers the impacts that immigration has on the many other factors that matter for the wellbeing of New Zealanders. For the purposes of our analytical framework, the Commission has organised these other factors around the 'four capitals' of the Living Standards Framework. More detail on these wellbeing impacts is on page 9. We have also included:

- Treaty of Waitangi obligations, as they underpin the four capitals and reflect the Government's request that the Commission consider how immigration policy could better honour the Treaty and the mana of Māori;
- national resilience, as the recent border closure has raised questions about the sustainability of New Zealand's pre-pandemic reliance on immigrant labour; and
- distributional issues, as they can apply across the four capitals and affect how the wellbeing impacts of migration are felt across the community.

The two components of the framework are related, as many things matter for wellbeing. Improving wellbeing over time relies on productivity growth, which allows New Zealanders to enjoy higher incomes. However, incomes are not everything. Immigration needs to balance changes in incomes with changes in other things that New Zealanders value. These include a healthy environment and lower greenhouse gas emissions, affordable housing and opportunities for the disadvantaged, and a well-educated inclusive society – not all of which are included in market prices.

In addition, faster productivity growth can promote the deepening of the four capitals (eg, by providing higher incomes to invest in education, environmental protection). Productivity growth in turn depends on the assets, services and traits provided by the four capitals (eg, trust, an educated population, ecosystem services, quality infrastructure, etc).

How might the Commission apply this framework?

The aim of the framework is to allow the Commission to assess the overall benefits or costs of the current immigration system, and to identify areas where changes could have a beneficial impact overall. In line with the task given to us by the Government, the Commission is taking a long-term view (eg, the sorts of systems and changes that would best support and promote growth and wellbeing over the next 10–30 years).

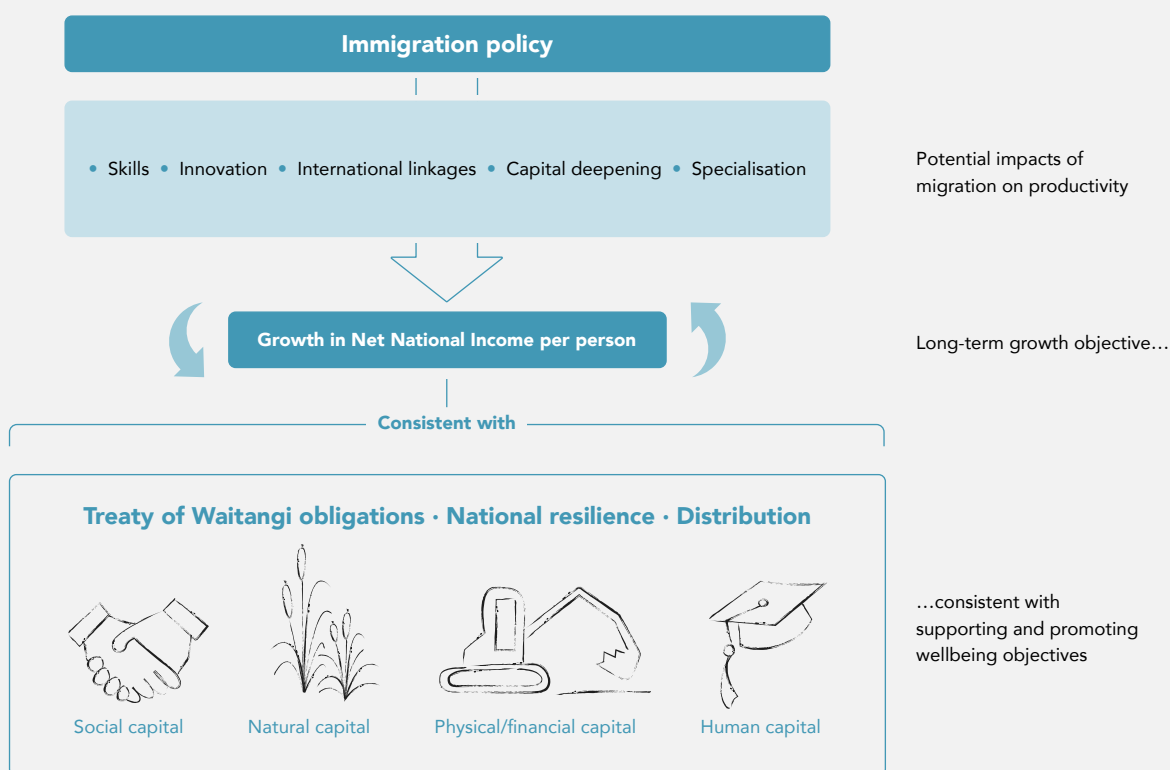
Carrying out this assessment will be challenging. For a start, some data and information may not be available. But, more importantly, making an overall assessment of immigration's impact can require trading off gains or losses in one area against gains or losses elsewhere (eg, higher productivity growth but more pressure on infrastructure). Also, even if immigration creates *overall* productivity and wellbeing gains, there may still be concentrated losses for some areas or groups. We are interested in your views about how the Commission should weigh these competing factors, and whether some factors should not or cannot be traded off at all. This would include, for example, Treaty of Waitangi obligations.

² Section 7, New Zealand Productivity Act 2010.

These challenges mean that a fully quantified cost-benefit analysis on a particular level of immigration or a particular type of migrant is not likely to be feasible or useful. Judgement will be important.

The Commission intends that any recommendations it makes are as well-informed as possible and based on clearly transparent choices.

Figure 1 The Commission’s proposed framework for assessing immigration



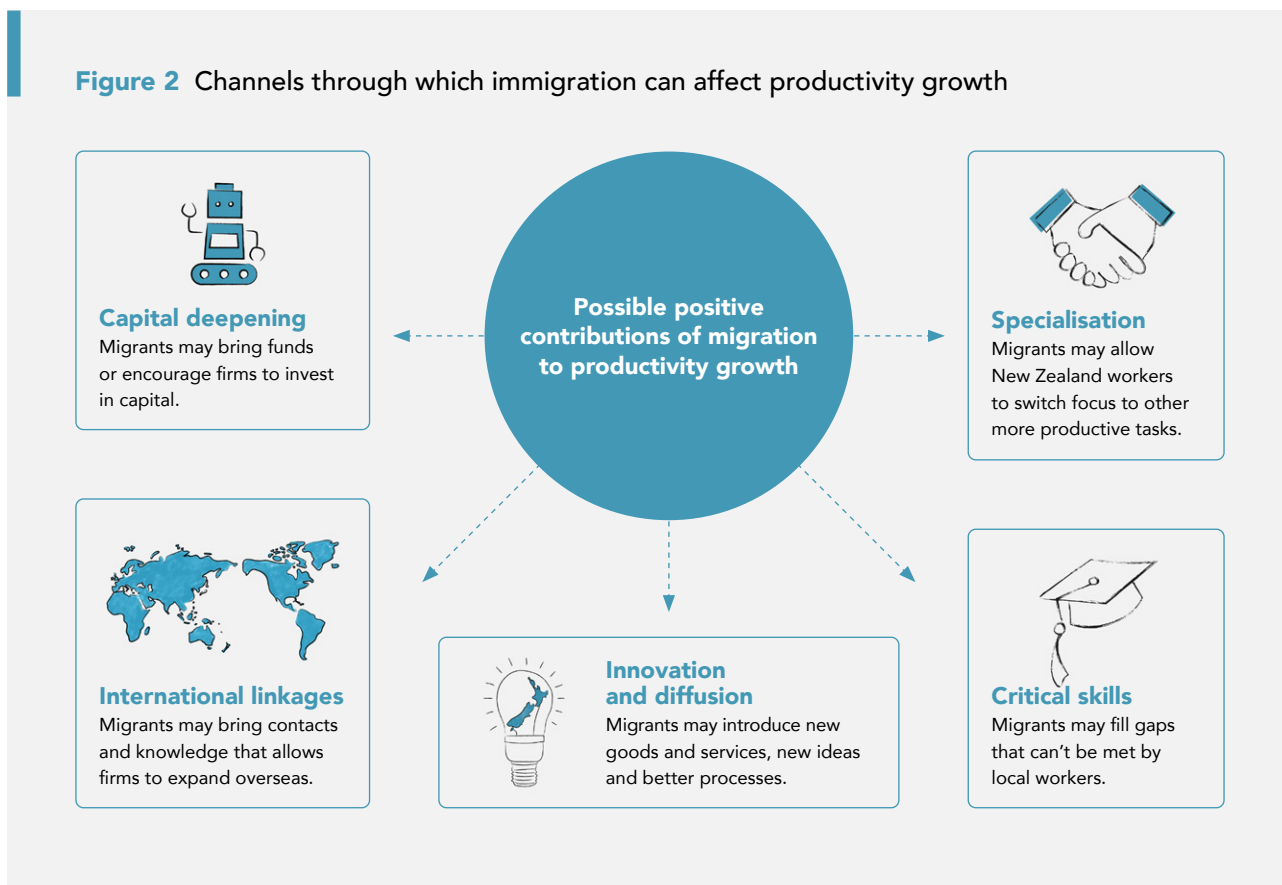
Questions

- 2 Is the Commission’s proposed framework a useful way of thinking about the immigration system for this inquiry? What changes would you make?
- 3 What should the overall objectives for the immigration system be?
- 4 How should the Commission consider trade-offs between the different factors that contribute to wellbeing? Should there be some bottom-lines that cannot be traded off at all?

How does migration contribute to New Zealand's productivity?

Immigration can affect productivity growth and incomes through various channels. People bring capital, skills, reciprocal relationships, ideas and methods. The different channels are described below.

Figure 2 Channels through which immigration can affect productivity growth



The question of immigration's contribution to productivity growth is far from settled. The channels outlined above may not work, for several reasons. Easy access to workers willing to accept low wages may discourage firms from investing, training or adopting new technology. Skilled migration could reduce opportunities for New Zealand workers to get experience and replace rather than complement local workers.

Migrants may struggle to make effective international linkages or diffuse new ideas because they cannot find work that best meets their skills and experience, or because their employers fail to

appreciate their potential contributions. The impacts of immigration on productivity may also take some time to be felt. For example, specialisation can take time to result in higher productivity, as markets and firms adjust and people move to take new opportunities.

Immigration may also affect national productivity growth by influencing the composition of industries. If, for example, immigration supplied workers of particular importance to high-productivity industries, this could see these sectors expand faster than lower-productivity firms. Average and overall productivity growth would increase as a result.

Some international research has found that immigration into developed countries has had a moderately positive impact on productivity growth.³ However, it is unclear whether this research holds for New Zealand, since it often relies on assumptions drawn from other countries. In New Zealand, some local literature has found that:

- the impact of migrants on the international connections of New Zealand firms seems to depend on where they come from and the types of skills they bring;⁴
- the presence of high-skilled migrants in New Zealand firms has an impact on innovation levels, but this may not be different from the impact of high-skilled locals;⁵ and
- the presence of migrants in a local labour market does not appear to affect the overall innovation practices of New Zealand firms.⁶

Many international studies do not clearly distinguish between permanent and temporary migration,⁷ yet recent New Zealand migration patterns have seen a large shift in favour of temporary work and student visas. Some argue that immigration and any resulting faster population growth can contribute to higher productivity by creating larger markets that are better able to specialise, bear the costs of innovation and exporting, and more rapidly transmit ideas and technologies.⁸ However, population growth is not always positive for productivity growth or wellbeing, and this is discussed further in part 4.

Questions

- 5 Through which channels has immigration contributed to New Zealand's productivity growth? What evidence is there of this impact?
- 6 Are there other channels for immigration to impact productivity growth that the Commission should consider?
- 7 Are there barriers to migrants fully contributing to New Zealand's productivity growth?

How can immigration policy support and promote wellbeing?

The Terms of Reference and the Productivity Commission Act 2010 ask the Commission to focus on the wellbeing of New Zealanders, "having regard to a wide range of communities of interest and population groups in New Zealand society". For the purposes of this inquiry, the Commission has interpreted this to mean the wellbeing of citizens and permanent residents who currently live in New Zealand. This means that the inquiry will not take into account the impacts of policy choices on prospective residents, except to the extent their wellbeing affects New Zealanders.

3 Boubtane, E., Dumont, J.-C., & Rault, C. (2016). Immigration and economic growth in the OECD countries 1986–2006. *Oxford Economic Papers*, 68(2), 340–360.

4 Sin, I., Fabling, R., Jaffe, A., Maré, D., Sanderson, L. (2014). *Exporting, innovation and role of immigrants*. [Motu Working Paper 14-15]. Motu Economic and Public Policy Research. http://motu-www.motu.org.nz/wpapers/14_15.pdf

5 McLeod, K., Fabling, R., & Maré, D. C. (2014). *Hiring new ideas: International migration and firm innovation in New Zealand* [Motu Working Paper No. 14–14]. Motu Economic and Public Policy Research. http://motu-www.motu.org.nz/wpapers/14_14.pdf

6 Maré, D. C., Fabling, R., & Stillman, S. (2011). *Immigration and innovation*. [Motu Working Paper No. 11–05]. Motu Economic and Public Policy Research. http://motu-www.motu.org.nz/wpapers/11_05.pdf

7 Dustmann, C., & Görlach, J.-S. (2016). The economics of temporary migrations. *Journal of Economic Literature*, 54(1), 98–136.

8 NZIER. (2012). *Grow for it: How population policies can promote economic growth* [NZIER Working Paper No. 2012/01]. https://nzier.org.nz/static/media/filer_public/22/52/225276fb-3492-4773-99b0-66424ccb0b7e/wp2012-01_grow_for_it.pdf

The wellbeing of New Zealanders and foreigners may not be mutually exclusive. For example, New Zealanders may not tolerate migration and employment settings that permit foreigners being treated badly. However, some other developed countries have effectively developed “two tier labour markets” through immigration policy, where migrant workers have fewer rights, a more tenuous connection to their host society, and few options to remain long term. Some have questioned whether New Zealand’s current treatment of some temporary workers already has these features.⁹

The Commission has also been asked to take a long-term view of prosperity, so future New Zealanders’ wellbeing is also important. We will consider the determinants of future wellbeing using indicators drawn from the four capitals. The most significant determinants are likely to be in the domain of social and natural capital, although in the short term the absorptive capacity of physical capital (and the conditions for generating local human capital) are likely to be important.

Figure 3 outlines the sorts of indicators that could be used to assess the impact of immigration on wellbeing. The Commission welcomes thoughts and advice on whether more or different indicators should be used.

Although the Commission will be prioritising the wellbeing of citizens and permanent residents in this inquiry, it is important to recognise that migrants and temporary workers are not just labour or economic inputs. They are people with their own hopes, dreams, needs and potential contributions to the richness of New Zealand society. They have rights conferred by domestic and international law that must be respected. When migrants come to New Zealand, they are entitled to be treated with the respect and dignity they deserve, and to be protected from exploitation.

The focus of the Commission in this inquiry is on immigration policy, *not* on immigrants themselves. If we make critical remarks, for example, in exploring impacts that might create winners and losers, or comparing short-term and long-term productivity outcomes, these remarks are about policy and its effects. In no way should they be interpreted as critical of individual migrants or migrant communities.

Question

8 Which factors matter most for assessing the impact of immigration on wellbeing? How can they best be measured?

Figure 3 Possible impacts of immigration on wellbeing

Treaty of Waitangi obligations
National sustainability – risk and resilience
Distribution – places, people and time

Social capital

Possible indicators:

- Social cohesion
- Civic engagement
- Demographics

Natural capital

Possible indicators:

- Environmental quality
- Greenhouse gas emissions

Physical/financial capital

Possible indicators:

- Savings and investment
- Absorptive capacity (housing, infrastructure)

Human capital

Possible indicators:

- Training and skills acquisition (levels, distribution)
- Aggregate levels
- Job matching and (under)employment
- Mental health
- Specialised knowledge

9 Treen, M. (2021, May 12). How can the broken immigration system be fixed? <https://businessdesk.co.nz/article/opinion/how-can-the-broken-immigration-system-be-fixed>

How can Te Ao Māori perspectives be applied when designing immigration policy?

Te Ao Māori refers to the Māori world view, which emphasises the interconnectedness and interrelationship of living and non-living things. Some¹⁰ have pointed to concepts from Te Ao Māori that could be relevant to immigration policy:

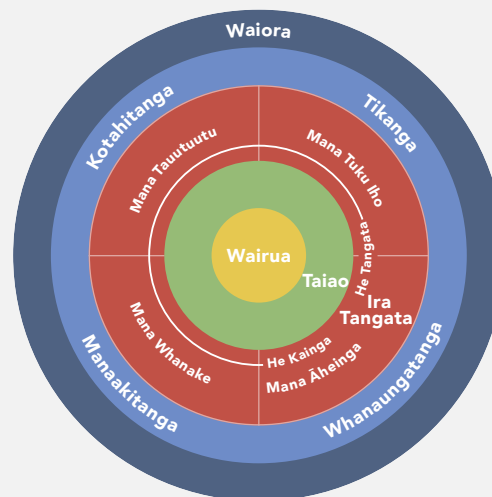
- **manaakitanga** – enhancing the mana of others through a process which “captures notions of mutual care and respect for people, honouring one another or power sharing, and the protection of our environments;”¹¹ and
- **rangatiratanga** – sovereignty, leadership, autonomy to make decisions, and self-determination.

Other concepts from Te Ao Māori that might be relevant are those expressed in the Treasury’s He Ara Waiora framework¹² and show consistency with the Commission’s proposed approach to looking at immigration. Alongside the broad objective of mana whanake (sustainable prosperity) are:

- **tikanga** – making decisions in accordance with the right values and processes, including in partnership with the Treaty partner;
- **whanaungatanga** – fostering strong relationships through kinship and/or shared experience that provide a shared sense of wellbeing;
- **mana āheinga** – aspirations and capability as an “end” in wellbeing, being able to make one’s own plans; and
- **mana tuku iho** – identity and belonging as an “end” in wellbeing, including the sense of place within a community.

Applying one or more of these concepts in immigration policy could have a number of implications. For example, an immigration policy that reflected manaakitanga might place more emphasis

Figure 4 Treasury’s He Ara Waiora framework



on making sure that new settlers were supported to successfully settle in New Zealand. If the community’s ability to provide pastoral care was limited, this might mean either a need for greater government support or management of migrant volumes.

Alternatively, an immigration policy which reflected rangatiratanga might involve a greater decision-making role for iwi and Māori over such things as volumes, the types of people New Zealand seeks to attract, immigration system objectives and implementation.¹³

Question

- 9 Which concepts within Te Ao Māori, or Māori perspectives or values, are most applicable to immigration policy and why? What would or should including these concepts, perspectives or values mean for immigration policy?

10 The Maori Party (2007b); Kukutai & Rata (2017).

11 Kukutai & Rata (2017, p. 41).

12 NZ Treasury. (2021). *He Ara Waiora*. www.treasury.govt.nz/information-and-services/nz-economy/higher-living-standards/he-ara-waiora

13 Flavell, T. U. (2009). Immigration Bill—In Committee. New Zealand Parliament. www.parliament.nz/en/pb/hansard-debates/rhr/document/49HansD_20090917_00001453/immigration-bill-in-committee; Kukutai & Rata (2017).

What is the experience of migrants in New Zealand's immigration system?

In thinking about how well the immigration system is performing, it is important to consider whether:

- migrants are able to work in jobs that match their skills and experience;
- wages and employment conditions are upheld and improved in workforces that hire migrants;
- migrants are able to navigate public services (eg, health, education, welfare if they are eligible) so that they can achieve their potential; and
- migrants have access to (and can understand) information that affects their long-term decision-making, including before they decide to migrate (eg, knowledge of the immigration system and the likelihood of gaining residence, the ability to have family join them from overseas, employment law and understanding the conditions of contracts).

In 2017, three-quarters of employed recent migrants reported that their current job matched or partly matched their skills and qualifications. This proportion was much higher for skilled principal applicants (about nine out of 10). Male, older migrants living in Auckland are also more likely to report having the right job (eight out of 10).¹⁴

90% of overseas-born (non-refugee) migrant school leavers who have been in the New Zealand education system for five years or more have gained at least an NCEA Level 2 qualification. This is higher than the domestic and the NZ-born children of migrants (81%).¹⁵

65% of recent migrants felt that New Zealand was their home "completely" (33%) or "a lot" (32%).¹⁶

New Zealand has a long history of settlement, aid, remittance and work visa policies that have affected opportunities for Pacific migrants and their communities. Migration from the early 1950s, in response to a policy to attract workers for the growing manufacturing and primary production sectors, preceded a swift change in treatment following an economic downturn in the 1970s. Pacific migrants were then notoriously targeted for deportation in what became known as "The Dawn Raids".

Residents of Realm countries (Tokelau, the Cook Islands and Niue) are New Zealand citizens and able to move freely (subject to COVID-19 travel arrangements), but other Pacific peoples have much narrower access to work opportunities in New Zealand. Actively applying manaakitanga to immigration policy could imply giving greater preference to New Zealand's neighbours across Te Moana Nui a Kiwa (the Pacific Ocean) who share whakapapa relationships.¹⁷

Research by MBIE suggests that workers on employer-assisted or student visas are most vulnerable to exploitation. MBIE is implementing a programme aimed at reducing temporary migrant worker exploitation. The objectives are to prevent the occurrence of exploitation, protect temporary migrants and enable them to leave exploitative employment, and enforce immigration and employment law.

Questions

- 10 What does the "successful settlement" of migrants mean to you, and what are the barriers to achieving it?
- 11 Do you think prospective migrants are given enough information to make long-term decisions and settle successfully? What other information could help, and how could their access to this information be improved?
- 12 How should New Zealand's special relationship with Pacific Island nations be reflected in immigration policy?

14 MBIE. (2018a). *Settling in New Zealand: Migrants' perceptions of their experience. Results from the 2012–2017 migrant surveys*. www.mbie.govt.nz/assets/c9490026c0/settling-in-New-Zealand-2017-v2.pdf

15 MBIE. (2019). *New Zealand migrant settlement and integration strategy: Outcome indicators 2018*. www.immigration.govt.nz/documents/employer-resources/2018-integration-strategy-outcomes-indicators.pdf

16 Ibid

17 Kukutai & Rata (2017).

Part 3

Assessing the performance of the immigration system

Are the objectives of New Zealand's immigration policies clear?

The Commission's analytical framework, based on the inquiry's Terms of Reference, concentrates on the effects that immigration has on productivity growth and a wide range of wellbeing factors. But immigration policy can serve a number of other purposes (eg, strengthening communities, being a good global citizen, nation building). This raises the questions of what the overall objectives should be for the immigration system and whether the Government should publicly express its objectives and priorities.

There is currently no single public statement of the Government's objectives and priorities for immigration. The purpose of the Immigration Act is to "manage immigration in a way that balances the national interest, as determined by the Crown, and the rights of individuals." In its most recent briefing to the Minister of Immigration, MBIE stated that the immigration system as a whole:

*"supports a range of economic, social and humanitarian objectives. Immigration settings need to balance impacts across these objectives, particularly the need to balance potentially negative impacts of immigration on the labour market with facilitating attraction of highly skilled workers and migrants filling genuine skill needs."*¹⁸

Within the system, each visa category has its own distinct set of objectives, which are expressed in the Immigration New Zealand operational manual. For example, the stated objective for student visas is "to contribute to New Zealand's sustainable economic development by:

- facilitating the entry of genuine students, with a focus on attracting and developing students who have the skills and talent New Zealand needs;
- increasing global connectedness;
- supporting the sustainable growth of export education capability;
- earning foreign exchange; and
- strengthening New Zealand education, while managing risk to New Zealand and maintaining social cohesion."¹⁹

The types of visas available and their objectives have changed over time, as Government policy has shifted and the immigration system has responded to different challenges. This means that the overall impact and focus of the immigration system is likely to have changed over time as well.

18 MBIE. (2020a, p.3). *Briefing for the incoming minister of immigration*. www.beehive.govt.nz/sites/default/files/2020-12/Immigration.pdf

19 Immigration New Zealand. (2021, p.U1). *Operational manual*. www.immigration.govt.nz/opsmanual/#35439.htm

A public statement of Government policy?

New Zealand's immigration rules and processes make up a regulatory framework. Effective regulatory systems have clear objectives, which can guide behaviour and allow performance to be measured.²⁰ Other regulatory systems either lay down these objectives in law or oblige the Government to issue public statements of its policy objectives and priorities. These requirements can help clarify expectations

and promote transparency and consistency. A clear statement of government objectives and priorities could also help encourage public debate over the role of immigration in promoting productivity, innovation, diversity, skill acquisition and other national goals. On the other hand, such requirements may constrain the Government's flexibility to respond to new developments.

Question

- 13 Would there be benefit in requiring the Government to publicly announce its policy objectives for the immigration system? How often should the Government be required to make such a statement?



20 New Zealand Productivity Commission. (2014). *Regulatory institutions and practices*. <http://productivity.govt.nz/sites/default/files/regulatory-institutions-and-practices-final-report.pdf>

How is the system currently arranged?

New Zealand's current immigration system is complex and changeable. There are various actors and decision-makers at different policy and operational levels, and migrants often seek help from specialist advisors in navigating the application process. These advisors may be licensed or exempt, as set out in the Immigration Advisers Licensing Act 2007. There are also unlicensed advisers operating illegally both within New Zealand and offshore.

Visa types, terms and conditions change frequently, and there is currently a large number of different

avenues to enter New Zealand to work. Summary versions of the current key visa pathways are outlined below.

Because this inquiry is about taking a long-term view and the immigration system is so changeable, the Commission has chosen not to focus on specific visa types in this paper, but instead to discuss the broad categories of people or characteristics that immigration systems tend to cater to or target.

These are discussed in more detail in the following sections.

Table 1 Key residence visa categories

Business/ skilled	Skilled migrant category (SMC)	Points-based system, with points awarded for age, qualifications, work experience and skilled employment or offer of employment in NZ.
	Residence from work	For people who have held a Talent (Accredited Employer) Work visa and have worked for an accredited employer for 2 years.
	Investors	Two categories: Category 1 requires investment of \$10m for 3 years. Category 2 is a points-based system that requires at least \$3m for 4 years.
	Entrepreneurs	For people who have successfully run a business in this country for 2 years that has benefited NZ.
Family	Partnership	For partners of NZ citizens and residents where there is a genuine relationship and the couple have lived together for 12 months.
	Parent	For parents of NZ citizens and residents who have resided as residents for at least 3 years. Parents must be able to support themselves.
	Dependent child	Dependent children up to 24 years of age of NZ citizens or residents.
International/ humanitarian	Samoaan quota	Applicants who are citizens of Samoa can be granted residence through a ballot provided they have a job in NZ.
	Pacific access	Applicants who are citizens of target countries can be granted residence through a ballot provided they have a job in NZ.
	Refugees	Includes Refugee Quota, Refugee Family Support Categories, Refugee and Protection, and Refugee Emergency.
	Other	Includes victims of domestic violence, ministerial direction, Christchurch Response (2019).

Table 2 Key temporary visa categories

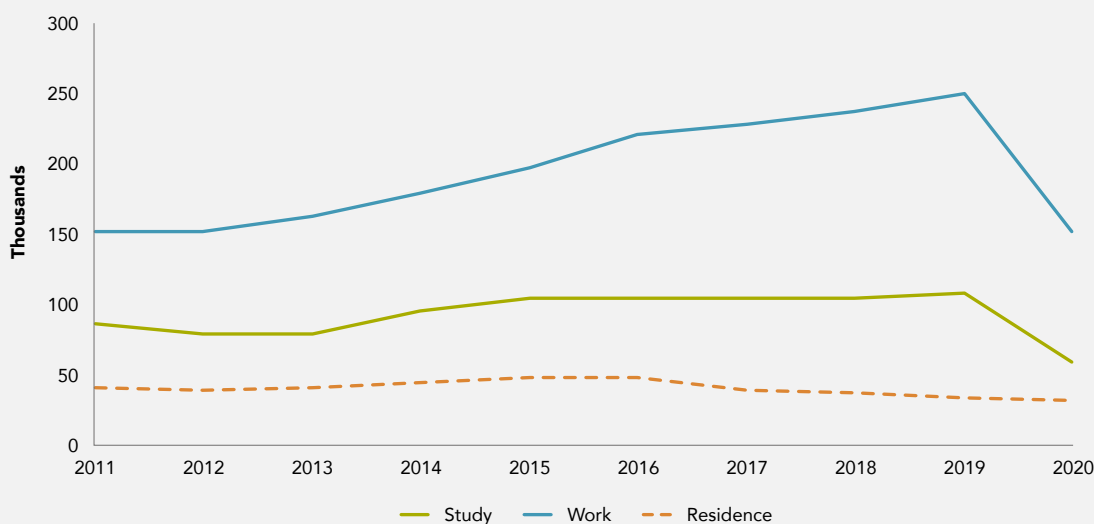
Work	Essential skills	Migrants can be granted a visa if the job is on the skill shortage list or the employer can demonstrate through a labour market test that there are no suitable domestic workers available to train, and that they are paying the market rate. Changes in 2020 introduced a bright-line median wage threshold to replace the previous skill/salary definition of low skilled.
	Work to residence	Temporary visa options that provide a pathway to residence status providing a migrant worker can stay in prescribed fulltime employment for at least 24 months. There were three main pathways: Work to Residence – Long-Term Skill Shortage List; Work to Residence – Talent (Arts, Sports and Culture); and Work to Residence – Talent (Accredited Employer). However, a new residence pathway for migrant workers is being developed and rolled out for those paid at least 200% of the NZ median wage.
	Recognised seasonal employer	Seasonal work in horticulture and viticulture. Employers must be accredited. Visa granted for up to 7 months in any 11-month period for citizens of eligible Pacific and southeast Asian nations. Citizens of Tuvalu and Kiribati who also live there can stay an extra 2 months. Capped.
	Post-study work	Open work visa of 1-3 years depending on the qualification previously studied on a student visa.
	Working holiday schemes	Available to young people, usually aged 18–30, but 18–35 in a select few countries. Allows travel and ability to work in New Zealand for up to 12 months, or 23 months if you are from the UK or Canada. NZ has 45 schemes, 13 are uncapped.
	Specific purpose	Facilitates entry for a specific purpose or event where there is no risk of negative impact on opportunities for NZ citizens or residents. Common purposes include: entertainers, actors, musicians and support staff; sports people; seconded business people; installers of equipment.
	Partner of a NZ citizen or resident	For partners of NZ citizens and residents where there is a genuine relationship. Can work fulltime in any employment.
	Partner of a worker or student	The partners of some workers and some student visa holders are able to obtain an open work visa for the same length as their partner's visa. No requirements to have lived together prior to the application.
Student	Dependent students	For dependent children of workers. Must be in compulsory education and in some cases their parents must earn over a threshold.
	International students	International students can be granted a visa provided they have an offer of place at an NZ institution that is signatory to the Code of Practice, sufficient funds to support themselves, and meet any course prerequisites. Most tertiary students are allowed to work 20 hours per week while they study and fulltime during semester breaks.
	Other students	For example, exchange students, dependents of NZ citizens.

Source: MBIE (2020). Introduction to the immigration system – Data and evidence.

Notes: 1. Most categories are not currently active for offshore applicants due to the border closure in response to COVID-19.

2. 'Residence' is not the same as 'permanent residence'. People granted residence visas must spend the majority of two consecutive years within New Zealand and meet their other visa conditions, or risk losing their residence. Permanent residents can enter and leave New Zealand without restriction.

Figure 5 Visa approvals, 2011-20



Source: MBIE's Migration data explorer.

Note: The graph presents the number of visas approved in each calendar year. It does not indicate the number of people migrated to New Zealand under each visa category.

How does New Zealand immigration policy help to achieve labour market goals?

Migrants can make a valuable contribution to the communities they move to by increasing New Zealand's human capability. They can enhance the local economy by bringing valuable skills, practical know-how, connections, and knowledge of their country that lower the costs of trade and help boost exports.

Our temporary migration system is focused on filling immediate skills gaps in the local workforce. However, there are also pathways to residence based on filling skills shortages.

Over half of the temporary workers on an Essential skills visa obtained New Zealand residence immediately after the end of their work visa.²¹

There is no clear distinction between skills shortages and labour shortages. The former may indicate a need for skills only available overseas, or for which New Zealand has not yet trained sufficient people. The latter may indicate employers not making jobs sufficiently attractive to appeal to New Zealand applicants.

For the purposes of this section, we have adopted the ANZSCO definitions to define skill levels (see below) and have adopted the language of 'skills shortage' to reflect the current system. We explore labour shortage issues in later sections.

²¹ MBIE. (2018b). Migration trends 2016/17. www.mbie.govt.nz/assets/Uploads/c22ab0c547/migration-trends-2016-17.pdf. 2006-07 to 2011-12 cohorts combined.

Filling skills shortages on a temporary basis

One of the explicit objectives of the system is to ensure that the wages and conditions of New Zealand workers are not undermined.²² This is based on an underlying principle of giving priority to New Zealand's existing labour force. Several changes have been made to the immigration system in recent years to reflect this principle.

However, even if New Zealanders are given priority, there will be cases when there is a lag between businesses needing workers to fill certain positions and ensuring they have the skills, experience and are in the location to be able to fill those jobs.

Under the current system, most migrant workers (excluding working holidaymakers or students with work rights) will either need to be working in an occupation on the skills shortage list, or work for an employer that has passed a labour market test.

Changes to the temporary work visa programme are currently underway that are intended to make settings more responsive to changes in labour market conditions, and increase the attractiveness of migrant-dependent jobs to domestic workers.

What is a labour market test?

Labour market tests were previously administered on a case-by-case basis. Immigration officers had to be satisfied that employers had made a genuine attempt to attract and recruit suitable New Zealanders, and that New Zealand residents or citizens were not available for the work.

Recent changes have been agreed by Cabinet to allow for regional variations, making it easier for employers to hire migrants in regions and jobs where fewer New Zealanders are available, and tougher for employers in cities and regions where there are more New Zealand job seekers. These changes will also strengthen the level of evidence required for employers wanting to hire migrants in lower-paid occupations.²³

How is high-skilled and low-skilled work defined?

There have been some concerns that over recent years, New Zealand's temporary migration system has been attracting migrants with low skill levels.

4 out of 10 Essential skills visa approvals in 2019 were for "low-skilled" roles (ANZSCO skill levels 4 and 5).²⁴

Over 10 000 people obtained an Essential skills visa in 2019 to work in the "low-skilled" occupations of: dairy cattle farm worker, retail supervisor, aged or disabled carer, personal care assistant, builder's labourer, sales assistant and commercial housekeeper.²⁵

High-skilled migrants will typically add more to New Zealand's human capital and support higher productivity growth than low-skilled migrants. Yet both high-skilled and low-skilled migrants can fill jobs that make domestic workers more productive. It is possible to overcome some job shortages via innovation and/or automation. Scope to do this is typically, but not always, greater with low-skilled jobs.

Previously, Immigration New Zealand has used the Australian and New Zealand Standard Classification of Occupations (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.

²² Immigration New Zealand (2021, p. W1)

²³ Office of the Minister of Immigration. (2019). *Cabinet paper: A new approach to employer-assisted work visas and regional workforce planning: Paper one — Employer gateway system and related changes*. www.mbie.govt.nz/dmsdocument/7007-a-new-approach-to-employer-assisted-work-visas-and-regional-workforce-planning-paper-one-employer-gateway-system-and-related-changes-proactiverelase-pdf

²⁴ NZPC calculations using MBIE's Migration data explorer.

²⁵ Ibid.

There have been concerns that ANZSCO is a blunt tool for indicating the skill levels of individual workers. The Government has recently made changes so that ANZSCO has been replaced with a simple remuneration threshold set at the median wage. The terminology has also changed from high skilled/low skilled to high paid/low paid.

What is the skills shortage list?

The skills shortage list is not based on whether an occupation is “low skilled” or “high skilled” (however defined), but whether an employer is struggling to get workers to meet demand. The skills shortage list replaces the need for employers with sustained shortages to go through repeated labour market tests, thereby reducing costs and hassles for them.

There are three skills shortage lists:

- a long-term shortage list (where there is a sustained and ongoing shortage of high-skilled workers both globally and throughout New Zealand);
- a regional shortage list; and
- a construction and infrastructure shortage list.

These lists of occupations are reviewed annually by MBIE. The occupations that are on the list are decided according to information provided by affected industries, employers, unions and other interested parties (eg, occupational licensing bodies).

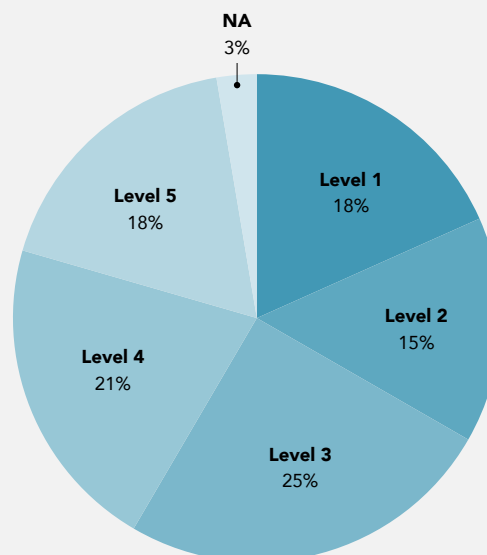
Workers with skills on a skills shortage list usually find it easier to obtain temporary work visas and some resident visas.

How skills are recognised when applying for residence

To qualify for a visa under the Skilled migrant category (currently under review), applicants have to reach a minimum of 160 points under the points system. To understand how much weight is given to different factors, here are some examples – not a definitive list – of how points are awarded (points are cumulative):

- current skilled employment or offer of skilled employment in New Zealand (50 points);
- skilled employment or offer of skilled employment in an area of absolute skills shortage (10 points);
- high remuneration (20 points);
- points for skilled work experience (10–50 points); and
- bonus points for skilled work experience in New Zealand in an area of absolute skills shortage (10–15 points).

Figure 6 Skilled workers by ANZSCO level of skills, 2019 approvals



Source: NZPC calculations using MBIE's migration data.

The Recognised seasonal employer (RSE) scheme

The RSE scheme allows the horticulture and viticulture industries to recruit workers from overseas for seasonal work if they cannot get New Zealanders to do the work. Although RSE workers are technically temporary workers, the objectives of this policy are slightly different from other temporary work visas.

These include objectives to:

- allow horticulture and viticulture businesses to supplement their workforce when labour demand exceeds the available New Zealand workforce and employers have made reasonable attempts to train and recruit New Zealanders;

- promote best practice in the horticulture and viticulture industries to support economic growth and productivity of the industry as a whole, while ensuring that employment conditions are protected and supported;
- encourage economic development, regional integration and good governance within the Pacific;
- ensure workers recruited under these instructions are adequately paid and financially benefit from their time in New Zealand; and
- ensure outcomes which promote the integrity, credibility and reputation of the New Zealand immigration and employment relations systems.

A concern that has been raised about the RSE scheme is that there may be other more effective ways of meeting these objectives.

Questions

- 14 Currently, most employers have an obligation to prioritise the New Zealand labour force before recruiting temporary migrants. Do you agree with this obligation? Why or why not?
- 15 If not, are there alternative obligations employers should have if they wish to recruit temporary migrant workers?
- 16 What evidence, if any, should employers have to provide to prove they have made sufficient efforts to recruit New Zealanders?
- 17 Previously, ANZSCO has been used to define "high" and "low"-skilled jobs. Should immigration policy differentiate between "high" and "low"-skilled jobs? Is there a better way of defining skill levels?
- 18 What is the best way to identify workforce or skills shortages?
- 19 Prior to the pandemic, was the current system working effectively to address skills shortages while prioritising the employment of New Zealanders and ensuring the wages and conditions of New Zealand workers were not undermined? What evidence can you provide?

How does immigration policy strengthen international business connections?

Wealthy investors can gain residence if they invest a certain amount in the country

One of the ways the immigration system can support productivity growth is through encouraging investment in innovation and exports. The objective of providing a residence pathway to overseas investors is to attract financial capital to local firms or government.

Residence can be granted to migrant investors who invest \$10 million over at least three years (Investor 1 category), or \$3 million over at least four years, with some additional requirements (Investor 2 category).

These additional requirements include points for:

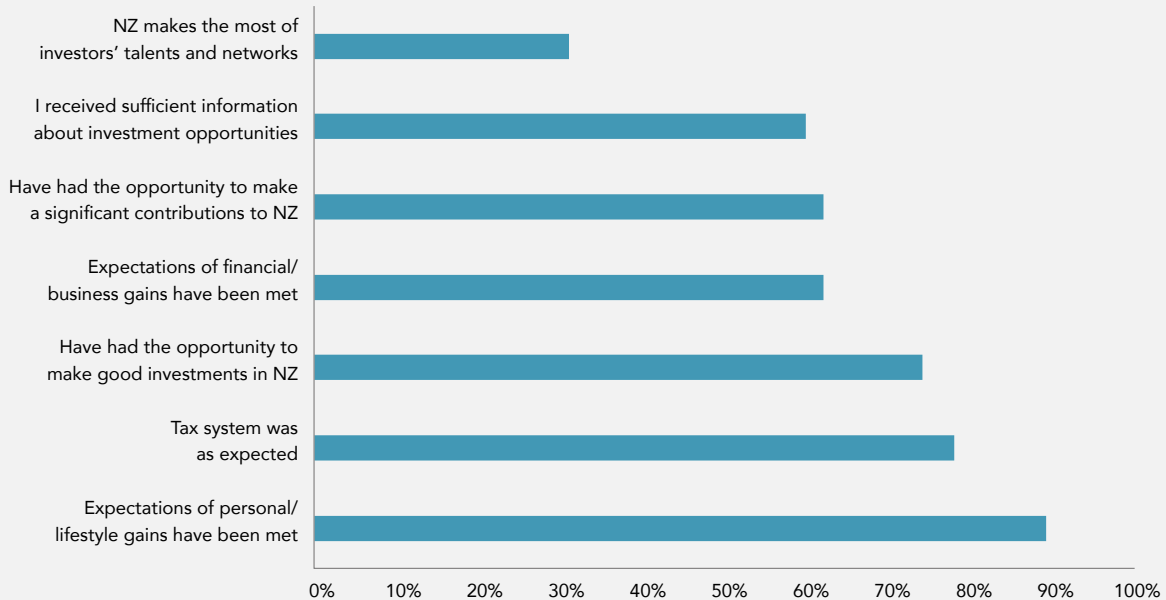
- years of business experience;
- amount invested;
- English language proficiency;
- age; and
- growth investments.

The nature of the Investor category visas has changed over time. In 2016, the amount of investment required for an Investor 2 visa doubled.

In 2016, of 650 Investor category visa holders, the top three sectors they invested in were:

1. Sovereign bonds (33%)
2. Corporate bonds (34%)
3. Listed equity (14%).²⁶

Figure 7 Investor migrants' experience in New Zealand, 2013-14



Source: MBIE (2014). Investor migrant research 2013-14: Summary of findings.

26 MBIE (2016). Migrant Investor Category application data-mining project highlights.

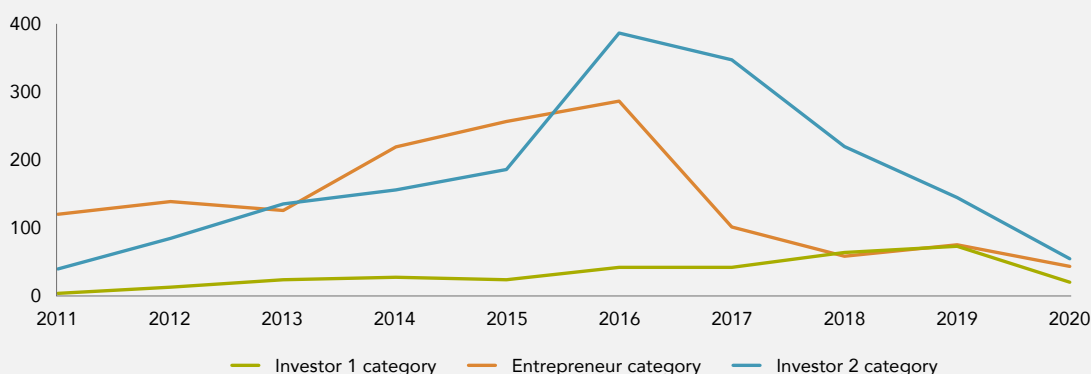
Entrepreneurs can set up or buy a business in New Zealand and gain residence if their business is successful

An Entrepreneur work visa allows migrants to move to New Zealand and buy or establish a business. They can apply for residence under the Entrepreneur residence category after either six months or two years, depending on the level of investment (at least \$500 000), whether it has created fulltime jobs, or whether it has significantly benefited New Zealand.

A business is considered to add significant benefit to New Zealand if, for example, it:

- introduces new, or enhances existing, technology, management or technical skills; or
- introduces new, or enhances existing, products or services; or
- creates new, or significantly expands existing, export markets; or
- creates sustained and ongoing fulltime employment for one or more New Zealand citizens or residents; or
- revitalises an existing New Zealand business that has led to significantly increased financial performance; or
- introduces productivity-enhancing spillover benefits or increased capacity utilisation (such as significant net new job creation).

Figure 8 Investor and entrepreneur residence visa approvals, 2011-20



Source: MBIE's Migration data explorer.

Questions

- 20 How successful have the Investor or Entrepreneur category visas been to date in generating value for New Zealand? How could this value be increased?
- 21 How should immigration policy acknowledge the fact that investment and entrepreneurship are inherently risky and that some efforts will not succeed?
- 22 What criteria (if any) do you think should apply to investor visas in terms of: level of investment, type of investment, duration of investment and obligations to New Zealand?
- 23 What criteria (if any) should apply to migrants wanting to establish or buy a business in New Zealand? How often should the business be reviewed against these criteria?

How does New Zealand’s immigration policy help to achieve international education goals?

Some international students are able to work while studying here, and some are able to work here for a limited time after graduating.

International education is the fifth largest export sector in New Zealand. International students come to study at our universities, as well as polytechnics and training establishments.

There has been some concern that many of these visas have been issued for poor quality programmes aimed at the work rights they confer, or as a pathway to residence. For example, the Skilled migrant category awards extra points towards residence if the applicant completed a certain amount of fulltime study towards a New Zealand qualification. It might also be easier for migrants to have their qualifications recognised overall if they are gained in New Zealand.

Before 2018, there had been concerns about the large number of students enrolled in private training establishments. Changes were made to the visa system in 2018 to create a sharper distinction between levels of qualifications, making it more difficult for students to gain permanent residence if they come from lower level tertiary programmes or do not have advanced English language skills.

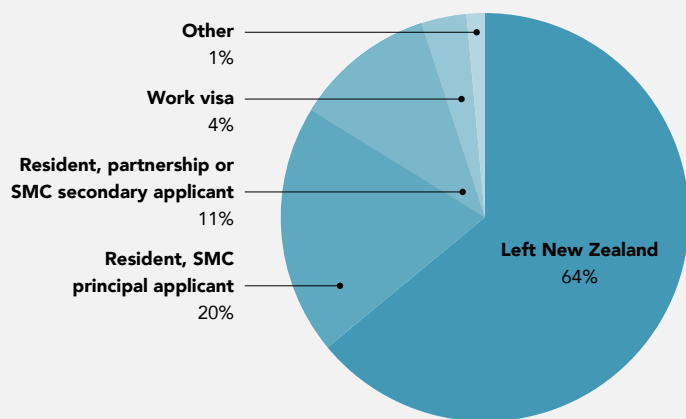
Post-study work visas allow students to work up to one year in New Zealand if they graduate at sub-degree (vocational) level, and up to three years for graduates at university level or higher.

Post-study work visas have been a significant recent contributor to the stock of temporary migrant worker numbers.

The top three sectors/occupations that international students work in while studying are:

1. Accommodation and food services
2. Education and training
3. Retail trade.²⁷

Figure 9 Status of former students 5 years after they left study



Source: MBIE (2018). Immigration and labour market outcomes of international tertiary students.

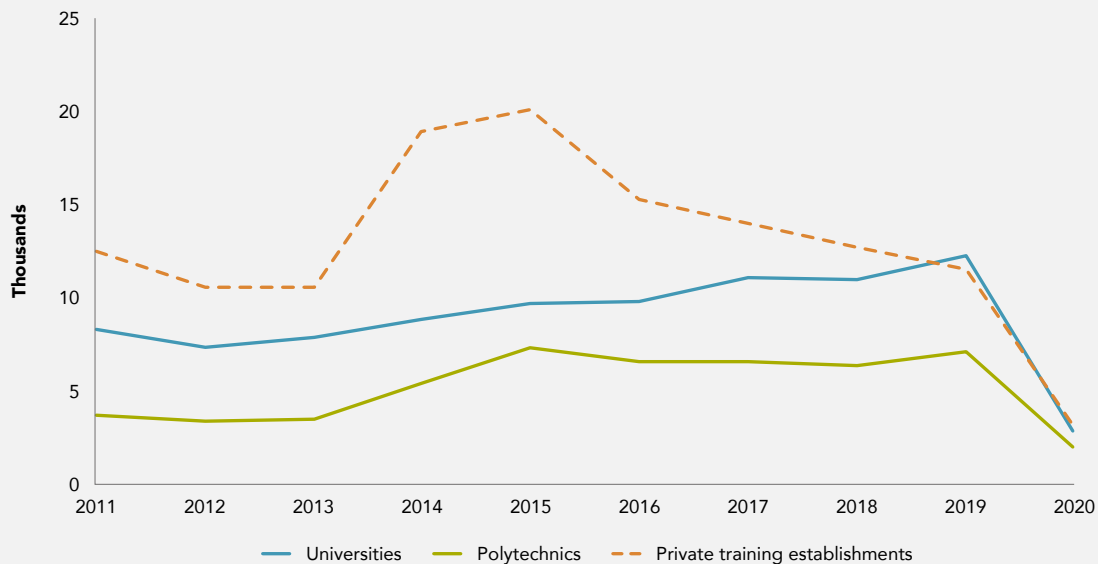
Of the international tertiary students who left study in 2010-11, the top three sectors they work in five years after they leave study are:

1. Accommodation and food services
2. Retail trade
3. Professional, scientific and technical services.²⁸

* Excludes "other industries"

27 Universities New Zealand. (2021, April). *Working While Studying: Longitudinal trends 2009-2019*.

28 MBIE. (2018c). *Immigration and labour market outcomes of international tertiary students*. www.mbie.govt.nz/dmsdocument/11260-immigration-and-labour-market-outcomes-march-2018

Figure 10 First-time international students by institution type, 2011-20

Source: MBIE's Migration data explorer.

Questions

- 24** Are the current criteria for obtaining post-study work rights satisfactory? What criteria should be added or removed (and on what basis)?
- 25** To what extent should international students have rights to work in New Zealand?
- 26** Should visa applicants who have gained a New Zealand qualification receive a special preference for residence?
- 27** Should there be any restrictions on the kinds of sectors or occupations students can work in during or after study? Why, or why not?
- 28** Should the level or nature of qualifications that students are studying affect work rights during or after study? Why, or why not?

What benefits do working holiday schemes provide?

New Zealand makes international arrangements to allow young people to work and holiday here.

Working holiday schemes are arranged between countries to allow visitors to explore the country while engaging in some work. It gives visitors the opportunity to get a feel for the country, the people and the work opportunities. The schemes can also help New Zealand achieve benefits in trade and foreign relations, and help employers fill temporary or seasonal worker shortages.

On the other hand, there are some concerns that working holidaymakers could be competing with New Zealanders for jobs.

97% of those who were on a working holiday visa left the country before the end of their visa. The rest mostly obtained student visas or residence (as a skilled migrant or family member).²⁹

Most of the time, the relationships between the countries are reciprocal: New Zealand welcomes visitors overseas in exchange for New Zealanders being able to complete their own overseas experience. However, this is not always the case.

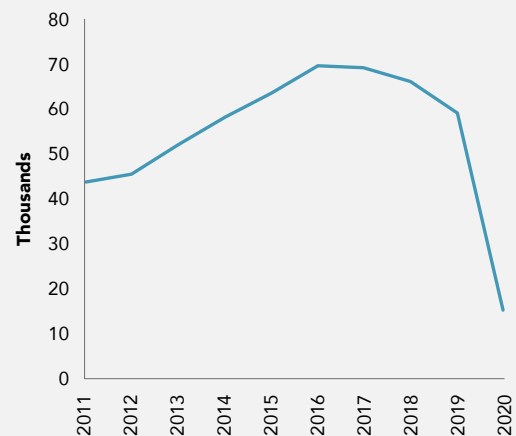
Working visas are available to young people, usually aged 18–30, but 18–35 in a select few countries. They let visitors travel and work in New Zealand for up to 12 months, or 23 months for visitors from the UK or Canada. In order to qualify for the 23-month visa, applicants need to prove they are fit and healthy by providing a general medical certificate.

New Zealand has agreed working holiday schemes, including:

- 31 countries with a specific annual cap on visas issued; and
- 14 countries with no cap on visas issued.

* The US scheme is based on a unilateral offer by New Zealand and has no reciprocal scheme.

Figure 11 Working holiday visa approvals, 2011-20



Source: MBIE's Migration data explorer.

The number of working holiday visas is not comparable with other visas as most of the working holidaymakers arrive in New Zealand in summer. For instance, the stock of working holidaymakers was 30 272 and 32 756 at the end of June 2016 and 2017, respectively.³⁰

Questions

- 29** What should the objectives of working holidays schemes be (eg, fill temporary labour shortages, enhance international connections, encourage reciprocal overseas work opportunities for New Zealanders, attract longer-term migrants)? How well are the current schemes delivering on these objectives?
- 30** Do you think the number and set of countries New Zealand has agreed working holiday schemes with is set at the right level?

²⁹ MBIE (2018b). 2006–07 to 2011–12 cohorts combined.

³⁰ MBIE (2018b).

How should policy settings consider migrants' families?

Partners of migrants

Many migrants – especially those who have gained residence – bring their families with them to New Zealand, including partners and dependent children. The ability to bring family members into New Zealand is generally more limited for temporary migrant workers.

Having family in New Zealand obviously matters for the wellbeing of migrants, and can be an important factor in the decision to move to New Zealand in the first place.

But partners of skilled migrants are much more likely to report problems finding work compared to other groups of migrants. This is despite the fact that spouses/partners of skilled principal applicants tend to be well educated.

In 2016, only 45% of spouses/partners of principal skilled applicants were employed in jobs that matched their skills and qualifications.³¹

Twenty-five percent of residence approvals in the last 10 years were approved under the Partnership Category. This ratio has increased in the last few years, reaching 34% in 2020.

Also, 1.8% of residence approvals were approved under the Parent category in the four years before the closure of this category in 2016. This ratio was about 10% in 2011-12.³² In 2016, there was a reduction in the annual cap of individual visas granted in this category annually from 5 500 to 2 000 and the suspension of assessment for new Expression of Interests (EOIs). Enough EOIs had already been selected for assessment to enable Immigration New Zealand (INZ) to meet the cap in 2016-17 and 2017-18.



31 Carey, D. (2019). *Improving well-being in New Zealand through migration*. [OECD economics department working paper No. 1566]. [www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=ECO/WKP\(2019\)35&docLanguage=En](http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=ECO/WKP(2019)35&docLanguage=En)

32 NZPC calculations using MBIE's Migration data explorer.

Parents of migrants

Migrants who hold residence or citizenship have been able to reunify their family by sponsoring their parents to join them in New Zealand. This was designed to attract and retain skilled, high-contributing migrants.

The principle of the sponsorship approach has been to minimise potential costs to the taxpayer, by making the sponsor responsible for the living and accommodation costs of the parent(s) that may be incurred over an initial 10-year sponsorship period. During this time, parents are able to access the public health system. To be eligible for NZ Superannuation, parents must have been “normally resident” in New Zealand for 10 years – and there is currently a Bill before Parliament to extend this to 20 years.

The Parent category has been also designed to minimise costs to the taxpayer by requiring an acceptable standard of health and English proficiency.

Parents might contribute economically by taking care of grandchildren, allowing parents in skilled work to continue in their jobs.

What do other countries do?

United Kingdom: has a “dependent adult” category for parents that depend on their child for day-to-day activities. The sponsor is responsible for financially supporting the parent without claiming public funds for at least the first five years of stay in the UK.

United States: citizens can petition for their parents to become permanent residents.

Canada: has a sponsorship model, where the applicant must provide assurance that their accommodation and living costs can be met without reliance on state support for 20 years.

Australia: sponsorship model, ranging from four years to 10 years depending on the visa type. There is a “non-contributory” and “contributory” pathway to residence. The non-contributory visa has a lower application charge but a longer processing time.

Questions

- 31 What are the barriers that partners of migrants face in finding work?
- 32 Should the immigration system give more weight to the skills and employability of partners? Are there other factors that should be given more weight?
- 33 Do immigration settings for family visas (eg, parents, dependent children) have a material impact on a migrant’s decisions to come to and stay in New Zealand?

Who else might New Zealand need? How else might we get the skills and talent we are after?

The right skill mix?

Is the immigration system targeting the skills New Zealand needs to support higher future productivity growth? In a recent inquiry report, the Commission noted that New Zealand needs to attract and retain specific types of people to grow globally competitive firms. This would include “migrants with needed expert research and technical skills, as well as entrepreneurs, investors and experienced business leaders.”

The Government has experimented with new visa types to target “high impact” individuals, such as the Global Impact Visa. But international competition for these people is stiff, and immigration rules are only one factor in their decisions to move countries.

How else might New Zealand get the skills and talents it needs?

Immigration is one response to job and skill vacancies. Other responses include firms:

- training existing staff;
- changing job terms and conditions to make them more attractive;

- identifying and recruiting prospective New Zealand graduates (eg, internships);
- working together to develop common training programmes and build clearer career paths; and
- redesigning jobs and business processes, or introducing new technologies to get the relevant work done.

Education and training providers could also be encouraged to take a more active role in responding to skill gaps identified through the immigration system.

Greater reliance on local talent and more use of technology could help improve New Zealand’s resilience against external shocks to the labour market, such as pandemics. Relatively easy access to foreign labour may discourage firms from making these changes, some of which may boost productivity. On the other hand, some firms may be relying on immigration because they lack confidence in the quality and responsiveness of training providers or in the availability and reliability of technology. Many New Zealand firms are small and may lack the capacity to effectively engage with the training system. For their part, training providers may not be able to make enough money from some courses or find it difficult to get firms and industry involved in their development.

Another source of skills, talent and international connections is New Zealand’s overseas-based citizens. The New Zealand diaspora is more highly-educated than the New Zealand-resident population, and some are likely to have gained specialised skills working overseas.³³

Questions

- 34 What more can immigration policy do to attract specialist “high-impact” people? What other complementary policy changes might be needed?
- 35 What effect has access to migrant labour had on training, job conditions and technology adoption by firms? What other factors explain firm practices? How can the Government support firms to change their practices?
- 36 How responsive to skills gaps is the education and training system? Are there policy changes that could improve its responsiveness?
- 37 How can New Zealand best leverage the diaspora to enhance productivity growth?

Part 4

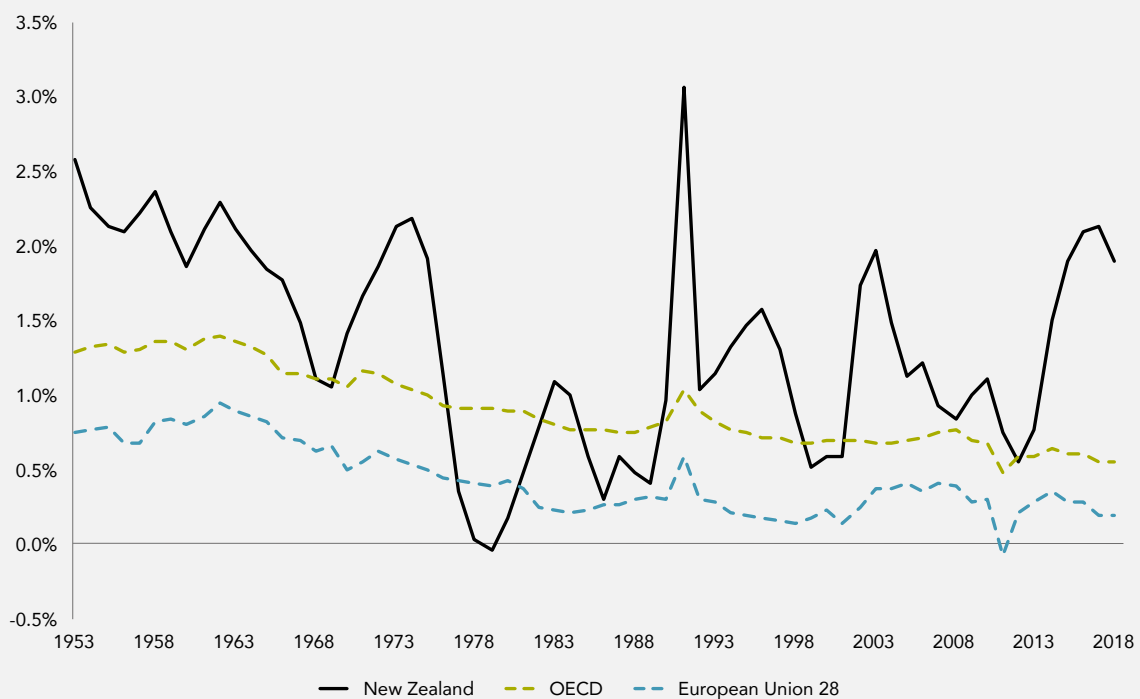
Preparing for a future New Zealand



How should immigration policy consider population changes?

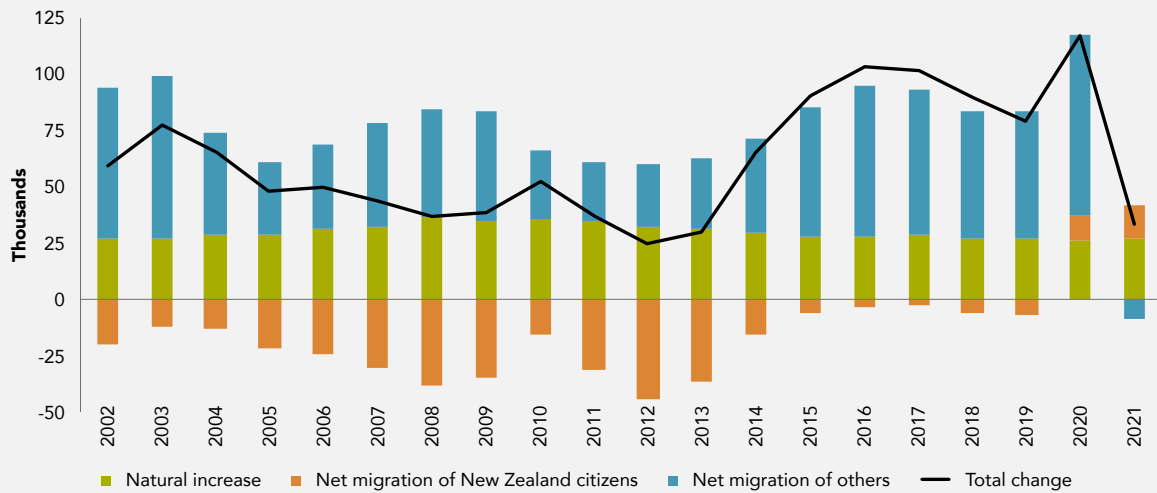
New Zealand's population has grown at a faster rate than those of many other developed countries. While most policies have demographic impacts, New Zealand does not have an explicit population policy, or any specific strategies for achieving or influencing overall population numbers or rates of growth.

Figure 12 Annual growth rate in total population, 1953-2018



Source: OECD (2021). Population data.

Figure 13 New Zealand population change

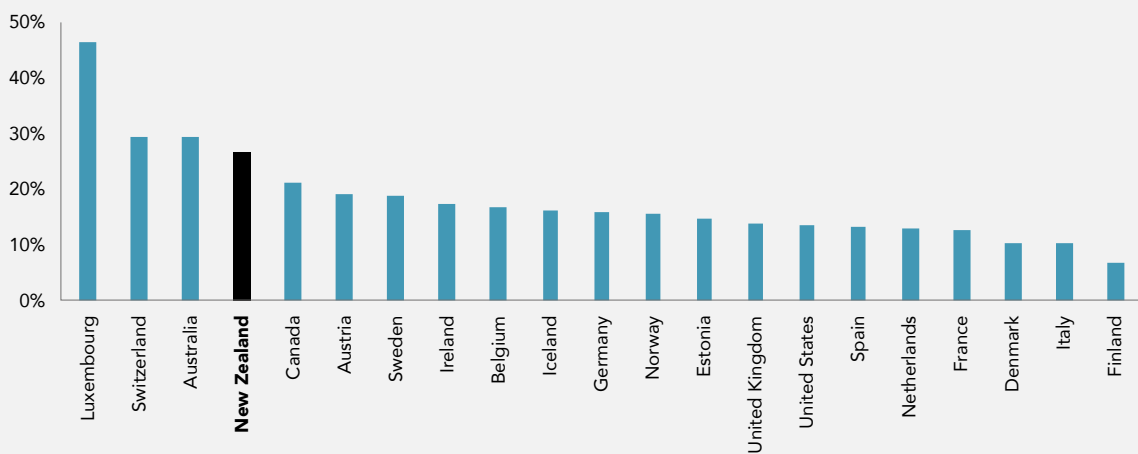


Source: Stats NZ (2019). International migration estimates extended back to 2001; Stats NZ (2021). Estimated Resident Population Change by component; Stats NZ (2021). International migration: March 2021.

Immigration has been a major – but not the only – contributor to New Zealand’s population growth.

One result of this is that New Zealand has one of the highest shares of residents born overseas in the OECD.

Figure 14 Proportion of foreign-born population across selected OECD countries, 2018



Source: OECD (2020). International migration outlook 2020.

Notes: 1. Foreign-born residents are all persons who have ever migrated from their country of birth to their current country of residence, including those born national abroad. This includes the children of New Zealand diaspora that have returned to New Zealand.
2. Data for Canada is for 2017.

Rapid population growth has costs and benefits:

- bigger, larger markets can support more firms, more competition, a wider range of goods and services and more specialisation;
- bigger populations and markets may be better able to meet the fixed costs of public services, innovation and infrastructure;
- population growth may put pressure on the environment, leading to its deterioration; and
- if infrastructure supply and management is weak, population growth may lead to congestion and rising housing costs.

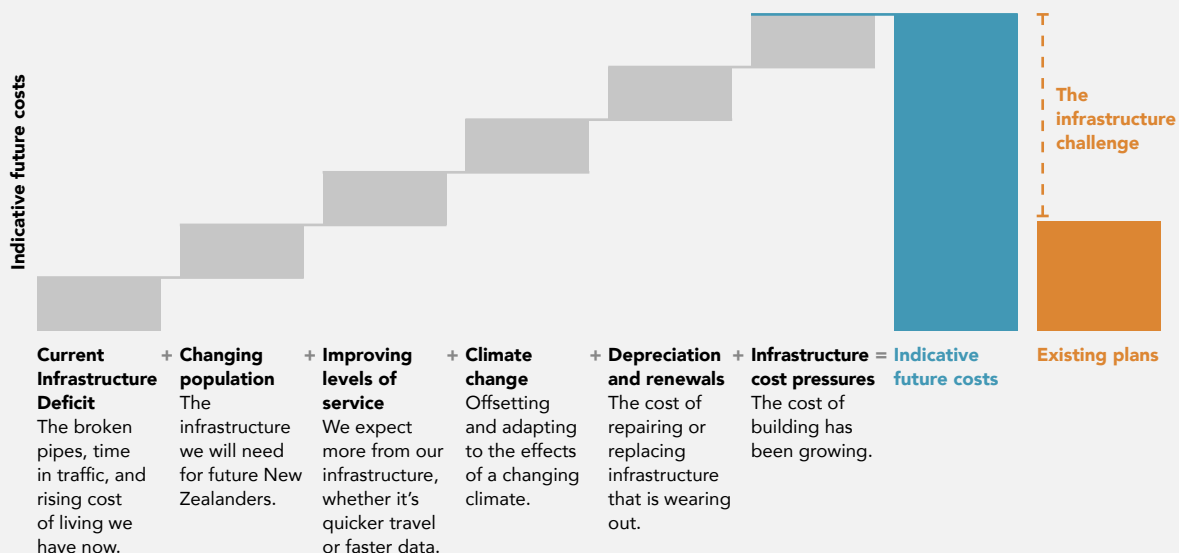
Key issues

New Zealand has small markets, with limited competition and scale. New Zealand’s small size has been cited by the OECD as constraining income growth.³⁴

Like other developed countries, New Zealand has an ageing population. This means the costs of public services and entitlements like superannuation will fall on a smaller share of the population in the future. Immigration, especially where it targets younger working-age people, can help ease some of these pressures, at least for a while.

New Zealand faces a substantial infrastructure deficit and large future infrastructure costs, although population growth only explains part of these future pressures. The Infrastructure Commission has recently proposed a number of changes to improve the quality and responsiveness of infrastructure provision, such as better demand management.³⁵

Figure 15 Future infrastructure cost pressures

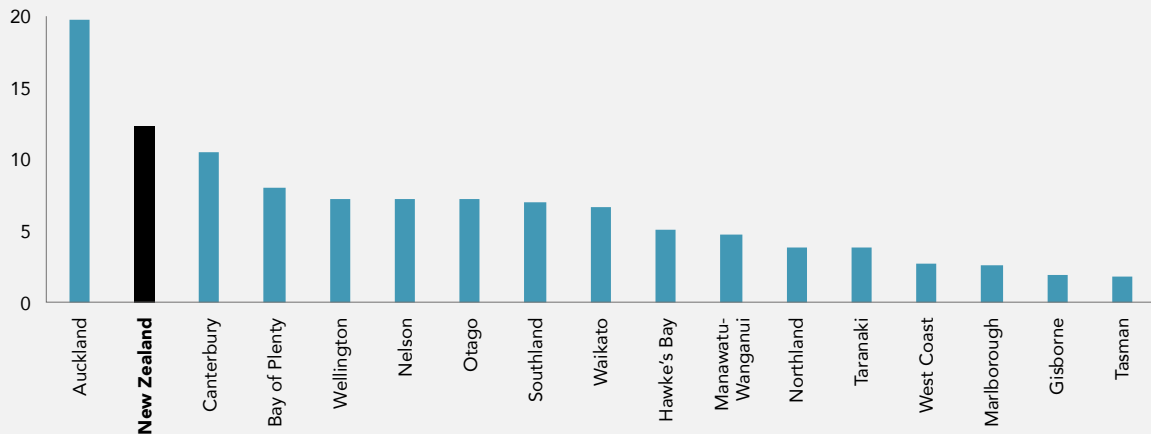


Source: Infrastructure Commission (2021). He Tuapapa ki te Ora: Infrastructure for a better future.

34 OECD. (2017). *OECD Economic Surveys: New Zealand 2017*. https://doi.org/10.1787/eco_surveys-nzl-2017-en

35 New Zealand Infrastructure Commission. (2021). *He Tuapapa ki te Ora: Infrastructure for a better future*. <https://infracom.govt.nz/assets/Uploads/Infrastructure-Strategy-Consultation-Documents-May-2021.pdf>

Figure 16 Net migration of non-New Zealanders, per 1 000 resident population by region, average June 2013-18



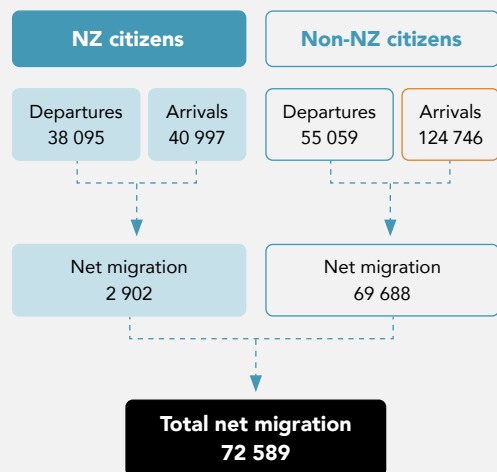
Source: NZPC calculations using Stats NZ data (2021). Estimated resident population for regional council areas; Estimated migration by direction, citizenship and NZ area.

Some parts of New Zealand have experienced faster population growth – and hence higher housing and infrastructure pressures – than others. Auckland has been a particularly popular destination for international migrants, although there has been a net outflow of residents to other regions in recent years.³⁶

New Zealand has some of the most expensive housing (relative to income) in the OECD, and house prices are particularly sensitive to population growth. Some research suggests that changes in the net migration of New Zealanders have had a larger impact on house prices than arrivals of foreign migrants.³⁷ However, this finding is contested³⁸ and, even if true, it may not be the case in the future.

The Government does not control the entry or exit of New Zealand or Australian citizens, and net migration by New Zealanders is one of the main sources of volatility in annual population growth rates.

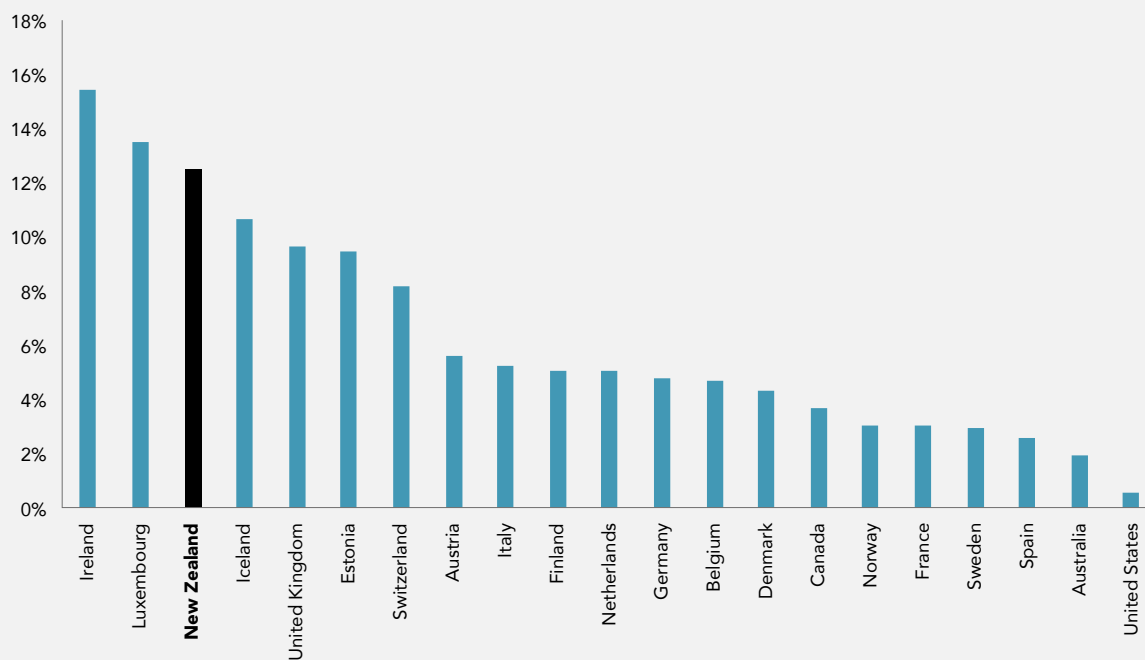
Figure 17 Net international migration, year ended December 2019



This is the only flow that can be controlled through visa settings

Source: Based on Stats NZ data (2021). Estimated migration by direction and country of citizenship.

36 Cochrane, D. B., & Poot, P. J. (2016, p.34). *Past research on the impact of international migration on house prices: Implications for Auckland*. University of Waikato.
 37 Stillman, S., & Maré, D. C. (2008). *Housing Markets and Migration: Evidence from New Zealand*. <https://doi.org/10.22004/AG.ECON.292651>
 38 McDonald, C. (2013). *Migration and the housing market*. www.rbnz.govt.nz/research-and-publications/analytical-notes/2013/an2013-10; Cochrane & Poot (2016).

Figure 18 OECD countries' diaspora, percentage of the resident population, 2015-16

Source: OECD (2019). OECD Economic Surveys: New Zealand 2019.

New Zealand has one of the largest diasporas (ie, citizens living overseas) as a proportion of its population in the OECD. The New Zealand diaspora numbers over half a million people.³⁹ Citizens have the legal right to return to New Zealand whenever they want (once the current COVID-19 restrictions have been lifted).

There is limited information on the impacts of population growth on other factors, such as environmental quality.

Questions

- 38** Which costs and benefits of population growth are most important? Why?
- 39** What policy changes could help increase the benefits and reduce the costs of population growth?
- 40** Could or should the Government use immigration policy (eg, visa conditions to settle in specific places) to ease pressures in some regions? If so, what would be the best way?

³⁹ Carey (2019, p. 8).

How should volumes be managed?

All countries that welcome immigration set limits of some form on the numbers and types of people that are allowed in, and on the length of time they can stay.

In New Zealand, the Government has traditionally set minimum and maximum limits (“the planning range”) on the number of people who will be granted permanent residence over a certain period. For 2018-19, the planning range was set at 50 000–60 000 visas. The aim of this limit is to regulate the flow of foreign nationals into New Zealand, prioritise among applicants and provide consistency.

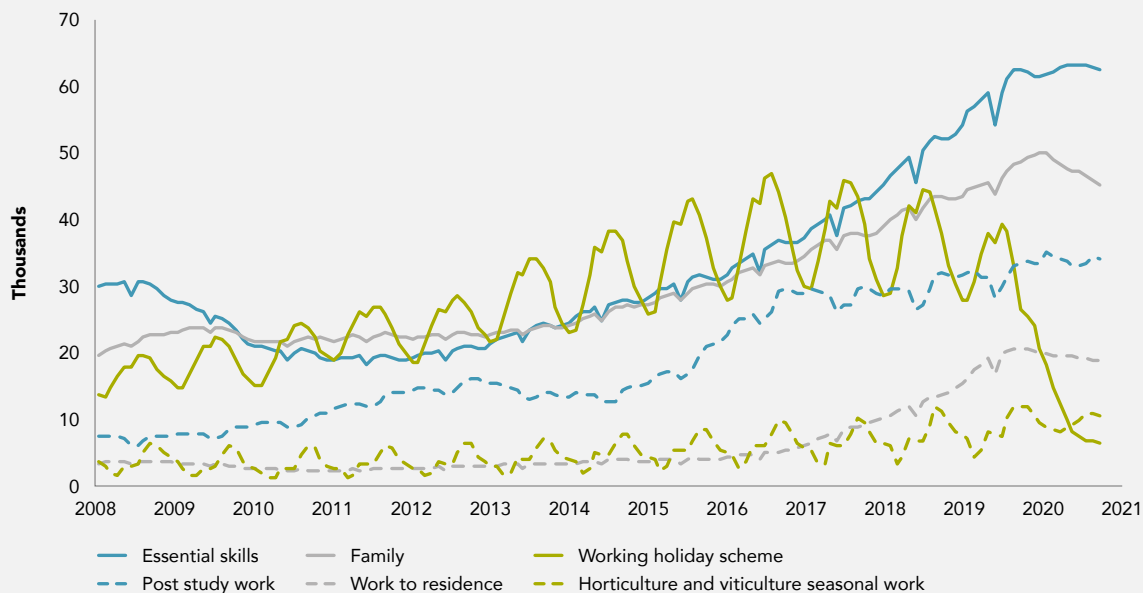
The number of temporary workers is not limited. Partly as a result of this, New Zealand has experienced a large growth in temporary worker numbers.

There are various ways to regulate the numbers and types of foreign citizens entering the country with work rights, for example:

- set numerical limits (eg, like the planning range);
- manage flows by changing eligibility criteria (eg, age, incomes, qualifications, intentions);
- charging the individuals or their employers a levy or price (eg, as happens in Singapore); or
- a combination of the above.

Previous approaches do not seem to have given explicit consideration to the ability of the community, economy or environment to successfully absorb new entrants.

Figure 19 Stock of temporary workers by key visa types, 2008-21



Source: MBIE’s Migration data explorer.

Critics of limits on migrant volumes argue that immigration is an important tool for reducing global poverty, and can help developing countries to manage the costs of an ageing local population. They also argue that even very large immigration flows in the past seem not to have led to foreigners replacing locals in jobs overall.⁴⁰

However, these arguments are not universally accepted, and large-scale immigration may have other impacts (eg, on social cohesion, population growth leading to housing and infrastructure pressures or environmental degradation). These other impacts may offset any benefits from immigration, or be concentrated in particular communities.

Questions

- 41** Should the Government regulate the numbers of people given permanent residence? How and why?
- 42** Should the Government regulate the total number of people with temporary work rights? How and why?
- 43** If the Government does regulate volumes of permanent residents or temporary migrants, what should it be trying to achieve (eg, stabilising population, managing pressures on housing and infrastructure demand)? How feasibly can the Government achieve these goals through immigration policy?

⁴⁰ Legrain, P. (2007). *Immigrants: Your country needs them* (1st Princeton ed.). Princeton University Press; Caplan, B. D., & Weinersmith, Z. (2019). *Open borders: The science and ethics of immigration* (First edition).

We would like to hear from you

Make a submission

We welcome information and comment on any or all of the questions in this issues paper.

How to submit?

Anyone can make a submission. It can be a short note or a more substantial document. Submissions are welcomed until **24 December 2021**.

Why submit?

Your insights will help us to understand issues and identify useful research to make decisions and recommendations.



www.productivity.govt.nz/have-your-say/make-a-submission